ALTEO Nyrt.
consolidated and separate

Annual Report

for the Fiscal Year
2024

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Consolidated Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság and its consolidated subsidiaries

for the fiscal year ended on December 31, 2024
in accordance with the International Financial Reporting Standards as adopted by the EU

These financial statements consist of 84 pages.

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Explanation of the abbreviations used in the financial statements:

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

ESEF INFORMATION

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

I NUMERIC REPORTS OF THE FINANCIAL STATEMENTS

Consolidated statement of income for the year 2024 regarding the comprehensive income in the full reporting period

I.1 Comprehensive income in the whole reporting period

Comprehensive income in the whole reporting period (Negative values are denoted by parentheses)	Note	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Revenues	**1.**	**105 388 839**	**98 954 327**
Material expenses	2.	(69 670 551)	(63 869 082)
Personnel expenses	3.	(10 821 703)	(7 876 310)
Depreciation and amortization	9.	(5 542 189)	(4 268 473)
Other revenues, expenses	4.	(6 562 159)	(8 315 929)
Capitalized own production	5.	713 758	538 566
Operating profit or loss		**13 505 995**	**15 163 099**
Finance income	6.	1 929 136	6 245 001
Financial expenses	6.	(2 463 564)	(5 525 471)
Financial profit/loss	6.	(534 428)	719 530
Profit or loss before taxes		**12 971 567**	**15 882 629**
Income tax expenses	7.	(3 347 512)	(3 120 515)
Net profit or loss		**9 624 055**	**12 762 114**
Of which the owners of the Parent Company are entitled to:	20.6	9 624 055	12 797 396
Of which the minority interest is entitled to:	20.6	-	(35 282)
Base value of earnings per share (HUF/share)	34.	**484,80**	**644,75**
Diluted value of earnings per share (HUF/share)	34.	**482,86**	**642,07**
EBITDA	33.	**19 048 184**	**19 431 572**

I.2 Other comprehensive income

Other comprehensive income in the whole reporting period (Negative values are denoted by parentheses)	Note	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Other comprehensive income (after income tax)		**3 865 117**	**(4 458 269)**
Effect of cash flow hedges on other comprehensive income	*20.4*	1 476 093	(3 240 310)
Reclassification into profit or loss due to the closing of cash flow hedge	*20.4*	2 389 024	(1 217 959)
Of which the owners of the Parent Company are entitled to:	*20.4*	3 865 117	(4 458 269)
Of which the non-controlling interest is entitled to:	*20.4*	-	-
Total Comprehensive income		**13 489 172**	**8 303 845**

The notes constitute an integral part of the financial statements.

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

I.3 Consolidated statement of financial position for 31 December 2024

Consolidated Statement of Financial Position - Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Non-current assets		**60 205 130**	**43 572 926**
Property, plant and equipment	9.	48 122 263	35 108 875
Intangible assets and developments	9.	5 539 127	2 705 370
Operation contracts	9.	-	799 504
Rights of use	9.	2 898 152	2 431 769
Goodwill	9.	2 278 557	1 019 181
Deferred tax assets	8.	-	335 537
Long-term deposits given	11.	1 367 031	1 172 690
Current assets and assets held for sale		**37 858 398**	**48 404 853**
Inventories	13.	1 299 529	989 904
Trade receivables	14.	13 084 541	10 863 760
Emission allowances	15.	1 586 718	1 051 198
Other financial assets	16.	3 381 967	4 164 457
Other receivables and accruals	17.	8 181 142	6 827 020
Income tax receivables	7.	122 603	163 434
Cash and cash equivalents	18.	10 201 898	24 345 080
TOTAL ASSETS		**98 063 528**	**91 977 779**

The notes constitute an integral part of the financial statements.

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

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Consolidated Statement Of Financial Position - Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Equity		**39 463 998**	**33 854 114**
Equity attributable to the shareholders of the Parent Company		**39 463 998**	**33 810 529**
Issued capital	20.1	249 140	247 534
Share premium reserves	20.2	6 696 062	6 174 087
Reserve for share-based payments	20.3	(2 237 648)	(1 885 811)
Hedge reserve	20.4	1 476 093	(2 389 024)
Retained earnings	20.5	33 280 351	31 663 743
Non-controlling interest	20.6	-	43 585
Long-term liabilities		**27 885 512**	**28 653 389**
Debts on the issue of bonds	21.	12 701 604	12 658 274
Long-term loans and borrowings	22.	7 838 416	9 579 949
Finance lease liabilities	23.	2 438 052	2 160 081
Deferred tax liabilities	8.	933 556	825 573
Provisions	24.	2 359 302	1 221 555
Deferred income	25.	908 285	847 847
Other long-term liabilities	26.	706 297	1 360 110
Short-term liabilities		**30 714 018**	**29 470 276**
Short-term loans and borrowings	22.	1 448 762	1 703 817
Short-term finance lease liabilities	23.	766 008	530 566
Advances received	27.	2 145 859	29 281
Trade payables	28.	8 701 733	3 404 049
Other financial liabilities	29.	-	3 138 813
Short-term provisions	24.	133 971	-
Other short-term liabilities and accruals	30.	17 182 650	17 900 512
Income tax liabilities	7.	335 035	2 763 238
TOTAL EQUITY and LIABILITIES		**98 063 528**	**91 977 779**

The notes constitute an integral part of the financial statements.

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

I.4 Consolidated Statement of Cash Flows for the year 2024

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2024 HUF thousand	12/31/2023 HUF thousand restated*
Profit or loss before taxes		**12 971 567**	**15 882 629**
(Interest income) and interest expenses, net	6.	422 613	(1 055 636)
Depreciation and amortization of fixed assets and intangible assets	9.	5 542 189	4 268 473
Recognition (reversal) of impairment of current assets in profit or loss	4.	151 228	(174 608)
Provisions recognized (released)	24.	602 839	(26 210)
Deferred income increase (decrease)	25.	60 438	(185 388)
Share-based payments recognized against equity	20.3	-	(10 594)
Net cash-flow of business activity without change in current assets		***19 750 874***	***18 698 666***
Change in inventories	13.	(371 648)	916 665
Changes in emission allowances	15.	(535 520)	470 142
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(3 203 371)	19 477 208
Change in other financial assets	16.	1 763 994	2 378 317
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	3 745 611	(16 415 257)
Financial settlement of particular ESOP liabilities	35.	(854 499)	-
Advances received (final settlement)	27.	2 116 578	(1 469 973)
Taxes paid	7.	(5 629 686)	(2 095 938)
Cash flow from business activities (use of funds)		**16 782 333**	**21 959 830**
Interests received on deposits and investments	6.	801 878	3 132 340
Government grants	25.	1 226 745	455 803
Purchase of production and other machinery, and intangible assets	9.	(14 412 106)	(9 449 931)
Acquisition of subsidiary (not including cash and cash equivalents)	32.	(5 871 732)	(1 114 338)
Revenue from the sale of production and other machinery, and intangible assets	9.	8 314	932
Repayment (lending) of long-term loans or deposits given	11.	(194 341)	(203 088)
Cash flow of investment activities (cash outflow)		**(18 441 242)**	**(7 178 282)**
Interest paid on bonds and loans	21., 6.	(1 274 356)	(1 478 843)
Long-term loans and borrowings received, financial liabilities assumed (repaid)	22.	(3 235 064)	(3 555 108)
Lease liabilities capital repayment	23.	(208 297)	(476 083)
Capital increase, purchase of own shares	20.1	-	(1 129 143)
Transactions in own shares	20.3	-	(68 953)
Acquisition of minority interest	20.6	(144 894)	-
Dividend payment	20.5	(7 728 075)	-
Cash flow from financing activities (cash outflow)		**(12 590 686)**	**(6 708 130)**
Changes in cash and cash equivalents		**(14 249 595)**	**8 073 418**
Opening cash and cash equivalents	18.	**24 345 080**	**16 465 328**
Exchange rate difference of cash and cash equivalents	18.	106 413	(193 666)
Closing cash and cash equivalents	18.	**10 201 898**	**24 345 080**

The notes constitute an integral part of the financial statements.

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

**See the information on restated figures in Section II.5.3.*

I.5 Consolidated statement of changes in equity for the period ending on December 31, 2024

Data in HUF thousand	Issued capital	Share premium reserves	Reserve for share-based payments		Hedge reserve	Conversion reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.						
**Reference for the various notes*	20.1	20.2	20.3		20.4	20.5	20.5		20.6	
January 1, 2023	**249 066**	**6 573 148**	**(322 802)**	**(1 136 742)**	**2 069 245**	**-**	**19 170 998**	**26 602 913**	**84 949**	**26 687 862**
Implementation of employee share award through shares	24	5 518						5 542		5 542
Acquisition of own shares	(5 201)	(1 123 942)	271	45 765				(1 083 107)		(1 083 107)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss			(552 218)				552 218	-		-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred			866 672				(866 672)	-		-
Recognition of share benefits against profit or loss								-		-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP Organization cash and cash equivalents spent on operation and costs		(8 682)	8 077				2 874	2 269		2 269
ESOP (2020-2022) 2021 dividend transfer to beneficiaries		(63 145)						(63 145)		(63 145)
Shares transferred to ESOP organization	3 645	791 190		(794 835)				-		-
Other participation-related transactions										
Minaqua Kft. absorption capital settlement							(1 055)	(1 055)		(1 055)
Acquisition of ECO-FIRST Kft. participation							6 082	6 082	(6 082)	-
Re-entry of ECO-First Kft. prescribed dividend into profit or loss							1 900	1 900		1 900
Aggregate amount of rounding difference				1			2	3		3
Comprehensive income					(4 458 269)		12 797 396	8 339 127	(35 282)	8 303 845
December 31, 2023	**247 534**	**6 174 087**	**-**	**(1 885 811)**	**(2 389 024)**	**-**	**31 663 743**	**33 810 529**	**43 585**	**33 854 114**
Dividend payment (approval)							(7 972 590)	(7 972 590)		(7 972 590)
Inclusion of the ESOP Organization in consolidated reporting										
Shares transferred to ESOP Organization for the implementation of ESOP Programs	5 671	1 601 386		(1 607 057)				-		-
IFRS 2 vested benefit settlement Through the ESOP Organization (ESOP 2024)	(3 192)	(974 428)		977 620				-		-
Szikra, ESOP 2025 Program share repurchase	(873)	(276 728)		277 601				-		-
ESOP Founder's assets forfeited dividend							41 078	41 078		41 078
ESOP Founder's assets dividend		197 119						197 119		197 119
FE-Group Invest Zrt. minority interest profit carryover							(75 935)	(75 935)	75 935	-
FE-Group Invest Zrt. minority interest consolidation		(25 374)						(25 374)	(119 520)	(144 894)
Aggregate amount of rounding difference				(1)				(1)	-	(1)
Comprehensive income					3 865 117		9 624 055	13 489 172	-	13 489 172
December 31, 2024	**249 140**	**6 696 062**	**-**	**(2 237 648)**	**1 476 093**	**-**	**33 280 351**	**39 463 998**	**-**	**39 463 998**

The notes constitute an integral part of the financial statements. Negative values are denoted by parentheses.

The amount of issued capital is different from the value registered at the registry court. Differences are presented in Note 20.1 to the Separate Financial Statements.

II GENERAL INFORMATION, SIGNIFICANT ACCOUNTING POLICIES AND THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

II.1 Statement of IFRS compliance

The management declares that the consolidated financial statements for the year 2024 were prepared according to the best of the management's knowledge in accordance with the International Financial Reporting Standards as adopted by the EU, giving a true and fair view of the assets, liabilities, and financial position of the Group as the Company, as well as of its profit and loss, and cash flows. Furthermore, the management declares that its consolidated financial statements for the year 2024 provide a true and fair view of the situation, development and performance of the Company, outlining main risks and uncertainties. The management made this declaration in full awareness of its responsibility.

II.2 The activity of ALTEO Group

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

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

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

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

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

The 2024 results confirmed the soundness of ALTEO's strategy and the success of the investments of the past period. Despite falling electricity prices, the Company realized a revenue of HUF 106 billion, which is 7% up from 2023, while the consolidated EBITDA decreased slightly and the Group's net profit after tax by 25%.

Thanks to its diversified portfolio, well-established risk management measures, fast reaction time, profitable strategic investments, and outstanding professional staff, ALTEO continues to be profitable, remains on a sound financial footing despite a less favorable price environment, and is committed to long-term sustainable growth.

II.3 ALTEO Group

II.3.1 Group members, group structure

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

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

The publicly issued shares of the Company are quoted on the Budapest Stock Exchange; the closing rate of the shares on the last trading day of 2024 (on December 30) was HUF 4,050, the annual trading volume in 2024 amounting to 2,113,477 shares in the value of HUF 8,157 million.

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

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

On September 10, 2024, a change occurred regarding one of ALTEO's majority shareholders. Lead Ventures Alapkezelő Zrt. took over control of Riverland Private Equity Fund (Riverland Magántőkealap, owner of 24.60% of ALTEO's shares) from Indotek-Investments Alapkezelő Zrt.

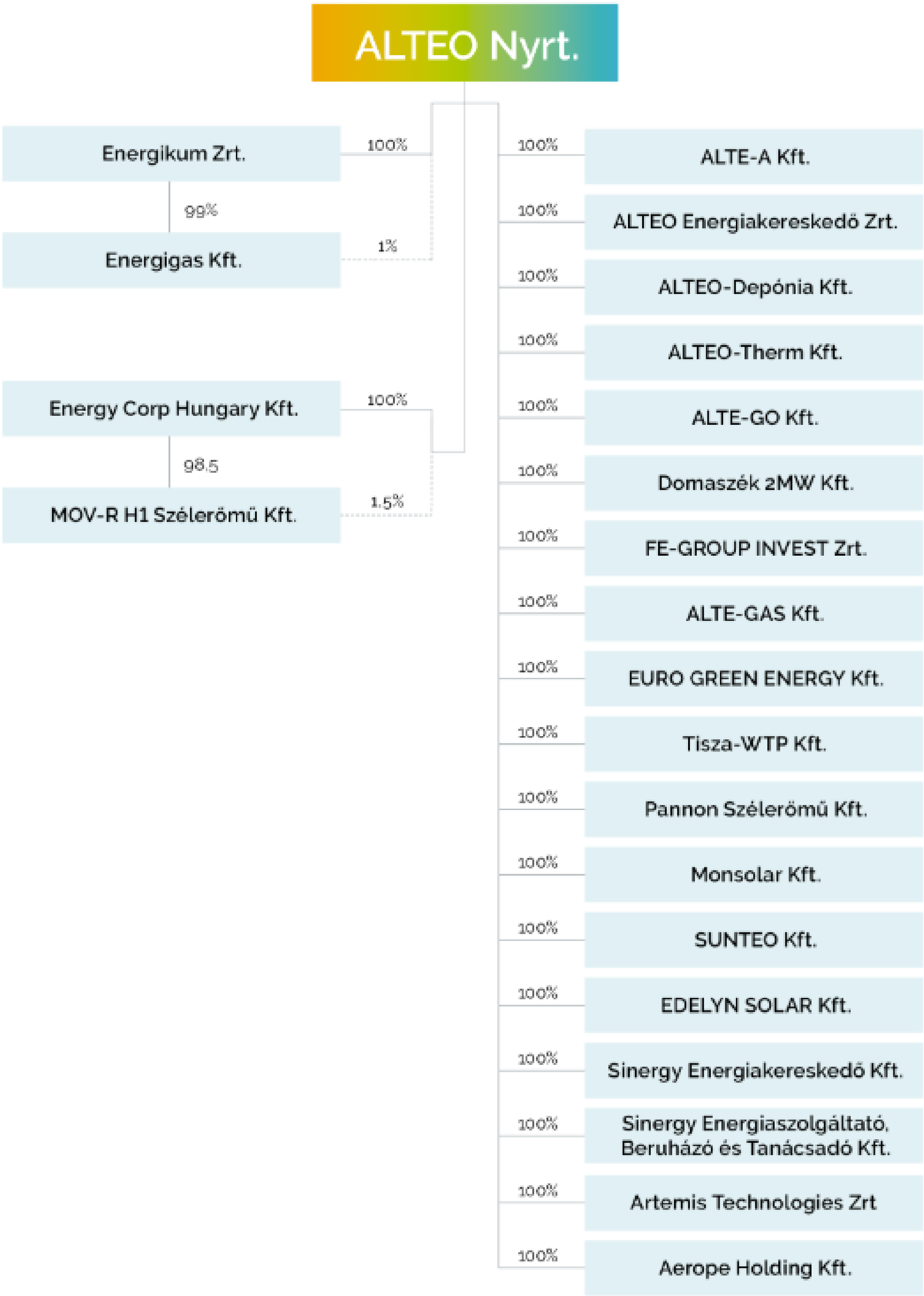
Majority shareholders of ALTEO Nyrt.:

– MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28.; company registration number: Cg.01-10-046154)
– Riverland Private Equity Fund (registered office: H-1026 Budapest, Pasaréti út 122-124. 19314961-2-41)
– Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25.; tax number: 19315357-2-41).

Ownership structure of the Parent Company based on the share register as at December 31, 2024:

Shareholders according to the share register on December 31, 2024	Quantity (of shares)		Face value (HUF thousand) (Section 20.1)		Ownership ratio (%)	
	2024	2023	2024	2023	2024	2023
MOL RES Investments Zrt.	4 902 536	4 902 536	61 282	61 282	24,60%	24,60%
Riverland Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Főnix Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Board of Directors, Supervisory Board, and Executive	380 071	383 053	4 751	4 788	1,91%	1,92%
Repurchased own shares	245	128 783	3	1 610	0,00%	0,65%
ALTEO ESOP Organization	943 387	814 849	11 792	10 186	4,73%	4,09%
Free float	3 900 164	3 897 183	48 752	48 715	19,57%	19,55%
TOTAL	**19 931 474**	**19 931 474**	**249 143**	**249 143**	**100,00%**	**100,00%**

ALTEO Group organization and structure at reporting date:



Consolidated Financial Statements of ALTEO Nyrt. for 2024 Data in HUF thousand

Disclosure on Subsidiaries

The laws of Hungary are to be applied to the subsidiaries of the Group.

Group companies Name	Note	Registered office	Scope of activities	Ownership acquisition date	Acquisition of participation Legal title	Control % 12/31/2024	Control % 12/31/2023	Amount of equity (HAS) 12/31/2024	Amount of revenue (HAS) 12/31/2024
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Aerope Holding Kft.	5	H-1033 Budapest, Kórház utca 6-12.	Other professional, scientific and technical activities	2024.12.11	Purchase	100%	-	16 899	-
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	asset management	2011.08.02	Founding	100%	100%	6 339	-
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	electricity and gas trade	2011.12.05	Founding	100%	100%	673 347	40 896 059
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production	2008.10.01	Founding	100%	100%	129 796	236 073
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production, e-mobility services	2015.05.04	Purchase	100%	100%	(215 356)	198 600
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	2009.12.31	Purchase	100%	100%	3 628 952	19 694 998
ARTEMIS Technologies Zrt.		H-1033 Budapest, Kórház utca 6-12.	Information technology consultancy	2024.11.14	Founding	100%	-	4 488	-
Domaszék 2MW Naperőmű Kft.	6	H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2017.12.04	Purchase	100%	100%	89 465	135 359
ALTE-GAS Kft.	3	H-1033 Budapest, Kórház utca 6-12.	Treatment and disposal of non-hazardous waste	2019.06.25	Purchase	100%	100%	16 704	98 097
Edelyn Solar Kft.		H-1033 Budapest, Kórház utca 6-12.	business and other consultancy activities	2022.07.21	Purchase	100%	100%	27 191	439 007
Energigas Kft.	2	H-1033 Budapest, Kórház utca 6-12.	electricity production (biogas)	2023.05.25	Purchase	100%	100%	(91 584)	936 878
Energikum Zrt.	1	H-1033 Budapest, Kórház utca 6-12.	business and other consultancy activities	2023.05.25	Purchase	100%	100%	338 699	-
Energy Corp Hungary Megújuló Energia Hasznosító Kft.	7	H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2024.10.01	Purchase	100%	-	1 051 860	99 000
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2019.05.28	Purchase	100%	100%	1 328 039	1 963 076
FE-Group Zrt.		H-1101 Budapest, Sírkert utca 2-4	wholesale of waste and scrap, recycling	2022.09.09	Purchase	100%	75,10%	625 102	6 292 061
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.	8	H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2024.10.01	Purchase	100%	-	994 707	1 252 778
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2020.10.14	Purchase	100%	100%	1 823 058	1 484 214
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity trading	2015.05.04	Purchase	100%	100%	1 068 514	50 593 049
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (hydropower plant)	2015.05.04	Purchase	100%	100%	520 045	447 016
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	2013.01.30	Founding	100%	100%	566 354	1 004 713
Tisza-WTP Kft.	4	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	2015.05.04	Purchase	100%	100%	101 735	2 303 876

Comments:		
companies:		
Energikum Zrt.	1	Energikum Zrt. acquisition of 100% of shares
Energigas Kft.	2	Energigas Kft. acquisition of 99% of the business quotas through the acquisition of Energikum Zrt.
ALTE-GAS Kft.	3	Eco-First Kft. acquisition of the 33.33% minority business quota 2023, change of company name 2024
Tisza-WTP Kft.	4	100% of shares, entity disclosed as a lease asset, consolidated by Mol Petrochemicals Zrt. as a 100% shareholding in its consolidated report
Aerope Holding Kft.	5	Acquisition of 100% interest in Aerope Holding Kft.
ARTEMIS Technologies Zrt.	6	Establishing ARTEMIS Technologies Zrt.
Energy Corp Hungary Megújuló Energia Hasznosító Kft.	7	Acquisition of 100% interest in Energy Corp Hungary Kft.
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.	8	Acquisition of 100% interest in Mov-R H1 Szélerőmű Kft. 100% through the acquisition of ECH Kft.

II.4 The basis for the preparation of the financial statements

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

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

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

II.4.1 Going concern requirement

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

II.4.2 Preparation and approval of the financial statements

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

II.4.3 The Group's places of disclosure

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

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

The persons authorized to jointly sign the consolidated annual report:

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

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

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

II.5 Key elements of the accounting policies

II.5.1 Presentation of the financial statements

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

- consolidated statement of comprehensive income
- consolidated statement of financial position

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

- consolidated statement of other comprehensive income

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

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

In the context of the financial statements but as a separate document, the Group prepares its ***Business report***, **Sustainability Report as part of the Business Report**, ***Management Report*** and ***Non-Financial Statements*** in accordance with the disclosure requirements for publicly traded securities.

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

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

Currency	12/31/2014	2024 average	12/31/2023	2023 average
euro (EUR)	410,09	395,17	382,78	381,95

II.5.3 Decisions regarding presentation

Changes in comparative data

The previous IFRS consolidated financial statement of the Group was drawn up for the fiscal year of 2023. The consolidated financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening figures of the statement of financial position for the comparative period are also presented by the Group.

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.

For the preparation of the Financial Statements for 2024, the Group also updated the figures of the 2023 statement of cash flows. The reasons for the restatement included changes in the structure of the cash flow and the correction of adjustments that were previously incorrectly identified. The restatement only affects the presentation of the statement of cash flows so it does not affect the rest of the financial statements for the previous year.

As a result of the restatement, the items of the statement of cash flows changed as follows:

Cash flow (Negative values are denoted by parentheses)	12/31/2023 HUF thousand restated	12/31/2023 HUF thousand disclosed	Change
Profit or loss before taxes	15 882 629	15 882 629	-
Cash flow from business activities (use of funds)	21 959 831	23 163 585	(1 203 754)
Cash flow of investment activities (cash outflow)	(7 178 282)	(8 219 462)	1 041 180
Cash flow from financing activities (cash outflow)	(6 708 130)	(6 870 705)	162 575
Changes in cash and cash equivalents	8 073 418	8 073 418	-

Determining the structure of the Group

(i) Subsidiaries

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

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

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

The ‘ability to control’ means (after the effective date of IFRS 10) that the Group can control the subsidiary (has power over it), it is exposed to variable returns, and can determine the ultimate use of variable returns generated. Rights existing as at December 31, 2024 that were exercisable at that time or convertible to voting rights and provided substantial rights (i.e. actually provided control and there were no limitations which could restrict the exercise of such rights) were considered by the Group for the purpose of determining the extent of such control.

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

- Any member of the Group or the Group collectively holds 50% of voting shares or initial contributions plus one vote and there are no express agreements that would restrict the Group when voting. Where a subsidiary entity which is not wholly owned possesses a share in another entity, such share is considered in its entirety when determining the full extent of the share (second-tier subsidiaries and below).
- If any member of the Group exercises the right to appoint senior executives (senior executives include managers, as well as members of the Board of Directors and the CEO).
- If there is an agreement which provides conclusive evidence that the Group is able to make significant decisions in respect of a given entity by itself.
- If there is an entity whose assets or capacities are fully and consciously allocated by the Group. Control is not deemed to exist if this situation arises but not as a result of the Group’s conscious decisions.

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

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

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

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

(ii) Associates

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

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

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

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

II.5.4 Principles for performing consolidation

Treatment of business combinations

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

The value of goodwill or negative goodwill is determined for the date of the business combination. This value is the (proportionate) difference between the fair value of the assets transferred in return for the share (the consideration) and the fair value of the Group's share in the net assets acquired. The former fair value is to be used to determine the consideration.

The consideration includes the following:

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

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

Determining the acquired net assets

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

Treatment of non-controlling interests (NCI)

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

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

Non-controlling interests are recognized by the Group in proportion to net assets (at carrying amount) at each reporting date and are not re-measured at fair value at the end of each reporting period. Disclosures relating to non-controlling interests are included in Note IV.20.6.

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

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

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

that is retained is measured at fair value as at the date on which control is lost and shown as associate or financial instruments.

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

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

II.5.5 Transactions with owners

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

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

II.5.6 Dividends

At its annual General Meeting, the Parent Company may decide on the payment of dividends. Dividend is paid only on the Company's registered, dematerialized ordinary "A" series shares with a face value of HUF 12.5, recorded with the identifier HU0000155726ISIN – excluding the treasury shares held by the Group, as well as other shares that do not entitle their holders to dividends pursuant to Section 3:298(3) of the Civil Code. For the draft resolution on the Group's dividends, see Section V.2.

II.5.7 Definition of segments

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

(i) Activity based segments

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

Description of segment	Segment activity
Retail energy trade	Retail trade in electricity and gas
Renewables-based energy production	Complex activity involving the commercial use and management of production capacities of renewable (solar, wind, hydro, biogas) power plants

Description of segment	Segment activity
Heat and electricity production and management	Heat and Non-renewable Electricity Production, Ancillary Services, Renewable Production Management
Waste Management	Total waste management services, collection, recovery and sale of organic and inorganic waste
Energy services	Operation, maintenance of energy generating assets and construction-installation activity.
Other	Other non-segment activities and central administration.

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

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

(ii) Geographic segments

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

II.5.8 Accounting policies relating to the statement of profit or loss

Revenues

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

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

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

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

Consolidated Financial Statements of ALTEO Nyrt. for 2024 Data in HUF thousand

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

Name	Content of item
Value added tax	Value added tax within the meaning of Act CXXVII of 2007.
Energy tax	The tax within the meaning of Act LXXXVIII of 2003 on Energy Tax.
Excise duty	The tax within the meaning of Act LXVIII of 2016 on Excise Duty.
Electric power system usage fees	Distribution fees within the meaning of Item c) of Section 142 (1) of Act LXXXVI of 2007 on electricity: the distributor's base fee, the distributor's performance fee, the distributor's traffic fee, the distributor's reactive energy fee, the distributor's loss fee and the distributor's schedule balancing fee.
Cash and cash equivalents	Cash and cash equivalents within the meaning of Section 147 of Act LXXXVI of 2007 on electricity: The fee payable for the structural transformation of the coal industry, the fee payable for supporting the discount price electric power and the related production structure transformation fee.
HHSA fee	Based on the Resolution No. 2/2016. (XII. 16.) of the General Meeting of the Hungarian Hydrocarbon Stockpiling Association a membership contribution payable after mineral oil products and natural gas, according to the provisions of Section 40(2) of Act XXIII of 2013 on the on Minimum Stocks of Imported Crude Oil and Petroleum Products and of Sections 8(1) and (2) of Act XXVI of 2006 on the Strategic Storage of Natural Gas.
Products, services acquired for third parties in agent status and forwarded in unchanged form	If a given purchase (service or product) is resold in the same form in unchanged amount by the Company and no practical risk arises for the Company therefrom, the resale is done in an "agency structure" and the item is not part of the revenue.

Customer contracts

In connection with the customer contracts, the Group applied the 5-step model specified in the standard. In most of the existing contracts, the date of performance is not different from the billing period, therefore, the realization of the revenues is not different from the actual billing.

Regarding contracts where several elements are transferred to the buyer at the same time or as recognized revenue for a period, the Group performs the realization of the revenue – the allocation to contractual elements or periods – by taking into consideration the underlying economic content. The following contracts or contractual elements are included in this category:

- **Energy industry service fees and projects:** Each general construction-installation contract is assessed individually in accordance with IFRS 15 considering the associated risks and the contractual terms, and the related revenue is determined in a manner to comply with the relevant standards. If the performance obligation under a construction-installation contract is met by the Group over time according to the standards (i.e. it is subject to over time recognition), the revenue to be recognized is determined based on the stage of completion. If the revenue determined based on the stage of completion exceeds the revenue actually invoiced, the Group recognizes contractual assets in the statement of financial position, and if the invoiced amount is higher, the Group recognizes contractual liabilities. If, in the case of the project as a whole, a loss may be expected, that expected loss must be accounted for immediately. All the estimates concerning the revenues accounted for must be prepared considering all the information that is available at that moment. If the amount of the planned (expected) profit changes in the course of a given project, then it involves the adjustment of the revenues accounted for. If a given project is expected to generate loss, then accounting for the loss in full becomes necessary in the earliest period when the related information becomes available the first time. Estimates concerning the revenues accounted for must be prepared considering all the information available at the time of publishing the report in question. If the performance obligation under a construction-installation contract is performed at a particular point in time (i.e. it is subject to point-in-time recognition), then, if the contract milestone has not yet been completed, the costs incurred to date are recognized in project inventories and do not affect the total comprehensive income.

- The overhaul component of **flat-rate operation and maintenance contracts (O&M)** (at present, this is relevant only in the intra-Group contract cases): For the appropriate operation of certain pieces of power plant equipment (e.g. gas turbines, gas engines etc.), overhaul repairs are required at predetermined intervals. If an operation and maintenance contract concluded with an external party contains such a periodical element, the proportion of the related revenue must be stated separately, and shall be realized against the respective costs.

- **Underconsumption 'TAKE-OR-PAY' component in energy retail contracts:** Certain energy trade contracts may contain a provision requiring the consumer to pay for the contractual quantity of the allocated reserve even if it was not consumed. The Group only recognizes revenue if it can be safely assumed that the Group is entitled to such revenue and that revenue is realizable (enforceable) and can be reliably estimated. The Group's market experience shows that there is no or little likelihood of underconsumption.

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

- Energy retail transactions: (Electricity and gas trade) Invoicing (settlement invoice) is based on actual consumption.
- Energy wholesale transactions: The settlement takes place according to the contractual terms.
- Electricity, heat production, and electricity ancillary services: Settlement is based on actual production and availability.
- Open-book accounting: The settlement takes place for a given period on the basis of cost elements accepted by the parties.
- Waste management: based on the degree of completion in waste treatment and processing, where the degree of completion is determined based on operations completed and then charged by the Group to the Customer at the contractual price.

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

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

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

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

Expenses related to operation

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

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

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

Capitalized own production

Changes in the inventory of assets produced by the Company

The Group develops industrial equipment and facilities (power plants, energy storage facilities) as well as control technology equipment and software, which are presented as assets produced by the Group.

Changes in the inventory of stocks produced by the Company

Direct costs arising in connection with the production of plant equipment and facilities internally developed by the Group are disclosed as project inventories until the closing of the project, as provided for in the contract concluded with the customer and the provisions of the relevant standard. The Group does not keep stocks of Heat and Electricity due to their nature.

Other revenues and expenses

Other revenues recognized by the Group include non-revenue sales and any income that cannot be considered finance income or an addition to other comprehensive income. Other expenses include those that are directly related to operations and are not classified as financial expenses or do not reduce other comprehensive income. Other income and other expenses are recognized by the Group in the statement of profit or loss as net figures.

GHG emission allowance / CO2 quota sales revenue and expenses

The Group is allowed to sell its EUA quotas (emission allowances) under certain conditions. Related revenue and expenses are disclosed as other income and other expenditure.

Finance income and expenses

The Group recognizes its finance income and expenses in accordance with the provisions of IFRS 9 and other applicable standards.

Dividend income and interest income not eliminated upon consolidation are recognized as finance income. Interest income is recognized using the effective interest rate method, while dividend income is recognized once the disbursing entity has duly resolved on the payment of dividend. Interest expenses are calculated using the effective interest rate method and are classified as financial expenses. Exchange differences on foreign currency items (if not a part of other comprehensive income under IAS 21 – The Effects of Changes in Foreign Exchange Rates) are recognized by the Group in financial income.

Income tax expenses

The following are recognized as income tax:

- corporate tax (Act LXXXI of 1996 on Corporate Tax and Dividend Tax)
- income tax on energy suppliers (Act LXVII of 2008 on Enhancing the Competitiveness of District Heating Services)
- local business tax (Act C of 1990 on Local Taxes)
- innovation contribution (Act LXXVI of 2014 on Scientific Research, Development and Innovation)
- deferred tax (IAS 12)

Offsetting

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

Profit or loss from discontinued activities

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

Use of the EBITDA in the ALTEO Group

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

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

+ Finance income

+ Income taxes

+ Depreciation and amortization

+ Impairment of fixed assets

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

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

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

Depreciation and amortization: the depreciation, amortization of assets belonging under IAS 16, IAS 40 and IAS 38 and assets recognized at the Group as assets and given to operating lease or concession is eliminated when calculating the indicator.

Impairment of assets: the non-systematic decrease of assets falling under IAS 16, IAS 40 and IAS 38 and assets recognized at the Group as assets subject to operating lease or concession (typically: impairment) is adjusted by the Group retroactively, similar to depreciation and amortization.

EPS – earnings per share the shareholders are entitled to

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

II.5.9 Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities

Property, plant and equipment

Only assets which are used in production or for administrative purposes and are used for at least one year after commissioning are classified by the Group as property, plant and equipment (PPE). Furthermore, future economic benefits arising from their use will probably be realized, and the initial cost of assets can be measured reliably. 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 related to the purchase or creation of the given asset, including borrowing costs (for details, see the accounting policy on borrowing costs).

If an asset needs to be removed or demolished at the end of its useful life (or if the given asset is no longer used, it is sold or abandoned), then the costs incurred to retire it (Asset Retirement Obligation or ARO) are added to the initial value of the asset and a provision is recognized in this respect, given that the Group has at least a constructive obligation for the retirement or restoration. No provisions are made for ARO is the estimated expense of deconstruction is not significant, that is, it remains under HUF thousand 50,000. Assets that belong together must be reviewed as a group and if the decommissioning costs of a group of assets that belong together is significant in total, then provisions must be made for ARO concerning the group of assets.

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

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

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

The depreciable amount is the initial cost reduced by the residual value. Residual value is equal to the income that can be realized after the asset is decommissioned, reduced by the cost of sale, which is not consider significant up to the value of HUF 50,000 thousand, and therefore it is not included.

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

The existence of any contractual periods which restrict the use of such rights must be considered for assets. 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.

The Group uses the hours of service or the useful life (see table) for power plant equipment and the straight-line depreciation method for all other assets. The following depreciation rates are used for assets:

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

The 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 and can be scheduled, and are needed every several years. These projects are treated by the Group as a component of the given asset and its useful life must be adjusted to the next (expected) occurrence of major overhauls.

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.

In case of production equipment, the date of commissioning is the first day of continued revenue generating capacity, and in case of other equipment the date on which they are first put to use. The Group reviews return on assets and investments at reporting date.

Operation contracts (IFRIC 12)

Accounting for concession assets according to the IFRIC 12 standard: The Contracts for District Heat Production, Investment and Long-Term Heat Supply with the entity under service obligation upon the inclusion in consolidation of the heating power plants of the Group in Kazincbarcika, Tiszaújváros, Ózd, and Budapest Füredi utca are presented in accordance with the IFRIC 12 standard. No value was allocated to the concession tangible fixed assets in the purchase price allocation upon acquisition.

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

Investment property

The Company owns no investment property.

Intangible assets and developments

The initial value of intangible assets purchased is determined using the method described for fixed assets.

No depreciation is recognized for intangible assets with an indefinite useful life (including goodwill). Instead, it is reviewed in each reporting period whether the value of these assets is recoverable, and if not, the Group recognizes impairment under Depreciation and amortization.

The Group determines whether any of its intangible assets have indefinite useful lives. Goodwill is classified as an asset with an indefinite useful life, and it is recognized in the consolidated financial statements.

The existence of any contractual periods which restrict the use of such rights must be considered for intangible assets. 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.

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

The Group performed development activities concerning the production of other intangible assets that meet the recognition requirements of IAS 38 in the year 2017 the first time. In the opinion of the management of the Group, know-how that can generate income may be realized as the result of the development activity. The costs of ensuring the compliance of development projects with the requirements of IAS 38 are recognized under intangible assets.

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

Goodwill

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

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

Measurement period

Determining the fair value of the assets acquired may take a long time. In accordance with the provisions of IFRS 3, the value of net assets acquired as well as the resulting goodwill or negative goodwill are finalized by the Group within one year from the date of acquisition (measurement period). The value of net assets and goodwill (negative goodwill) is recognized by the Group in the financial statements issued in the measurement period at a value that is based on its best estimate at the time of issue; however, such estimate may change considerably during the measurement period. In accordance with the rules under IFRS 3, these changes are treated by the Group not as corrections, but as adjustments relating to the measurement period. Note IV.9.4 shows changes in goodwill in the current year while Note IV.32 contains further details on acquisitions.

Impairment of goodwill

The Group recognizes goodwill when it participates in a business combination as a buyer and the value of assets handed over in order to obtain control (including the value of liabilities accepted from former owners) exceeds the fair value of its net assets concerning the purchased group. The Group assigns it to the cash-generating unit (Cash Generating Unit – CGU) and tests it every year whether the goodwill became impaired. For the impairment test of the goodwill, the recoverable amount of the CGU including goodwill must be compared to the carrying amount of the CGU. If the recoverable amount is smaller than the carrying amount of the CGU then – if there are no clearly damaged assets – the goodwill must be written off first. The goodwill must not be reversed later. The recoverable value of CGU is the greater one of the value in use and the fair value less point-of-sale costs. The measurement of goodwill in the current year is explained in detail in Note IV.9.4.

Rights of use and related lease liability (IFRS 16)

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 Group applies the recognition exemptions offered by IFRS 16 for short-term leases and low specific value assets (below HUF 2,000,000).

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.

Initial recognition of a lease:

For high-value contracts with a term of more than 12 months, the initial cost of the right-of-use asset is determined by the Group at the discounted present value of payments due for the lease term.

The lease term is equal to the period during which the subject of the lease is used from acquisition to termination of the right of use.

If according to an executive decision the Group wishes to exercise a contractual option, the lease is reassessed when the statement of financial position is prepared, based on the terms and conditions of the option.

For the initial recognition of a lease, the value of the right of use and of the obligation are determined using the reference interest rate (BUBOR) effective at the start of the contract + interest rate premium. The base value of the reference interest rate may be a monthly, quarterly, biannual or annual value depending on the scheduling of rent payments. ALTEO Group uses comparable independent market data to determine the interest rate premium.

Future events requiring a review may include contract amendment and change of cash outflows due to price monitoring. As part of the review process, rates are adjusted according to the requirements of IFRS 16.

The initial recognition and subsequent remeasurement of the right-of-use asset take place in the same manner as in the case of the related lease liability.

Lease assets and related lease receivables

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

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

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

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

Where the Group acts as a lessor, it

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

The initial recognition and remeasurement of the lease asset take place in the same manner as in the case of the related lease liability.

The Group recognizes rent income under Sales revenue in the Statement of profit or loss.

Policy on borrowing costs

In accordance with the provisions of IAS 23, borrowing costs are capitalized by the entity if the borrowing is attributable to a qualifying asset. For dedicated borrowings (those that are assigned to a specific purpose), the amount to be capitalized is determined using the effective interest rate of the borrowing. For general purpose borrowings, the capitalization rate is calculated manually. The capitalization rate is the average of the effective interest rates of general purpose borrowings weighted by the time elapsed since the date of payment or, if later, the time elapsed since the start of capitalization and the amount of the payment.

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

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

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

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

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

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

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

Accounting for government grants

As a general rule, government grants are recognized by the Group as income. If the grant is related to an asset, the income is spread out over the periods in which the asset is used. The part that may be added to the profit, but cannot be counterbalanced by expenses is recognized as deferred income. Income must be presented in parallel with the related expenses.

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

Grants may be accounted for if

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

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

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

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

Assets held for sale

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

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

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

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

Inventories

Inventories are stated in the financial statements at the lower of initial recognition cost and net realizable value.

Inventory types:

– Strategic inventories: spare parts and fuel ensuring business continuity in operation and maintenance without the continuous availability of which the Group cannot ensure the availability of the operated equipment to satisfy ongoing customer needs.
– Circular economy inventories, inventories of energy production, materials for the operation of the biogas power plant, and inventories of waste management to be processed:

The Group determines the value of inventories based on their initial cost where the value of an inventory includes all costs required for the use of that inventory in the intended manner and at the intended location.

Impairment loss of inventories: the Group recognizes impairment loss at reporting date if there are indications to impairment (damage, obsolescence, technological change).

Emission allowances

- *GHG emission allowance*

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

Emission allowances are assets regulated by IAS 38.

The Group is entitled to sell its intangible assets. However, instead, it maximizes the economic benefits from the asset through internal use.

Emission allowances are utilized within 1 year.

The value of the obligation to return the used quota calculated on the basis of the Group's gas consumption data for the current year is recognized as an accrual in the statement of financial position, given that the value and amount of the obligation is known at the time of the preparation thereof. The obligation, which is a non-financial liability, is recognized under Accrued expenses and deferred income, and it is fulfilled through the return of the quota.

The Group recognizes emission quotas according to the government grant model in IAS 20. The value of quotas received for free is recognized as deferred income until the date of return.

The Group records values of units held to fulfil the return obligation under current assets. Free units that are to be returned within a year are recognized at initial cost.

Emission quotas held for trading or investment purposes undergo impairment testing at reporting date.

Emission allowances are traded on a regulated market. While the Group does not actively participate in market trading with its assets received for free, it satisfies any additional quota requirements from the market. The value of the quota allocated to the current year based on production data is recognized in the Group under expenses and accruals.

- *Rights related to the energy efficiency obligation scheme (EEOS)*

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

The Group recognizes the value of energy savings (GJ) by another obligor at initial cost under current assets according to IAS 38.

Current-year expenses of EEOS quotas are recognized under provisions in the statement of financial position according to IFRIC 21.

- *Guarantees of origin*

The Group's renewable energy power plants are entitled to guarantees of origin credit based on their production volume from renewable sources. The guarantees of origin credited to HEPURA accounts are intended to be sold on the free market.

Accounting for impairment losses other than financial instruments and identifying CGUs

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

The cash-generating units of the Group are the following with each having two subcategories (market and non-market):

– **Ancillary services asset group:** the most significant CGU comprising several legal entities of the Group (Alteo-Therm Kft., certain assets of Sinergy Energiakereskedő Kft. and Alteo Nyrt.) is the entirety of power plant equipment generating heat and electricity from natural gas under the AVPP.
– **Renewable power generation equipment** by site (sites of Sunteo Kft., Domaszék 2MW Erőmű Kft., Pannon Szélerőmű Kft., Monsolar Kft., Euro-Green Energy Kft., Energigas Kft., and Edelyn Solar Kft.)
– **Inorganic waste management** business line (Fe-Group Zrt)
– **Electromobility** business line (Alte-Go Kft.)
– **Business lines with no substantial assets:**
    - Retail trade (ALTEO Energiakereskedő Zrt.)
    - Renewable production management (as part of Sinergy Energiakereskedő Kft.)
    - External operation (certain assets of Alteo Nyrt.)
    - External maintenance (certain assets of Alteo Nyrt.)
    - Project implementation (certain assets of Alteo Nyrt.)

Testing consists of two stages. The first stage is to examine whether there are signs indicating that the return on the asset is not ensured:

- decline in income, market energy price changes
- unfavorable changes in market conditions and a decline in demand;
- regulatory changes
- increase of returns on risk-free securities
- increase in market interest rates.

If there are signs that the return on an asset is not ensured, i.e. its carrying amount is higher than its cash-generating capacity, the Group calculates its present value.

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. The cash flow is determined based on a 3-year target, then the cash flow calculated using the growth rate (inflation expectations) from the fourth year until the end of the concession period or lease term. In the absence of more precise estimations, the cost of disposal is deemed to be 10%.

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

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

- first, reduce the value of the damaged asset; (in Profit or loss: Depreciation and amortization)
- second, goodwill is reduced; (in Profit or loss: Depreciation and amortization)
- third, the remaining amount of impairment losses are split among fixed assets (PPE) and intangible assets in proportion to their carrying amount prior to impairment (in Profit or loss: Depreciation and amortization)

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

The Group reviews the return on CGUs with goodwill in every reporting period according to the provisions of IAS 36, irrespective of whether or not there is any indication to impairment.

Provisions

Only existing (contractual or statutory) liabilities which are based on past events and have an 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 5 years or even later.

The following items are typically included in provisions:

- compensation payable in relation to legal cases;
- onerous contracts
- indemnification or compensation based on an agreement;
- warranty liabilities;
- asset retirement obligations;
- severance pay and costs arising due to restructuring;

Employee benefits

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

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

- if they are subject to a contractual condition and such condition has been fulfilled (e.g. a given revenue level is reached); in such cases, the item is accounted for not in the period when the Group established that the contractual condition was fulfilled, but in the period when such condition was fulfilled (when the employees rendered the service entitling them to the benefit).

- if such an item is created as a result of a management decision instead of a contractual condition, then the item may be recognized when the decision is communicated to the group affected (constructive obligation).

The Group operates a contribution retirement benefit plan only as required by law or at its own discretion, where the contribution is calculated on the basis of the salary paid and, therefore, recognized simultaneously with the salary.

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

Share-based payments

The Group motivates certain employees through cash-settled share-based benefits under the ESOP organization. The value of the share benefits in question are recognized as expense under Personnel expenses during the vesting period in accordance with the provisions of IFRS 2.

Financial instruments

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

Financial assets and liabilities

Financial assets are classified by the Group as follows:

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

Cash and cash equivalents

Cash includes petty cash, cash in bank, as long as the Group has unlimited discretion to dispose of such, as well as any other highly liquid deposit and security the original term of which does not exceed three months; overdrafts are regarded as cash equivalents until proven otherwise.

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

In the case of debt instruments:

Loans and receivables:

Loans and receivables are contractual rights to receive cash or other financial assets.

The Group typically records the following items in this category:

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

Depending on the Group's business goals, these assets are measured at amortized cost based on contractual cash flows. Initially, the assets are recognized at fair value. The valuation of the assets is performed individually; at present, the Group has no assets with massive multiplicity or assets with similar characteristics in the case of which the portfolio method could be applied.

Equity instruments include shares in other companies

Non-associated, i.e. other non-current assets are not held by the Group for trading purposes or for achieving short-term profits based on these instruments. These assets are recognized at cost and the follow-up valuation is performed at fair value against profit.

Derivatives

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

If the hedge accounting rules are observed, derivatives are recognized in Other comprehensive income based on fair value. In all other cases, they are recognized at fair value through profit or loss (FVTPL).

Forward contracts which are concluded and performed for the purpose of purchasing or selling an active market commodity (natural gas, electricity, CO2 quota) that is the subject of the contract and which are expected to be completed upon delivery of the commodity that is the subject of the contract (own used exemption) are not considered by the Group as derivative transactions.

Exceptions to this rule are forward delivery contracts not concluded by the Group for its own use of the commodity being transacted, but for the purpose of obtaining a profit from short-term price fluctuations.

Financial liabilities must be classified into the following groups:

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

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

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

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

With regard to the financial assets and liability instruments, the Group classifies instruments as part of the initial valuation. Financial asset and liability instruments not qualifying as FVTPL instruments are measured at amortized cost. Transaction costs are capitalized by the Group.

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

Items not resulting in interest expense or interest income

The initial cost of these assets is their 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.

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

Items resulting in interest expense or interest income

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

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

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

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

<u>Definition of fair value</u>

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 2 inputs of the fair value hierarchy.

Expected impairment (ECL) model

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

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

Hedge accounting

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

Hedge transactions

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

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

Hedge types are presented in Sections 1.18.13.35 and 36 of the Business Report.

Current and deferred income tax expense

The current income tax (see Income taxes) for the current year is calculated by the Group in accordance with the tax laws that each legally separate economic entity is subject to, and such income tax is recognized in current liabilities (or current receivables, as the case may be). In addition, the Group also estimates deferred taxes and recognizes them in long-term liabilities or non-current assets. Deferred taxes are calculated by the Group using the balance sheet method. Deferred tax assets are recognized by the Group 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. At every reporting date, the Group takes account of deferred tax receivables not recognized in the statement of financial position, as well as the carrying amount of recognized tax receivables.

Deferred tax assets and liabilities may be offset if the Group has a legal right to offset its current tax receivables due from and liabilities due to the same tax authority against each other, and it intends to settle such assets and liabilities on a net basis.

The assessment of whether the deferred tax assets can be recovered requires an estimate on the expected recovery period and the available taxable income. The recovery of deferred tax assets and the related accounting judgment are based on the business plans of the Group.

Description of the accounting policy regarding fair value measurement

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

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

Description of the accounting policy regarding the impairment of assets

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

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

II.5.10 General accounting policies relating to the statement of cash flows

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

Foreign currencies

Transactions denominated in foreign currencies

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

The points to consider are as follows:

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

The above considerations are listed in order of importance.

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

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

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

Significance, faults and fault effects

According to the rules of the IFRS, an item is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of those financial statements. For determining materiality, the Group applies the threshold for material error as defined in Act C of 2000 on Accounting.

An item is always material 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 fiscal year under review. If 2% of the statement of financial position total exceeds HUF 900 million, then the limit of significance is HUF 900 million. At the same time the management of the Company reserves the right to qualify an item of smaller amount significant, depending on the evaluation of the extent and nature of the omission or false presentation under the given circumstances. When evaluating an item the size and nature of the item in question or the combination of the two is the decisive factor.

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

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

III CRITICAL ESTIMATES USED IN PREPARING THE FINANCIAL STATEMENTS AND OTHER SOURCES OF UNCERTAINTY

III.1 Critical accounting assumptions and estimates

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

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

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

- Estimates on the depreciation of fixed assets and intangible assets (e.g. useful life)

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

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

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

The following significant items are determined using estimates.

- Allocating the purchase price to assets in the case of acquisitions. The estimate concerning the distribution of the purchase price may change during the year of the measurement period if any new information arises.
- The useful life of Power Plant equipment was determined considering the present market and regulatory environment. Possible negative changes in these factors may lead to impairment.
- The present market and regulatory environment, and also future expectations have also been taken in consideration when determining the provision for the asset retirement obligation.
- Income and expenses recognized in connection with the construction-installation projects are based on facts and information available at the time of the preparation of the report.
- 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 on the valuation of inventories and receivables The management's assessment is a critical decision which directly impacts profit or loss when the impairment of trade receivables is calculated.

Estimates concerning fair value

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

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

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

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

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

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

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

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

Power plant units of the ALTEO Group:

- heating power plants (ALTEO-Therm Kft.),
- wind turbines (EuroGreen Energy Kft., Pannon Szélerőmű Kft. MovR Szélerőmű Kft.),
- hydropower plants (Sinergy Kft.)
- solar power plants (Domaszék 2MW Naperőmű Kft., Monsolar Kft., Sunteo Kft. Edelyn Solar Kft)
- biomass power plants (Energigas Kft.)
- landfill gas power plants (Alteo- Depónia Kft.)

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

The profitability of the biomass-based power plants depends on the supply of the raw materials.

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

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

Uncertainties around the settlement of the ESOP include the price of Alteo Nyrt shares and its volatility, the number of the participants and its fluctuation, as well as changes in performance indicators for vesting.

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

The risks relating to the Group's operation are presented in Section 1.18 of the Business Report.

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

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

In its financial statements as of December 31, 2024, the Group

- Recognizes the net value of deferred tax positions as tax liabilities in the amount of HUF 933,556 thousand. With the presentation remaining unchanged, the Group recognizes
    - a deferred tax asset of HUF 88,641 thousand
    - and a deferred tax liability of HUF 1,022,198 thousand in its statement of financial position.

- Reclassified its operation contracts to Property, plant and equipment in the amount of HUF 673,148 thousand

The Group believes that with the above adjustments the financial statements give a true and fair view and therefore no adjustments to the comparative figures are necessary as there was no error.

New accounting standards as of January 1, 2024

The following standards and interpretations (and their respective amendments) became effective during the 2024 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 financial years starting from January 1, 2024:	Effective date	EU endorsement	ALTEO Group
IFRS 16 Leases (Amendment – Liabilities under leaseback)	1/1/2024	approved	none
IAS 1 Presentation of financial statements (Amendment – Classification of liabilities as short or long-term)	1/1/2024	approved	none
IAS 1 Presentation of financial statements (Amendment – Long-term liabilities with Covenants)	1/1/2024	approved	none
IAS 7 and IFRS 7 Supplier financing agreements	1/1/2024	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 financial years:	Effective date	EU endorsement	ALTEO Group
IAS 21 - Lack of exchangeability	1/1/2025	approved	No impact is expected
IFRS 9 and IFRS 7 - Amendments to the classification and measurement of financial instruments	1/1/2026	approved	No impact is expected
IFRS 18 Presentation and disclosure in financial statements	1/1/2027	approved	Accounting policy and chart of accounts changes
IFRS 19 Subsidiaries without public accountability: disclosures	1/1/2027	approved	No impact is expected

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.

IV NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

IV.1 Revenue

Revenues	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Electricity production	24 680 353	28 594 679
Heat sales	15 094 627	26 470 446
Electricity ancillary services	17 522 532	17 006 105
Electric power trade	30 485 702	11 501 947
Gas trade	6 223 366	4 853 764
Waste management	4 897 187	4 588 118
Operation and maintenance (O&M)	4 105 293	3 983 134
Energy industry service fees and projects	1 652 409	333 076
Trade commission	305 091	1 240 637
E-mobility service	188 930	243 036
Operating lease income	28 518	26 978
Other revenues	204 831	112 407
Total	**105 388 839**	**98 954 327**

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

Activities of the Group:

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

Heat sales: In the course of production, the Group produces the heat energy in its power plants and sells it to district heating companies under long-term contracts. This is also where the Group recognizes revenue from steam energy sales to industrial partners.

Electricity ancillary services: in order to maintain balance in the system, the Hungarian system operator (MAVIR) procures various types of balancing reserve capacities (FCR, aFRR, mFRR) from market actors with the appropriate authorization; capacity charge is paid as the consideration. The consideration for the ability of the Group’s generation facilities to alter such reserved, accredited load is recognized here. The revenue from renewable production management (RPM) is also included here.

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

Waste management: revenue from the collection and processing of inorganic types of waste (electronic, paper, and foil waste) mainly under concession

Operation and maintenance (O&M): The Group provides its partners with operation and maintenance services related to power plants and energy generating equipment.

Energy industry service fees and projects: For energy industry project activities, revenue is presented by stage of completion of the contract with the customer.

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

Operating lease income: The Group gives certain parts of its properties at the sites of Alteo-Therm Kft. in Sopron and Győr to operating lease (based on lease agreements). Lease contracts are concluded for an indefinite term. The Group does not have any separate dedicated assets for leasing purposes; however, it leases some of its own assets. The Group does not sublease its leased assets. Revenue from operating leases for the termination period is HUF 14,259 thousand

Other income: small-scale multi-purpose services provided to third parties and revenues that are not classifiable as other activities are recognized as other income.

Additional information:

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

- In the current year the Group had no discontinuing operations.
- The Group did not have interest, royalty or dividend, which should be recognized as revenue.
- The Group had no customer contracts in the current year under which it acted as an agent.

Turnover items not recognized in the revenue:

- The Group leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes them as items decreasing expenses (consolidates revenues and expenses). For an itemized list, see Section II.5.8

IV.2 Material expenses

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

Material expenses	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Energy carrier – electricity	(34 921 230)	(15 772 470)
Energy carrier – gas	(22 754 317)	(37 653 248)
Material and service needs of maintenance and projects	(5 847 496)	(4 707 324)
Waste management services	(1 471 108)	(2 055 607)
Other overhead costs	(1 981 509)	(1 667 083)
Expert services (counselling, auditing, IT)	(2 241 911)	(1 520 895)
Agent's commission	(452 980)	(492 455)
Total	**(69 670 551)**	**(63 869 082)**

Other overhead costs include rent, administration and office costs, bank and insurance costs, IMS costs, marketing and other expenses.

IV.3 Personnel expenses

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

Personnel expenses	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Wages	(6 944 366)	(5 554 241)
Other personnel expenses	(931 537)	(765 002)
Share-based benefits	(1 905 990)	(723 816)
Contributions	(1 039 810)	(833 251)
Total	**(10 821 703)**	**(7 876 310)**

Share-based benefits: effect on profit or loss of the employee share benefits recognized as personnel expenses For more details on related presentations see Section IV.35.

Information concerning employees:

Average statistical headcount	2024	2023
ALTEO Nyrt.	378	327
FE-Group Invest Zrt.	97	90
Energy Corp Megújuló Energia Hasznosító Kft.	2	N/A

The closing headcount of the Group on 12/31/2024 was 513 people.

IV.4 Other revenues, expenditures

Profit or loss from other revenues and expenses	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Other revenues:	*779 831*	*756 760*
Subsidies and grants received	148 630	434 173
Provisions released (recognized)	248 168	104 391
Default interest, liquidated damages received	244 644	5 767
Income from (expenses of) loss events	125 249	13 828
Other settlements	13 102	10 955
Sale of fixed and intangible assets	38	(7 306)
Impairment of inventories and receivables	-	194 952
Other expenses:	*(7 341 990)*	*(9 072 689)*
CO2 expenses	(3 205 504)	(3 329 563)
Surcharges, legal consequences	(2 424 749)	(3 900 135)
Parafiscal contributions, fees, payment obligations	(1 112 989)	(1 474 449)
Gas contract-related penalties	(237 766)	(220 683)
Impairment of inventories and receivables	(151 227)	-
EEOS quota expense (and release)	(99 540)	(73 405)
METÁR overcompensation given	(59 209)	(23 736)
Grants, released receivables	(51 006)	(45 995)
Scrapping of fixed and intangible assets	-	(4 723)
Total	**(6 562 159)**	**(8 315 929)**

- It contains the pro rata temporis amount of grants received from the grants awarded for the establishment of the assets. (Energy storage renovation in Füredi u. in Felsődobsza and industrial development grant for the development of the Waste Management business)
- Detailed description of the information concerning the preparation and release of provisions is in Note II.5.8.
- Impairment of inventories and receivables includes the depreciation of inventories to their market value and the individual impairment, and impairment recognized based on the ECL model for receivables
- The most significant item under Default interest, liquidated damages received is the default interest and liquidated damages on electricity trading received.
- Insurance proceeds: compensation paid by insurer
- Other items include income and expenses not categorized elsewhere, such as settlements on partner and tax current accounts, rounding differences, levies not classified as income tax and derecognition of time-barred liabilities.
- CO2 expenditure includes the current year's expenditure on CO2 emission allowances related to electricity production.
- Surcharges, legal consequences include the surcharge fees imposed by MAVIR relating to the regulation of renewable power plants.
- The special tax payable by the Group as balance reserve capacity provider stipulated in Section 3/A of Government Decree 197/2022. (VI. 4.) on windfall taxes is recognized among tax-type expenses. The tax base is the (financially realized) revenue received as consideration for the service. The tax rate was 10% in 2024.
- Liquidated damages related to gas contracts arise in the event of consumption patterns that deviate substantially from the consumption curve of large consumers.
- The difference of the obligation of the Group and release of the same for the year 2024 under the Energy Efficiency Obligation Scheme has been recognized as an EEOS quota expense (and release)
- METÁR overcompensation includes the amounts claimed by the MAVIR Group under the rules of the support system.
- Grants, forgiven receivables: grants provided under contracts and forfeited VAT receivables
- Sale and scrapping of fixed and intangible assets

IV.5 Capitalized own production

Capitalized own production	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Capitalized production from material expenses	9 665	(12 158)
Capitalized production from personnel expenses	704 093	550 724
Total	**713 758**	**538 566**

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

Change in work in progress related to biomass plant production in the current year resulted in a cost reduction of HUF 9,665 thousand.

IV.6 Finance income and expenses

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

Financial profit/loss	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Finance income	1 929 136	6 245 001
Received/receivable interest	801 878	3 132 340
Exchange rate gains	1 127 258	3 110 018
Other finance income	-	2 643
Financial expenses	(2 463 564)	(5 525 471)
Interests paid/payable	(1 159 370)	(2 754 469)
Exchange rate losses	(945 860)	(2 482 962)
ARO interest and capitalized interest	(357 675)	(260 975)
Indemnification for terminated contract	(659)	(41)
Other financial expenses	-	(27 024)
Finance income	(534 428)	719 530
Net interest expenses	(715 167)	116 896
Net exchange rate profit or loss	181 398	627 056
Other financial settlements	(659)	(24 422)
Total	**(534 428)**	**719 530**

IV.7 Income taxes

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

The Group's members pay tax under Hungarian tax law.

Effect of taxes on profit or loss:

Taxes	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Local business tax expenses	(1 449 399)	(1 386 603)
Innovation contribution expenses	(223 793)	(213 596)
Corporate tax expenses	(1 350 221)	(2 542 220)
Special tax of energy producers	(519 490)	(263 295)
Deferred tax expenses	195 391	1 285 199
Total	**(3 347 512)**	**(3 120 515)**

Consolidated Financial Statements of ALTEO Nyrt. for 2024 Data in HUF thousand

IV.7.2 Income taxes in the statement of financial position

Income tax position in the statement of financial position:

Income tax receivables in the Statement of financial position	Year ending on 12/31/2024	Year ending on 12/31/2023
Corporate tax overpayment	-	22 130
Energy suppliers' income tax overpayment	-	106 690
Innovation contribution overpayment	-	56
Local business tax overpayment	122 603	34 558
Income tax receivables	**122 603**	**163 434**

Income tax liabilities in the statement of financial position	Year ending on 12/31/2024	Year ending on 12/31/2023
Corporate tax liability	473 867	2 318 270
Innovation contribution liability	83 761	123 356
Energy suppliers' income tax liability	(222 593)	(25 870)
Local business tax liability	-	347 482
Income tax liabilities	**335 035**	**2 763 238**

IV.7.3 Taxes in the profit or loss – income tax calculations

Expected income tax for 2024:

Elaboration of the tax base	In financial year ending on 12/31/2024
Profit or loss before taxes	**12 971 567**
Expected tax 9%	1 167 441
Local business tax	1 449 399
Innovation contribution	223 793
Income tax of energy suppliers	519 490
Total	**3 360 123**
Income tax paid	3 347 512
Other difference:	12 611

IV.7.4 Information on taxes

With the exception of Artemis Technologies Zrt and the entities acquired in 2024, the subsidiaries of the Group form a corporate income tax group where Sinergy Energiakereskedő Kft. is the head unit.

In 2025, the parent company formed another corporate income tax group with Artemis Zrt.

IV.8 Deferred taxes

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

Deferred tax changes	Year ending on 12/31/2024	Year ending on 12/31/2023
Deferred tax asset		
opening assets	335 537	335 537
increase	-	335 537
decrease	(335 537)	(31 990)
	-	335 537
Deferred tax liability		
opening liability	825 573	2 248 154
acquired	256 647	-
increase	676 910	825 573
decrease	(825 573)	(2 248 154)
	933 557	825 573
Deferred taxes in other comprehensive income		
opening assets	(236 278)	204 651
increase	382 264	(440 929)
decrease	-	-
	145 987	(236 278)

Elaboration of deferred taxes	Year ending on 12/31/2024 HUF thousand				Year ending on 12/31/2023 HUF thousand			
	Tax value	Accounting value	Deferred tax asset base	Deferred tax liability base	Tax value	Accounting value	Deferred tax base	Deferred tax liability base
Different valuation of non-current assets	*44 157 245*	*58 838 099*	*-*	*(14 680 854)*	*30 466 757*	*42 064 699*	*-*	*(11 597 942)*
Measurement of financial instruments	*23 775 377*	*26 014 681*	*617 225*	*(1 622 080)*	*21 411 395*	*23 027 927*	*866 790*	*(749 742)*
Valuation of liabilities	*56 059 827*	*61 372 706*	*7 166 594*	*(1 853 715)*	*58 926 742*	*64 831 296*	*4 801 001*	*(5 174 073)*
Deferred tax position of balance sheet items			7 783 819	(18 156 649)			5 463 727	(17 521 757)
Differences not qualifying as returning			-	-			-	-
Net deferred tax position of consolidation units				(10 372 830)			3 728 185	(9 173 032)
Of which part of the comprehensive income:			-	1 622 080			-	(2 625 301)
Deferred tax assets (9%)	9%			-	9%		335 537	-
Of which part of the comprehensive income:	9%		-	-	9%		-	-
Deferred tax liability (9%)	9%		-	(933 557)	9%		-	(825 573)
Of which part of the comprehensive income:	9%		-	(145 986)	9%		-	236 278
Deferred tax due to changes in the statement of financial position:								
Recognition of deferred tax assets (tax gain)				-				335 537
De-recognition of deferred tax assets (tax loss)				335 537				(31 990)
Recognition of deferred tax liability (tax loss)				(933 557)				(825 573)
De-recognition of deferred tax liability (tax gain)				825 573				2 248 154
Deferred taxes recognized in Other comprehensive income:								
Deferred taxes recognized in Other comprehensive income				145 986				(236 278)
Deferred taxes derecognized in Other comprehensive income				236 278				(204 651)
Acquired deferred tax liability				256 647				
Effect of deferred taxes on profit or loss				195 391				1 285 199
of which recognized in Comprehensive income:				(443 521)				1 726 128
of which recognized in Other comprehensive income:				382 264				440 929

IV.9 Fixed assets and intangible assets

IV.9.1 Table on the movement of assets

The assets of the Group are Property, plant and equipment, Intangible assets and developments, goodwill and rights of use (hereinafter: 'assets').

The Group applies IAS 16 to Land and buildings, IFRS 16 to Rights of use, IAS 38 to Intangible assets and developments, and IFRIC 12 to Operation contracts.

Cost of assets	Property, plant and equipment	Goodwill	Intangible assets and developments	Operation contracts	Rights of use	Total
December 31, 2022	**41 590 424**	**735 913**	**6 098 049**	**1 820 462**	**2 721 055**	**52 965 903**
Acquisition put to use	8 704 486	-	736 557	-	900 984	10 342 027
Acquisition	1 774 825	340 103	1 592	-	-	2 116 520
Reclassification	(7 899)	-	-	-	-	(7 899)
De-recognition, sale	(5 065)	-	-	-	-	(5 065)
Adjustment due to lease amendment	-	-	-	-	(52 653)	(52 653)
De-recognition, scrapping	(332 637)	-	(2 658 474)	-	-	(2 991 111)
December 31, 2023	**51 724 134**	**1 076 016**	**4 177 724**	**1 820 462**	**3 569 386**	**62 367 722**
Acquisition put to use	12 253 406	-	1 245 354	-	1 276 612	14 775 372
Internal development	425 238	-	294 833	-	-	720 071
Acquisition	10 575 408	1 579 036	1 849 951	-	401 535	14 405 930
Reclassification	1 820 462	-	-	(1 820 462)	-	-
De-recognition, sale	(7 814)	-	-	-	-	(7 814)
Adjustment due to lease amendment	-	-	-	-	(638 266)	(638 266)
De-recognition, scrapping	(369 564)	-	-	-	-	(639 564)
December 31, 2024	**76 151 270**	**2 655 052**	**7 567 862**	**-**	**4 609 267**	**90 983 451**

Accumulated depreciation and amortization of assets	Property, plant and equipment	Goodwill	Intangible assets and developments	Operation contracts	Rights of use	Total
December 31, 2022	**(13 746 687)**	**-**	**(3 680 374)**	**(894 602)**	**(704 475)**	**(19 026 138)**
Adjustment of goodwill in measurement period	-	(56 835)	-	-	-	(56 835)
De-recognition, sale	5 007	-	-	-	-	5 007
Adjustment due to lease amendment	-	-	-	-	52 305	52 305
De-recognition, scrapping	262 960	-	2 658 474	-	-	2 921 434
Depreciation and amortization	(3 136 539)	-	(450 454)	(126 356)	(485 447)	(4 198 796)
December 31, 2023	**(16 615 259)**	**(56 835)**	**(1 472 354)**	**(1 020 958)**	**(1 137 617)**	**(20 303 023)**
Description of goodwill	-	(319 660)	-	-	-	(319 660)
Acquisition	(6 962 298)	-	(99)	-	-	(6 962 397)
Reclassification	(1 020 958)	-	-	1 020 958	-	-
De-recognition, sale	7 814	-	-	-	-	7 814
Adjustment due to lease amendment	-	-	-	-	32 460	32 460
De-recognition, scrapping	363 157	-	-	-	-	363 157
Depreciation and amortization	(3 801 463)	-	(556 282)	-	(605 958)	(4 963 703)
December 31, 2024	**(28 029 007)**	**(376 495)**	**(2 028 735)**	**-**	**(1 711 115)**	**(32 145 352)**

Net value of assets	Property, plant and equipment	Goodwill	Intangible assets and developments	Operation contracts	Rights of use	Total
12/31/2022	**27 843 737**	**735 913**	**2 417 675**	**925 860**	**2 016 580**	**33 939 765**
12/31/2023	**35 108 875**	**1 019 181**	**2 705 370**	**799 504**	**2 431 769**	**42 064 699**
12/31/2024	**48 122 263**	**2 278 557**	**5 539 127**	**-**	**2 898 152**	**58 838 099**

IV.9.2 Valuation of assets

- For the accounting policy on the valuation of assets, see II.5.9 Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities Property, plant and equipment.
- Intangible assets include no assets with indefinite lifecycles. The Group does not possess assets regarding which it would employ the revaluation model.
- The management of the Group performs the necessary tests for CGUs as at each reporting date to determine whether the recognized value can be considered recoverable.
- The Group recognized impairment in the amount of HUF 319,660 thousand for the goodwill disclosed for the acquisition of Energikum Zrt. in the current year.

IV.9.3 Depreciation and amortization in the current period

Depreciation and amortization	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Depreciation, amortization	(4 877 631)	(4 059 497)
Extraordinary depreciation	(344 898)	(208 977)
Impairment	(319 660)	-
Total	**(5 542 189)**	**(4 059 497)**

IV.9.4 Asset types

a, property, plant and equipment

Property, plant and equipment	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Power plant properties	4 977 069	4 858 016
Energy generation equipment:		
Gas engine, heat cogeneration	12 526 794	8 283 548
Wind turbine	10 806 647	7 166 686
Solar panel farm	8 671 750	7 515 918
Energy storage block	5 635 215	1 726 327
Auxiliary systems	2 515 518	2 553 710
Control technology assets	806 961	856 661
Waste utilization equipment	681 627	797 422
Hydropower Plant	514 150	570 901
Machines, transport equipment	296 503	280 387
E-charger	50 025	50 217
Other assets	640 004	449 082
Total	**48 122 263**	**35 108 875**

The Group created the above assets using its own capacity as main contractor, engineering, maintenance, business, legal and economic advisor.

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

b, recoverable value test of goodwill

Goodwill	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Energy Corp Hungary Kft.	1 579 036	N/A
Edelyn Solar Kft.	699 521	699 521
Energikum Zrt.	-	319 660
Total	**2 278 557**	**1 019 181**

The recoverable value of goodwill is determined based on discounted cash flows. Pre-tax discount rates of 8.67-10.97% were used to discount the cash flows of activities. The recoverable amount exceeds the carrying amount for all activities. From the impairment test and the sensitivity analysis the management concluded that impairment needed to be recognized for the goodwill in the following manner:

Recoverable value	Edelyn Solar Kft.	ECH Kft.
Present value of discounted cash flows (HUF thousand)	3,705,407	7 438 463
Cash flow production projected for first year	2024	2024
WACC	8,67%	10,97%
Growth rate	3,85%	2,00%

The recoverable value of Edelyn Solar Kft. and ECH Kft. was based on the discounted cash flow model prepared for the cash-flow generation activity. The cash flow is based on the cash flows of energy production of the assets. As evidenced by the planned cash flows of the projects (up to 2049 for Edelyn Solar and 2047 for ECH Kft), the investment value is expected to be recovered based on the tests for the time of acquisition and for the reporting date.

The recoverable value of Energikum Zrt. was based on the discounted cash flow model prepared for the cash flow generating capabilities of the construction of the biomethane technology, the launch of the related business line as well as entry into the biomethane market. As evidenced by the planned cash flows of the project up to 2036, the investment value is not expected to be recovered based on the tests for the reporting date. Therefore, the Group recognized HUF 319,660 thousand impairment for 2024.

c, intangible assets and developments

Intangible assets and developments	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
License, connection charge	1 829 821	2 004
Internally developed control software	1 548 579	844 603
Purchased software	711 034	207 044
Other legal instrument	550 540	622 969
KÁT (mandatory offtake price) license	523 653	592 735
R&D intellectual property	212 960	260 115
Contractual asset	155 240	168 600
Trade license	7 300	7 300
Total	**5 539 127**	**2 705 370**

Licenses includes rights related to energy production activities.

Internally developed control software: see Section 1.7.7 of the Annual Report.

Contractual assets: grid connection rights held by power plants

Other legal instrument: Long-term cooperation agreements

The gross value of Intangible assets and developments that are recognized at zero carrying amount in the Group's accounts totals HUF 420,064 thousand.

d, operation contracts (IFRIC 12 concessions)

Carrying amount of operation contracts	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Füredi út Heating Power Plant operation (IFRIC12)	-	703 940
Tiszaújváros Heating Power Plant operation (IFRIC12)	-	55 072
Tisza-WTP operation contract	-	40 492
Total	-	**799 504**

The asset group Operation assets was reclassified to Property, plant and equipment. See the details in Section III.2.

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

Carrying value of rights of use	Power plant and other land and buildings	Energy generation equipment:	Other assets	Total
December 31, 2022	**1 590 946**	**178 340**	**247 294**	**2 016 580**
Acquisition put to use	622 321	28 424	250 239	900 984
Adjustment due to lease amendment	-	-	(349)	(349)
Depreciation and amortization	(322 511)	(32 078)	(130 858)	(485 447)
December 31, 2023	**1 890 756**	**174 687**	**366 326**	**2 431 769**
Acquisition put to use	549 647	122 765	604 199	1 276 611
Acquisition	401 535	-	-	401 535
Adjustment due to lease amendment	(605 793)	-	(11)	(605 804)
Depreciation and amortization	(389 584)	(43 629)	(172 746)	(605 959)
December 31, 2024	**1 846 561**	**253 823**	**797 768**	**2 898 152**

- There is no right of use where the Group would sublease the underlying asset.
- Rights of use are written off in a straight-line manner over the term of the contract granting the right.
- Lease liability is presented in Section IV.23.

IV.9.5 Construction of assets in the current period

The Group performed the following priority power plant investments:

Investments	Value (in HUF thousand)
Acquisition, overhaul and renovation of gas engines in heating power plants	4 443 815
Energy storage facilities, RRF	3 443 102
Solar power plant Tereske	1 831 956

IV.9.6 Capitalization of borrowing costs

In 2024, the Group did not take out any loans for which additional costs were capitalized.

IV.9.7 Environmental effects statement

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

IV.9.8 Assets as borrowing collaterals

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

IV.9.9 Assets, repurchase and reverse repurchase agreements

The Group does not possess assets subject to repurchase agreements.

IV.10 Lease assets

The Group presents the contract of Tisza-WTP Kft. concluded with customers as a finance lease.

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

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

Lease asset values

The Group's lease receivables were recovered through contractual cash flows realized in prior years. The Group is entitled to no lease income from Tisza WTP Kft., the value of the lease receivable is zero.

IV.11 Loans given and deposits

Long-term deposits given	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Clearing house deposit	1 268 013	1 024 014
Deposits given for development	115 039	163 789
Recognized ECL for long-term deposits	(16 021)	(15 113)
Total	**1 367 031**	**1 172 690**

- Clearing house deposits are KELER deposits related to the power exchange presence of Sinergy Energiakereskedő Kft. and Alteo Energiakereskedő Zrt.
- Deposits given for development include the deposit given for the gas network expansion relating to the gas engine project implemented by ALTEO-Therm Kft.
- The items relating to the ECL impairment are presented in detail in Section IV.19 Application of the expected loss model (ECL) to financial assets.

IV.12 Long-term participation in affiliated companies

The Group has no long-term participation in affiliated companies.

IV.13 Inventories

The parts and materials used for operation, maintenance and energy production relating to its economic activities are shown in the inventories of the Group.

Inventories	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Strategic inventories:		
Spare parts, operating materials	971 453	788 259
Projects	220 833	88 427
Fuels	38 037	38 074
Circular economy inventories:		
Inventories of waste management	41 867	62 655
Inventories of energy production	39 737	46 050
Impairment loss of inventories	(12 398)	(33 561)
Total	**1 299 529**	**989 904**

Strategic inventories:

- *Spare parts, operating materials:* These include the stock of spare parts relating to the maintenance of power plant equipment and, among others, work clothing, empties and auxiliary materials.
- *Project inventories:* Inventories related to projects are the value of materials and services not received by the buyer on the reporting date.
- *Fuels:* Inventories include the fuels (fuel oil) used by power plants.

Circular economy inventories:

- *Inventories of waste management*: goods not yet sold as the end product of waste processing
- *Inventories of energy production*: the inventory of raw materials and of work in progress necessary for the production process of the biogas plant

Impairment of inventories: difference of the inventory value and fair market value of waste management recognized by the Group in Other revenues and expenses

	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening balance	33 561	85 729
Impairment reversed	-	(64 968)
Impairment recognized	49 223	12 800
De-recognition of impaired inventories	(70 386)	-
Closing balance	**12 398**	**33 561**

Valuation of inventories: inventories are measured by the Group on a case by case basis, using the initial cost method. The turnover of Spare parts and operating materials is low, but their utilization is not limited due to the stability of their value.

Inventories are used by inventory groups as follows:

Recognition of inventories in expenses	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Strategic inventories:		
Spare parts, operating materials	(549 373)	(431 113)
Projects	(41 500)	-
Fuels	(85 583)	(84 885)
Circular economy inventories:		
Inventories of waste management	(26 649)	(577 748)
Inventories of energy production	(6 313)	(12 158)
Total	**(709 418)**	**(1 105 904)**

IV.14 Trade receivables

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

Trade receivables	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Gross value of trade receivables	13 654 697	11 311 724
Impairment	(570 156)	(447 964)
Total	13 084 541	10 863 760

Trade impairment losses	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening balance	447 964	666 920
Reversal of impairment/de-recognition	(282 390)	(281 919)
Impairment recognized	404 582	62 963
Closing balance	(570 156)	447 964

- The impairment of receivables and write-offs are accounted for in other expenses.
- Buyers are qualified on a case by case basis.
- A significant part of trade receivables is unsecured because they are not covered by deposits, bank guarantees, etc.
- The trade receivables of the retail trade business line are secured
- The Group has guarantees from buyers of construction projects. No guarantees had to be enforced during the presentation periods.
- The maximum credit risk is equal to the carrying amount of trade receivables.
- The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19.

The largest buyers of the Group based on the proportion of the sales revenue realized in the current year are:

In 2024	Revenue %	In 2023	Revenue %
MAVIR Zrt.	15,09%	MAVIR Zrt.	13,29%
BKM Nonprofit Zrt.	6,90%	E2 Hungary Kft.	12,59%
GYŐR-SOPRON-EBENFURT	6,27%	Barcika Szolg Vagyonkezelő és Szolgáltató Kft.	8,20%
MET Austria Energy Trade GmbH	6,17%	BKM Nonprofit Zrt.	7,37%
European Commodity Clearing Luxembourg	5,63%	MET Austria Energy Trade GmbH	7,07%

Presentation of trade receivables at gross value as per due dates (2024):

Aging of gross trade receivables	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Not overdue:		
1 to 30 days	9 120 001	5 703 659
31 to 60 days	4 096 058	3 965 776
61 to 90 days	97 334	142 820
91 to 180 days	10 628	8 811
181 to 365 days	604	-
over 365 days	110	-
Past due trade receivables:		
1 to 30 days	263 490	1 322 176
31 to 60 days	25 689	46 605
61 to 90 days	23 653	27 026
91 to 180 days	11 972	4 198
180 to 365 days	(11 741)	70 647
over 365 days	16 898	20 006
Total	**13 654 697**	**11 311 724**

IV.15 Emission allowances

Emission allowances	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Emission allowances CO2 quota	1 057 211	699 364
EEOS quota	525 155	351 834
Guarantees of origin	4 352	
Total	**1 586 718**	**1 051 198**

CO2 quota	Quantity (of shares)	Value HUF thousand
12/31/2023	**22 598**	**699 364**
Quota taken over without charge	13 629	359 387
Purchased quota	111 237	3 609 810
Quota returned without charge	(111 387)	(3 611 350)
12/31/2024	**36 077**	**1 057 211**

EEOS quota	Quantity (GJ)	Value HUF thousand
12/31/2023	**21 768**	**351 834**
Purchased quota	17 690	260 582
Utilization	(4 730)	(87 261)
12/31/2024	**34 728**	**525 155**

IV.16 Other financial assets

Other financial assets	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Derivative transactions	1 622 080	640 576
Deposits and security deposits	1 477 049	3 118 641
Separate bank accounts	302 971	445 496
Deposits and security deposits impairment (ECL)	(20 133)	(40 256)
Total	**3 381 967**	**4 164 457**

The receivable balance of derivative transactions includes the non-realized fair value of hedging transactions (EUR/HUF FX forward, interest rate swaps, gas price swap) at the end of the year.

The aggregate values for derivative transactions and the valuation procedure for the transactions are set out in subsection IV.20.4.

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

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

The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19 Application of the expected loss model (ECL) to financial assets.

IV.17 Other receivables and accruals

Other receivables and accruals	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Accrued revenues	7 019 893	4 043 807
Advances paid (related to projects)	630 285	1 902 326
Accrued expenses	451 113	652 045
Projects – Receivables due from customers	36 049	137 189
Other receivables	50 703	143 260
Receivables from employees	4 014	4 154
ECL impairment for other receivables	(10 915)	(55 761)
Total	**8 181 142**	**6 827 020**

- Accrued revenue: the Group revenue invoiced after the current period under customer contracts performed during the current year
- Advances given are related to the construction-installation projects in progress.
- The amount due from the clients of the projects is presented in detail in Section IV.31 Accounting for project development contracts under IFRS 15.
- Other receivables include certain tax assets in various tax types, the claim of the VAT Group from Tisza-WTP and various settlements of minor individual value. Other receivables are not past due, or are not considered doubtful by the management.

The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19 Application of the expected loss model (ECL) to financial assets.

IV.18 Cash and cash equivalents

Cash and cash equivalents	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Bank accounts – HUF	7 715 563	22 940 117
Bank accounts – foreign currency	2 326 221	1 404 640
Discount treasury bills	159 781	-
Cash in hand	333	323
Total	**10 201 898**	**24 345 080**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. In 2024 the Group exploited the high interest rate conditions, and tied up its free cash as short-term deposits. The fixed deposits earned market interest rates.

Changes in Cash are influenced by the revaluation difference (HUF 106,416 thousand) attributable to exchange rate fluctuations.

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

The management of the Group has performed the risk analysis of its financial assets (ECL modeling).

Risks related to financial assets are presented in Section 1.18.3 of the Business Report. Taking into account the risks presented, financial assets are classified into the following categories:

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

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

Application of the expected loss model to financial assets	External credit rating	Internal credit rating	ECL%	Gross value	ECL amount	Net amount
Customers – with large corporate background	N/A	Performing	3,54%	2 780 293	(98 422)	2 681 871
Customers – public sector	N/A	Performing	3,54%	3 681 407	(130 322)	3 551 085
Customers – retail energy trade	N/A	Performing	3,54%	3 507 734	(123 454)	3 384 281
Customers – energy production	N/A	Performing	3,54%	2 633 184	(93 215)	2 539 970
Customer – scheduling service	N/A	Performing	3,54%	443 898	(14 017)	429 881
Customer – other	N/A	Performing	3,54%	374 441	(14 722)	359 719
Customer – waste management	N/A	Performing	3,54%	149 119	(11 385)	137 735
Customer – Condominium	N/A	Non-performing	100,00%	825	(825)	-
Customer – critical	N/A	Non-performing	100,00%	74 875	(74 875)	-
Customer – retail energy trade under legal proceeding	N/A	Non-performing	100,00%	8 919	(8 919)	-
Other financial assets	N/A	Performing	1,50%	1 477 049	(20 132)	1 456 917
Advances given	N/A	Performing	1,50%	2 247 630	(10 915)	2 236 715
Deposits, security deposits given	N/A	Performing	1,50%	1 383 052	(16 021)	1 367 031

In current year's valuation, the management of the Group uses the data available in public databases to determine ECL rates.

IV.20 Equity

IV.20.1 Issued capital and own shares

Issued capital	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**247 534**	**249 066**
Implementation of employee share award through shares	-	24
Acquisition of own shares	-	(5 201)
ESOP Organization cash and cash equivalents spent on operation and costs	-	3 645
Share transfers for the implementation of ESOP Programs	5 671	-
IFRS 2 vested benefit settlement		
Through the ESOP Organization (ESOP 2024)	(3 192)	-
Szikra, ESOP 2025 Program share repurchase	(873)	-
closing	**249 140**	**247 534**

Issued capital includes the face value of the shares issued (in circulation). As of the reporting date, all issued shares are from one series (series A). The face value is HUF 12.5 per share.

Shares traded:

- On December 31, 2024, the Group held 245 own shares.
- The Company reports its issued capital less the value of the redeemed own shares in the Issued capital line.
- There are no other agreements between owners or with other parties which would require the Company to issue new ordinary shares or repurchase existing ones.

IV.20.2 Share premium reserves

Share premium reserves	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**6 174 087**	**6 573 148**
Implementation of employee share award through shares	-	5 518
Acquisition of own shares	-	(1 123 942)
ESOP Organization cash and cash equivalents spent on operation and costs	-	(8 682)
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	(63 145)
Share transfers for the implementation of ESOP Programs	1 601 386	791 190
IFRS 2 vested benefit settlement through the ESOP Organization (ESOP 2024)	(974 428)	-
Szikra, ESOP 2025 Program share repurchase	(276 728)	-
ESOP Founder's assets dividend	197 119	-
FE-Group Invest Zrt. minority interest consolidation	(25 374)	-
closing	**6 696 062**	**6 174 087**

The Group exercised its option and in October 2024 acquired the minority interest of Blue Planet Climate Protection Foundation held in FE-Group Invest Zrt. The amount paid in excess of the registered capital constituting the Group's share is disclosed under Share premium reserves.

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

Reserve for share-based payments	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**(1 885 811)**	**(1 459 544)**
Acquisition of own shares	-	46 036
profit or loss	-	(552 218)
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	866 672
ESOP Organization cash and cash equivalents spent on operation and costs	-	8 077
Shares transferred to ESOP organization	-	(794 835)
Shares transferred to ESOP Organization for the implementation of ESOP Programs	(1 607 057)	-
IFRS 2 vested benefit settlement Through the ESOP Organization (ESOP 2024)	977 620	-
Szikra, ESOP 2025 Program share repurchase	277 601	-
Aggregate amount of rounding difference	(1)	1
closing	**(2 237 648)**	**(1 885 811)**

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

IV.20.4 Hedge reserve

The fair value of future transactions existing on the reporting date is presented by the Group based on hedging combinations and achieved hedging objectives in other comprehensive income and equity. Hedge transactions are shown in detail in Section IV.36.

IV.20.5 Retained earnings

Retained earnings	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**31 663 743**	**19 170 998**
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	552 218
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	(866 672)
ESOP Organization cash and cash equivalents spent on operation and costs	-	2 874
Minaqua Kft. absorption capital settlement	-	(1 055)
Acquisition of ECO-FIRST Kft. participation	-	6 082
Re-entry of ECO-First Kft. prescribed dividend into profit or loss		1 900
Dividend payment (approval)	(7 972 590)	-
ESOP Founder's assets forfeited dividend	41 078	-
FE-Group Invest Zrt. profit carryover	(75 935)	-
Aggregate amount of rounding difference	-	2
Comprehensive income	9 624 055	12 797 396
closing	**33 280 351**	**31 663 743**

The retained earnings show the part of the profit from the profit of the Group after taxes attributable to the ownership share of ALTEO Nyrt. In June 2024, the Group paid the amount of the approved dividend to the identified shareholders in the amount of HUF 402.6 per share.

IV.20.6 Non-controlling interest

In 2023 the Group acquired 33.33% of ECO-First Kft., thereby becoming the sole owner of the Company.

In October 2024, the Group acquired the 24.1% minority interest of FE-Group Zrt. The value of non-controlling shares at reporting date is 0.

Non-controlling interest	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**43 585**	**84 949**
Profit or loss of FE-Group Zrt. in the current period attributable to non-controlling interests	-	(35 282)
Acquisition of ECO-FIRST Kft. participation	-	(6 082)
FE-Group Invest Zrt. minority interest profit	75 935	-
FE-Group Invest Zrt. minority interest	(119 520)	-
closing	**-**	**43 585**

IV.21 Debts on the issue of bonds

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

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

Debts on the issue of bonds	Interest terms	Issue value HUF thousand	Face value	Currency	Maturity date	Nominal liabilities 12/31/2024 (HUF thousand)
ALTEO Nyrt. NKP1 2029	Interest payment per annu	8 818 285	8 600 000	HUF	10/28/2029	8 600 000
Alteo Nyrt. NKP1 2031	Interest payment per annu	3 912 499	3 800 000	HUF	10/8/2031	3 800 000

Bond cash flow	2025	2026	2027	2028	2029	after 2029
ALTEO Nyrt. NKP1 2029	270 900	270 900	270 900	270 900	8 870 900	-
Alteo Nyrt. NKP1 2031	93 100	93 100	473 100	463 790	454 480	2 781 030

Bonds	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening principal and interest	12 658 274	12 658 274
ALTEO Nyrt. NKP1 2029	8 762 151	8 762 151
Alteo Nyrt. NKP1 2031	3 896 123	3 896 123
Interest recognized in the current period	331 789	335 884
ALTEO Nyrt. NKP1 2029	251 941	251 789
ALTEO Nyrt. 2019/I bond	-	-
Alteo Nyrt. NKP1 2031	79 848	84 095
Principal and interest payments in the current period	(364 000)	(364 000)
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 626 063**	**12 630 158**
Recognized interest rate change of short-term liabilities	**(75 541)**	**(28 116)**
Debts on the issue of bonds	12 701 604	12 658 274
Short-term bond payables	-	-
	12 701 604	**12 658 274**

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

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

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IV.22 Borrowings

IV.22.1 Long-term borrowings and their collaterals

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

Loans and borrowings used to finance the Group:

Credits (in HUF)	Financing party	Frequency of repayments	Amounts paid	Maturity date	Loan payables (debt owed) 12/31/2024	Capitalized lending costs 12/31/2024	Carrying amount 12/31/2024	Carrying amount 12/31/2023
Principal and interest liabilities								
ALTEO Energiaszolgáltató Nyrt.	MFB	monthly	249 265	7/25/2034	218 787	-	218 787	241 646
Monsolar Kft.	MKB	six-monthly	656 575	3/31/2034	482 691	(3 124)	479 567	519 004
Monsolar Kft. (legal predecessor: IT-Solar Kft.)	MKB	six-monthly	656 575	3/31/2034	482 691	(3 129)	479 562	518 998
Domaszék Kft.	OTP	quarterly	601 000	6/30/2034	427 800	(6 692)	421 108	457 284
Sunteo Kft. (legal predecessor: Péberény Kft.)	K&H	quarterly	2 147 328	6/30/2035	1 583 568	(8 229)	1 575 339	1 734 804
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	K&H	quarterly	1 449 748	9/30/2035	1 084 254	-	1 084 254	1 190 810
Sunteo Kft. (legal predecessor: True Energy Kft.)	K&H	quarterly	1 459 872	9/30/2035	1 092 304	-	1 092 304	1 199 465
Sinergy Kft.	K&H	quarterly	744 000	6/30/2034	573 624	(8 691)	564 933	618 037
Pannon Szélerőmű Kft.*	K&H	quarterly	1 200 000	12/31/2027	720 000	-	720 000	1 020 000
Euro-Green Energy Kft.*	K&H	quarterly	2 800 000	12/31/2027	1 680 000	-	1 680 000	2 380 000
Energigas Kft.	MFB	monthly	1 581 772	1/5/2032	965 772	-	965 772	1 095 772
Energigas Kft.	MFB	quarterly	85 288	9/15/2026	5 552	-	5 552	9 146
Liabilities to banks in the statement of financial position					**9 317 043**	**(29 865)**	**9 287 178**	**10 984 966**
Principal and interest liabilities								
Fe-Group Zrt. member's loan	Blue Planet Foundatior	at maturity	298 800	5/31/2025		-	-	298 800
Liabilities to other enterprises in the statement of financial position					-	-	-	**298 800**
Long-term loans and borrowings							**7 838 416**	**9 579 949**
Short-term loans and borrowings							**1 448 762**	**1 703 817**

*the loans are not hedged

- Borrowings are measured at amortized cost. The fair value of variable interest loans does not materially differ from their amortized cost.
- A borrowing is classified as non-current in the financial statements only if at the end of the year the Group had a unilateral right not to repay the amount before the next reporting date. The instalments for the next year are included in current liabilities.
- Repayments due in 2025 were reclassified to short-term borrowings and loans in the amount of HUF 1,448,762 thousand.
- FE-Group Invest Zrt. repaid the HUF 298,800 thousand hsareholder loan received from the former minority shareholder Blue Planet Foundation.

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

Company	Designation of the collateral
ALTEO Energiakereskedő Zrt.	a lien on claim, surety and lien on bank accounts
ALTEO Energiaszolgáltató Nyrt.	pledge on claims, surety, lien on movable property
Monsolar Kft.	mortgage on a business quota, mortgage on real property, as well as prohibition of alienation and encumbrance, mortgage on movable property, mortgage on receivables, surety and mortgage on bank accounts
Sunteo Kft.	purchase option and mortgage on a business quota, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on receivables, surety and lien on bank accounts
Domaszék 2MW Kft.	mortgage on a business quota, mortgage on real property, mortgage on movable property, lien on receivables, surety and lien on bank accounts
Sinergy Energiakereskedő Kft.	pledge on claims
Sinergy Kft.	mortgage on a business quota, mortgage on movable property, lien on receivables, surety and lien on bank accounts
Pannon Szélerőmű Kft.	purchase option and mortgage on a business quota, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on rights and receivables, surety and lien on payment accounts
Euro Green Energy Kft.	purchase option and mortgage on a business quota, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on rights and receivables, surety and lien on payment accounts
Energigas Kft.	mortgage on real property, mortgage on movable property, mortgage on receivables, surety and lien on bank accounts

IV.22.2 Borrowing cash flow

Non-discounted cash flows of the Group's borrowings:

Borrowing cash flow	2025	2026	2027	2028	2029	2029-2035
ALTEO Energiaszolgáltató Nyrt.	(22 860)	(22 860)	(22 860)	(22 860)	(22 860)	(104 487)
Monsolar Kft.	(42 487)	(44 677)	(47 065)	(49 453)	(50 714)	(248 295)
Monsolar Kft. (legal predecessor: IT-Solar Kft.)	(42 487)	(44 677)	(47 065)	(49 453)	(50 714)	(248 295)
Domaszék Kft.	(39 500)	(41 500)	(44 000)	(46 000)	(48 500)	(208 300)
Sunteo Kft. (legal predecessor: Péberény Kft.)	(134 767)	(140 391)	(146 232)	(152 289)	(158 562)	(851 327)
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	(89 884)	(93 654)	(97 568)	(101 482)	(105 542)	(596 124)
Sunteo Kft. (legal predecessor: True Energy Kft.)	(90 512)	(94 308)	(98 249)	(102 191)	(106 279)	(600 765)
Sinergy Kft.	(46 574)	(49 402)	(52 378)	(55 428)	(58 776)	(311 066)
Energigas Kft.	(135 000)	(139 000)	(146 000)	(154 000)	(162 000)	(229 772)
Energigas Kft.	(3 702)	(1 850)	-	-	-	-
Euro-Green Energy Kft.	(560 000)	(560 000)	(560 000)	-	-	-
Pannon Szélerőmű Kft.	(240 000)	(240 000)	(240 000)	-	-	-

With one exception, the ALTEO Group has variable rate borrowings where the interest rate is based on the BUBOR of the repayment period, with premiums between 1% and 2.3%. The investment loans of Energigas Kft. bear fix interest rates of 2.5% and 4.4%. Alteo Nyrt.'s loan has a fixed interest rate of 2%.

In order to mitigate interest rate risks relating to its borrowings, the Group has entered into interest rate swaps. Pursuant to the IRS agreements, the interest rate received is in the range of 1.5% to 12.05%.

Interest rate sensitivity assessment of loans not hedged by interest rate swaps in the case of 5% change to BUBOR:

Interest rate risk (data in HUF thousand)	Equity	BUBOR %	BUBOR change +/- 5%
Loans not hedged by interest rate hedging transactions	2 400 000	6%	7 200

IV.23 Lease liabilities

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

Lease liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening:		
Obligations related to lease liabilities	2 690 647	2 240 197
Increase	1 947 853	1 229 137
Decrease	(926 124)	(403 229)
Recognized interest expense	274 310	182 773
Lease payments	(782 626)	(558 231)
Closing:	3 204 060	2 690 647

Breakdown of lease liabilities by maturity date:

Breakdown of lease liabilities by maturity	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Long-term liabilities (due over 1 year)		
Long-term liabilities relating to rights of use (over 5 years)	1 858 139	1 116 575
Long-term liabilities relating to rights of use (1-5 years)	579 913	1 043 506
	2 438 052	**2 160 081**
Short-term instalment (due within 1 year)	766 008	530 566
Total	**3 204 060**	**2 690 647**

Lease expenditure in profit or loss:

Lease expenditure	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Recognized amortization	(605 958)	(485 447)
Recognized interest expense	(274 310)	(182 773)
Short-term and low-value leases	(541 265)	(355 663)
Total	**(1 421 533)**	**(1 023 883)**

In the case of low-value lease contracts subject to IFRS 16, the Group chooses the option offered by the standard and recognizes them as lease expenditure.

Expected cash flows associated with lease liabilities:

Expected cash flows from leases	2025	2026	2027	2028	2029	2030-2053
Lease of power plant asset	38 848	38 848	38 848	38 848	38 848	233 089
Land lease	245 599	236 399	248 692	250 309	249 736	1 666 319
Vehicles	294 792	265 861	240 071	155 932	639	
Office space rent	211 658	105 829				
Machinery rental	23 215	4 098				
Assembly hall rental	60 398	60 398	57 269	40 942	2 573	
Total	**874 510**	**711 434**	**584 880**	**486 031**	**291 796**	**1 899 408**

None of the lease arrangements include contingent lease payments. The ownership of leased cars, land, property and power plants is not transferred to the Group upon maturity of the lease and there is no related call option in place either. The Group assesses on a case by case basis whether to exercise the renewal option at the maturity of the lease.

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

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

IV.24 Short-term and long-term provisions

Provisions primarily include provisions for contractual decommissioning and restoration obligations. Provisions recognized and released are shown in table below:

Provisions	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening balance	**1 221 555**	**1 247 765**
of which:		
Future expenses, onerous contracts	58 860	195 401
Regarding asset decommissioning	1 019 619	941 417
EEOS quota	-	110 947
Provisions for expected liabilities	143 076	-
Provisions released	**269 097**	**(259 272)**
Provisions recognized	**193 018**	**233 062**
Recognition of provisions as assets	**678 918**	-
Recognition of provisions during acquisition	**668 879**	-
closing balance	**2 493 273**	**1 221 555**
of which:	**2 493 273**	**1 221 555**
Future expenses, onerous contracts	45 247	58 860
Regarding asset decommissioning	2 202 884	1 019 619
Provisions for EEOS quota	88 724	-
Provisions for expected liabilities	156 418	143 076
Long-term provisions	**2 359 302**	**1 221 555**
Short-term provisions	**133 971**	-

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

Expected use of provisions	Within 1 year	2-5 years	more than 5 years
Future expenses, onerous contracts	45 247	-	-
Provisions for EEOS quota	88 724	-	-
Provisions for expected liabilities	-	156 418	-
Regarding asset decommissioning	-	-	2 202 884
Total:	133 971	156 418	2 202 884

Breakdown of provisions by effect on profit or loss:

Provisions in profit or loss	In 2024
Interest on decommissioning and recovery liability	83 364
Expected liabilities	13 342
EEOS quota	88 724
Future costs	7 588
Total provisioning:	193 018
Release due to revision of decommissioning and recovery obligation	247 896
Provisions for costs released	21 201
Total provisions released:	269 097

Provisions are made and used in line with the characteristics listed in Note 1.18 Business environment of ALTEO and classification of risks according to risk characteristics of the Annual Report.

IV.25 Deferred income

Deferred income	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Deferred income related to subsidized assets	544 546	847 847
Deferred income from CO2 quota received free of charge	359 387	-
Deferred income from guarantee of origin	4 352	-
Total	**908 285**	**847 847**

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

	RDI 1
Purpose of the grant	**Systemic integration and innovative application model of an electricity storage architecture**
Criteria satisfied	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: The creation of one newly developed product, technology, service or prototype The preparation of one know-how Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million One appearance at a domestic and an international forum (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) 2 publications
Realistic criteria	Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million
Implementation	July 2019
Maintenance period	July 2019 – 12/31/2024

	RDI 2
Purpose of the grant	**Integration into the electricity system of storage facilities with battery cells of various parameters**
Realistic criteria	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 subsidized undertaking for the manufacture of the new product In the 2 financial years following implementation, the amount of R&D expenses amounts to 30% of grants as evidenced in the corporate tax returns
Implementation	January 2022
Maintenance period	January 2022 – June 2029

	RDI 3
Purpose of the grant	**Development of real-time autonomous energy information and production management system**
Realistic criteria	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 new product developed involvement of 3 enterprises in development publication of the project achievements on domestic forums on 3 occasions 3 publications 1 publication resulting from private-public cooperation 3 undertakings making use of the project achievements 9 researchers/developers and 2 other employed project participants 1 additional agreement with universities or research institutes
Implementation	September 2024
Maintenance period	expected on December 31, 2030, subject to the approval date of the professional and financial report submitted

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	Tender for industrial development in 2019
Purpose of the grant	**Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials**
Realistic criteria	Complex development of waste treatment and recovery technologies taking the circular economy into account purchase of 1 shredder and mechanical separator purchase of 4 material handling equipment units purchase of 1 technological line for cable processing purchase of 1 line for processing flat image display equipment purchase of 1 line of wire processing machines purchase of 1 pipe extruder purchase of 1 silo feeder and 1 color separator Integration of separation technologies and conveyor track into electronic waste processing lines
Implementation	12/31/2024
Maintenance period	06/30/2023 – 06/30/2026

	Tender for industrial development in 2021
Purpose of the grant	**Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials**
Realistic criteria	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 baler purchase of compactor container systems purchase of 1 production line for the manufacture of wire conduit products
Implementation	7/31/2024
Maintenance period	12/31/2023 – 12/31/2028

	Tender for industrial development in 2022
Purpose of the grant	**On ad hoc industrial development grants for waste management related to waste from products subject to product charges**
Realistic criteria	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 aluminum packaging waste baling line purchase of 1 dismantling line for electric motor from electronic waste
Implementation due date	6/30/2023
Maintenance period	6/30/2023 – 6/31/2028

	Tender for industrial development in 2023
Purpose of the grant	**Support, development, technology development of businesses engaged in the treatment/pre-treatment/recovery of waste arising from products subject to product charges**
Conditions of the grant	Development of treatment-related technologies, transitioning of waste from products subject to product charges collected in the deposit refund system to the circular economy. Procurement of technological line suitable for the mechanical pre-treatment of waste collected in the deposit refund system.
Implementation due date	12/31/2025
Maintenance period	6/30/2023 – 6/30/2028

	RRF storage - ALTEO-Therm Kft. (Győr 10MW BESS)
Purpose of the grant	**Installation of a lithium-ion power storage facility at the Győr site of ALTEO-Therm Kft.**
Conditions of the grant	The energy storage facility to be built must be capable of continuously storing at least 2 hours of electricity at the nominal capacity defined in the tender and undertaken in the bid. The storage will have an independent nominal capacity of at least 10 MW. The storage must have balancing energy control capabilities. The aFRR accreditation must be obtained for the energy storage facility through the procedure of MAVIR Zrt. for the physical completion of the project. Display of information on website and social media 2 news articles (opening, closing) Organizing a public press event Displaying of an information sign in A2 format at the project site
Grant period	Operation for 10 years following physical completion (starting not later than April 30, 2026)
Revenue compensation	Bilateral contract for differences between MAVIR and the Beneficiary. Minimum EUR 19/kW, maximum EUR 190/kW

	RRF storage - ALTEO-Depónia Kft. (Győr 49.9MW BESS)
Purpose of the grant	**Installation of a lithium-ion power storage facility at the new Győr site of ALTEO-Depónia Kft.**
Conditions of the grant	The energy storage facility to be built must be capable of continuously storing at least 2 hours of electricity at the nominal capacity defined in the tender and undertaken in the bid. The storage will have an independent nominal capacity of at least 49.9 MW. The storage must have balancing energy control capabilities. The aFRR accreditation must be obtained for the energy storage facility through the procedure of MAVIR Zrt. for the physical completion of the project. Display of information on website and social media 2 news articles (opening, closing) Organizing a public press event Displaying of an information sign in A2 format at the project site
Grant period	Operation for 10 years following physical completion (starting not later than April 30, 2026)
Revenue compensation	Bilateral contract for differences between MAVIR and the Beneficiary. Minimum EUR 19/kW, maximum EUR 190/kW

	RRF storage - Pannon Szélerőmű Kft. (Bana 10MW BESS)
Purpose of the grant	**Installation of a lithium-ion power storage facility at the Bana site of Pannon Szélerőmű Kft.**
Conditions of the grant	The energy storage facility to be built must be capable of continuously storing at least 2 hours of electricity at the nominal capacity defined in the tender and undertaken in the bid. The storage will have an independent nominal capacity of at least 10 MW. The storage must have balancing energy control capabilities. The aFRR accreditation must be obtained for the energy storage facility through the procedure of MAVIR Zrt. for the physical completion of the project. Display of information on website and social media 2 news articles (opening, closing) Organizing a public press event Displaying of an information sign in A2 format at the project site
Grant period	Operation for 10 years following physical completion (starting not later than April 30, 2026)
Revenue compensation	Bilateral contract for differences between MAVIR and the Beneficiary. Minimum EUR 19/kW, maximum EUR 190/kW

IV.26 Other long-term liabilities

Other long-term liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
ESOP Programs	317 006	711 475
Conditional purchase price liabilities	207 176	238 481
Contractual support obligation	92 270	165 867
Interest rate swaps liabilities	-	127 066
Interest payment obligation during the loan moratorium	89 845	117 221
Total	**706 297**	**1 360 110**

- For liabilities relating to the ESOP program see Section IV.35 Presentation of share-based and equity settled benefit schemes.
- Provisional purchase price means the liability recognized with regard to the acquisition of the Zugló-Therm Kft. shares.
- Contractual grants and subsidies include liabilities arising from long-term grant agreements with entities other than the Group's partners.

- Interest payment obligation due to a loan moratorium includes the interest accumulated during the moratorium at Monsolar Kft and Energigas Kft.

IV.27 Advances received

Advances received	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Advances received	2 145 859	29 281
Total	**2 145 859**	**29 281**

Advances received include cash and cash equivalents received from the Group's partners in connection with its activities before the reporting date.

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

IV.28 Trade payables

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

Trade payables	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Past due trade payables		
past due for 1-30 days	1 326 713	80 765
past due for 31-60 days	13 686	31 670
past due for 61-90 days	8 468	311
past due for 91-120 days	1 605	-
past due for 121-365 days	10 893	2 959
past due for more than 365 days	12 641	20 017
Trade payables not yet due		
due within 30 days	7 108 083	2 470 311
due in 31-60 days	146 023	767 688
due in 61-90 days	-	2 458
due in 91-120 days	-	-
due in 121-365 days	41 848	15 147
due in more than 365 days	31 773	12 723
Total	**8 701 733**	**3 404 049**

Largest suppliers of the Group based on annual turnover:

Major suppliers	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
MOL Nyrt.	17 850 721	3 476 304
MVM Next Energiakereskedő Zrt.	12 432 209	16 231 483
MVM Partner Zrt.	14 212 917	8 036 958
MAVIR Magyar Villamosenergia Rendszerirányító Zrt.	9 221 511	4 422 191
MET Magyarország Kft.	8 731 963	15 495 218

IV.29 Other financial liabilities

Other financial liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Liabilities arising from derivative transactions	-	3 138 813
Total	-	**3 138 813**

Year-end market value of derivatives as a result of hedge transactions, explained in Section IV.40, and Notes 1.18.3.35 and 1.18.3.36. of the Annual Report.

IV.30 Other short-term liabilities and accruals

Other short-term liabilities and accruals	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Cost accruals	8 370 179	8 693 270
CO2 quota related non-financial liabilities in current year	3 078 166	3 565 846
ESOP Programs expiring in 2025	2 105 068	-
Other tax liabilities	1 938 005	3 422 603
Other short-term liabilities	970 457	1 768 102
Income settlement	377 148	325 844
Income accruals	154 137	124 847
Projects – amounts due to customer	189 490	-
Total	**17 182 650**	**17 900 512**

Other short-term liabilities include non-interest-bearing items. The following are disclosed here by the Group:

- energy, operating and administrative expenses incurred but uninvoiced before the reporting date
- costs of CO2 quota return obligations arising from its current-year gas consumption
- liabilities under the ESOP Program expected to be settled and vested in 2025,
- interest liabilities incurred before but not paid by the reporting date
- tax payment liabilities owed to tax authorities
- advances on sectoral development subsidies
- other short-term liabilities that are not significant individually.

IV.31 Accounting for project development contracts under IFRS 15

Name	12/31/2024	12/31/2023	Recognized current year revenue total	Revenue adjustment against statement of financial position	Invoiced revenue
Business and project development projects	(189 490)	104 929	(1 620 525)	294 421	(1 914 946)
Maintenance projects	36 049	32 260	(239 725)	(3 790)	(235 935)
Projects – Receivables due from customers	**36 049**				
Projects – amounts due to customer	**(189 490)**				

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

IV.32 Presentations on acquisitions of companies

In 2024, the Group made the following acquisitions:

- acquisition of 100% interest in Energy Corp Hungary Kft.
- Acquisition of MovR H1 Szélerőmű Kft., the wholly-owned subsidiary of Energy Corp Hungary Kft.
- Acquisition of 100% interest in Aerope Holding Kft.

Name	Energy Corp Hungary Kft./MovR H1 Szélerőmű Kft.	Aerope Holding Kft.
Consideration payment date	11/29/2024	12/21/2024
Included in consolidation:	10/1/2024	12/31/2024
Share of the Group:	*100,00%*	*100,00%*
Share of non-controlling interest:	-	-
	HUF thousand	*HUF thousand*
Consideration paid in cash:	5 384 503	912 901
Total:	5 384 503	912 901
Fair value of cash and cash equivalents and liabilities identified:		
Non-current assets	4 897 260	1 054 318
Short-term receivables	325 562	1 547
Cash and cash equivalents	265 809	159 863
Accrued income and deferred expenses	87 683	2 615
Provisions	(668 879)	-
Long-term liabilities	(401 535)	(304 797)
Short-term liabilities	(443 271)	-
Deferred income and accrued expenses	-	(644)
Total:	4 062 630	912 902
Deferred tax liability (9%)	(256 647)	-
Total assets identified in acquisitions:	*3 805 983*	*912 902*
Asset value for the Group:	*3 805 983*	*912 902*
Identified goodwill	*1 578 520*	-
Cash flow effect of acquisition	*(5 118 694)*	*(753 038)*
Revenue in the period following the acquisition	409 670	-
Earnings in the period following the acquisition	225 695	-

On October 31, 2024, the Group acquired the minority interest (24.9% of the shares) of Blue Planet Climate Protection Fund in FE-Group Zrt. for HUF 144,894 thousand, so becoming the sole owner of FE-Group Zrt.

IV.33 EBITDA

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

Elaboration of EBITDA:

Elaboration of EBITDA	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Operating profit	13 505 995	15 163 099
Depreciation, amortization, impairment recognized	5 542 189	4 268 473
EBITDA	**19 048 184**	**19 431 572**

IV.34 Calculation of earnings per share (EPS)

Calculation of earnings per share (EPS)	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Number of shares for EPS	19 851 780	19 848 490
Number of shares for diluted EPS	19 931 474	19 931 474
Profit or loss attributable to controlled interests	9 624 055	12 797 396
Base value of net earnings per share (HUF/share)	484,80	644,75
Diluted value of net earnings per share (HUF/share)	482,86	642,07

The Group used the average number of repurchased treasury shares for the calculation of the diluted EPS.

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

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

Description of the programs:

ESOP 2022-2024 and ESOP 2022-2025 programs

Chart of changes in share program	ESOP 2022-2024 Program		ESOP 2022-2025 Program	
	2024	2023	2024	2023
NUMBER				
Outstanding at the beginning of the period	232 818	120 475	158 026	88 317
Granted during the current period	-	-	-	-
Vested	-	112 343	161 089	69 709
Exercised during the current period	(223 200)	-	-	-
Expired during the current period	(2 668)	-	-	-
Forfeited during the current period	(6 950)	-	(24 120)	-
Outstanding at the end of the current period	-	232 818	294 995	158 026
of which:				
Available for exercise at the end of the current period	-	232 818	-	-
Value (HUF thousand)				
Outstanding at the beginning of the period	659 108	373 192	447 371	273 575
Granted during the current period	-	-		
Vested	222 620	285 916	918 480	173 796
Exercised during the current period	(854 499)	-	-	-
Expired during the current period	(7 553)	-	-	-
Forfeited during the current period	(19 675)	-	(137 525)	-
Outstanding at the end of the current period	-	659 108	1 228 326	447 371
of which:				
Available for exercise at the end of the current period	-	**659 108**	**1 228 326**	-

The ESOP 2022-2024 program was closed in 2024, benefits were paid and recognized in accordance with the relevant Remuneration Policy.

Time proportionate costs under the ESOP 2022-2025 program were recognized in profit or loss as 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. The benefit redeemable at the end of the current period is due in 2025 and is therefore recognized as a short-term liability.

Description of the program

- 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 2022-2025, published and effective from April 20, 2022.
- The ESOP applies to the employees specified in the Remuneration Policy. 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.
- 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 2024 fiscal year of the Company (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 2025 Remuneration Policy, the performance condition is met if the value of equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2022 as the comparative period.
- The Remuneration Policies allow the Company to reduce the benefit given to Employees based on performance assessment.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2022 and December 31, 2024 (2025 ESOP). The emphasis is on meeting the 2024 target figures. Given that the above conditions may be fulfilled by December 31, 2024, the vesting date will be those dates.
- Early exercise of the option is not possible.

ESOP Szikra, Watt, Senior Management Programs

Chart of changes in share program obligation	ESOP Watt		ESOP Szikra		ESOP Management	
	2024	2023	2024	2023	2024	2023
NUMBER						
Outstanding at the beginning of the period	11 422	-	43 475	-	38 362	-
Granted during the current period	-	-	-	-	-	-
Vested	13 489	11 422	57 376	43 475	29 639	38 362
Exercised during the current period	-	-	-	-	-	-
Expired during the current period	-	-	-	-	-	-
Forfeited during the current period	-	-	(12 502)	-	-	-
Outstanding at the end of the current period	24 911	11 422	88 349	43 475	68 001	38 362
of which:						
Available for exercise at the end of the current period	24 911	-	88 349	-	68 001	-
Value (HUF thousand)						
Outstanding at the beginning of the period	32 347	-	123 118	-	108 638	-
Granted during the current period	-	-	-	-	-	-
Vested	81 595	32 347	346 376	123 118	250 058	108 638
Exercised during the current period	-	-	-	-	-	-
Expired during the current period	-	-	-	-	-	-
Forfeited during the current period	-	-	(65 390)	-	-	-
Outstanding at the end of the current period	113 942	32 347	404 104	123 118	358 696	108 638
of which:						
Available for exercise at the end of the current period	113 942	-	404 104	-	358 696	-

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

Description of the programs

- Certain employees of the Company receive share-based benefits starting from April 21, 2023 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's

Szikra 2025, Watt 2025 and Senior Management ESOP Remuneration Policy for 2025, published and effective from April 27, 2023.

- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the ESOP Szikra, Watt and Senior Management 2025 Remuneration Policy, employees are eligible for the benefit if the legal relationship pursuant to which they are 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 2024.
- In the case of all three ESOPs, the benefit is given in the form of cash, the amount of which depends on 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 2024 fiscal year of the Company (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 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, 2023 as the comparative period.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2023 and December 31, 2024 for all three programs. The emphasis is on meeting the 2024 target figures. Given that the above conditions may be met by December 31, 2024, the date of vesting is that date.
- Early exercise of the option is not possible.

ESOP 2026 Executive, General Employee program

Chart of changes in share program obligation	ESOP Program 2026 Executive	ESOP Program 2026
	2024	**2024**
NUMBER		
Outstanding at the beginning of the period	-	-
Granted during the current period	-	-
Vested	35 039	41 208
Exercised during the current period	-	-
Expired during the current period	-	-
Forfeited during the current period	-	-
Outstanding at the end of the current period	35 039	41 208
of which:		
Available for exercise at the end of the current period	-	-
Value (HUF thousand)		
Outstanding at the beginning of the period	-	-
Granted during the current period	-	-
Vested	145 678	171 328
Exercised during the current period	-	-
Expired during the current period	-	-
Forfeited during the current period	-	-
Outstanding at the end of the current period	145 678	171 328
of which:		
Available for exercise at the end of the current period	-	-

Under the 2026 Executive and General Employee Programs, time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period ending on December 31, 2024 does not contain any amount of vested rights to funds. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the share-based payment program of the Company

- Certain employees and executives of the Company receive share-based benefits starting from May 31, 2024 (granting date). The detailed rules of the Share Ownership Programs are set forth in the Company's ESOP General Remuneration Policy for 2026 and ESOP Executive Remuneration Policy for 2026 published and effective from May 31, 2024.
- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the Remuneration Policies, 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 the first half of 2026.
- 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 if the performance condition is satisfied, after publication of the report for the first half of 2026.
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.
- Pursuant to the Remuneration Policy, the performance condition is satisfied if, according to the report published for the first half of 2026, the equity adjusted for other comprehensive income (OCI) and changes resulting from dividend payments and other equity transactions not affecting the net profit/loss exceeds the equity adjusted for other comprehensive income (OCI) published in the report for the first half of 2024 as comparative period.
- According to the Executive Remuneration Policies, the benefit may be reduced depending on the level of achievement of the EBITDA target for the financial years 2024 and 2025. The number of shares for participants will be reduced proportionately for 100% to 80% achievement, while it will be reduced to zero i.e. no benefit will be payable below an achievement level of 80%.
- According to the decision of the Management, the **vesting period is the period between July 1, 2024 and June 30, 2026** for both programs.
- Early exercise of the option is not possible.

IV.36 Financial liabilities, terms and changes

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

Highly probable forecasted gas purchases in 2025 worth HUF 1,593,813 thousand, foreign exchange forward transactions in 2024 worth HUF 1,501,773 thousand, interest rate swaps in 2024 and beyond worth HUF 513.512 thousand.

The hedge reserve has the following movement in its balance:

Name	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening	**(2 389 024)**	**2 069 245**
Remeasurement in other comprehensive income	1 476 093	(3 240 310)
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	2 389 024	(1 217 959)
Total	**1 476 093**	**(2 389 024)**
of which, derivative position recognized against OCI	*1 622 080*	*(2 625 301)*
of which, deferred tax recognized against OCI	*(145 987)*	*236 277*
Reclassification to income tax	236 277	(120 457)
Reclassification to financial expenses	(988 261)	559 259
Reclassification to other expenses	(43 227)	-
Reclassification to material expenses	(1 593 813)	779 157
Reclassification to the statement on profit or loss	**(2 389 024)**	**1 217 959**

- The amounts recognized in Other comprehensive income reflect the fair value of open transactions on the reporting date.
- The profitability of the transactions closed during the current period has been maintained.
- Profitable transactions recorded at opening value and closed during the current period have been reclassified to comprehensive income.

The effect of Other comprehensive income on the equity in 2024:

Other comprehensive income (after income tax)	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Remeasurement in other comprehensive income	1 476 093	(3 240 310)
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	2 389 024	(1 217 959)
Of which the owner of the Parent Company is entitled to:	3 865 117	(4 458 269)
Of which the non-controlling interest is entitled to:	-	-

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

Exposure	Interest rate- BUBOR	Foreign exchange rate – EUR/HUF	Foreign exchange rate – price of gas	Option for gas purchase	Foreign exchange rate CO_2 quota	Total	Effect of deferred taxes	Total with deferred tax effect
Nature of the risks being hedged	Increase in the BUBOR rate	EUR/HUF rate increase	Rate of gas increase	Rate of gas increase	Increase in CO_2 quota prices			
Description of the hedging activity	Transactions to fix the interest rates	Future purchases	Purchasing products in the future	Purchasing products in the future	Purchasing products in the future			
Description of the financial instruments designated as hedging instruments	Interest rate swap derivative	Forward deals	Asian swap deals, options	Options	Forward deals			
OCI as at 12/31/2023	**513 512**	**(1 501 773)**	**(1 246 996)**	**(346 817)**	**(43 227)**	**(2 625 301)**	**236 277**	
De-recognition against net profit or loss	**171 535**	**1 501 773**	**1 246 996**	**346 817**	**43 227**	**3 310 348**	**(297 931)**	**3 012 417**
De-recognition due to revaluation	**(685 047)**	**-**	**-**	**-**	**-**	**(685 047)**	**61 654**	**(623 393)**
Revaluation of CF hedge positions	**498 210**	**221 514**	**898 559**	**-**	**3 797**	**1 622 080**	**(145 987)**	**1 476 093**
OCI as at 12/31/2024	**498 210**	**221 514**	**898 559**	**-**	**3 797**	**1 622 080**	**(145 987)**	
Value recognized against profit/loss in 2024:								**3 865 117**

Hedge positions at the reporting date including deferred tax total HUF 1,476,093 thousand and are recognized under Hedge reserve. See Section IV.20.4.

IV.37 Segments

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2024 *data in HUF thousand*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Total	Adjustments and eliminations	Consolidated total
Revenue	**62 411 717**	**7 283 382**	**5 901 931**	**4 909 063**	**37 608 757**	**91**	**118 114 940**	**(12 726 102)**	**105 388 839**
of this: from within the Group	*8 426 468*	*3 556 693*	*2 313*	*300*	*740 327*	*-*	*12 726 102*	*(12 726 102)*	*0*
of this: from outside the Group	*53 985 248*	*3 726 689*	*5 899 618*	*4 908 763*	*36 868 430*	*91*	*105 388 839*	*-*	*105 388 839*
Material expenses	(39 802 175)	(2 158 940)	(2 925 295)	(2 314 437)	(33 036 220)	(2 159 586)	(82 396 653)	12 726 102	(69 670 551)
Personnel expenses	(2 263 309)	(504 121)	(2 762 950)	(1 083 547)	(182 974)	(4 024 801)	(10 821 703)	-	(10 821 703)
Other revenues and Other expenses	(6 312 716)	36 251	(69 065)	47 447	(198 928)	(65 148)	(6 562 159)	-	(6 562 159)
Capitalized value of own production	273 013	(973)	408 274	-	316	33 127	713 758	-	713 758
EBITDA*	**14 306 530**	**4 655 598**	**552 895**	**1 558 526**	**4 190 951**	**(6 216 317)**	**19 048 184**	**-**	**19 048 184**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2023 *data in HUF thousand*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Total	Adjustments and eliminations	Consolidated total
Revenue	**75 521 246**	**5 210 509**	**4 902 937**	**4 268 327**	**18 040 986**	**4 823**	**107 948 829**	**(8 994 503)**	**98 954 327**
of this: from within the Group	*5 042 614*	*2 284 312*	*3 530*	*57 705*	*1 606 342*	*-*	*8 994 503*	*(8 994 503)*	*0*
of this: from outside the Group	*70 478 632*	*2 926 197*	*4 899 407*	*4 210 623*	*16 434 644*	*4 823*	*98 954 327*	*-*	*98 954 327*
Material expenses	(50 321 500)	(1 845 736)	(2 180 713)	(2 715 167)	(14 086 043)	(1 714 426)	(72 863 585)	8 994 503	(63 869 082)
Personnel expenses	(1 694 352)	(342 179)	(2 048 034)	(887 359)	(192 127)	(2 712 259)	(7 876 310)	-	(7 876 310)
Other revenues and Other expenses	(8 317 079)	(324 996)	84 952	69 181	338 885	(166 872)	(8 315 929)	-	(8 315 929)
Capitalized value of own production	276 785	(12 158)	273 939	-	-	-	538 566	-	538 566
EBITDA*	**15 465 100**	**2 685 440**	**1 033 081**	**734 982**	**4 101 702**	**(4 588 733)**	**19 431 572**	**-**	**19 431 572**

*See details in Section II.5.8.

The performance and contents of the individual segments are presented in detail in Section 1.3 of the Annual Report. The Other segment contains administrative costs. In 2024, the Group recognized HUF 319 million impairment on goodwill for the Renewables-Based Energy Production segment.

IV.38 Related party disclosures

Disclosures concerning key management personnel

Key management personnel of the entity and their close relatives within the meaning defined in the Civil Code 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 2024: Attila László Chikán, Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga, Anita Simon, Magdolna Tokai, László Hegedűs

Remuneration paid to related parties (executive officers):

2024	Wages, commissions, benefits	Reimbursement of costs	ESOP benefits
Board of Directors	46 440	-	-
Supervisory Board	44 718	3 580	-
Executive Board non-BoD members	344 243	55 423	204 865
Total	**435 401**	**59 003**	**204 865**

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

As of December 31, 2024, **the Group** had VAT receivables in the amount of HUF 69,506 thousand **from Tisza-WTP Kft. as non-consolidated affiliate**; it recorded a sales revenue of HUF 982,045 thousand and an interest revenue of HUF 1,727 thousand in its statement of income for 2024.

No other transactions with related parties were disclosed by the Group in 2024.

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

IV.39 Contingent liabilities, guarantees, commitments

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

For certain products (electricity, gas), the suppliers of the energy trading division require guarantees as part of the normal course of business. In 2024, guarantees were provided by OTP Bank Nyrt. and ERSTE Bank Hungary Zrt., the banks used for funding the retail and wholesale trading business.

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

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

The following bank guarantees existed as at the reporting date.

Guarantee limits 12/31/2024	Bank	Guarantee and overdraft facility (HUF thousand)	Utilization rate (thousand HUF)
Alteo Energiakereskedő Zrt.	OTP	12 500 000	6 824 000
ALTEO Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	27 000 000	10 678 000
ALTEO Energiaszolgáltató Nyrt.	K&H	2 000 000	135 000
ALTEO Energiaszolgáltató Nyrt.	Allianz Biztosító	500 000	-
Aerope Holding Kft.	OTP	130 000	130 000

Issued guarantees by purpose:

Guarantees by purpose	Amount
Related to energy trade	6 824 045
Related to energy production	6 698 025
Related to general contractor's contract	2 280 828
Related to grid connection	789 675
Related to office lease	230 723
Related to grant	943 650

Outstanding guarantees of Alteo Nyrt. as the parent of the Group granted to its subsidiaries at the reporting date:

Beneficiary	Subsidiary	Subject of guarantee	Amount (EUR)	Maturity
MET Magyarország Zrt.	Alteo-Therm Kft.	Payment guarantee under natural gas sale and purchase contract	2 300 000	12/15/2025
GANZ Transzformátor- és Vill. Forgógépgyártó Kft.	ALTEO-Depónia Kft.	Payment guarantee under s	1 240 000	until the payment of contractual liabilities

The following overdraft facilities are available to Group members:

Overdraft facility 12/31/2024	Bank	Amount HUF thousand	Utilization rate, HUF thousand
Alteo Energiakereskedő Zrt.	OTP	2 000 000	-
ALTEO Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	3 000 000	-

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

The Group has no unfulfilled liabilities relating to government assistance.

Economic relations subject to legal proceedings

See in detail in Section 1.19 of the Business Report

- *Litigation arising from negative clearance procedures in the legal dispute* between Sinergy Energiakereskedő Kft and CHP Energia Zrt. The Group has not identified any situation affecting its statement of financial position with respect to this case.
- *Legal dispute* between Alteo Energiakereskedő Zrt and DAB Pumps Hungary Kft *concerning the automatic renewal of contracts*. The Group has not identified any situation affecting its statement of financial position with respect to this case.

Consolidated Financial Statements of ALTEO Nyrt. for 2024 Data in HUF thousand

IV.40 Disclosures on financial instruments and fair value measurement

Derivative transactions and ESOP liabilities are measured by the Group at fair value. As of the reporting date, the Group has no financial instruments to be measured at fair value.

12/31/2024	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Measured at amortized cost	Carrying amount	Fair value
Assets:					
Long-term deposits given	-	-	1 367 031	1 367 031	1 367 031
Trade receivables	-	-	13 084 541	13 084 541	13 084 541
Other financial assets	-	1 622 080	1 759 887	3 381 967	3 381 967
Other receivables and accruals	-	-	8 181 142	8 181 142	8 181 142
Cash and cash equivalents	-	-	10 201 898	10 201 898	10 201 898
Total:	-	1 622 080	34 594 499	36 216 579	36 216 579
Liabilities:					
Debts on the issue of bonds	-	-	12 701 604	12 701 604	12 701 604
Loans and borrowings	-	-	9 287 178	9 287 178	9 287 178
Lease liabilities	-	-	3 204 060	3 204 060	3 204 060
Advances received	-	-	2 145 859	2 145 859	2 145 859
Trade payables	-	-	8 701 733	8 701 733	8 701 733
Other long-term liabilities	524 182	-	182 115	706 297	706 297
Other short-term liabilities and accruals	2 105 068	-	15 077 582	17 182 650	17 182 650
Total:	2 629 250	-	51 300 131	53 929 381	53 929 381

12/31/2023	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Measured at amortized cost	Carrying amount	Fair value
Assets:					
Long-term deposits given	-	-	1 172 690	1 172 690	1 172 690
Trade receivables	-	-	10 863 760	10 863 760	10 863 760
Other financial assets	-	640 576	3 523 881	4 164 457	4 164 457
Other receivables and accruals	-	-	6 827 020	6 827 020	6 827 020
Cash and cash equivalents	-	-	24 345 080	24 345 080	24 345 080
Total:	-	640 576	46 732 431	47 373 007	47 373 007
Liabilities:					
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Loans and borrowings	-	-	11 283 766	11 283 766	11 283 766
Lease liabilities	-	-	2 690 647	2 690 647	2 690 647
Advances received	-	-	29 281	29 281	29 281
Trade payables	-	-	3 404 049	3 404 049	3 404 049
Other financial liabilities	-	3 138 813	-	3 138 813	3 138 813
Other long-term liabilities	711 474	127 064	521 572	1 360 110	1 360 110
Other short-term liabilities and accruals	659 108	-	17 241 404	17 900 512	17 900 512
Total:	1 370 582	3 265 877	47 828 993	52 465 452	52 465 452

The fair value of derivative transactions is HUF 1,622,081 thousand (previous year: HUF 640,576 thousand), while the fair value of liabilities is HUF 0 thousand (previous year: HUF 3,265,877 thousand). These are estimates built-up by experts from observable inputs and therefore they are on Level 2 of the fair value hierarchy.

Name	12/31/2024	12/31/2023
Derivative assets (in hedge relationship)	1 123 871	-
Obligations from loan IRS Derivatives (for hedge)	498 210	640 576
Assets evaluated at fair value through profit and loss (FVTPL)	**1 622 081**	**640 576**
Liabilities from loan IRS Derivatives (for hedge)	-	127 064
Liabilities from derivatives (for hedge)	-	3 138 813
Liabilities evaluated at fair value through profit and loss (FVTPL)	**-**	**3 265 877**

No differences were identified between the carrying amount and fair value of the remaining financial instruments; the carrying amount is a reasonable approximation of fair value.

Consolidated Financial Statements of ALTEO Nyrt. for 2024 Data in HUF thousand

Due dates of the financial instruments presented by maturity date:

Financial instruments	Maturity within 1 year	2-5 years	more than 5 years
Assets:			
Long-term deposits given	-	1 367 031	-
Trade receivables	13 084 541	-	-
Other financial assets	3 381 967	-	-
Other receivables and accruals	8 181 142	-	-
Liabilities:			
Debts on the issue of bonds	-	760 000	11 941 604
Loans and borrowings	1 448 762	4 470 839	3 367 577
Lease liabilities	766 008	579 913	1 858 139
Advances received	2 145 859	-	-
Trade payables	8 701 733	-	-
Other long-term liabilities	-	615 220	91 077
Other short-term liabilities and accruals	14 104 484	-	-

The Group measures the fair value of assets and liabilities based on the table below:

12/31/2024	Level 1	Level 2	Level 3
Assets:			
Derivative transactions	-	1 622 080	-
Total:	-	1 622 080	-
2024.12.31	Level 1	Level 2	Level 3
Liabilities:			
Debts on the issue of bonds	-	12 701 604	-
Loans and borrowings	-	218 787	-
Liabilities under ESOP Programs	-	2 312 243	-
Total:	-	15 232 634	-

The above items include the value of Derivative transactions as per reporting date, bond payables, fixed-interest loans, as well as short-term and long-term liabilities related to the ESOP Programs.

No differences were identified between the carrying amount and fair value of the remaining financial instruments; the carrying amount is a reasonable approximation of fair value.

V OTHER INFORMATION

V.1 Disclosure of interests in other entities

The Group was not faced with any uncertainty and was not forced to make a complex decision when making a judgment about how to present its investments in its financial statements. All controlled entities qualify as subsidiaries. With the exception of one entity, it can be concluded that the parent company has control over its holdings, since it can be seen that all of the criteria of control, operative daily tasks and exposure to variable return are fully and clearly satisfied. Where the Group does not control the entity, it is not consolidated but treated another way.

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

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

The Companies did not reach the indicator targets set out in the loan agreement of Euro-Green Energy Kft and Sinergy Kft. The Group has fully and timely notified the lending banks about the data in this report for 2024.

After detailed consultation with the bank, and notwithstanding a breach of covenant measured on the basis of data projections, the decisions of the bank should not affect the financial statements and no payment obligation should arise.

The equity disclosed in the financial statements of Energigas Kft. and Alte-Go Kft. is not in line with the applicable provisions of the Civil Code and therefore the Management of the Group will provide for capital replacement within the due date stipulated in the Civil Code.

V.2 Significant events after the reporting date

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

January 9, 2025: On this day, ALTEO Group published its strategy for 2025-2030 which opens up new growth prospects for both the Company and the Group. The new strategy focuses on regional expansion, regional exports of sustainability solutions and energy matters.

February 6, 2025: The Company signed a credit facility agreement with MBH BANK Nyrt. and GRÁNIT BANK Nyrt. for general corporate financing purposes and strategy implementation, to promote growth and optimize the financing structure.

Legislative change concerning 2025: from January 1, 2025 retroactively until the end of 2029, the linking to inflation of the feed-in tariffs used in the Mandatory Offtake System (KÁT) has been suspended by decree, i.e. the feed-in tariffs of electricity fed in to the grid by solar farms is fixed at the 2024 level and will not change in the following four years, unless inflation exceeds 6%, in which case the price freeze will be automatically lifted. The above does not affect sellers under the METÁR system

Dividend payment: The Board of Directors proposes to the General Meeting the payment of no (0) dividend of (in the value of HUF 0 per share) in 2025. The dividend per own share is to be distributed among the shareholders entitled to dividends in proportion to the number of shares they hold.

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

The Accounting Act requires the Group to prepare consolidated financial statements, which, in accordance with Section 155 (2) of that Act, is to be mandatorily reviewed by the auditor. The chosen auditor of the Company is **Authentic Audit Kft**. (chamber registration number: 004322), the person responsible for auditing is **Andrea Zsoldos-Horváth**, chamber membership number: 005428.

The fee for auditing the unconsolidated annual report and the IFRS consolidated annual report is HUF 29,900,000 + VAT.

In the fiscal year 2024, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by **Authentic Audit Kft**., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

V.4 Approval of the disclosure of the financial statements

The Group complies with the requirements of the European Securities and Markets Authority (ESMA) and from 1 January 2021 will publish its Annual Report in XHTML format and will prepare its Consolidated Financial Statements in XBRL format in accordance with the IFRSs as adopted by the European Union (EU) to ensure that the data are machine readable.

On April 4, 2025, the Board of Directors of the Group’s parent company approved the disclosure of the financial statements in its current form.

Budapest, April 4, 2025

On behalf of ALTEO Nyrt.:

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

Annual Report of ALTEO Nyrt.

and its subsidiaries

for the financial year 2024

Published on: April 4, 2025

Annual Report of the ALTEO Group for 2024

Introduction

Pursuant to Act CXX of 2001 on the Capital Market (hereinafter: "**Capital Market Act**"), the Regulation of the Budapest Stock Exchange Ltd. on the Rules of Listing and Continued Trading (hereinafter: "**Regulation**") and Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and ***hereby publishes "The Management Report and Analysis" for the Fiscal Year 2024 on the consolidated annual profit and the consolidated Annual Financial Statements for the Fiscal Year 2024*** (hereinafter collectively: "**Annual Report**"; the Company and the consolidated entities specified in Section 1.14 of the Annual Report hereinafter: "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

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

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

The Management Report section of this Annual Report qualifies as the report of the Board of Directors under the Civil Code of Hungary.

The data presented in the Company's consolidated Annual Report for 2024 were verified by an independent auditor.

The 2024 Annual Report of ALTEO Nyrt. and its subsidiaries includes the following reporting systems:

- Consolidated Financial Statements
- Business report, included in this document, which includes the Sustainability Report
- Management report, included in this document
- Non-financial statements, included in this document
- Statements of the issuer

Business Report,

Management Report and

Non-Financial Statements of ALTEO Nyrt. and its Subsidiaries for the Financial Year 2024

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1 The Management's report and analysis of business activities for 2024

Executive summary on events yielding significant results over the period

The 2024 results confirmed ALTEO's strategy and the success of the investments of the past period. Despite falling electricity prices, the Company realized a revenue of HUF 105 billion, which is 7% up from 2023, while the consolidated EBITDA and the Group's net profit after tax decreased by 2% and 25%, respectively.

Thanks to its diversified portfolio, well-established risk management measures, fast reaction time, profitable strategic investments, and outstanding professional staff, ALTEO remains on a sound financial footing despite a less favorable price environment and is committed to long-term sustainable growth.

Performance in key segments:

- The Renewable Electricity Production segment achieved a significant increase in profit, mainly due to capacity expansion investments and acquisitions, as well as higher production volumes resulting from more favorable weather conditions.

- The Waste Management segment increased its profit by HUF 0.8 billion thanks to the successful bid for the concession scheme.

- Overall, the results of the Heat and Electricity Production and Management segment dropped: with decreasing electricity and ancillary service prices, the profitability of ALTEO's Virtual Power Plant declined from the previous year's outstanding performance, partly offset by the commissioning of new assets and the strong performance of the Renewable Production Management (RPM) business.

As an example of the synergies offered by the ownership group, on May 27, 2024, a subsidiary of ALTEO and MOL signed a 10-year long-term service contract for the utilization of high-inert natural gas. Under the contract, ALTEO undertakes to prepare the high inert natural gas extracted from the Csombárd gas wells for transportation, to transport it to and unload it at the MOL site, and to delivery it to the combustion equipment. In order to provide the service, ALTEO is implementing an investment of approximately HUF 820 million, further strengthening industry cooperation and a more efficient use of Hungarian natural gas resources.

ALTEO's strategy remains focused on circular economy and sustainability. In 2024, ALTEO strengthened its position with the following investments and acquisitions:

- On August 8, 2024, ALTEO's largest solar power plant, with an installed capacity of 20 MW, started operational production in the Tereske region. Once the project was activated, ALTEO's solar power capacity doubled.

- In fall, ALTEO signed business quota sale and purchase agreements for the acquisition of 100% of the ownership of Mov-R. Upon full compliance with the contractual conditions of closing, the transaction was successfully closed on November 29, 2024 and ALTEO became the holder of the entire Mov-R business quota. Mov-R currently operates a wind farm with a total capacity of 24MW consisting of 12 wind turbines with an individual capacity of 2MW each near Levél and Mosonszolnok. Once the transaction is closed, ALTEO's wind power capacity in Hungary is now 71.5 MW, bringing its total renewables-based electricity production capacity to over 115 MW and reinforcing the role it plays in sustainable electricity production.

- ALTEO's subsidiaries have submitted successful applications under the RRF program and have been awarded grants for the installation of grid energy storage facilities with a total capacity of 70 MW. The grant agreements entered into force on June 24, 2024, under which ALTEO's three subsidiaries will receive a total of HUF 9.4 billion in grants. The RRF grants contribute to the realization of the nearly HUF 28 billion investment project, which will be ALTEO's largest greenfield project to date. In 2024, the first construction agreements were signed and concluded, and then the actual construction works were launched. The date on which the successful delivery of the storage facilities and the start of the operating period are expected to take place is April 30, 2026. Once the project is commissioned, the energy storage facilities are required to remain in operation for 10 years, during which period the grant will provide funds on a fixed revenue-based compensation basis per storage capacity.

- In October 2024, ALTEO successfully closed the acquisition of FE-GROUP INVEST Zrt. In the final phase, it acquired a 24.95% stake in the Blue Planet Foundation, bringing its holding in the company, which is active in circular economy, to 100%. This allowed ALTEO to further strengthen its position in the sustainable economic model, contributing to the development of environmentally-sound waste management.

- On December 20, 2024, ALTEO Nyrt. signed business quota sale and purchase agreements for the future acquisition of 100% of the business quotas of ÉLTEX Kft. Through this deal, ALTEO wishes to reinforce and enhance the role it plays in circular economy. ALTEO expects the closing conditions of the transaction to be fully met in 2025. ÉLTEX Kft. has been a key player in Hungary's circular economy for three decades now. Its core activities include the treatment, transport and sorting of electronic and other hazardous and non-hazardous waste, and also exploring markets for recycled materials, thus contributing to making the future sustainable.

- The tender published by MOL Nyrt. for general contractors to build a solar power plant with a capacity of 37.5 MWp in Algyő was closed in December 2024. ALTEO Nyrt. will participate as a general contractor in the implementation of the project worth HUF 11 billion on the largest hydrocarbon field in Hungary. According to the project schedule, the design and permit approval phase will start in spring 2025, followed by a one-year construction phase on site. Construction is expected to be completed in the first half of 2026.

ALTEO Group is committed to its high quality management, environmental management, information security, occupational health and safety, and energy management systems. The renewal audits for the ISO 9001, ISO 14001 and ISO 45001 standards were successfully completed in Q4 of 2024, while we carried out review audits for the ISO 50001, ISO 27001 and VCA/SCC standards. The internal audits planned for 2024 were also successfully completed.

Other important events:

As of January 10, 2024, László Hegedűs joined ALTEO's management as Deputy CEO for Strategic HR and Communications. Mr. Hegedűs has more than 20 years of professional experience, including as HR Director at the Central European University and as International HR Manager at BlackRock's Service Centre.

On March 1, 2024, ALTEO Nyrt., a company listed on the Prime Market of the Budapest Stock Exchange, was awarded the "Company with Long-term Share Price Increase" prize at the Best of BSE 2023 awards ceremony.

On April 19, 2024, the General Meeting adopted ALTEO's 2023 annual statement, Annual Report and Integrated Report.

The General Meeting adopted a decision on the payment of a dividend of HUF 4 billion gross and an additional extraordinary dividend of HUF 4 billion gross on April 19, 2024.

On May 28, 2024, Scope Ratings GmbH carried out the annual review of the credit rating of the bonds issued by ALTEO, as a result of which the rating remained unchanged, ALTEO as issuer and the bonds remained in the BBB- category with a stable outlook.

Continuing its practice of incentivizing employee groups, on June 26, 2024, to replace the expiring 2024 Remuneration Policy, ALTEO approved the 2026 ESOP General Remuneration Policy, which would benefit a wider range of employees upon fulfilment of the remuneration criteria, and the 2026 Executive Remuneration Policy, which is designed to motivate the CEO and Deputy CEOs.

On September 26, 2024, ALTEO Nyrt. received silver rating from the independent sustainability rating platform EcoVadis, which evaluates the performance of currently over 130,000 companies and suppliers worldwide based on environmental, social and governance criteria. ALTEO's silver rating also means that it is rated as one of the top 15% of the companies assessed.

On October 4, 2024, ALTEO's new 8MW/16MWh battery electricity storage facility in Győr started operations, and will contribute to the utilization of weather-dependent renewable energy sources to a significant extent.

On November 15, 2024, Morningstar Sustainalytics confirmed the 'medium' ESG Risk Rating of ALTEO Energiaszolgáltató Nyrt. ALTEO reduced the 'high' risk level of its certification, first obtained in 2022, to 'medium' last year and has maintained this level for this year.

On November 18, 2024, ALTEO established ARTEMIS Technologies Zártkörűen Működő Részvénytársaság.

On December 11, 2024, ALTEO implemented a HUF 1 billion investment at its Sopron Power Plant, to further expand the capacity of its Virtual Power Plant. This project included the installation and commissioning of a 3 MW gas engine. As a result ALTEO's gas engine portfolio has been expanded to a capacity of 110 MW. The heat recovery system of the gas engine can supply 1.2 MWth of steam and 1.6 MWth of hot water to the heat consumers of the Sopron Power Plant.

On December 12, 2024, ALTEO exercised its option under the contract concluded with Callis Befektetési Zrt. to acquire Aerope Holding Kft., a project company that owns a solar power plant project with a current total of 19.95 MW grid connection in the early permit phase. Through the acquisition, ALTEO intends to further expand its portfolio of power plants utilizing renewable energy.

Events after the reporting date

On January 9, 2025, ALTEO published its **business strategy for 2025-2030**, which will enable the Company to achieve a veritable leap in scale, both in the geographical and financial sense: the Company's results over the past three years have significantly exceeded the targets set in its 2022-2026 strategy, with the EBITDA actually achieved in 2024 almost double the target for 2026 and the planned capital investment volumes 20% higher including projects approved by the end of 2024. The strategy update not only took into account the fact that the Company has made good use of arising market opportunities and exceeded the targets of the strategy well in advance, but also that its majority owners, **with their presence in foreign markets, market knowledge and network of contacts, offer significant potential for both regional expansion** and the exploitation of synergies.

ALTEO's revised strategy **continues to focus on energy**, laying the foundations for growth through the continuous development of market-leading digitalization and knowledge-based complex production management solutions, the expansion of its renewable portfolio and, in maintenance, operations and energy trading activities, through the exploitation of synergy opportunities within the ownership group in addition to new business acquisitions.

ALTEO aims **to achieve a leap in scale in the circular economy** by building competences and activities across the waste management value chain and further increasing the share of materials that are returned to the cycle by integrating new technologies and material streams, such as spent batteries or solar panels.

A significant new feature of the strategy published in January is its **regional focus**, with the aim of expanding the Company's presence in the domestic market as well as entering specific markets in the Central European region. In this regard, the regional markets are of particular interest since this is where ALTEO's majority ownership group already has a strong presence and market connections.

There has been a change in the laws applicable to revenues of power plants operating in the Mandatory Offtake System (KÁT) for the Renewables-Based Energy Production segment. Retroactively, from January 1, 2025 until the end of 2029, the inflation tracking of the feed-in tariffs applied has been suspended by decree, i.e. the feed-in tariffs for electricity fed into the grid by industrial-scale solar power plants are fixed at the 2024 level and will not change for the next four years, unless inflation exceeds 6%, in which case the price freeze will automatically be lifted. The above does not apply to sellers under the METÁR system.

On February 6, 2025, ALTEO signed a credit facility agreement with MBH Bank Nyrt. and Gránit Bank Nyrt. Under the agreement, the financing parties provide ALTEO with a facility of up to HUF 40 billion for general corporate financing purposes. ALTEO intends to use the available facility to implement its strategy, support its further growth and optimize its financing structure.

1.1 Executive summary of the operating profit or loss

The following section presents the analysis of the comparative data of ALTEO Group for the same period in 2023 and 2024.

Comprehensive income in the whole reporting period

data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenues	**105 389**	**98 954**	**6 435**	***7%***
Material expenses	(69 671)	(63 869)	(5 801)	*(9%)*
Personnel expenses	(10 822)	(7 876)	(2 945)	*(37%)*
Depreciation and amortization	(5 542)	(4 268)	(1 274)	*(30%)*
Other revenues, expenses	(6 562)	(8 316)	1 754	*21%*
Capitalized own production	714	539	175	*33%*
Operating Profit or Loss	**13 506**	**15 163**	**(1 657)**	***(11%)***
Net financial income	(534)	720	(1 254)	*(174%)*
Profit or loss before taxes	**12 972**	**15 883**	**(2 911)**	***(18%)***
Income tax expenses	(3 348)	(3 121)	(227)	*(7%)*
Net profit or loss	**9 624**	**12 762**	**(3 138)**	***(25%)***
Of which the owners of the Parent Company are entitled to:	*9 624*	*12 797*	*(3 173)*	*(25%)*
Of which the minority interest is entitled to:	-	(35)	35	*100%*
Base EPS (HUF/share)	**484,80**	**644,75**	**(159,95)**	***(25%)***
Diluted EPS (HUF/share)	**482,86**	**642,07**	**(159,21)**	***(25%)***
EBITDA*	**19 048**	**19 432**	**(383)**	***(2%)***
Consolidated Comprehensive Statement of Profit or Loss				
Net profit or loss	**9 624**	**12 762**	**(3 138)**	***(25%)***
Other comprehensive income (after income tax)	**3 865**	**(4 458)**	**8 323**	***187%***
Comprehensive income	**13 489**	**8 304**	**5 185**	***62%***
Of which the owners of the Parent Company are entitled to:	13 489	8 339	5 150	*62%*
Of which the minority interest is entitled to:	-	(35)	35	*n/a*

**In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (a profit category from which finance income, income tax, depreciation, amortization and impairment have been removed).*

The Group's Revenues increased by **7%, from HUF 99 billion to HUF 105 billion**, as compared to 2023. The rise in revenues was impacted by a number of factors:

The primary source of the **revenue increase** was the growth in the Energy Retail segment's electricity portfolio size. Revenues in the Renewables-Based Energy Production segment increased mainly due to the start of production at the Tereske solar power plant and the acquisition of the Mosonmagyaróvár wind farm, as well as increased production volumes due to favorable weather conditions.

In addition to the increase in revenue, we have identified the decline in market energy prices as a negative impact. The decrease is mainly significant in the Heat and Electricity Production and Management segment.

Material expenses typically vary along with and in proportion to sales revenue. Correlations between revenue and material expenses are mainly, but not exclusively, attributable to the following economic effects.

- The Retail segment is characterized by revenue growth accompanied by a significant increase in purchased materials. In the reporting period, sales revenue increased to a larger extent than the cost of materials, i.e. the margin increased. The retail segment achieved significant portfolio growth.

- The decrease in electricity market revenues was accompanied by a drop in material expenses.

- The launch of the concession system on July 1, 2023 played a major role in the decrease in expenditure at the Waste Management business since FE-GROUP INVEST Zrt. only provides services as a subcontractor of MOHU, thus the purchase value of the materials related to the sale of waste has dropped.

Personnel expenses increased by HUF 2.9 billion (37%) primarily due to the long-term incentive programs and pay raises in line with labor market wages, and to a lesser extent due to the growing number of employees. Increasing the number of experts became crucial in the context of the acquisitions concluded and will remain necessary in the preparation of strategic plans.

Depreciation and amortization increased by HUF 1.3 billion (30%) due to the planned and successful commissioning of assets, and the assets of Mov-R, acquired in the last quarter. This was compounded by one-off impairments recognized on various assets.

The consolidated balance of **Other revenues, expenses** showed an improvement of HUF 1.7 billion. The change was due to the improvement in the scheduling accuracy of Renewable Production Management and the introduction of the balancing price cap by MAVIR in December.

ALTEO Group generated an operating profit of HUF 13.5 billion and an EBITDA of HUF 19.0 billion in 2024.

Net financial income decreased by HUF 1.3 billion compared to the base period. The dividend payment and active investment activity resulted in lower average annual cash holdings, which generated lower interest income on lower deposit rates. The change in the interest rate environment had no impact on the profit due to the fixing of interest on long-term interest-bearing liabilities.

In 2024, ALTEO Group realized a profit of HUF 13.0 billion before taxes, 18% less than the 2023 profit.

Despite the decrease in profit before tax, income taxes increased slightly, with income tax expenses exceeding the expenses of the comparative period by HUF 0.2 billion.

In 2024, the after-tax profit, i.e. net profit, of the Group was HUF 9.6 billion, representing a decrease of 25% over the comparative period.

1.2 Executive summary on comprehensive income

Other comprehensive income in the whole reporting period				
	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Net profit or loss	**9 624**	**12 762**	**(3 138)**	***(25%)***
Other comprehensive income (after income tax)	**3 865**	**(4 458)**	**8 323**	***187%***
Comprehensive income	**13 489**	**8 304**	**5 185**	***62%***
Of which the owners of the Parent Company are entitled to:	13 489	8 339	5 150	*62%*
Of which the minority interest is entitled to:	-	(35)	35	*n/a*

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of hedges** under other comprehensive income, which was **an increase of only HUF 3.9 billion**. Transactions are recognized, depending on comprehensive income or transaction profit nature, against the balance sheet items of other financial assets or other financial liabilities.

Consolidated other **comprehensive income** was impacted to the largest extent by the weakening of the Hungarian forint in 2024. The majority of the Group's annual heat sales agreements are concluded at a fixed and regulated price level, the effect of which, however, cannot be included in other comprehensive income in accordance with the IFRS rules due to the impossibility of predicting the sales volume. The management estimates that fluctuations in the price of assets in kind required for regulated heat energy sales are eliminated through hedges by the Group under normal market conditions.

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

- The Group adapts its **gas purchases** to its regulated heat energy sales pricing regime and, in certain cases, concluded forward contracts to manage **foreign exchange rate volatilities**.
- The Group entered into interest rate swaps on its outstanding project loans in line with its risk management policy. **With interest rate swaps**, the Group aims to manage the interest rate risk on project loans.
- The Group presents the tax effect of the forward contracts shown in the comprehensive income offset by a corporate tax effect of 9%.

For accounting principles, see Section III.1. Critical accounting assumptions and estimates and Section IV.40 Disclosures on fair value measurement in the Consolidated Financial Statement of ALTEO Group.

1.3 Executive summary on the performance of the segments

In relation to segment information, we present the detailed description, analysis and comparison of the segments in question, by means of the **quantitative and qualitative information** of performance measurements within the segments.

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2024 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**62 412**	**7 283**	**5 902**	**4 909**	**37 609**	**-**	**118 115**	**(12 726)**	**105 389**
of this: from within the Group	*8 426*	*3 557*	*2*	*-*	*740*	*-*	*12 726*	*(12 726)*	*-*
of this: from outside the Group	*53 985*	*3 727*	*5 900*	*4 909*	*36 868*	*-*	*105 389*	*-*	*105 389*
Material expenses	(39 802)	(2 159)	(2 925)	(2 314)	(33 036)	(2 160)	(82 397)	12 726	(69 671)
Personnel expenses	(2 263)	(504)	(2 763)	(1 084)	(183)	(4 025)	(10 822)	-	(10 822)
Other revenues and Other expenses	(6 313)	36	(69)	47	(199)	(65)	(6 562)	-	(6 562)
Capitalized value of own production	273	(1)	408	-	-	33	713	-	713
EBITDA*	**14 307**	**4 656**	**553**	**1 559**	**4 191**	**(6 216)**	**19 048**	**-**	**19 048**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2023 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**75 521**	**5 211**	**4 903**	**4 268**	**18 041**	**5**	**107 949**	**(8 995)**	**98 954**
of this: from within the Group	*5 043*	*2 284*	*4*	*58*	*1 606*	*-*	*8 995*	*(8 995)*	*-*
of this: from outside the Group	*70 479*	*2 926*	*4 899*	*4 211*	*16 435*	*5*	*98 954*	*-*	*98 954*
Material expenses	(50 322)	(1 846)	(2 181)	(2 715)	(14 086)	(1 714)	(72 864)	8 995	(63 869)
Personnel expenses	(1 694)	(342)	(2 048)	(887)	(192)	(2 712)	(7 876)	-	(7 876)
Other revenues and Other expenses	(8 317)	(325)	85	69	339	(167)	(8 316)	-	(8 316)
Capitalized value of own production	277	(12)	274	-	-	-	539	-	539
EBITDA*	**15 465**	**2 685**	**1 033**	**735**	**4 102**	**(4 589)**	**19 432**	**-**	**19 432**

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

1.3.1 Heat and Electricity Production and Management segment

This segment includes the heat and electricity production activity from non-renewable sources, the Virtual Power Plant, as well as the Renewable Production Management (RPM) business. The Virtual Power Plant is responsible for planning and managing the production of electricity and/or heat generation and storage facilities owned by the Group and by external partners connected to the Virtual Power Plant.

ALTEO **launched** a smart, comprehensive **scheduling service** involving moderate risk for partners with the help of the **Renewable Production Management** (RPM) business which offers a solution to the challenges faced by renewable energy producers. The market responded well to the business model underlying the business line. By the end of 2024, it became a **major player** (~2,000 MW of scheduled capacity) in Hungary in terms of managed renewable installed capacity.

In 2024, a 3 MW gas engine with combined heat recovery **was installed at the Sopron site,** and a battery electricity storage unit with a nominal capacity of 8MW/16MWH at the **Győr site**.

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

Heat and electricity production and management				
data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenue	**62 412**	**75 521**	**(13 110)**	**(17%)**
Material expenses	(39 802)	(50 322)	10 519	21%
Personnel expenses	(2 263)	(1 694)	(569)	(34%)
Other revenues and Other expenses	(6 313)	(8 317)	2 004	24%
Capitalized own production	273	277	(4)	(1%)
EBITDA*	**14 307**	**15 465**	**(1 159)**	**(7%)**
Allocated administrative expenses	(1 164)	(911)	(253)	(28%)
EBITDA II*	**13 143**	**14 554**	**(1 412)**	**(10%)**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

The segment's EBITDA was **HUF 1.2 billion (7%)** down compared to the base period.

The decrease in **revenue** compared to the base period is mainly due to the reduction in the official unit price of district heating sold to district heating suppliers, which resulted in a HUF 11.3 billion loss in revenue from heat tariffs. The price moderation is directly linked to the reduction in world energy prices: the fall in energy prices has also led to a reduction in the official price of district heating sold to district heating suppliers. As such, the rate of heat tariffs has no material impact on ALTEO's profitability.

In line with the change in the market price environment, the capacity markets for ancillary services also experienced a significant decline in the price environment. This impacted both the electricity sales and capacity market results.

In 2024, the **Virtual Power Plant** realized substantial profits on the balancing reserve capacity market due to market trends resulting from increased solar energy-based electricity production, which partially compensates for the decrease detailed above.

The portfolio of the **Renewable Production Management** (RPM) business continued to grow compared to the base period.

Although realized revenues dropped in line with the decline in electricity prices, the profit continued to show steady growth and remains a **strong contributor to the segment's performance**.

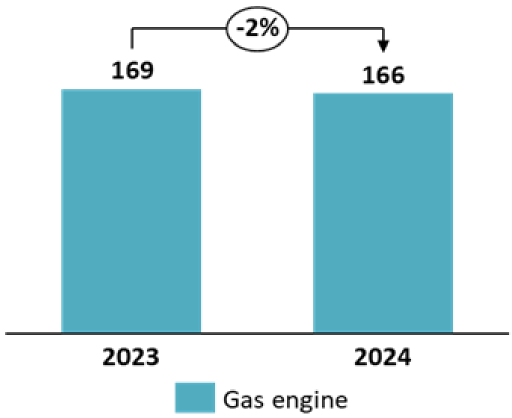
Material expenses in the segment show three major items: purchased gas, electricity purchased from third parties and expenses of operation and maintenance. The decrease in material expenses was mainly due to lower world energy prices.

The decrease in **Other revenues and Other expenses** was largely due to an improvement in the scheduling accuracy of Renewable Production Management and a more favorable surcharge rate, as well as insurance compensation from an earlier gas engine failure. Pursuant to the Government Decree in force from November 15, 2022, an extra profit tax is payable (10% in 2024) on the sales revenue from balancing reserve capacity (FCR and aFRR). The tax for 2024 was HUF 1.05 billion.

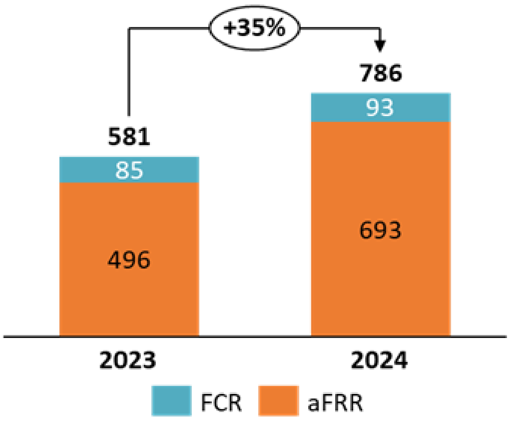
Presentation of the markets of the heat and electricity segment

The quantitative impact of structured electricity product sales on the segment's profit or loss

The volume of electricity production remained almost unchanged compared to the base period (-2%).



Self-generated electricity sold by the Virtual Power Plant in 2023 and 2024 (GWh)

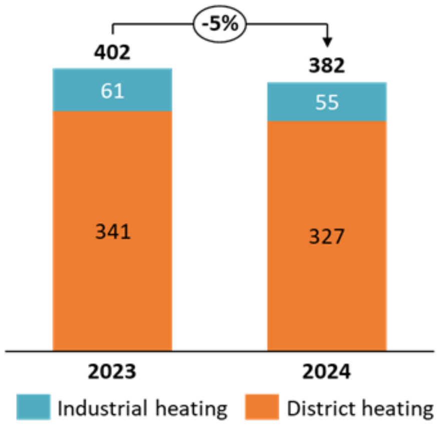


Electricity production capacities sold by the Virtual Power Plant in 2023 and 2024 (aFRR: GWh; FCR: GWh_{sym})

The volume of the balancing reserve capacity sold by the Virtual Power Plant increased by 35%. The increase is due mainly to a larger managed portfolio. The increase in FCR volumes is due mainly to the battery electricity storage facility in Győr, which was delivered in Q4 2024.

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

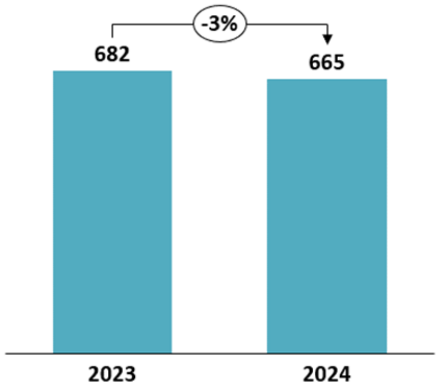
The **volume of heat energy** sold by the segment **decreased by 5%** in the reporting period. The decrease is the result of weather conditions. As a result of the hedging policy applied by the Group, the costs to cover the estimated energy for retail heat sales to final consumers are fixed, ensuring low volatility for hedging in this the subsegment.



Amount of heat sold by the segment in 2023 and 2024 (GWh)

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

The amount of natural gas used by the segment **decreased by 3%**. The **decrease** is in line with the decrease in both heat and electricity production.



Amount of natural gas used by the segment in 2023 and 2024 (GWh_{GCV})

1.3.2 Renewables-Based Energy Production segment

Electricity production recognized in this segment comprises the profit/loss of all of ALTEO's power plants generating electricity from renewable sources (solar, wind, hydro, biogas). Some of the production units sell electricity under the KÁT subsidy system and under the KÁT premium and METÁR schemes, while others sell all of their electricity subject to market terms and conditions. In Q1 2024, the electricity produced by Energigas Kft. was sold on the free market, and from April 1, 2024 onwards, subject to settlement under the rules of KÁT premium-type subsidy.

In August 2024, a **solar power plant with a nominal capacity of** nearly **20 MW** started production in the Tereske area. With the delivery of the plant, ALTEO Group doubled the installed capacity of the solar power plants in the segment.

In Q4 2024, ALTEO's Renewables-Based Energy Production segment was further expanded with the acquisition of Mov-R Kft. **The capacity of ALTEO's power plant portfolio utilizing renewable sources of energy exceeded 115 MW by 2024 year-end**.

Renewables-based energy production				
data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenue	**7 283**	**5 211**	**2 073**	**40%**
Material expenses	(2 159)	(1 846)	(313)	(17%)
Personnel expenses	(504)	(342)	(162)	(47%)
Other revenues and Other expenses	36	(325)	361	111%
Capitalized own production	(1)	(12)	11	92%
EBITDA*	**4 656**	**2 685**	**1 970**	**73%**
Allocated administrative expenses	(333)	(261)	(72)	(27%)
EBITDA II*	**4 323**	**2 424**	**1 899**	**78%**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

EBITDA generated by the Group's electricity production plants selling electricity within the Renewables segment **increased by HUF 2.0 billion** compared to the base period.

The segment's **revenue increased by HUF 2.1 billion** compared to the base period. The main drivers of the growth are the positive impact of favorable weather conditions on production volumes, the fact that the revenues of the biogas power plant in Nagykőrös were consolidated for the entire year, the start of production of the Tereske solar power plant in August 2024 and the inclusion of Mov-R Kft. in the scope of consolidation in Q4 2024.

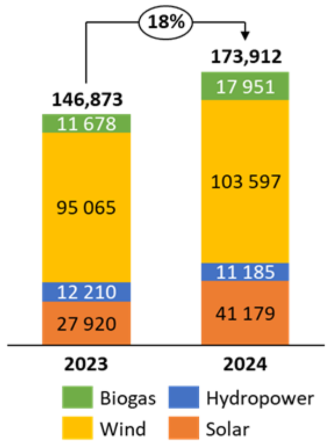
The feed-in tariffs of power plants operating under the subsidized scheme increased due to the inclusion of inflation in the previous year, but the revenues of non-subsidized plants were negatively affected by the fall in world market prices.

In addition to the impact of the larger portfolio, the **increase in material and personnel expenses** was driven by the following main factors: The operation of the biogas power plant in Nagykőrös, which was consolidated for the entire year, is inherently labor and maintenance-intensive, meaning that **its material and personnel expenses are significantly higher** than those of other less labor and maintenance-intensive technologies.

Another factor contributing to the increase in material expenses was the need for more and more **technical maintenance works as the wind turbines aged,** in an effort to ensure their efficient and safe operation in the long term. Cost increases were partly offset by favorable developments in scheduling costs.

The most significant impact on the change in **other expenses** was the extra profit tax still payable by Energigas Kft. in 2023, and this is also where the impact of the price supplement effect specific to the METÁR system is shown. Under METÁR system, after free-market sales, MAVIR makes price adjustments with a view to the difference between the contractual METÁR price and the price considered as market price as laid down by law in order to pay the corresponding amount to or collect such amount from producers.

The **volume** of ALTEO Group's **renewable electricity production segment increased by 27 thousand MWh (18%)** compared to the base period.



Quantities sold and their breakdown for 2023 and 2024 (MWh)

1.3.3 Energy Services segment

The **Energy Services segment** includes **construction, power plant operation and maintenance services**, as well as **e-mobility activities**.

In this segment, ALTEO **provides complex engineering, project development and project management services** for energy investments and developments. In addition, **it also provides general contractor services** under individual orders and contracts.

The segment also plays an important role in supporting ALTEO's other business lines by **contributing its project management expertise to increase the company's production capacity**, helping to achieve its renewable and sustainable energy targets.

The **majority of the services provided by the business line** are used by **major domestic and international industry players** such as **MOL, BorsodChem, Budapesti Erőmű, FŐTÁV, Heineken, Uniper, Slovnaft** and other major corporations. For these partners, **the stable and reliable operation of their energy infrastructure is of key importance**, and ALTEO's services play an essential role in their business.

ALTEO provides these clients with the necessary energy solutions within the framework of **construction projects** and **long-term, high added-value operation and maintenance contracts**. The services are based on excellent expertise and innovative technological solutions, that contribute to increasing the efficiency and sustainability of clients.

Energy services				
data in HUF million	**12/31/2024 audited**	**12/31/2023 audited**	**Change HUF million over previous year**	**Change % over previous year**
Revenue	**5 902**	**4 903**	**999**	**20%**
Material expenses	(2 925)	(2 181)	(745)	(34%)
Personnel expenses	(2 763)	(2 048)	(715)	(35%)
Other revenues and Other expenses	(69)	85	(154)	(181%)
Capitalized own production	408	274	134	49%
EBITDA*	**553**	**1 033**	**(480)**	**(46%)**
Allocated administrative expenses	(1 335)	(1 073)	(262)	(24%)
EBITDA II*	**(782)**	**(40)**	**(742)**	**(1 864%)**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

The Energy Services segment realized an EBITDA I result of HUF 553 million in 2024, 46% lower than in 2023.

There are several factors underlying the decline in the segment's results:

- The lower profit-generation capacity of construction activities
- Additional costs due to staff increases resulting from the expansion and reorganization of the operation and maintenance business for third parties, which facilitate growth in the long term
- Loss of the one-off positive effect of an impairment reversed in 2023

As part of the process of the expansion of the **operation and maintenance business line**, the introduction of inert gas transport and processing activities and the addition of new operation customers have commenced, but have not yet generated revenues, while the related organization and start-up costs are already reflected in the segment's results. Consequently, the business line closed 2024 with a result lower than in the previous year, which was caused by the development measures taken to ensure long-term growth.

In 2024, the **Business and Project Development business line** delivered **a higher volume of external (EPC) projects** compared to the previous year, but the focus of the business shifted towards **lower margin solar power** projects, which reduced the impact of the revenue growth on profits. In addition, 2024 saw the launch of more complex energy storage construction (RRF) projects with higher design and implementation requirements as well as EPC projects for MOL, which also required an increase in staff. This measure supports growth in the long term, but has resulted in higher costs in the short term, reducing the division's profitability while strategically important developments and capacity expansions were implemented.

The **Maintenance business** launched significant developments in 2024 to expand its services to external parties. ALTEO started to increase its maintenance service potential within the framework of an organizational development project, as part of which it started the construction of a new maintenance site in Százhalombatta. Although the costs associated with site operation and business line expansion reduced the result somewhat in the short term, those developments provide an opportunity to grow the business and improve efficiency in the longer term.

ALTEO has concluded a framework contract with MOL Nyrt., under which ALTEO has already provided industrial and power plant rotary machine maintenance services to MOL and its domestic and foreign subsidiaries, including Slovnaft, in 2024. Through this cooperation, the Company will create further growth opportunities and effectively exploit strategic synergies.

As was expected, the **E-mobility** business has no significant profit-generating capacity at present.

1.3.4 Waste management

The activity of the **Waste Management segment** is primarily determined by the **profits from the processing and management of organic and inorganic waste**.

After July 1, 2023, the Company has focused mainly, but not exclusively, on **the collection and processing of the types of waste covered by the concession, such as electronic waste, paper and foil/film waste**.

In addition, as part of the segment, the Company also offers **complex waste management and treatment services to third parties**, which further strengthen ALTEO's market position and contribute to the development of the circular economy.

Waste management

data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenue	**4 909**	**4 268**	**641**	**15%**
Material expenses	(2 314)	(2 715)	401	15%
Personnel expenses	(1 084)	(887)	(196)	(22%)
Other revenues and Other expenses	47	69	(22)	(31%)
Capitalized own production	-	-	-	n/a
EBITDA*	**1 559**	**735**	**824**	**112%**
Allocated administrative expenses	(404)	(308)	(96)	(31%)
EBITDA II*	**1 155**	**427**	**728**	**170%**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

MOHU MOL Hulladékgazdálkodási Zrt. has been awarded a 35-year concession for the collection and treatment of municipal solid waste in Hungary from July 1, 2023. FE-GROUP INVEST Zrt. participates in the process as a subcontractor of MOHU, having signed a two-year contract (plus two years of optional extension) on June 29, 2023 for the performance of concession tasks.

In addition to the concession, MOHU also operates the mandatory deposit refund scheme (DRS), in which FE-GROUP INVEST Zrt. is also involved as a subcontractor. The company won HUF 300 million to support the DRS investment.

Market environment and its effects

The implementation of the concession has significantly transformed the waste management market. In the first half of 2023, industry players faced challenges in preparing for concession operations and the uncertainty of the regulatory environment, which also impacted ALTEO's results.

As of H2 2023, the Company was actively involved in the collection and processing of waste under the concession, and has introduced various technical developments and cost-economy measures to increase efficiency.

Results and structural changes

- **Sales revenue** increased by HUF 641 million, or 15%, compared to the previous period.
- At the same time, **material expenses** fell by 15%, mainly due to the concession-related transformation.

Given the fact that within the framework of the concession MOHU remains the owner of the waste, as a subcontractor FE-GROUP INVEST Zrt. only provides services, the purchase value of the goods sold for the sale of waste has dropped.

- In 2024, EBITDA I increased to HUF 1,559 million compared to the base period.

Additional business opportunities

Despite the fact that a significant part of the Company's revenue is derived from concession waste processing activities, waste sales and the provision of complex services continue to play an important role. The Company is constantly seeking new business opportunities and developing partnerships with potential customers and partners.

1.3.5 Energy retail segment

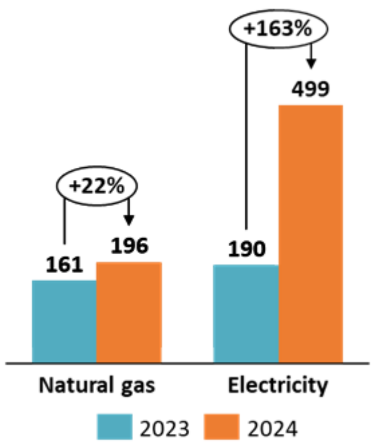
The Group's energy trading activity involves selling electricity and natural gas on the free market. The Group does not pursue any sales activities under universal service.

Retail energy trade				
data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenue	**37 609**	**18 041**	**19 568**	**108%**
Material expenses	(33 036)	(14 086)	(18 950)	(135%)
Personnel expenses	(183)	(192)	9	5%
Other revenues and Other expenses	(199)	339	(538)	(159%)
Capitalized own production	-	-	-	n/a
EBITDA*	**4 191**	**4 102**	**89**	**2%**
Allocated administrative expenses	(192)	(144)	(47)	(33%)
EBITDA II*	**3 999**	**3 957**	**42**	**1%**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

In the case of the Energy Retail segment, a significant portfolio growth is observed due to the outstanding sales activity of the business line, which explains more than double revenues and material expenses. However, with the normalization of the market situation and increased competition, the available specific margins have decreased.

The segment's **EBITDA** increased by **HUF 89 million** compared to the previous year.



Changes in the amounts of natural gas and electricity sold in 2023 and 2024 (GWh)

The **volume of natural gas sold** increased from 161 GWh to 196 GWh (+22%), which represents a significant portfolio expansion given the milder winter weather relative to the comparative period. The average sales price continues to rise, but the specific margin available has fallen as risks have become moderate.

The **volume of electricity sold** increased from 190 GWh to 499 GWh (+163%), and the average sales price (in line with the drop in world market prices) decreased.

The segment's **revenue** increased by HUF 19.8 billion, driven by growth in both natural gas and electricity sales. The electricity trading business accounts for a large portion of this revenue growth (HUF 18.4 billion), while the natural gas trading business showed a HUF 1.4 billion increase in revenue.

The segment's **material expenses** mainly show the value of purchased and resold natural gas and electricity.

Other revenues and expenses decreased significantly, mainly due to the impact of one-off incomes in the base period, higher provisions for trade receivables related to significantly higher sales revenue and increased penalties.

1.3.6 Other segment

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

Other segments				
data in HUF million	12/31/2024 audited	12/31/2023 audited	Change HUF million over previous year	Change % over previous year
Revenue	**-**	**5**	**(5)**	**(100%)**
Material expenses	(982)	(737)	(245)	(33%)
Personnel expenses	(1 764)	(1 008)	(756)	(75%)
Other revenues and Other expenses	(45)	(152)	107	70%
Capitalized own production	-	-	-	n/a
EBITDA*	**(2 790)**	**(1 891)**	**(899)**	**(48%)**

**For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. EBITDA II The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. Segment EBITDA may include intra-Group performance against other segments.*

Cost increases in the Other segment are a natural consequence of the Company's long-term growth strategy and the developments needed to build economies of scale.

The increase in **Material expenses** was impacted by the higher cost level caused by inflation, as well as growth-related costs, in particular an increase in consultancy fees related to acquisition efforts and an increase in other costs in line with the growth of the Company.

Personnel expenses increased **primarily** due to share-based incentive plans based on the Group's long and short-term profitability, while wage hikes and headcount expansion related to the growing size of the company also resulted in additional cost increases.

The most significant difference in **Other revenues and Other expenses** is the recognition of default interest recognized in the base period due to development reserves not used in 2023.

1.4 Executive summary on the Consolidated Statement of Financial Position

The Group's closing **statement of financial position total was HUF 98,064 million** as at December 31, 2024, showing an increase of HUF 6,086 million, that is 7%.

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

Consolidated Statement of Financial Position - Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand	change %	diff. Value
Non-current assets		**60 205 130**	**43 572 926**	***38%***	**16 632 204**
Property, plant and equipment	9.	48 122 263	35 108 875	*37%*	13 013 388
Intangible assets and developments	9.	5 539 127	2 705 370	*105%*	2 833 757
Operation contracts	9.	-	799 504	*(100%)*	(799 504)
Rights of use	9.	2 898 152	2 431 769	*19%*	466 383
Goodwill	9.	2 278 557	1 019 181	*0%*	1 259 376
Deferred tax assets	8.	-	335 537	*(100%)*	(335 537)
Long-term deposits given	11.	1 367 031	1 172 690	*17%*	194 341
Current assets and assets held for sale		**37 858 398**	**48 404 853**	***(22%)***	**(10 546 455)**
Inventories	13.	1 299 529	989 904	*31%*	309 625
Trade receivables	14.	13 084 541	10 863 760	*20%*	2 220 781
Emission allowances	15.	1 586 718	1 051 198	*51%*	535 520
Other financial assets	16.	3 381 967	4 164 457	*(19%)*	(782 490)
Other receivables and accruals	17.	8 181 142	6 827 020	*20%*	1 354 122
Income tax receivables	7.	122 603	163 434	*(25%)*	(40 831)
Cash and cash equivalents	18.	10 201 898	24 345 080	*(58%)*	(14 143 182)
TOTAL ASSETS		**98 063 528**	**91 977 779**	***7%***	**6 085 749**

Note references *in the table refer to sections in Chapters IV and V of the ALTEO Group's 2024 IFRS statements.*

Non-current assets

The value of non-current assets increased by HUF 16.6 billion, driven by several significant investments and acquisitions.

During the period under review, the Tereske solar power plant with an installed capacity of 20 MW was delivered, which contributed to the expansion of the Company's renewable energy production portfolio. In addition, a number of capacity expansion and efficiency-increasing projects took place in 2024, including the gas engine capacity increase investment project at the Sopron Power Plant, the commissioning of a battery electricity storage unit and gas engine capacity increase investment project in Győr, and the start of the construction of battery energy storage facilities under the RRF. The acquisitions completed in the last quarter, in particular that of Mov-R Kft. and Aerope Kft., also significantly increased the value of non-current assets.

Current assets

The portfolio of current assets dropped to HUF 37.9 billion, representing a HUF 10.5 billion (22%) decrease compared to the 2023 closing value. The main factors behind the decrease are as follows:

Cash and cash equivalents

Cash and cash equivalents decreased by HUF 14.1 billion compared to the closing balance of the previous period, mainly due to the payment of dividends and extraordinary dividends, increased capital expenditure, the financing of acquisitions in the last quarter and timing differences in payments of trade receivables and payables.

For a detailed analysis of changes in the cash balance, see the Consolidated Statement of Cash Flows (see Section 1.5).

Trade receivables, other receivables and accruals

The balance sheet lines show a HUF 3.6 billion increase compared to the base period. The increase was driven by a significant portfolio expansion in the Retail segment, a change in the monthly revenue structure of the Heat and Electricity Production and Management segment, as well as the additional trade receivables due to the launch of the high value MOL Algyő PV project.

Emission allowances

Due to the increase in the CO_2 quota and the EEOS quota, the value of emission allowances increased to HUF 1.6 billion.

Other financial assets

The balance sheet line of Other financial assets from the valuation of forward transactions amounted to HUF 3.4 billion. The growth was impacted by the differences between the revaluation of hedging derivative transactions, the change in the composition of positions on the reporting date and changes in other payment accounts kept separately.

Decreasing energy prices also caused the level of deposits and collaterals to drop, which contributed significantly to the decrease in Other financial assets. The impact of hedges is presented in detail in the section on comprehensive statement of profit and loss (see Section 1.2).

Inventories

Inventories increased by HUF 0.3 billion, driven by the purchase of spare parts in the normal course of business and maintenance projects.

Consolidated Statement Of Financial Position - Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand	change %	diff. Value
Equity		**39 463 998**	**33 854 114**	***17%***	**5 609 884**
Equity attributable to the shareholders of the Parent Company		**39 463 998**	**33 810 529**	***17%***	**5 653 469**
Issued capital	20.1	249 140	247 534	*1%*	1 606
Share premium reserves	20.2	6 696 062	6 174 087	*8%*	521 975
Reserve for share-based payments	20.3	(2 237 648)	(1 885 811)	*19%*	(351 837)
Hedge reserve	20.4	1 476 093	(2 389 024)	*(162%)*	3 865 117
Retained earnings	20.5	33 280 351	31 663 743	*5%*	1 616 608
Non-controlling interest	20.6	-	43 585	*(100%)*	(43 585)
Long-term liabilities		**27 885 512**	**28 653 389**	***(3%)***	**(767 877)**
Debts on the issue of bonds	21.	12 701 604	12 658 274	*0%*	43 330
Long-term loans and borrowings	22.	7 838 416	9 579 949	*(18%)*	(1 741 533)
Finance lease liabilities	23.	2 438 052	2 160 081	*13%*	277 971
Deferred tax liabilities	8.	933 556	825 573	*13%*	107 983
Provisions	24.	2 359 302	1 221 555	*93%*	1 137 747
Deferred income	25.	908 285	847 847	*7%*	60 438
Other long-term liabilities	26.	706 297	1 360 110	*(48%)*	(653 813)
Short-term liabilities		**30 714 018**	**29 470 276**	***4%***	**1 243 742**
Short-term loans and borrowings	22.	1 448 762	1 703 817	*(15%)*	(255 055)
Short-term finance lease liabilities	23.	766 008	530 566	*44%*	235 442
Advances received	27.	2 145 859	29 281	*7 229%*	2 116 578
Trade payables	28.	8 701 733	3 404 049	*156%*	5 297 684
Other financial liabilities	29.	-	3 138 813	*N/A*	(3 138 813)
Short-term provisions	24.	133 971	-	*N/A*	133 971
Other short-term liabilities and accruals	30.	17 182 650	17 900 512	*4%*	(717 862)
Income tax liabilities	7.	335 035	2 763 238	*88%*	(2 428 203)
TOTAL EQUITY and LIABILITIES		**98 063 528**	**91 977 779**	***7%***	**6 085 749**

***Note references** in the table refer to sections in Chapters IV and V of the ALTEO Group's 2024 IFRS statements.*

Equity components

The Group's equity increased by HUF 5.6 billion in 2024, the main components of which are the contribution from the 2024 profit, dividend payments and the effects of hedging transactions.

For detailed movements in equity, see Section 1.6.

Long-term liabilities

The Group's long-term liabilities dropped by HUF 0.8 billion, i.e. by 3%, compared to the base period.

Long-term loans and borrowings

The portfolio shrank by HUF 1.7 billion due to contractual loan repayments and the early repayment of the loan of FE-GROUP INVEST Zrt.

Provisions

Provisions increased significantly by HUF 1.3 billion to HUF 2.5 billion. The main reasons for the increase are the additional decommissioning provision due to higher estimated demolition costs and the additional decommissioning provision required following the acquisition of Mov-R Kft.

Long-term finance lease liabilities

This includes liabilities related to rights-of-use under IFRS 16, which increased by HUF 0.3 billion due to the lease of the Tereske solar power plant site and the right-of-use of the new Győr and Százhalombatta sites.

Other long-term liabilities

This decreased by HUF 0.6 billion, mainly due to long-term incentive schemes becoming short-term.

Short-term liabilities increased by a total of **HUF 1.2 billion, i.e. by 4%,** compared to the 2023 closing value, driven by significant changes in the following items:

Trade payables and Other short-term liabilities and accruals

The balance sheet lines show a HUF 4.6 billion increase compared to the base period, partly in line with the change in trade receivables and partly due to the subsequent invoicing of certain partners.

Advances received

The portfolio of advances received increased by HUF 2.1 billion, primarily due to grant advances received for the financing of the energy storage construction and RRF projects, and the advances received in relation to the MOL Algyő PV project.

Other financial liabilities

The revaluation of hedging derivative transactions on the reporting date resulted in a change of HUF 3.1 billion.

Income tax liabilities

The tax liability decreased by HUF 2.4 billion compared to the previous period. The primary reason for the decrease was the one-off event in the base period, i.e. the release of the development reserve and the settlement of the tax charge.

1.5 Consolidated Statement of Cash Flows for the 12-month-period ending on December 31, 2024

The Group closed 2024 with a **decrease in cash and cash equivalents of HUF 14.2 billion.** The Group's business operations generated an increment of **HUF 19.7 billion**, while **HUF 18.4 billion** cash and cash equivalents were spent on investment **projects.** The Group presents the cash flow changes arising from changes in the statement of financial position (indirect cash flow).

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2024 HUF thousand	12/31/2023 HUF thousand restated*
Profit or loss before taxes		**12 971 567**	**15 882 629**
(Interest income) and interest expenses, net	6.	422 613	(1 055 636)
Depreciation and amortization of fixed assets and intangible assets	9.	5 542 189	4 268 473
Recognition (reversal) of impairment of current assets in profit or loss	4.	151 228	(174 608)
Provisions recognized (released)	24.	602 839	(26 210)
Deferred income increase (decrease)	25.	60 438	(185 388)
Share-based payments recognized against equity	20.3	-	(10 594)
Net cash-flow of business activity without change in current assets		***19 750 874***	***18 698 666***
Change in inventories	13.	(371 648)	916 665
Changes in emission allowances	15.	(535 520)	470 142
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(3 203 371)	19 477 208
Change in other financial assets	16.	1 763 994	2 378 317
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	3 745 611	(16 415 257)
Financial settlement of particular ESOP liabilities	35.	(854 499)	-
Advances received (final settlement)	27.	2 116 578	(1 469 973)
Taxes paid	7.	(5 629 686)	(2 095 938)
Cash flow from business activities (use of funds)		**16 782 333**	**21 959 830**
Interests received on deposits and investments	6.	801 878	3 132 340
Government grants	25.	1 226 745	455 803
Purchase of production and other machinery, and intangible assets	9.	(14 412 106)	(9 449 931)
Acquisition of subsidiary (not including cash and cash equivalents)	32.	(5 871 732)	(1 114 338)
Revenue from the sale of production and other machinery, and intangible assets	9.	8 314	932
Repayment (lending) of long-term loans or deposits given	11.	(194 341)	(203 088)
Cash flow of investment activities (cash outflow)		**(18 441 242)**	**(7 178 282)**
Interest paid on bonds and loans	21., 6.	(1 274 356)	(1 478 843)
Long-term loans and borrowings received, financial liabilities assumed (repaid)	22.	(3 235 064)	(3 555 108)
Lease liabilities capital repayment	23.	(208 297)	(476 083)
Capital increase, purchase of own shares	20.1	-	(1 129 143)
Transactions in own shares	20.3	-	(68 953)
Acquisition of minority interest	20.6	(144 894)	-
Dividend payment	20.5	(7 728 075)	-
Cash flow from financing activities (cash outflow)		**(12 590 686)**	**(6 708 130)**
Changes in cash and cash equivalents		**(14 249 595)**	**8 073 418**
Opening cash and cash equivalents	18.	**24 345 080**	**16 465 328**
Exchange rate difference of cash and cash equivalents	18.	106 413	(193 666)
Closing cash and cash equivalents	18.	**10 201 898**	**24 345 080**

Note references *in the table refer to sections in* ***Chapters IV and V*** *of the ALTEO Group's 2024 IFRS statements.*

1.6 Consolidated statement of changes in equity for the 12-month-period ending on December 31, 2024

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

Data in HUF thousand	Issued capital	Share premium reserves	Reserve for share-based payments		Hedge reserve	Conversion reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.						
**Reference for the various notes*	20.1	20.2	20.3		20.4	20.5	20.5		20.6	
January 1, 2023	**249 066**	**6 573 148**	**(322 802)**	**(1 136 742)**	**2 069 245**	**-**	**19 170 998**	**26 602 913**	**84 949**	**26 687 862**
Implementation of employee share award through shares	24	5 518						5 542		5 542
Acquisition of own shares	(5 201)	(1 123 942)	271	45 765				(1 083 107)		(1 083 107)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss			(552 218)				552 218	-		-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred			866 672				(866 672)	-		-
Recognition of share benefits against profit or loss								-		-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP Organization cash and cash equivalents spent on operation and costs		(8 682)	8 077				2 874	2 269		2 269
ESOP (2020-2022) 2021 dividend transfer to beneficiaries		(63 145)						(63 145)		(63 145)
Shares transferred to ESOP organization	3 645	791 190		(794 835)				-		-
Other participation-related transactions										
Minaqua Kft. absorption capital settlement							(1 055)	(1 055)		(1 055)
Acquisition of ECO-FIRST Kft. participation							6 082	6 082	(6 082)	-
Re-entry of ECO-First Kft. prescribed dividend into profit or loss							1 900	1 900		1 900
Aggregate amount of rounding difference				1			2	3		3
Comprehensive income					(4 458 269)		12 797 396	8 339 127	(35 282)	8 303 845
December 31, 2023	**247 534**	**6 174 087**	**-**	**(1 885 811)**	**(2 389 024)**	**-**	**31 663 743**	**33 810 529**	**43 585**	**33 854 114**
Dividend payment (approval)							(7 972 590)	(7 972 590)		(7 972 590)
Inclusion of the ESOP Organization in consolidated reporting										
Shares transferred to ESOP Organization for the implementation of ESOP Programs	5 671	1 601 386		(1 607 057)				-		-
IFRS 2 vested benefit settlement Through the ESOP Organization (ESOP 2024)	(3 192)	(974 428)		977 620				-		-
Szikra, ESOP 2025 Program share repurchase	(873)	(276 728)		277 601				-		-
ESOP Founder's assets forfeited dividend							41 078	41 078		41 078
ESOP Founder's assets dividend		197 119						197 119		197 119
FE-Group Invest Zrt. minority interest profit carryover							(75 935)	(75 935)	75 935	-
FE-Group Invest Zrt. minority interest consolidation		(25 374)						(25 374)	(119 520)	(144 894)
Aggregate amount of rounding difference				(1)				(1)	-	(1)
Comprehensive income					3 865 117		9 624 055	13 489 172	-	13 489 172
December 31, 2024	**249 140**	**6 696 062**	**-**	**(2 237 648)**	**1 476 093**	**-**	**33 280 351**	**39 463 998**	**-**	**39 463 998**

***Note references** in the table refer to sections in **Chapters IV and V** of the ALTEO Group's 2024 IFRS statements.*

Statement of changes in equity in the period between 1/1/2024 – 12/31/2024

Dividend payment: the amount of dividends paid in 2024 from retained earnings according to the resolution of the General Meeting.

Consolidated reporting on the ALTEO ESOP Organization: The economic events and operating expenses related to the Remuneration Policies of the ALTEO ESOP Organization are recognized in equity.

Other participation-related transactions: The inclusion of the minority interest of FE-Group Zrt. is recognized in equity.

Comprehensive income: The increment from comprehensive income amounted to HUF 13.5 billion in 2024.

1.7 Other financial information

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

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES									
12/31/2024 *data in HUF thousand*	**Heat and electricity production and management**	**Renewables-based energy production**	**Energy services**	**Waste management**	**Retail energy trade**	**Other segments**	**Total**	**Adjustments and eliminations**	**Consolidated total**
Revenue	**62 411 717**	**7 283 382**	**5 901 931**	**4 909 063**	**37 608 757**	**91**	**118 114 940**	**(12 726 102)**	**105 388 839**
of this: from within the Group	*8 426 468*	*3 556 693*	*2 313*	*300*	*740 327*	*-*	*12 726 102*	*(12 726 102)*	*0*
of this: from outside the Group	*53 985 248*	*3 726 689*	*5 899 618*	*4 908 763*	*36 868 430*	*91*	*105 388 839*	*-*	*105 388 839*
Material expenses	(39 802 175)	(2 158 940)	(2 925 295)	(2 314 437)	(33 036 220)	(2 159 586)	(82 396 653)	12 726 102	(69 670 551)
Personnel expenses	(2 263 309)	(504 121)	(2 762 950)	(1 083 547)	(182 974)	(4 024 801)	(10 821 703)	-	(10 821 703)
Other revenues and Other expenses	(6 312 716)	36 251	(69 065)	47 447	(198 928)	(65 148)	(6 562 159)	-	(6 562 159)
Capitalized value of own production	273 013	(973)	408 274	-	316	33 127	713 758	-	713 758
EBITDA*	**14 306 530**	**4 655 598**	**552 895**	**1 558 526**	**4 190 951**	**(6 216 317)**	**19 048 184**	**-**	**19 048 184**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES									
12/31/2023 *data in HUF thousand*	**Heat and electricity production and management**	**Renewables-based energy production**	**Energy services**	**Waste management**	**Retail energy trade**	**Other segments**	**Total**	**Adjustments and eliminations**	**Consolidated total**
Revenue	**75 521 246**	**5 210 509**	**4 902 937**	**4 268 327**	**18 040 986**	**4 823**	**107 948 829**	**(8 994 503)**	**98 954 327**
of this: from within the Group	*5 042 614*	*2 284 312*	*3 530*	*57 705*	*1 606 342*	*-*	*8 994 503*	*(8 994 503)*	*0*
of this: from outside the Group	*70 478 632*	*2 926 197*	*4 899 407*	*4 210 623*	*16 434 644*	*4 823*	*98 954 327*	*-*	*98 954 327*
Material expenses	(50 321 500)	(1 845 736)	(2 180 713)	(2 715 167)	(14 086 043)	(1 714 426)	(72 863 585)	8 994 503	(63 869 082)
Personnel expenses	(1 694 352)	(342 179)	(2 048 034)	(887 359)	(192 127)	(2 712 259)	(7 876 310)	-	(7 876 310)
Other revenues and Other expenses	(8 317 079)	(324 996)	84 952	69 181	338 885	(166 872)	(8 315 929)	-	(8 315 929)
Capitalized value of own production	276 785	(12 158)	273 939	-	-	-	538 566	-	538 566
EBITDA*	**15 465 100**	**2 685 440**	**1 033 081**	**734 982**	**4 101 702**	**(4 588 733)**	**19 431 572**	**-**	**19 431 572**

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

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

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

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

The aggregate "Totals" of segment data correspond to the descriptions and amounts stated in the consolidated interim statements of income presented in this document. "Items eliminated due to consolidation" represent the turnover between individual segments. Measures of the segment result: revenue, EBITDA (interoperable segment measures and financial indicators), kWh, MWh, GWh, natural measures (non-interoperable segment measures, non-financial indicators). Employee headcount describes the Group, rather than being a financial indicator.

1.7.2 The basis for the preparation of the financial statements

Disclosure by the Group is in compliance with the rules described in the "Introduction" part. Along with its financial reports, the Group ensures the appropriate availability of such disclosed data.

1.7.3 Accounting policies and changes to standards

The Group's accounting policies are identical with those disclosed for the reporting date of 12/31/2023.

1.7.4 Uncertainty from estimates and disclosures on fair value measurement

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

For details on Critical accounting assumptions and estimates, see Section III.1 of the Consolidated Financial Statements.

Material impacts of the above estimates affecting the report for the current period:

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

The revaluation of natural gas price hedging transactions had a material impact. Natural gas prices disclosed on December 31, 2023 increased slightly in 2024 (for example, at the reporting date of December 31, 2023, prices ranged from 35.9-39.9 EUR/MW for the maturity date of Q4 2024, but were actually between 40.6-47.0 EUR/MW in Q4 2024. The price change exceeded 20%). Changes in the fair value measurement of hedging transactions are influenced by the changes in gas futures illustrated above.

The valuation of interest rate swaps resulted from the change in BUBOR. Public link: https://www.mnb.hu/monetaris-politika/penzpiaci-informaciok/referenciamutato-jegyzesi-bizottsag/bubor

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

1.7.5 Seasonality, cyclicality, unusual activities

There are certain seasonal factors relating to its business to be aware of. Important factors relating to the interpretation of the periodical financial figures of ALTEO:

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

The production of the power plants listed above is described in detail in Section 1.3.

The Issuer did not identify any events in its activity that may have an impact on assets, liabilities, equity, net profit or loss or cash flows and can be deemed unusual due to their nature, amount or frequency.

1.7.6 Key intangible resources

As specified by ALTEO Nyrt. pursuant to the provisions of the Accounting Act, key intangible resources are **"power plant management logics and procedures"**, which are resources that do not take physical form, but are otherwise essential to the business model of ALTEO Nyrt.

- The continuous development of power plant management logics and procedures is the key to the success and value creation of the business process.

- In ALTEO Nyrt.'s business model, the ***ability*** of power plant management logics ***to continuously renew*** is a fundamental success criterion for future good decisions in the business model.

- The value creation process includes ***establishing the human and material environment for the continuous development*** of the logics, and integrating the increasingly broader operational and predicted operational data of the power plants into the enhanced management logic.
- The successful operation of the model is efficient if the existing logic is operated and developed simultaneously.
- ALTEO Nyrt. becomes capable and suitable to provide risk management services through power plant management logics.
- The capacity of key intangible assets is able to provide decision-making procedures for a client base with a large power plant portfolio. The customers of power plant management logic and process services are manufacturing and trading companies with low risk asset investment portfolios.
- The return on key resource development investments in power plant management logics and processes is based on enhancing the ever-increasing capacity for unified electricity cooperation. The legislator creates the need and urge to enforce the ability to cooperate while prescribing increasingly shorter decision-making times. Participants with different decision-making capacities, who are forced to cooperate in energy systems, must join together in an identical manner.
- The plant management logics and procedures model is intended to manage the diversity in plant values. The model provides a ready-made solution to the challenges market players are faced with.
- Solutions can be used by market players as services. Services are available at several levels. The full risk management process represents the highest level of service.

1.8 Headcount data for 2024

The Issuer’s closing headcount on December 31, 2024 was 513 employees. Its statistical headcount in 2024 was 477.2 employees on average.

1.9 EPS indicator

See Consolidated Financial Statement, Section IV.34.

1.10 Environmental factors

The environmental factors are presented in Section 1.18.

1.11 Non-financial report

Section 1.15 of this Annual Report presents major changes in the Group’s structure, while Section 1.16 of the Annual Report addresses other major events.

1.12 The Company’s details

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

The Company's registered office	**H-1033 Budapest, Kórház utca 6-12.**
The Company's telephone number	**+36 1 236 8050**
The Company's central electronic mailing address	**info@alteo.hu**
The Company's web address	**www.alteo.hu**
The Company's place of registration,	**Budapest**
date of registration and	**April 28, 2008**
company registration number	**Cg.01-10-045985**
The Company's tax number	**14292615-4-44**
The Company's EU VAT number:	**HU17783893**
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	**May 10, 2024 (effective from April 19, 2024)**
The Company's core activity	**Engineering activities and related technical consultancy**
Financial year	**same as the calendar year**
Place of publication of notices	**The Company discloses its notices regarding regulated information on its website https://investors.alteo.hu/, on the website of the BSE at www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by the applicable law, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 shares of the Company have been listed on the BSE in Premium category.**
Other securities	**Bonds**
	ALTEO NKP/2029: registered bonds with a fixed coupon rate, issued by private placement, having a face value of HUF 50,000,000 and 10 years maturity, total face value: HUF 8,600,000,000, listed on the BSE. ISIN code: HU0000359252
	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, Chairman of the Board of Directors, CEO** **Dr. György Bacsa, Deputy Chairman of the Board of Directors** **Ágnes Bencsik, Member of the Board of Directors** **Álmos Mikesy, Member of the Board of Directors**
The Company's Supervisory Board	**Dr. Ákos Székely, Chairman of the Supervisory Board** **Péter Kaderják, Member of the Supervisory Board** **Márton Oláh, Member of the Supervisory Board** **Attila Gyula Sütő, Member of the Supervisory Board**
The Company's Audit Committee	**Dr. Ákos Székely, Chairman of the Audit Committee** **Péter Kaderják, Member of the Audit Committee** **Márton Oláh, Member of the Audit Committee**
The Company's Executive Board	**Attila László Chikán, the Company's Chief Executive Officer** **Zoltán Bodnár, the Company's Chief Financial Officer** **Domonkos Kovács, the Company's Deputy CEO for M&A and Capital Markets** **Magdolna Tokai, the Company's Deputy CEO for International Relations and Corporate Support** **Anita Simon, the Company's Deputy CEO for Sustainability and Circular Economy** **Péter Luczay, the Company's Deputy CEO for Production Management and Business Development** **Viktor Varga, the Company's Deputy CEO for Energy Production and Energy Supply** **László Hegedűs, the Company's Deputy CEO for Strategic HR and Communications**
The Company's Auditor	**The current auditor of the Company is Authentic Audit Korlátolt Felelősségű Társaság (registered office: H-1139 Budapest, Teve utca 24-28. B. lház. 8. em. 2., company registration number: 01-09-355573). The mandate of the auditor is for the period from April 19, 2024 until the date of adoption of the General Meeting's resolution on the report for the fiscal year ending on December 31, 2026 or until May 31, 2027, whichever occurs earlier. The auditor personally responsible for auditing the Company is Andrea Zsoldos-Horváth.**
Shareholders of the Company with a share exceeding 5%	**MOL RES Investments Zrt.** **Riverland Private Equity Fund** **Főnix Private Equity Fund**

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

1.13.1 Composition of the issued capital, rights and obligations related to the shares

The Company is a company established under Hungarian law (governing law).

The Company was founded on April 28, 2008 as a private limited company for an indefinite period of time. The legal form was changed to public limited company as of September 6, 2010 and the Company was listed on the Budapest Stock Exchange. The ordinary shares issued belong to the same series and have the same rights. The rights related to the shares of the Company are set out in the Civil Code and in the Company's Articles of Association. The transferability of the shares is not restricted.

1.13.2 Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Company's Articles of Association, the shareholder or the holder of voting rights (hereinafter, for the purposes of this Section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Section 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written statement 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 the relevant provisions 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 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 of the Capital Market Act, whose voting rights related to their share must be regarded as the voting rights of the shareholder concerned. For the purposes of this Section, "beneficial owner" means the person specified in Section 3(38) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

Pursuant to Section 19(7) of the Act XVIII of 2005 on District Heating, Section 95(3) of the Act LXXXVI of 2007 on Electricity and Section 123(7) of the Act XL of 2008 on Natural Gas Supply, in the case of an event relevant in terms of company law or acquisition specified in these laws, in the absence of the prior decision on approval or the acknowledgement of the Hungarian Energy and Public Utility Regulatory Authority (the specific form of consent is governed by the given law, depending on the event relevant in terms of company law, the range of acquisition, and the nature of the license), the acquiring party shall not exercise any right against the Company in respect of its interest therein, except for the right to dividend, and shall not be entered in the share register.

1.13.3 presentation of investors with a significant share

As at December 31, 2024, ALTEO is jointly owned by majority shareholders MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: Cg.01-10-046154), Riverland Private Equity Fund (registered office: H-1026 Budapest, Pasaréti út 122-124; tax number: 19314961-2-41) and Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25; tax number: 19315357-2-41).

On September 10, 2024, a change occurred regarding one of ALTEO's majority shareholders. Lead Ventures Alapkezelő Zrt. took over control of Riverland Private Equity Fund (Riverland Magántőkealap, owner of 24.60% of ALTEO's shares) from Indotek-Investments Alapkezelő Zrt.

Ownership structure of ALTEO based on the share register as at December 30, 2024:

Shareholders according to the share register on December 31, 2024	Quantity (of shares)		Face value (HUF thousand) (Section 20.1)		Ownership ratio (%)	
	2024	2023	2024	2023	2024	2023
MOL RES Investments Zrt.	4 902 536	4 902 536	61 282	61 282	24,60%	24,60%
Riverland Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Főnix Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Board of Directors, Supervisory Board, and Executive	380 071	383 053	4 751	4 788	1,91%	1,92%
Repurchased own shares	245	128 783	3	1 610	0,00%	0,65%
ALTEO ESOP Organization	943 387	814 849	11 792	10 186	4,73%	4,09%
Free float	3 900 164	3 897 183	48 752	48 715	19,57%	19,55%
TOTAL	**19 931 474**	**19 931 474**	**249 143**	**249 143**	**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 2024 (on December 30) was HUF 4050, which is 42% higher than the same value in the last year (HUF 2850). Annual turnover totaled at HUF 8.157 billion, up by 136% from 2023.

The number of shares held by the executive officers of ALTEO:

Number of shares held by the Board of Directors, the Executive Board and the Supervisory Board (number of pieces)			
Board	Name	12/30/2024	12/29/2023
Board of Directors	Álmos Mikesy	-	-
	Dr. György Bacsa	-	-
	Ágnes Bencsik	-	-
	Attila László Chikán	208 443	208 443
Executive Board	Domonkos Kovács	108 296	108 296
	Péter Luczay	10 034	10 034
	Magdolna Tokai	-	-
	László Hegedűs	-	-
	Anita Simon	10 760	10 760
	Viktor Varga	7 018	10 000
	Zoltán Bodnár	20 328	20 328
Supervisory Board	Péter Kaderják	15 192	15 192
	Attila Gyula Sütő	-	-
	Dr. Ákos Székely	-	-
	Márton Oláh	-	-

1.13.4 Powers of senior executives

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. 17/2024. (IV.19.), the General Meeting of the Company repealed its previous Resolution No. 13/2019. (XI.26.) on authorization, and authorized the Board of Directors to resolve on the increase of the share capital of the Company at its own discretion. 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 19, 2024. The authorization applies to all cases and means of share capital increase set out in the Civil Code (the share capital may be increased by the issue of new ordinary shares and/or any class of preference shares and/or convertible and/or mandatory convertible bonds, or any combination of these), as well as the restriction or exclusion of the exercise of preferential rights to the subscription or takeover of shares, the passing of resolutions on share capital increases otherwise within the competence of the General Meeting pursuant to the Civil Code and other laws and the Company’s Articles of Association, and on any amendment to the Articles of Association necessitated by the share capital increase. This authorization to increase the share capital may be exercised several times during the above period.

In its Resolution No. 16/2024 (IV.19.), the General Meeting of the Company authorized the Board of Directors for a period of 18 (eighteen) months starting on April 19, 2024, 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, 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 this authorization shall not exceed the number of shares with a total face value of twenty-five percent 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 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 5,000 (five thousand Hungarian forints). The authorization shall also cover 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.

1.14 Presentation of companies involved in consolidation, actual activities

Subsidiaries mean the following companies (with specification of influence and * Actual core activity)

Name of subsidiary 12/31/2024	Core activity*	Rate of influence		
		12/31/2024	6/30/2024	12/31/2023
Aerope Holding Kft.[1]	electricity production using renewable sources	100%	-	-
ALTE-A Kft.	Electricity production using renewable sources	100%	100%	100%
ALTE-GAS Kft.[2]	Landfill of waste, permanent storage	100%	100%	100%
ALTE-GO Kft.	electricity production using renewable sources	100%	100%	100%
ALTEO-Depónia Kft.	Electricity production using non-renewable sources	100%	100%	100%
ALTEO Energiakereskedő Zrt.	energy trading	100%	100%	100%
ALTEO-Therm Kft.	Electricity production using non-renewable sources	100%	100%	100%
ARTEMIS Technologies Zrt.	Computer consultancy activities and operation of IT tools and systems	100%	-	-

[1] On December 12, 2024, ALTEO became sole owner of Aerope Holding Kft.
[2] The name of ECO-FIRST Kft. has changed to ALTE-GAS Kft. on May 28, 2024.
* The core activity of the company in terms of sales revenue is shown as core activity.

Name of subsidiary 12/31/2024	Core activity*	Rate of influence		
		12/31/2024	6/30/2024	12/31/2023
Domaszék 2MW Kft.	electricity production using renewable sources	100%	100%	100%
EDELYN SOLAR Kft.	electricity production using renewable sources	100%	100%	100%
Energigas Kft.	Production of electricity using renewable sources	100%[2]	100%	100%
Energikum Zrt.	Business and other management consultancy activities	100%	100%	-
Energy Corp Hungary Kft. (see Note 3)	Other professional, scientific and technical activities n.e.c.	100%	-	-
EURO GREEN ENERGY Kft.	Electricity production using non-renewable sources	100%	100%	100%
FE-GROUP INVEST Zrt.	Waste treatment and disposal	100%	75.1%	75.1%
Monsolar Kft.	electricity production using renewable sources	100%	100%	100%
Mov-R H1 Szélerőmű Kft.[3]	electricity production using renewable sources	100%[3]	-	-
Pannon Szélerőmű Kft.	electricity production using renewable sources	100%	100%	100%
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	steam supply, air conditioning	100%	100%	100%
SUNTEO Kft.	electricity production using renewable sources	100%	100%	100%

1.15 Changes in the structure of the Group

1.15.1 Acquisition of sole ownership of FE-GROUP INVEST Zrt.

In September 2022, ALTEO acquired 75.1%, while Blue Planet Climate Protection Venture Capital Fund acquired 24.9% of the shares of FE-GROUP INVEST Zrt.

Exercising its option defined in the Articles of Association of FE-GROUP INVEST Zrt., on October 31, 2024, ALTEO transferred the purchase price due under the Articles of Association to Blue Planet Climate Protection Venture Capital Fund to acquire the 24.9% share of Blue Planet Climate Protection Venture Capital Fund in FE-GROUP INVEST Zrt., thus becoming the sole owner of FE-GROUP INVEST Zrt. following the transfer of the shares.

1.15.2 Establishing ARTEMIS Technologies Zrt.

ALTEO established its new, wholly-owned subsidiary ARTEMIS Technologies Zrt., which was registered in the Companies Register on November 18, 2024 by the Court of Registration of the Budapest-Capital Regional Court.

1.15.3 Acquisition of Energy Corp Hungary Kft. and Mov-R H1 Szélerőmű Kft.

ALTEO as buyer signed a business quota sale and purchase agreement (i) with Pannonia Bio Zártkörűen Működő Részvénytársaság and CEOLICA HISPANIA, S.L. on the transfer of all (100%) of the business quotas of Energy Corp Hungary Kft., and (ii) with DTKM Tanácsadó Korlátolt Felelősségű Társaság on the transfer of its business quotas in Mov-R H1 Szélerőmű Kft. representing 1.5% of its equity capital. The closing conditions set out in detail in the quota sale and purchase agreement were fulfilled in November 2024 and, as a result, ALTEO became the sole owner of the business quotas of Mov-R H1 Szélerőmű Kft.

Mov-R H1 Szélerőmű Kft. currently operates 12 wind turbine towers with a total capacity of 24MW and with individual capacities of 2MW, in the villages of Levél and Mosonszolnok. With the closing of the transaction, ALTEO's capacity in the Hungarian wind turbine market is now 71.5 MW, bringing ALTEO's total renewables-based electricity generation capacity to over 110 MW.

[3] Indirect control, 1.5% of Mov-R H1 Szélerőmű Kft. is owned by ALTEO, and 98.5% by Energy Corp Hungary Kft., a wholly-owned subsidiary of ALTEO.

1.15.4 Acquisition of Aerope Holding Kft.

On December 12, 2024, ALTEO exercised its option defined in the agreement signed with Callis Befektetési Zártkörűen Működő Részvénytársaság and, simultaneously, on December 12, 2024, the agreement on the sale and purchase of the business quotas representing the whole of Aerope Holding Kft.'s registered capital of HUF 3,000,000 entered into force. As a result, ALTEO acquired Aerope Holding Kft. on December 12, 2024.

Aerope Holding Kft. is a project company that owns a solar power plant project with a current total of 19.95 MW grid connection in the early permit phase. Through the acquisition, ALTEO intends to further expand its portfolio of power plants utilizing renewable energy.

The acquisition is fully in line with ALTEO's strategy, updated at the beginning of 2022, which sets the objective of further increasing renewable capacities.

1.15.5 Acquisition of ÉLTEX Kft.

On December 20, 2024, ALTEO signed a quota sale and purchase agreement with Global Refuse Holding Zártkörűen Működő Részvénytársaság on the acquisition of 100% of the business quotas of ÉLTEX Kereskedelmi és Fuvarozó Kft. As a result of the transaction, ALTEO will become the holder of 100% of the business quotas of ÉLTEX Kft. upon full satisfaction of the closing conditions agreed in the quota sale and purchase agreement, which ALTEO expects to occur in 2025.

ÉLTEX Kft., which has been operating for more than 30 years, is a key player in the circular economy in Hungary, and its core activities include the treatment, transport and sorting of electronic waste and other hazardous and non-hazardous waste, and seeking out and exploring markets for recycled materials.

1.16 Major events

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

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

1.16.1 The Company held its ordinary General Meeting on April 19, 2024, where the following resolutions were adopted:

a) The General Meeting **adopted** the Company's **Separate Annual Financial Statements** for 2023 prepared for the fiscal year ending on December 31, 2023 according to the International Financial Reporting Standards (IFRS) as proposed for approval by the Company's auditor (comprehensive income: HUF 12,514,771 thousand, total assets: HUF 65,131,862 thousand), its Business (Annual) Report, the Report of the Board of Directors and the relevant report of the auditor.

b) The General Meeting **adopted** the Company's **Consolidated Annual Financial Statements** for 2023 prepared for the fiscal year ending on December 31, 2023 according to the International Financial Reporting Standards (IFRS) as proposed for approval by the Company's auditor (comprehensive income: HUF 8,303,845 thousand, total assets: HUF 91,977,779 thousand), its Business (Annual) Report, the Report of the Board of Directors and the relevant report of the auditor.

c) The General Meeting **adopted** the **Corporate Governance Report** relating to the Company's 2023 operations with the proposed content.

d) The General Meeting **adopted** the **Integrated Report** of the ALTEO Group for 2023 with the proposed content.

e) The General Meeting resolved that **HUF 7,972,589,600 be distributed as dividend** in 2024. The dividend per own share is to be distributed among the shareholders entitled to dividends in proportion to the number of shares they hold.

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) Starting from January 1, 2024, the General Meeting **adjusted the remuneration of the members of the Board of Directors and the Supervisory Board.** The General Meeting further resolved that the remuneration of the members of the Board of Directors and the Supervisory Board be adjusted annually, in accordance with the rate of the minimum wage increase applicable for the fiscal year in question, subject to the rules of rounding to 5,000.

h) The General Meeting appointed Authentic Audit Korlátolt Felelősségű Társaság as the **permanent auditor** of the Company and Andrea Zsoldos-Horváth as the person responsible for the audit for a fixed term from April 19, 2024 until the date on which the General Meeting adopts its resolution on the report for the fiscal year ending on December 31, 2026, but until no later than May 31, 2027. The General Meeting set the auditor's fee for the three years on the basis of the annual fee for the base period of 2024 (not including HCSO and company size indexation, which will be included in the contract with the auditor and, as such, the fee will be adjusted accordingly from 2025) in the total amount of HUF 89,700,000 + VAT for the audit of the Company's individual and consolidated financial statements.

i) The General Meeting **adopted** the **Remuneration Report** of the Company for 2023 by means of an advisory vote.

j) The General Meeting **approved** the extension of the scope of the Executive ESOP Remuneration Policy to include Attila László Chikán, who is a member of the Board of Directors, and further approved, in an advisory vote, the **consolidated amendment of the Remuneration Policy**, including, in particular, the extension thereof to Deputy CEOs Magdolna Tokai and László Hegedűs, and, as proposed, the incorporation of the provisions of the new Executive Remuneration Policy of the ALTEO Employee Share Ownership Program, adopted on April 27, 2023.

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

l) 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, 2024 with the proposed conditions.

m) The General Meeting **authorized** the Board of Directors to increase the **Company's share capital at its own discretion** by a maximum amount of HUF 150,000,000 (authorized share capital), calculated at the face value of the shares issued by the Company, during the five-year period starting on April 19, 2024.

n) The General Meeting **approved** the amended **rules of procedure** of the Company's **Supervisory Board and Audit Committee** dated August 31, 2023.

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

With respect to the relevant resolution of the General Meeting, the Company's Board of Directors set June 7, 2024 as the starting date for dividend payment.

1.16.2 Events at the Company's subsidiaries relevant under company law in the period between January 1, 2024 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 it will not cover decisions regarding changes in personnel, establishments and branches.

Moreover, this chapter does not include events that have already been presented in Section 1.15.

In 2024 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2023. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary	Amount of dividend
EURO GREEN ENERGY Kft.	HUF 180,000,000
Monsolar Kft.	HUF 49,000,000
Pannon Szélerőmű Kft.	HUF 90,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 50,000,000

In 2025 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2024. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary	Amount of dividend
Pannon Szélerőmű Kft.	HUF 660,000,000
Mov-R Szélerőmű Kft.	HUF 200,000,000
Domaszék 2MW Naperőmű Kft.	HUF 40,000,000
Energy Corp Hungary Kft.	HUF 200,000,000
Sunteo Kft.	HUF 200,000,000

1.16.3 Securities issued by the Company and their credit rating

1.16.3.1 Own share transactions

In June 2024, ALTEO executed **own share transactions related to the 2024 ESOP Remuneration Policy** launched under the ESOP. The own share transactions were executed partly because the **remuneration condition** as set out in the 2024 Remuneration Policy **was satisfied** and therefore the participating employees received remuneration. As part of this, the ALTEO ESOP Organization converted the shares held in respect of the participating employees' stake into cash. As the method of conversion into cash, the ALTEO ESOP Organization sold the shares to ALTEO as founder over the counter. As a result, on June 3, 2024, ALTEO as buyer signed over-the-counter share sale and purchase agreements with the ALTEO ESOP Organization as seller for **223,200 ALTEO ordinary shares** at a price of HUF 3,828.4 per share.

The other reason for the own share transactions was to handle the shares which attached to members' stakes under the 2024 ESOP Remuneration Policy that had been held by participating employees who forfeited remuneration as a result of the expiry or termination of their employment contracts or where the number of shares attached to the members' stakes decreased as a result of adjustment. According to the 2024 Remuneration Policy, a total of **32,160 ALTEO ordinary shares** were attached to previously unincluded members' stakes which were passed on to ALTEO. The sale and purchase of these shares took place under the same conditions as described in the previous paragraph and concurrently with it.

Thereafter, also in June 2024, the Company executed an own share transaction with the ALTEO ESOP Organization with respect to the 2025 Remuneration Policy and the 2025 Szikra Remuneration Policy. The purpose of the transaction was to settle accounts between the ALTEO ESOP Organization and ALTEO concerning the members' stakes, and the attaching shares, transferred to the Company from the employees who dropped out of the two programs referred to. ALTEO purchased altogether 69,872 ALTEO ordinary shares at a price of HUF 3,973 per share from the ALTEO ESOP Organization under the transaction.

Eventually, at the end of June 2024, the Company provided the ALTEO ESOP Organization with the amount of shares, partly repurchased under former transactions, required for the **launching and expansion** of the new ESOPs launched by the Company as founder.

1.16.3.2 Annual review of the credit rating

Scope Ratings GmbH carried out an annual review of the Company's credit rating on its bonds issued under the Bond Funding for Growth Scheme announced by the MNB, as a result of which ALTEO's **rating remained unchanged,** ALTEO as issuer remained in the BBB- category with a stable outlook, and its short-term debt rating also remained S-2.For the report of the credit rating agency, follow the links below:

https://scoperatings.com/ratings-and-research/rating/EN/177044

https://www.scoperatings.com/ratings-and-research/issuer/563875/rating-news

1.16.3.3 Stock tracking

Kalliwoda Research GmbH updated its model on June 7, 2024 **following the results for 2023**, and can be found at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2024_Q1.pdf

1.16.4 Major investment projects and contracts

1.16.4.1 Grants relating to the transitioning of waste to circular economy

FE-GROUP INVEST Zrt. won a HUF 300 million grant in the call for applications announced by the Energy Strategy Institute, which it will use to ensure technological support in the transitioning of waste from products subject to product charges collected in the deposit refund system, introduced from January 2024, to the circular economy. FE-GROUP INVEST Zrt. uses the non-reimbursable grant awarded to set up a new waste processing plant and to purchase and install the related specialized machinery line. The HUF 300 million covers approximately 70 percent of the total project, with the remainder financed using own funds.

1.16.4.2 Long-term service contract

ALTEO's wholly-owned ALTE-GAS Kft. (formerly ECO-FIRST Kft.) as provider and MOL Nyrt. as client signed a 10-year long-term service contract for the utilization of natural gas with high inert content. According to the contract, ALTE-GAS Kft. is responsible for preparing high-inert natural gas products extracted by gas wells for gas production at MOL Nyrt.'s Csombrád site, for road transport (compress and load into transport containers), transporting them by road, and unloading and delivering them to the combustion plant. To deliver the service, ALTE-GAS Kft. undertook to invest around HUF 820 million in a project which includes the purchase of equipment for gas compaction, transport and unloading and the performance of necessary construction works at MOL's site. Pursuant to the contract signed and in line with its terms and conditions, ALTEO started to provide the services to MOL on November 1, 2024 and will continue to deliver until October 31, 2034.

1.16.4.3 RRF grant awarded

ALTEO's wholly-owned ALTEO-Depónia Kft., ALTEO-Therm Kft. and Pannon Szélerőmű Kft. (for the purposes of this section hereinafter jointly referred to as "Companies") received a non-refundable state grant in the amount of HUF 62 billion in allocatable funds from the Recovery and Resilience Facility ("RRF") under grant program No.

RRF-6.5.1-23 for the installation of grid energy storage units, with the relevant grant contracts signed on June 24, 2024. The total project value of the investments to be implemented by the Companies based on their winning applications is around HUF 28 billion (nearly EUR 68 million), with HUF 9.436 billion being the amount of the grant awarded, which is the largest greenfield investment in the history of ALTEO. ALTEO agreed to operate the storage facilities involved in the grant for at least 10 years, for which the tender provides fixed revenue-based compensation based on storage facility performance for 10 years. According to the terms of the grant, the operation of the storage units must commence by April 30, 2026 while supplier contracts and construction works already started in the second half of 2024.

1.16.4.4 Expansion of solar power plant capacities in Tereske

ALTEO built a **solar farm on the outskirts of Tereske**, where test run was launched in August 2024. The almost 20MW_{AC} unit that was funded and built by the Company **doubled ALTEO's solar power plant capacities.** The solar power plant will be able to produce 31 GWh of electricity per year, equivalent to the annual electricity consumption of more than 10,000 households. Back in 2022, ALTEO acquired EDELYN SOLAR Kft.'s business quota, which owned the project to develop the solar power plant. ALTEO implemented the physical project in nine months with a self-funded investment of over EUR 17 million.

1.16.4.5 Battery electricity storage facility commissioned in Győr

ALTEO's new 8MW/16MWh **battery electricity storage facility in Győr started operations** in October 2024 and will significantly contribute to the utilization of weather-dependent renewable energy sources. The electricity storage facility built in the Győr Industrial Park next to a gas engine with 6MW electrical power still under construction is ALTEO's third and largest storage unit. The delivered unit increases Hungary's current total energy storage capacity by 20%, about 40% of which will be provided by ALTEO.

The project involved the installation of 9 battery containers consisting of altogether 1,134 battery modules. ALTEO's new unit is unique in the sense that three new technologies, i.e. the new battery storage unit, the gas engine that will be installed next to it, and ALTEO's wind turbine in Bőny, will be connected to the electricity grid at a joint connection point, making use of the existing grid connection capacity of the wind turbine and improving its utilization rate.

The project was entirely self-financed by ALTEO.

1.16.4.6 Closure of RDI Project

The joint innovation project of ALTEO and Alfréd Rényi Institute of Mathematics has concluded.

The grant project No. 2020-1.1.2-PIACI-KFI-2021-00229 "Development of a Real-time Autonomous Power Engineering Information and Generation Management System" has been completed following successful implementation by the consortium of ALTEO and Alfréd Rényi Institute of Mathematics using the non-refundable grant of HUF 401 million received under grant scheme No. 2020-1.1.2-PIACI KFI entitled "Support for Market-driven Research/Development and Innovation Projects" from the National Research Development and Innovation Fund. The implementation of the project with a total cost of nearly HUF 1 billion started on October 1, 2021 and ended on September 30, 2024. The final technical financial report has been submitted by the Group and, once approved, the project will enter its maintenance period.

Within the framework of the project, ALTEO developed a highly automated, artificial intelligence-based **energy engineering IT system** capable of making autonomous generation and commercial decisions **to manage and optimize "smart" electricity generation in power plants** with professional support from the internationally acclaimed Alfréd Rényi Institute of Mathematics. The system also includes an electrical boiler, to be newly installed, which in addition to providing the option of converting electricity generated from renewable sources to heat, will provide a higher level of flexibility for ALTEO's Virtual Power Plant through its rapid load switching capability.

The implementation of the system can contribute to accelerating the trend as a result of which renewables-based power plants become widespread, thereby improving the stability of the electricity system, increasing the security of supply and, through all of that, supporting the creation of a climate-neutral economy.

The project organically fits in with the long-standing, consistent ambition to make the ALTEO Virtual Power Plant the leader of the Hungarian balancing energy and capacity market.

1.16.4.7 New gas engine and heat recovery system commissioned in Sopron

ALTEO further increases its Sopron Power Plant capacities

ALTEO implemented a HUF 1 billion investment at its Sopron Power Plant to further expand the capacity of its Virtual Power Plant. This investment included the **installation and commissioning of a** 3 MW **gas engine** together with its heat recovery system. As a result ALTEO's gas engine portfolio has been expanded to a capacity of 110 MW. The heat recovery system of the gas engine can supply 1.2 MWth of steam and 1.6 MWth of hot water to the heat consumers of the Sopron Power Plant. The project included the demolition of a boiler house that had been out of use for a long time, which was a further step along the path towards the modernization of the Sopron Power Plant and the redevelopment of the site.

1.16.4.8 General contractor's contract for MOL Algyő solar power plant awarded

ALTEO won the general contractor's contract announced by MOL Nyrt. for its 37.5 MWp solar power plant in Algyő, meaning that ALTEO will be the general contractor for the investment project implemented in the largest hydrocarbon field in Hungary. Following the design and permit approval phase, on-site construction works are scheduled to start in the spring of 2025 and to be completed in April 2026.

A general contractor's contract worth nearly HUF 11 billion was signed by the parties.

1.16.5 Remuneration and personal changes

1.16.5.1 ALTEO ESOP Remuneration Policies

As described in Section 1.16.3.1, the 2024 Remuneration Policy expired in June 2024 and the participating employees received remuneration. As the Company has informed its investors in recent years, ALTEO's fundamental goal is to promote the future improvement of the Company's business performance based on innovation. In this context, it is in the Company's interest to improve the performance and enhance the loyalty of its employees by giving them a share in the success of the Company. With respect to this, in June 2024 the Company's Board of Directors adopted the 2026 ESOP General Remuneration Policy and the 2026 Executive Remuneration Policy. Just as the 2024 ESOP, the 2026 ESOP General Remuneration Policy provides benefits to a wider range of employees upon fulfilment of the remuneration conditions defined, while the 2026 Executive Remuneration Policy is designed to motivate the executive officers of the Company, i.e. the CEO and Deputy CEOs.

1.16.5.2 Changes in senior management positions

László Hegedűs, formerly Director of Strategic HR and Communications, continues as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications starting from January 10, 2024. László Hegedűs is responsible for HR and Communications, in particular for the development of the HR area and active support for the flow of information between partner departments.

1.16.6 Sustainability awards and certifications

ALTEO received silver rating from EcoVadis, the leading sustainability intelligence platform for global supply chains. One of the most reliable independent platforms assessing sustainability, EcoVadis evaluates the performance of companies and suppliers based on environmental, social and governance criteria. It currently assesses more than 130,000 companies all around the world. ALTEO's silver rating also means that it is rated as one of the top 15% of the companies assessed. ALTEO scored particularly high in the assessment of its environmental performance (80 out of a maximum of 100 points) while it also outperformed the industry average in ethics, labor and human rights. The recognition from EcoVadis demonstrates ALTEO's ongoing commitment to sustainability and CSR (corporate social responsibility). Building on the valuable experience it gained from this certification, ALTEO will use every effort to maintain and develop its processes and thereby ensure a high level of compliance in the area of sustainability.

Morningstar Sustainalytics **reaffirmed the 'medium' ESG Risk Rating of ALTEO.** In 2022, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate. It has arranged for the certification by an independent party every year since then, and for the third time this year, voluntarily.

The Morningstar Sustainalytics report is available at the link below:

https://www.sustainalytics.com/esg-rating/alteo-energy-services-plc/2003159536

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

1.17.1 New strategy

On January 9, 2025, ALTEO published **its business strategy for 2025-2030**, which will enable the Company to achieve an actual leap in scale, both in the geographical and financial sense.

The strategy for 2025-2030 is available at:

https://bet.hu/newkibdata/129182148/ALTEO_Strategia_2030__20250109.pdf

1.17.2 Company analysis

Erste Group Research updated its corporate analysis on the Company, which is available at:

https://www.erstemarket.hu/files/ALTEO_CR_20250107.pdf

1.17.3 Credit facility agreement

On February 6, 2025, ALTEO signed a **credit facility agreement with MBH Bank Nyrt.** as broker and first original creditor **and Gránit Bank Nyrt.** as second original creditor.

Under the agreement, the financing parties **provide ALTEO with a facility of up to HUF 40 billion** for general corporate financing purposes.

ALTEO intends to use the available facility to implement its strategy, support its further growth and optimize its financing structure.

1.17.4 Stock tracking

Kalliwoda Research GmbH updated its model on February 28, 2025, which is available at:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2024_Q3.pdf

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

ALTEO Group's risk assessment

The Group's management has reviewed and assessed the risk factors **associated with ALTEO Group** and **the securities it has issued,** based on their **probability of occurrence and expected impact**. The aim of the analysis is to identify the risks that are relevant for informed investment decisions.

The present **Financial Statements** include only **risks deemed to be material** which the Company considers, based on its own assessment, to be of priority importance. Risks are classified according to a **qualitative scale**, with a **"low", "medium" or "high"** risk level for the various factors. The assessed risks **are ranked by importance** within their category.

Risk categories:

1/ Macroeconomic and legal system related risks

type	number	Risk	2024	2023	change
1	1	Risks stemming from the legal system	high	high	none
1	2	Macroeconomic factors	medium	medium	none
1	3	Taxation	high	high	none
1	4	State of danger in Hungary	high	high	none
1	5	Energy emergency	high	high	none

2/ Risks specific to the market and the industry

type	number	Risk	2024	2023	change
2	1	Energy market regulation	high	high	none
2	2	Regulated prices	high	high	none
2	3	Electricity balancing reserve capacity system risks	high	high	none
2	4	Changes to network connection rules	high	high	none
2	5	Government grants	high	high	none
2	6	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
2	7	Changes in technology	medium	medium	none
2	8	Competitive situation	medium	medium	none
2	9	Funding risk	medium	medium	none
2	10	Foreign exchange rate changes	medium	medium	none
2	11	Impact of international market developments on domestic trade	medium	medium	none
2	12	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
2	13	Environmental, sustainability and ESG regulations	medium	medium	none
2	14	Illness of the workforce	low	low	none
2	15	War risks	medium	medium	none

3/ Risks specific to the ALTEO Group

type	number	Risk	2024	2023	change
3	1	Risks arising from operating the Virtual Power Plant	high	high	none
3	2	Political risks	high	high	none
3	3	Dependence on weather	high	high	none
3	4	The impact of weather on heat use	high	high	none
3	5	Risks of growth	high	high	none
3	6	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
3	7	Risks related to power plant project development and green-field investment	medium	medium	none
3	8	Large-scale, customized projects	medium	medium	none
3	9	Energy trade risks	high	high	none
3	10	Operating risks	medium	medium	none
3	11	Fuel risk	medium	medium	none
3	12	Renewing and/or refinancing outstanding debts	low	low	none
3	13	Information technology systems	medium	medium	none
3	14	Wholesale partner risks	medium	medium	none
3	15	Dependence on third-party suppliers	medium	medium	none
3	16	Buyer risk	medium	medium	none
3	17	The risk of key managers and/or employees leaving the Company	medium	medium	none
3	18	The risk of introducing and using new power plant technologies	medium	medium	none
3	19	Official decisions	medium	low	yes
3	20	Key licenses and qualifications	low	low	none
3	21	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
3	22	Risks related to the RPM business	medium	medium	none
3	23	Options to purchase certain means of production	low	low	none
3	24	Business relationships associated with the Owners	low	low	none
3	25	The risk of being categorized as a de facto group of companies	low	low	none
3	26	Taxation	low	low	none
3	27	Environmental risks	low	low	none
3	28	Risk of bankruptcy and liquidation proceedings	low	low	none
3	29	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
3	30	The risk of entering new geographical markets	low	low	none
3	31	Financial risks and their management	medium	medium	none
3	32	Recovery risk and its management	medium	medium	none

1.18.1 Macroeconomic and legal system related risk factors

1.18.1.1 Risks stemming from the legal system

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

1.18.1.2 Macroeconomic factors

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

1.18.1.3 Taxation

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

1.18.1.4 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 adopting decrees, it may suspend or amend certain laws, and therefore the legislative environment may change frequently and in less predictable fashion. The energy sector, in which ALTEO Group is active, is considered to be of strategic importance and may, therefore, be particularly exposed to the uncertainties of state of danger-related legislation, and the Hungarian government may also place ALTEO Group under its supervision, thereby taking over the powers of ALTEO’s supreme decision-making body. Such state of danger-related changes, uncertainties and measures may affect ALTEO Group’s operations, revenues and profitability.

1.18.1.5 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 contingency plans, and the Hungarian Government declared an energy emergency on July 15, 2022, primarily due to the shortage of energy carriers in Europe as a result of the Russian-Ukrainian war and its consequences.

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

1.18.2 Risks specific to the market and the industry

1.18.2.1 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.

1.18.2.2 Regulated prices

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

1.18.2.3 Electricity balancing reserve capacity system risks

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

1.18.2.4 Changes to network connection rules

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

1.18.2.5 Government grants

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

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

1.18.2.6 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 Group are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the National Implementing Measure published by the Ministry for Technology and Industry and approved by the European Commission. A significant change compared to the third trading period is that in the fourth trading period, the free allocation available for a given year is largely determined by the level of activity of installations to be certified each year, as well as its changes. In the event of a 15% change in the activity level compared to the base period, the predetermined quota levels will need to be adjusted and approved by the European Commission in order for allocations to better reflect the actual activity of the installations.

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

1.18.2.7 Changes in technology

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

1.18.2.8 Competitive situation

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

1.18.2.9 Funding risk

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

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

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

The growing volatility of energy prices may increase the deposit and bank guarantee requirements associated with the conclusion and maintenance of forward products. Additionally, the potential repeated increase in energy prices could trigger shorter supplier payment dates and possible late payments due to larger trade receivable portfolio arising from higher specific prices, which could increase the working capital financing needs of ALTEO Group members.

1.18.2.10 Foreign exchange rate changes

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

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

Financial instrument	EUR	Effect of 5% change in exchange rate (HUF thousand)
Assets:		
Long-term deposits given	2 103 411	43 129
Trade receivables	8 728 494	178 973
Other financial assets	2 606 020	53 435
Other receivables and accruals	2 713 338	55 636
Cash and cash equivalents	5 820 821	119 353
Liabilities:		
Finance lease liabilities	(1 748 838)	(35 859)
Trade payables	(11 967 293)	(245 383)
Other long-term liabilities	(232 500)	(4 767)

1.18.2.11 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 those prices move, to a significant degree, on the basis of economic processes, as well as supply/demand conditions outside Hungary. The significant volatility of energy prices may force market players to reduce their risk exposure, which could lead to less favorable conditions for ALTEO Group, which in turn may have a negative impact on the ALTEO Group's profitability.

1.18.2.12 Risk of changing natural gas, electricity and heat energy price margins

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

1.18.2.13 Environmental, sustainability and ESG regulations

Unfavorable changes in the environmental regulations applicable to the ALTEO Group, and compliance with the ever stricter sustainability and ESG requirements may give rise to surplus operating costs or additional investment requirements for the ALTEO Group and its business partners.

1.18.2.14 Illness of the workforce

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

1.18.2.15 War risks

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

1.18.3 Risks specific to the ALTEO Group

1.18.3.1 Risks arising from operating the Virtual Power Plant

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

1.18.3.2 Political risks

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

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

1.18.3.3 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.

1.18.3.4 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.

1.18.3.5 Risks of growth

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

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

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

1.18.3.6 Risks stemming from acquisitions, buying out projects and companies

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

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

1.18.3.7 Risks related to power plant project development and green-field investment

In ALTEO Group's business plans, licensing and implementation of energy investments and the resulting expansion of its power plant portfolio play 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 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 investments or development projects in power plants and storage facilities may result in the stagnation of the ALTEO Group's growth.

1.18.3.8 Large-scale, customized projects

A significant share of ALTEO Group's revenue growth comes from new investments, primarily 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.

1.18.3.9 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.

1.18.3.10 Operating risks

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

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

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

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

1.18.3.11 Fuel risk

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

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

1.18.3.12 Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, the 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.

1.18.3.13 Information technology systems

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

1.18.3.14 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.

1.18.3.15 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.

1.18.3.16 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.

1.18.3.17 The risk of key managers and/or employees leaving the Company

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

1.18.3.18 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.

1.18.3.19 Official decisions

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

1.18.3.20 Key licenses and qualifications

For performing their activities, members of the ALTEO Group need numerous permits and licenses (e.g. electricity trading license, natural gas trading license, small power plant consolidated permit, district heating production license, KÁT permit, as well as environmental and water rights licenses), qualifications (such as conformity documentation) and certificates (such as ISO certifications). If these certificates, qualifications and licenses were revoked, if they were not renewed, or the requirements were substantially altered, the business of the ALTEO Group would be profoundly limited. Therefore, this could have a significant negative impact on the Group's profitability.

1.18.3.21 Risk associated with the operation of own balancing group

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.

1.18.3.22 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 the laws 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.

1.18.3.23 Options to purchase certain means of production

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

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

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

1.18.3.24 Business relationships associated with the Owners

There are several business relationships between ALTEO Group owners whose participations exceed 20% and their other business interests. A portion of ALTEO Group's revenues, services used and material expenses relates to such interests. 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.

1.18.3.25 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.

1.18.3.26 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. Such an event occurred in 2023. In the course of the 2023 audit of the Group by the National Tax and Customs Administration regarding the fiscal year of 2022, the company (Energigas Kft.) was called on to voluntarily perform its tax obligation in 2023. There were no findings resulting from the audits of the Group in 2023.

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.

1.18.3.27 Environmental risks

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

1.18.3.28 Risk of bankruptcy and liquidation proceedings

The Company and its Subsidiaries operate in compliance with Hungarian law. Any bankruptcy or liquidation proceedings initiated against the Company would have a significantly adverse impact on the price of ALTEO securities or the probability of the full repayment of bonds.

1.18.3.29 Differences between reporting standards

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

1.18.3.30 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.

1.18.3.31 Financial risks and their management

In addition to listing risks in Section 1.18, in this Section the Group presents its risks related to financial assets and receivables, the way they are managed, and it analyzes its risk management objectives in the current period.

1.18.3.32 Recovery risk and its management

The policy and procedures in effect have the objective of laying down the framework and fundamental principles of the trade debtors and debt collection for the Group so as to minimize credit risk from late payment or non-payment of customers, as well as to continuously monitor risks and to provide financial assistance to sales processes, in line with the Group’s sales strategy and risk-bearing capacity.

The Group has classified its products and services into the following risk categories: The Group employs various systems of collateral tailored to categories of products and services, see table.

Assessed risk categories managed collectively	Group Risk characteristics of the category, risk management procedures
Retail trade in natural gas and electricity	In establishing a customer portfolio, diversification by industry and company size reduces risk. Before establishing trade relations, our partners undergo a customer rating based on internal and external information, and the rating is reviewed annually. For hedging pure customer credit risk, the preferred types of collaterals include credit insurance, bank guarantees, cash and deposits. We monitor our receivables on a daily basis. In the event of default, the act regulating the electricity sector allows, as the last resort, partners to be excluded from consumption.
District heating	Customers are typically municipality-owned heat suppliers; they are monitored continuously. In addition to maintaining the level of trade receivables, we continuously consult with Customers to ensure recovery.
Business and project development	Customers are subjected to a pre-qualification assessment; non-payment related risk is managed by requiring financial performance guarantees (bank guarantee, security deposit).
Large corporate clients (energy services)	Customers possess the critical infrastructure of the Hungarian corporate sector; they are mostly listed companies operating in a transparent manner. Customers are monitored continuously.
Wholesale trade in electricity	The settlement of sales through the power exchange is assured by the regulations of the exchange. Trading partners (may) use performance guarantees vis-à-vis each other.
System Operator (MAVIR Zrt.) – KÁT	The risk rating of the system operator is the same as that of Hungary. All the generators in Hungary that sell in the KÁT system are required to be members solely of this balancing group; the consideration for their production is covered by the fee component allocated to non-retail users as specified in Section 13/A of the Electricity Act. The system has been operating for over one decade without any financial problems.
System Operator (MAVIR Zrt.) – ancillary services	With regard to the collection of the consideration payable for those services, see the comments on KÁT above.
Lease receivables	The value of the receivables is guaranteed by the title of the assets concerned.

During the current year, it was not necessary to draw down bank guarantees or any other collateral pledged by clients.

The details of the Group's receivables and the expected losses relating to such receivables are presented in Sections IV.14; IV.17 and IV.19 of the Consolidated Financial Statements.

1.18.3.33 Liquidity risk and its management

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

- The Group has a cash pool system settled through banks, available to its members, which is successful in managing cash use and demand within the Group at different times and in different amounts.
- Furthermore, the Group has shared bank liquidity facilities, the availability of which assures sufficient and flexible liquidity options for the Group.
- The 10-year bonds issued in 2019 and 2020 changed the composition of the sources of the liquid cash assets available to the Group; the shift of liabilities towards long term has considerably improved short- and medium-term liquidity.
- In February 2025, ALTEO Nyrt. signed a HUF 40 billion facility agreement pursuant to which the facility may be used for corporate financing. The size and flexibility of this new element provides a stable background for optimizing liquidity and for further growth.

The future cash flows of the borrowings and bonds, as well as the crediting terms and conditions are presented in detail in Sections IV.21 and IV.23 of the Consolidated Financial Statements.

Financial instruments		Maturity	
	within 1 year	2-5 years	more than 5 years
Assets:			
Long-term deposits given	-	1 367 031	-
Trade receivables	13 084 541	-	-
Liabilities:			
Debts on the issue of bonds	-	760 000	11 941 604
Loans and borrowings	1 448 762	4 470 839	3 367 577
Finance lease liabilities	766 008	579 913	1 858 139
Advances received	2 145 859	-	-
Trade payables	8 701 733	-	-
Other long-term liabilities	-	615 220	91 077
Other short-term liabilities and accruals	16 572 080	-	-
Income tax liabilities	212 432	-	-

1.18.3.34 Interest rate risk and its management

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

- To fix the interest rates of project loans, the Group has entered into interest rate swaps, in which it agrees to exchange the variable cash flows, for a predefined period, to fixed cash flows with respect to the principal amount. The effects of these swaps are considered by the Group to be cash flow hedges.
  The Group regards hedging transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.
  There is no interest rate risk in the case of loans hedged by interest rate hedging transactions.

The risk of the Group's variable rate loans not covered by interest rate hedges due to changes in BUBOR:

Interest rate risk (data in HUF thousand)	Equity	BUBOR %	BUBOR change +/- 5%
Loans not hedged by interest rate hedging transactions	2 400 000	6%	7 200

1.18.3.35 Foreign exchange risk and its management

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

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

1.18.3.36 Risk arising from changes in energy product prices and its management

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

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

1.18.3.37 Description of hedge relationships – objectives and procedures relevant for hedges and hedging policy

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

- With respect to the volume and price risk of energy products, the Group has set up plans and risk management models regarding the various business segments. These models calculate the type and value of the necessary hedge transactions in accordance with the contracts and plans in effect. Hedge transactions are concluded on that basis.
- In the case of district heating, due to the non-obligatory volume purchase, the Group continuously assesses the relationship of hedged items and hedging instruments relating to the production of heat. The volume to be hedged is based on historic data of several years as well as on consumption forecasts. In the current period, the relationship was effective, with no relationships discontinued.

- In the case of FX risk, the Group covers the foreign exchange risk of its future purchases to be settled in a foreign currency in the next 12-24 months by concluding hedging transactions. The maturity date of the hedging transactions is as close to the date of expected payment as possible.
- The Group regards interest rate hedging (IRS) transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.

1.18.3.38 Managing capital

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

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

Equity to issued capital ratio	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Issued capital	249 140	247 534
Equity	39 463 998	33 854 114
Equity to issued capital ratio	158,40	136,77

1.19 Pending lawsuits

1.19.1 Litigation arising from negative clearance procedures

There is a dispute between Sinergy Energiakereskedő Kft. and CHP Energia Zrt. (post-succession patent holder instead of VPP Magyarország Zrt.), based on the fact that Sinergy Energiakereskedő Kft. claims 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.

The Hungarian Intellectual Property Office approved the negative clearance claims submitted by Sinergy Energiakereskedő Kft., and found that the solution in question does not infringe the patent, but CHP Energia Zrt. filed a request for a change of the decisions. The Budapest-Capital Regional Court dismissed the change requests, but CHP Energia Zrt. filed an appeal, thus the proceedings of second instance are still ongoing.

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

1.19.2 Legal dispute concerning the automatic renewal of contracts

Following the unsuccessful conclusion of amicable out-of-court negotiations between the parties, arbitration proceedings were opened between ALTEO Energiakereskedő Zrt., a subsidiary of ALTEO, and its former user DAB Pumps Hungary Kft., before the Permanent Arbitration Court attached to the Hungarian Chamber of Commerce and Industry (HCCI) concerning the extension of the fixed-term electricity sale and purchase agreement, for the payment of a principal claim of EUR 433,000 and the incidentals thereof.

ALTEO Energiakereskedő Zrt. submitted a counterclaim for the payment of an amount of approximately EUR 224,000 on the grounds of underconsumption under the existing contract.

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

1.20 Description of the policies applied in the ALTEO Group, detailing the results by policy

1.20.1.1 Environmental guidelines

In order to demonstrate its commitment to environmental protection and sustainability and to ensure full transparency, ALTEO Group has been producing annual reports presenting its sustainability performance since the financial year 2016. With these reports, we have voluntarily undertaken to present our non-financial, i.e. social and environmental policies and annual performance in detail, based on current international standards, ahead of the legal requirements.

Another objective was to have, from the outset, our Reports published after being audited by a third party and approved by the General Meeting. The latter was achieved for the first time for our 2021 Integrated Report. Our Sustainability, Integrated and EU Taxonomy Reports published so far are available to all stakeholders on the web page: https://alteo.hu/fenntarthatosag/fenntarthatosagi-jelentesek/.

Due to the legislative amendments that came into force in 2024, our report on non-financial performance for the financial year 2024 is now presented as part of the Consolidated Financial Statements of ALTEO Group, in a separate section of this Business Report, under the name Sustainability Report, in accordance with ESRS requirements. Our Sustainability Report for 2024 contains the detailed information, policies, guidelines and objectives of the Company related to environmental protection and sustainable business operations, therefore, in this chapter we only refer to this comprehensive document that also includes the presentation of environmental policies and results.

The ALTEO Group set up the Green Committee, an advisory body to the CEO, in 2022. The purpose of the committee is to ensure the preparation and corporate implementation of 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/the-alteo/organisation/green-committee/?lang=en.

Furthermore, ALTEO Group has an Integrated Management System in place, which includes the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, ISO 45001:2018 Health & Safety Management System and ISO 50001:2018 Energy Management System standards and, since 2023, the ISO 27001:2022 Information Security standard. 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 2024, we ensured our compliance with the standards by conducting 68 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 2024, 8 HSE-type inspections were carried out by various authorities, and 2 objections were logged and 1 official warning was issued. The inspections did not result in any fines being imposed by the authorities.

The 2024 Sustainability Report, presented as a separate chapter of the Business Report, details our environmental protection guidelines and the progress made in this regard.

1.20.1.2 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 the ALTEO Group's Code of Ethics impose higher requirements on Group employees compared to existing laws.

Based on the 2024 ESG assessment, business ethics is rated as negligible risk, and risk management in the area of business ethics is rated as strong.

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.

1.20.1.3 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.

To encourage colleagues at ALTEO to speak up, in 2023 we launched the Speak Up! program. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences – source: HBLF Recommendation – In 2024, we held several Ethics Case Study Compliance Coffees for employees. During those events, we analyzed and discussed ethics cases as part of informal discussions.

We can apply a Compliance adjustment in the performance appraisal system to ensure that ethical standards are met.

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.

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.

This year, for the first time, we launched the Ethical Company Award competition among ALTEO Group suppliers, announced for small and medium-sized enterprises. With the Ethical Company Award, ALTEO Group would like to recognize small and medium-sized enterprises (business partners, suppliers) that take into account the ethical principles represented by ALTEO Group to the greatest extent in their operations, contractual relations and the performance of their tasks.

The business partner is committed to: respect for human rights, transparent and fair operations, fair market conduct, pursuit of expertise and excellence, respect for others, sustainable operations and compliance with HSE requirements.

Applicants were asked to submit their applications via the website which were evaluated by a competition committee consisting of managers. The CEO, on the basis of the committee's recommendation, selected two companies as winners. The two business partners were presented with their awards at a business breakfast in November.

1.20.1.4 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 2024, we reviewed ALTEO's conflict of interest rules and conflict of interest system. Our main objective was to issue a separate directive that included the conflict of interest rules stipulated in both the Code of Ethics and the Compliance Policy, thus making the Company's expectations on conflict of interest clearer for everyone. In addition, we wanted to introduce a conflict of interest regime which, like the legal regulations, distinguishes in some respects between managers and non-managers, thus we have set out different rules for managers and non-managers in terms of the authorization of conflict of interest situations.

1.20.1.5 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 put together a summary code of all the ethical requirements applicable to business partners.

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.

1.20.1.6 RISK MAP – Corruption index

In 2024, for the tenth consecutive year, 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. In 2024, the areas of Law, IT, and M&A were added to the areas examined and an internal directive describing the Risks survey procedure was issued.

The questionnaire was made available to 28 executives. As a result of the survey, we established that in the case of topics and questions that received low ratings, it is worth organizing Compliance Coffee events for managers.

1.20.1.7 Employment policy

ALTEO Group's employment policy: stability, development and commitment

ALTEO Group's priority objective is to **retain** its employees, recruit new staff and **successfully integrate the knowledge** that comes to the Company. The Company is continuously developing **its innovation-driven corporate culture** and **setting standards of behavior** that support the achievement of its strategic goals.

ALTEO lays down strong foundations for employee **loyalty and motivation** by providing a **stable working environment**, modern working conditions, challenging professional tasks and **competitive benefits**. The **physical safety** of workers is a priority at all sites and centers, while **their wellbeing** is facilitated by a variety of programs and support. The Company pays particular attention to **organizational development**, in particular the **development of knowledge, skills and competences** that are essential for the Company's international growth.

ALTEO offers employees **a competitive compensation package**, **including cafeteria and other benefits**. These are made available as widely as possible, in accordance with the legal regulations. The Company maintains an ongoing dialogue with the **works council** and regularly consults on the representation of employee interests.

Workforce and diversity

As at the end of 2024, ALTEO Group has **513** employees which means **an increase of 59** compared to the previous year. Of these, **10 people work part-time, 503 people work full-time** and **512 people have indefinite-term contracts**. **77%** of the workforce is **male** and **23% female**, which is due to the specific characteristics of the energy and waste management sector. At the same time, the Company is committed to **diversity and equal opportunities**, and takes actual steps to ensure them every year.

ALTEO is an attractive workplace, as evidenced by the **high number of spontaneous applications**, the high rate of new hires and the fact that the **turnover rate is under 10%**. The Company is **consciously seeking to attract the younger generations** to ensure that they have long-term career development opportunities. One of the cornerstones of ALTEO's strategy is to **nurture top talent and succession planning**, as **40%** of the Company's **employees are over 50 years old**, many of whom have **been working in the energy sector for 30 years**.

Development and training

- One of ALTEO's greatest assets is its **broad and up-to-date expertise** in various fields of energy. The Company ensures that its employees can develop their knowledge **through internal and external training, professional conferences and further training programs**.
- The aim of the trainings is:
  - **Improving efficiency** and acquiring **critical skills** for the job
  - **Updating and adding to current knowledge**
  - **Providing mandatory training** in line with legal and internal requirements
  - **Strengthening knowledge sharing** within the Company

For ALTEO, **training and development** play a key role in ensuring sustainable operations and **a high level of professional cooperation** between the Company and its partners.

2 Statements of the issuer

2.1 Use of non-audit services

In 2024, ALTEO Group did not use audit services provided by Authentic Audit Kft.

2.2 Declaration on compliance with the obligation to disclose related party transactions

ALTEO published on its website the transactions with affiliated parties to be disclosed or subject to approval in compliance with Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization, passed in 2024, except for the transactions specified in Section 24 thereof.

2.3 Corporate governance statement

The Group's parent ALTEO prepares its Corporate Governance Report 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, the Deputy Chair, and the member entitled to hold the title of CEO ("**CEO**") from among themselves. The Group has a Remuneration and Nomination Committee, which, among others, makes proposals to the General Meeting concerning the election, removal and remuneration of the members of the Board of Directors. The remuneration of members of the Board of Directors is, however, determined by the General Meeting. The Board of Directors comprises at least three and at the most nine natural person 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 Chief Executive Officer shall act within the limits of the applicable laws, the Articles of Association, and the rules of procedure of the Board of Directors in all matters which the Board of Directors, in its rules of procedure, has delegated to the Chief Executive Officer and, in this context, shall direct and control the day-to-day operational activities of the Company, unless the Board of Directors has expressly provided otherwise in a resolution. 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. The Remuneration and Nomination Committee makes proposals to the General Meeting concerning the election, removal and remuneration of the members of the Supervisory Board. 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 four members.

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 training on policies related to compliance (e.g. Code of Ethics, Privacy Policy), 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 human security requirements and criteria required by the law, and supporting and monitoring the establishment of the necessary property protection and physical 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.

2.4 The issuer's statement pursuant to Section 3.4.1 of Annex 2 of 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 2024 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 2024 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.

2.5 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.

2.6 Sustainability Report

The Group's Sustainability Report, prepared in accordance with the sustainability reporting standards as per Section 95/D(1)(3) of Act C of 2000 on Accounting and the requirements adopted pursuant to Article 8(4) of Regulation (EU) 2020/852 of the European Parliament and of the Council, is attached to this document.

2.7 Authorization for publication of the Annual Report

This Annual Report was approved by the Group's Board of Directors and authorized for publication on April 4, 2025.

Budapest, April 4, 2025

On behalf of ALTEO Nyrt.:

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

ALTEO Group

Sustainability Report 2024

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1 GENERAL INFORMATION

1.1 Basic principles for preparing the Sustainability Report

[BP-1]

General basis for preparing sustainability statements

This document is the 2024 (from January 1, 2024 to December 31, 2024) annual Sustainability Report of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter referred to as ALTEO Nyrt. or ALTEO) and its consolidated Subsidiaries (hereinafter collectively referred to as ALTEO Group or Company Group or Group), which aims to present our sustainability and transparency efforts and consolidated financial data to all our stakeholders.

The Sustainability Report has been prepared in accordance with the European Union's Corporate Sustainability Reporting Directive (CSRD) and the applicable European Sustainability Reporting Standards (ESRS), the sustainability statement set out therein and the sustainability reporting requirements set out in Act C of 2000 on Accounting.

Members of the Sustainability Reporting Working Group were involved in the preparation of our Sustainability Report as verifiers, and also the organization's data point officers participated in the preparation process. After expert and working group review, the Green Committee delivers its opinion on the report, and the final document is approved by the Board of Directors.

Showing our value chain in the Sustainability Report

In order to appropriately assess the impacts, risks and related opportunities of our activities, we have taken into account both the upstream and downstream value chains when preparing our Sustainability Report. Our double materiality assessment *(see the IRO-1 section for detailed results)* also covered our value chain, but in the course of the assessment, we found that we need to report relevant impacts, risks and opportunities primarily with regard to our relationship with our direct suppliers, our approach to selection and screening and our greenhouse gas emissions.

The Sustainability Report presents ALTEO Group and its value chain. Our Sustainability Report applies to ALTEO Group, and we always strive to prepare Group members in a timely manner to meet the reporting requirements.

Omitted information

[BP-1]

ESRS sustainability questions in the form of yes-no statements	BP-1
The undertaking is not required to prepare a financial report.	no
The Sustainability Report is prepared in accordance with Article 48i of Directive 2013/34/EU.	yes
The undertaking has opted for omitting information specific to intellectual property, know-how or the results of innovation.	no
The undertaking has made used the option that allows for an exemption from disclosure of impending developments or information concerning pending negotiations.	no
The scope of consolidation for the Consolidated Sustainability Report is the same as for the financial reports.	yes

Disclosures in relation to specific circumstances

[BP-2]

Sustainability is also part of our consolidation process, thus following its consolidation in 2023, our report for the year 2024 also includes FE-GROUP. The preparation of the Sustainability Report was supported by the experts of Deloitte Zrt.

In preparing this report, we have used estimates for the presentation of GHG emissions and EU ETS, which we believed to be adequately reliable in line with industry expectations. The estimates related to Scope 3 emissions have been prepared by Deloitte, the GHG inventory has been verified by the expert staff of ALTEO Nyrt.. Details of the estimation are described in more detail in the chapter on Scope 3 emissions.

Our report includes future projections (climate scenarios) in its presentation of climate change risks and opportunities, the considerations for which are described in detail in the section on IRO-1.

Our reporting practices has not changed compared to the previous reporting period since 2024 is the first year that we prepare and issue a report under ESRS.

During the preparation of the Report, due to the lack of the relevant Taxonomy, ALTEO Group was unable to prepare a machine-readable annotation of the sustainability content of the report.

Disclosures made using a reference document

In preparing our Sustainability Report, we do not refer to any additional documents in making our disclosures.

Application of deferrals under Appendix C

The number of employees of ALTEO Group does not exceed 750 and therefore, ALTEO Group entitled to apply the deferrals in accordance with Appendix 1 C of ESRS for relevant disclosures. Our aim is to prepare our Sustainability Report with the appropriate level of detail, including full disclosure of the necessary data, taking into account the applicable requirements.

For the 2024 report, we have applied a deferral in the following disclosures, which include our relevant objectives, governance documents and metrics for material topics:

- Disclosure requirement E1-9, data point 68
- E4-3
- S1-9
- S1-12
- S1-13
- S1-16

1.2 Corporate governance

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

[GOV-1] [GOV-2]

General Meeting

The main body of ALTEO is the General Meeting, which consists of all shareholders. It has an exclusive responsibility to make decisions regarding the management and operations of ALTEO. The Board of Directors shall convene the General Meeting at least once a year. The General Meeting does not deal directly with sustainability issues, but its decisions can indirectly influence them, for example through the election of the members of the Board of Directors and the Supervisory Board.

Board of Directors

The Board of Directors is the managing body of ALTEO. It exercises its rights and duties as a single body, its members are legal representatives (senior executives) of ALTEO. The Board of Directors coordinates and manages ALTEO Group, provides guidance and defines ALTEO's business and development concept. The Board of Directors consists of at least three and maximum nine natural persons, and elects its chairperson from among its members. The majority of the members of the Board of Directors (3 out of 4) are not employees of the company, which ensures the independence of the Board from the work organization. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years. The Board of Directors approves the annual Consolidated Sustainability Report, which includes the targets and the material impacts, risks and opportunities identified.

The Board of Directors had four members on December 31, 2024:

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Dr. György Bacsa, Deputy Chairman of the Board of Directors (independent member)
- Ágnes Bencsik, Member of the Board of Directors (independent member) and
- Álmos Mikesy, Member of the Board of Directors (independent member).

One of the four members of the Board of Directors is a woman. This puts the ratio of women in senior management at **25%,** compared to **75%** ratio of men. Although women are at present underrepresented, we are committed to increasing diversity and inclusion.

The term in office for Attila Chikán terminates on April 30, 2025, whereas for other members of the Board on April 3, 2028.

The General Meeting has authorized the Board of Directors to make decisions on certain matters at its own discretion, within the limits of such authorization. These authorizations are presented in detail in Section 1.13 'Information on the ownership structure of the Company and voting rights' of the Annual Report.

Supervisory Board

The work of ALTEO's management is supervised by the Supervisory Board. Its objective is to ensure the protection of the owners' interests as well as to supervise the management of ALTEO. Although the Supervisory Board mainly assesses the Company's activities from a legal and financial perspective, it also takes sustainability aspects into consideration in the course of its work.

Members of the Supervisory Board on December 31, 2024:

- Dr. Ákos Székely, Chairman of the Supervisory Board (independent member);
- Péter Kaderják, Member of the Supervisory Board (independent member);
- Márton Oláh, Member of the Supervisory Board (independent member) and
- Attila Gyula Sütő, Occupational and Fire Safety Manager, ALTEO employee, Member of the Supervisory Board.

The term in office for Attila Gyula Sütő, Chairman of the Works Council, who represents ALTEO employees in the Supervisory Board, terminates on April 30, 2025, whereas the office of the other members of the Supervisory Board terminates on April 3, 2028. As required by law, the Supervisory Board is composed of a majority of non-employee members (3 out of 4), which ensures the independence of the Board from the work organization.

Audit Committee

The Audit Committee assists the Supervisory Board in monitoring the financial reporting system, appointing a permanent auditor, and cooperating with the permanent auditor. The Audit Committee has the right to request information from members of the Board of Directors or senior executives of ALTEO, who must provide written answers to such queries. Its primary focus is on the monitoring of financial processes, but its activities also cover sustainability aspects through the combined financial and sustainability reporting requirements, ensuring that the data reported in the Sustainability Report are consistent with those in the financial statements. The Audit Committee consists of three members, independent of the organization, elected by the General Meeting from among the members of the Supervisory Board.

Members of the Audit Committee on December 31, 2024:

- Dr. Ákos Székely, Chairman of the Audit Committee (independent member);
- Péter Kaderják, Member of the Audit Committee (independent member) and
- Márton Oláh, Member of the Audit Committee (independent member).

The term of office of the members of the Audit Committee expires on April 3, 2028.

Other key advisory and expert bodies on sustainability issues

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a committee established by the Board of Directors to act as a body. The Remuneration and Nomination Committee is composed of at least 4 members, 3 of whom are elected from among the members of the Board of Directors and 1 from among the members of the Supervisory Board.

Its members are elected by the Board of Directors for an indefinite term, but their term of office lasts until the term of office of the elected members of the Board of Directors and the Supervisory Board. Its members may be recalled at any time and their remuneration is proposed by the Board of Directors and decided by the General Meeting.

Members of the Remuneration and Nomination Committee as at December 31, 2024:

- Dr. Ákos Székely, Chairman of the Remuneration and Nomination Committee;
- Dr. György Bacsa, Member of the Remuneration and Nomination Committee;
- Álmos Mikesy, Member of the Remuneration and Nomination Committee;
- Ágnes Bencsik, Member of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee makes proposals to the General Meeting concerning the election, recall and remuneration of the members of the Supervisory Board, the Audit Committee and the Board of Directors. It reviews and provides its opinion on the Remuneration Policy pursuant to Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization and provides its opinion on the Remuneration Report at least once a year prior to its submission to the General Meeting. It reviews the annual general salary increase and the compensation policy before the Board of Directors makes its decision thereon.

Green Committee

The Green Committee is an advisory body to the CEO, and plays a key role in integrating ESG considerations into corporate decision-making. The Green Committee meets quarterly, and its primary purpose is the preparation, monitoring and corporate implementation of ALTEO’s sustainability strategy and efforts. The board of senior officers and staff members from specialist areas monitor and approve corporate policies and long-term objectives for sustainable development and ensure that the ESG approach and climate risks are kept on the agenda. The Green Committee also ensures that sustainability is consistently represented in ALTEO Group’s external relations. The committee reviews the Sustainability Report and approves its content in terms of consistency with sustainability objectives and its presentation of ALTEO’s environmental, social and corporate governance performance.

The Green Committee informs the Board of Directors on sustainability and ESG trends, and prepares an annual report on the implementation of ESG activities and the progress of approved programs.

Members of the Green Committee are appointed and recalled by the CEO. Membership lasts until recall, but no later than the termination of the Green Committee member’s employment relationship. The main criteria for nomination for membership are that the areas of Sustainability and HSE, Controlling, HR, Energy Production and Services, Production Management and Business Development, M&A and Capital Markets, Legal, Ethics, Compliance and Control, and the Supervisory Board be represented. Members of the Green Committee may be recalled at any time.

Members of the Green Committee on December 31, 2024:

- Attila László Chikán, Chairman of the Green Committee;
- Márton Oláh, Member of the Supervisory Board;
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- László Hegedűs, Deputy CEO for Strategic HR and Communications
- Beatrix Szabó, Director of Sustainability and HSE
- Attila Gyökeres, Controlling Director
- Gábor Hohol, Director of Maintenance
- Attila Kiss, Director of Operations Director and Head of the North-East Hungary Region
- Csaba Fekete, Director of Business Development
- Balázs Szécsi, Transaction Manager
- Dr. Melinda Mészáros, Chief Legal Counsel
- Márta Osztroluczki, Director of Ethics, Compliance and Control
- Éva Klein-Stiller, Sustainability and IMS Manager, secretary of the Green Committee.

Executive Board

The Executive Board is responsible for the Company’s operational management. The Deputy CEOs are executives appointed by the CEO and are responsible for the management of the area they are put in charge of. The CEO of ALTEO and the Deputy CEOs appointed by the CEO form the Executive Board, which is the advisory body to the CEO. They are responsible, in accordance with the Company’s corporate strategy, for ALTEO Group’s operational leadership, cost-effective operation, quality service delivery, provision of healthy and safe working conditions, the protection of the environment, and for ensuring compliance with current legal requirements in line with the provisions of the Company’s Integrated Management System (IMS) and the currently effective sustainability and ESG (Environmental, Social, Governance) standards.

At the management overview convened once annually by the CEO, the management reviews and assesses fulfillment of the above requirements and defines development opportunities for the future. During the overview, the management monitors, among others, fulfillment of the tasks outlined in the Quality, Energy and HSE objectives and programs and sets new tasks where necessary.

As at December 31, 2024, the Executive Board consisted of 8 members (6 men and 2 women):

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Zoltán Bodnár, Chief Financial Officer
- Domonkos Kovács, Deputy CEO for M&A and Capital Markets

- Péter Luczay, Deputy CEO for Production Management and Business Development
- Viktor Varga, Deputy CEO for Energy Production and Energy Supply
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- Magdolna Tokai, Deputy CEO for Corporate Support
- László Hegedűs, Deputy CEO for Strategic HR and Communications.

ALTEO Group's commitment to sustainability is also underlined by the fact that the Executive Board includes the Deputy CEO for Sustainability and Circular Economy as a representative of the ESG approach.

Compliance Committee

The Compliance Committee approves the annual risk analysis prepared by the Ethics, Compliance and Control Director and the annual compliance work plan prepared on the basis thereof, and takes a position in individual cases.

Works Council

Our company has a Works Council to represent the interests of employees, which provides an opportunity to strengthen cooperation between employees and management. Employees can send requests and queries via email, anonymously through internal communication channels, or at face-to-face meetings. In 2024, the Works Council again received a number of employee requests, which the Works Council, on behalf of the employees, presented to the Company's management. The Works Council meets twice a year in an organized manner, in addition to ongoing consultation between management and the Works Council on issues of concern to employees. The Chairman of the Works Council is a member of ALTEO's Supervisory Board.

The role of the administrative, management and supervisory bodies related to business conduct

[ESRS 2 GOV-1.-G1]

ALTEO Group's management and supervisory bodies work closely in cooperation to ensure that the Company's business conduct complies with the laws and good business practices. The members of the management, led by the CEO, participate in operational management and contribute to the implementation of the corporate strategy, taking into account the interests and values of the Company. As an independent body, the Supervisory Board monitors the management of the Company, thus promoting compliance with ethical standards. The Audit Committee monitors the process of financial reporting and assists the Supervisory Board in order to facilitate the appropriate control over the financial reporting system. Members of the Board of Directors, including the CEO, receive regular further training to keep them up to date with business ethics, legal requirements and company directives.

The expertise needed to address sustainability issues within ALTEO Group

[GOV-1] [GOV-2]

ALTEO Group was founded 17 years ago, in 2008, to exploit the new opportunities in the energy industry and to be part of the redefinition of this market, of which the adoption of a sustainability approach is an essential part. As an energy provider and trading company, the three pillars of our business activity are energy production based on renewable and natural gas as energy carriers, energy trading, and customized energy services and developments offered to companies. In 2019, our sphere of activity was extended to include a new waste management division.

It is of paramount importance for us to supply our customers with a reliable, environmentally-friendly energy based on renewable energy sources. At the heart of all you will find our Virtual Power Plant and our own diversified portfolio, enabling us to serve efficiently the needs of our small, medium and large corporate partners alike.

We have been a member of the Business Council for Sustainable Development in Hungary (BCSDH) for 12 years, ALTEO CEO Attila Chikán Jr. is also Chairman of the BCSDH.

The leadership and expert skills of Attila Chikán Jr. and Beatrix Szabó are closely related to the material impacts, risks and opportunities of ALTEO Group.

Attila Chikán Jr., Chair of the Green Committee and CEO of ALTEO Nyrt. He has extensive experience in the energy sector and in the field of sustainability. He is a member of the Presidential Committee on Sustainable Development of the Hungarian Academy of Sciences, serves as a member of the Supervisory Board of Blue Planet Climate Protection Investment Fund Management (Kék Bolygó Klímavédelmi Befektetési Alapkezelő Zrt.) and is also the Chairman of the Business Council for Sustainable Development in Hungary (BCSDH). As CEO of ALTEO Group, he is responsible for supervising the Company's strategic initiatives, including sustainable energy solutions and corporate sustainability practices.

Beatrix Szabó is the Director of Sustainability and HSE (Health, Safety and Environment) of ALTEO Group. Her professional background includes extensive experience in sustainability, environment, health and safety. In her role at ALTEO, she pays particular attention to integrating ESG (environmental, social and governance) aspects into corporate strategy, promoting sustainable development and long-term value creation.

Sustainability issues raised and addressed during the reporting period

[GOV-2]

ALTEO's Green Committee provides a regular forum to discuss sustainability issues at management level. The meetings, held four times a year, have discussed and presented a number of important issues in 2024, including the Company's decarbonization targets and the launching of the Sustainability Ambassador program at ALTEO. In addition, particular attention was given to the development of the ESG Action Plan and the current status of the Sustainability Strategy, as well as to the evaluation of the results of the 2023 ESG assessments, including the CDP and Sustainalytics assessments. Finally, the meetings also discussed the current status of the CSR strategy and the planning of programs for the coming year, as well as the creation of the new ESG Strategy, published at the beginning of 2025, its breakdown into interim targets and the preparation of the Biodiversity Strategy.

In addition to the above, ALTEO bodies adopted the following decisions in 2024:

- ALTEO Group continued its renewable energy and waste management activity, completed significant acquisitions and started the largest greenfield investment project in its history with the development of an energy storage facility worth nearly HUF 28 billion.
- ALTEO, in cooperation with MOL, has signed a service contract for the exploitation of the high inert natural gas extracted from the Csombárd gas wells, which requires an investment of HUF 820 million.
- On August 8, ALTEO's largest solar power plant, with a capacity of 20 MW, started operational production in the Tereske region.
- ALTEO was awarded a Silver rating by EcoVadis, placing the Company in the top 15% of the companies assessed for sustainability performance.
- On April 19, ALTEO adopted the 2026 ESOP General Remuneration Policy and the 2026 Executive Remuneration Policy [*]

ESRS sustainability questions in the form of yes-no statements	[GOV-1] [GOV-2]
The role of management in governance processes, controls and procedures for monitoring, managing and overseeing impacts, risks and opportunities is delegated to a specific management level position or committee.	yes
Dedicated controls and procedures are in place to manage impacts, risks and opportunities.	yes
The administrative, management and supervisory bodies are informed of the material impacts, risks and opportunities, the application of due diligence, and the results and effectiveness of the guidelines, measures, indicators and targets adopted to address these.	yes
The administrative, management and supervisory bodies have weighed and considered the trade-offs between impacts, risks and opportunities.	yes

Integration of sustainability-related performance in incentive schemes

[GOV-3]

The role of the administrative, management and supervisory bodies, like the independent members of the Board of Directors, the Supervisory Board and the Audit Committee receive a service fee, and there are no incentive mechanisms applicable to them. The Executive Board is the entity with the highest decision-making power in ALTEO Group's operations, and also involved in incentive mechanisms. One its members, Attila Chikán Jr. is also a member of the Board of Members, so the following shall apply to him.

In addition to meeting financial performance criteria, the objective of providing fringe compensation to the Executive Board and all our staff is to meet agreed non-financial and social responsibility criteria. These criteria are:

-CSR target (e.g. participation in the volunteers' day or the ALTEO Fitt program)

-HSE target (zero serious accident)

[*] ALTEO Group's remuneration policy covers a two-year period, during which we aim to encourage employee motivation and engagement through competitive pay and performance-based rewards, by providing long-term incentives, training opportunities and welfare benefits.

determined with a view to the business strategy, long-term interests and sustainability of the Company. Our Compensation Policy thus seeks to promote the Company's sustainability strategy alongside its business strategy. The Performance Assessment Bonus Scheme (PBS) and the Short-Term Incentive Scheme serving as the pillars of performance assessment.

On the other, in April 2024, ALTEO's Board of Directors adopted both the remuneration policy for the senior and middle management levels and the remuneration policy for talented young managers and experts. The aim of the remuneration policies adopted is to put in place a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the ALTEO Group's performance and, thereby, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates (including members of senior management) 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 annual performance management process starts with the target setting process at the beginning of the year. Setting ESG targets is mandatory for all Nyrt. employees participating in the Performance Assessment Bonus Scheme, and we also apply HSE targets for our staff members performing physical work. Their weight in the overall assessment is 5% each, meaning that there is a direct correlation between the achievement of ESG/HSE targets and the value of the bonus amount received on the basis of the performance assessment. In the case of FE-Group, a member of ALTEO Group, the establishment of the performance assessment process is currently ongoing, which will be guided by the processes of ALTEO Nyrt.

The draft Remuneration Policy is prepared by the Board of Directors, then the Remuneration and Nomination Committee provides its opinion, and is then submitted to the General Meeting for approval. At least every three years, the Board of Directors reviews the policy and, if it deems necessary, proposes amendments to the General Meeting after having obtained the prior opinion of the Remuneration and Nomination Committee. If the General Meeting rejects the proposed amendments, the Board of Directors must re-submit these at the next meeting. The CEO is responsible for implementing the policy and regularly informs the Board of Directors thereon. In addition, the Company discloses the remuneration of the Directors, including the implementation of the Remuneration Policy, in the annual Remuneration Report.

The Board of Directors reviewed and published a consolidated amendment to the Remuneration Policy[†] for the Annual General Meeting held on April 19, 2024. This is due to a change in the composition of the Board of Directors under Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization, and the adoption of remuneration policies affecting directors under the Employee Share Ownership Program. The General Meeting adopted the consolidated amendment to the Remuneration Policy and also approved the Company's Remuneration Report 2023.

One of the stated objectives of the Remuneration Policy is to contribute to the Company's business strategy, long-term interests and sustainability, and to ensure that the performance of officers defined is assessed using both financial and non-financial performance criteria, including, where appropriate, environmental, social and governance factors.

In addition to determining service time, and stipulating potential retention obligations (lock-up) or terms relating to alienation (minimum price, pre-emption rights, etc.), in the case of contribution to the business strategy, long-term interests and sustainability of the Company, the Company may determine share-based remuneration for Directors. Such share-based remuneration must be set out in the Remuneration Policy, and the benefit may only be granted based on it after an advisory vote by the General Meeting.

In exceptional cases, in order to ensure the long-term interests and sustainable operation of the Company or to ensure its viability, it is possible to deviate from the Remuneration Policy. Derogations are only possible in respect of basic salary and allowances and bonuses.

Performance is not assessed against specific sustainability targets, but against overall sustainability performance. These indicators and benchmark calculation methods have not been specified in detail.

Integration of climate change-related performance in incentive schemes

[ESRS 2 GOV-3.-E1.]

There are currently no performance metrics directly linked to climate change-related performance in the broader performance assessment system, commitment to ESG and HSE culture is an important expectation for us.

In 2024, there were no incentive mechanisms related to sustainability issues present in the remuneration mechanisms of administrative, management and supervisory bodies. In its ESG strategy, which is currently being revised, this issue is one of the priorities of the Group.

[†] The personal scope of the Remuneration Policy extends to directors as defined in Section 2(2) of Act LXVII of 2019, who at the time of the adoption of the Remuneration Policy shall include the members of ALTEO Group's Board of Directors (BoD) or Supervisory Board (SB), as well as the Chief Executive Officer and the executive employees acting as Deputy CEOs, provided they are not members of the Board of Directors or Supervisory Board.

ESRS sustainability questions in the form of yes-no statements	
There are incentive schemes and remuneration policies linked to sustainability issues for members of the administrative, management and supervisory bodies.	yes
Incentive schemes for members of the administrative, management and supervisory bodies take into account performance in relation to sustainability goals and/or impacts.	yes
Sustainability performance metrics play an important role and are used as guidelines and/or as part of remuneration policies.	yes

Statement on due diligence

[GOV-4]

We have compiled a table to simplify the presentation of the due diligence process applied by ALTEO Group with respect to sustainability issues, pursuant to Section 33 of ESRS GOV-4 which does not stipulate any specific behavioral requirements with regard to due diligence actions and does not apply to or modify the role of administrative, management and supervisory bodies prescribed by other laws or regulation.

Below, we present the due diligence processes the results of which serve as a basis for the assessment of the material impacts, risks and opportunities of ALTEO Group. These processes are used to identify, manage, prevent and mitigate the actual and potential negative impacts of our business activities on the environment and people. The due diligence processes in practice also help to identify risks and opportunities.

Statement on due diligence	
a) incorporating due diligence into governance, strategy and the business model	When conducting due diligence for business partners, the Company seeks to act with the utmost care. We perform an audit of new business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. The due diligence process at ALTEO Group included a review of sustainability issues required under ESRS which are incorporated into the ALTEO Group Strategy through the Sustainability Strategy.
b) cooperating with relevant stakeholders in all key steps of the due diligence	We strive to establish dialogues and long-term strategic partnerships with our suppliers. When conducting due diligence for business partners, the Company seeks to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. One of the key steps in the due diligence process is the assessment of each specialized area, including the issues of finance, controlling and biodiversity.
c) identifying and evaluating adverse impacts	We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. In 2024, we performed the mandatory compliance audit of 23 (21 Hungarian, 2 foreign) companies, and we screened out 6 companies that were deemed to be risky. Further harmful effects have been identified and assessed within the framework of the double materiality assessment which is presented in the report in detail.
d) implementing measures to address those adverse impacts	The Ethics, Compliance and Control Organization considers the findings of the assessments prior to taking the necessary measures, which may include terminating the partnership. In designing our sustainability measures identified harmful effects, be it actual or potential, compliance with our statutory obligations and the potentials to improve our activities are all taken into consideration.
e) monitoring the effectiveness of these efforts and communicating	To prepare its Compliance Risk Map, ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings every year. More information on the process is shared in disclosures G1-3 and G1-4 of the report.

Risk management and internal controls of sustainability reporting

[GOV-5]

Main features of the risk management and internal control system in relation to the sustainability reporting process

The preparation of the sustainability report is coordinated by ALTEO's Sustainability team. The checks built into the process are used to reduce risk, ensure accuracy and prevent errors or fraud. This significantly reduces the potential occurrence of errors, abuse and fraud. It also uses external professional consultation to prepare reporting.

1.3 Strategy

Our corporate strategy

[SBM-1]

We have been building our sustainability vision and strategy for a number of years now. In 2022, we presented these in a published form, adopting an ESG approach. Our long-term goal is to become leaders in the domestic market through our commitment to ESG and to cooperate with our stakeholders to facilitate change for more sustainable energy production. ALTEO's sustainability strategy covers different actions from clean energy through responsible consumption and production all the way to urgent action against climate change, which spectrum is presented in the following thematic chapters.

Sustainability is at the core of our strategy, and we aim to continuously expand our renewable power plant portfolio. The extension of our renewable production management business and the implementation of B2B renewable power plant projects in a PPA scheme are of particular importance to us. At the same time, we are placing great emphasis on the development of our AVPP virtual power plant and the provision of B2B decentralized complex energy services tailored to specific business needs, including energy production management, implementation and O&M services.

Beyond the energy base, supporting the circular economy is also a priority for our Group, especially in the areas of waste management and e-mobility. In the area of waste management, our focus is on the recovery of waste for energy, and the development of collection and recycling capabilities through acquisitions.

We are already present in the e-mobility market and our goal is to find a successful business model, mainly with a B2B focus, to serve company needs as efficiently as possible. In this area, we provide integrated services that include the distribution, deployment and operation of chargers for corporate customers.

Market trends show that there is a strong increase in demand for electricity, which makes the development of the Virtual Power Plant even more important as it has proven to be an excellent tool to deal with a volatile external environment. In addition to renewables, our planned capacity expansion projects focus on power plants and energy storage.

Our vision is to offer our partners a possibility for a sustainable business advantage by providing the best energy solutions today, and to be the companies of tomorrow together. This commitment is proof of ALTEO Group's belief in sustainable development. The impact of our strategy on and its relation to sustainability issues is presented, in line with international good practice, along the lines of the UN Sustainable Development Goals (SDGs).

Clean water and sanitation
The goal of ensuring sustainable water management and access to water and sanitation for all concerns ALTEO through water treatment, hydropower plants, heating power plants (district heating, hot water supply) and waste management.

Clean energy
The goal of ensuring access to affordable, reliable, sustainable and modern energy for all is the main goal that concerns ALTEO through the use of renewable energy sources, the expansion of its renewable portfolio and in increasing its energy efficiency.

Industry, innovation, infrastructure
ALTEO is linked to the SDGs aimed at building resilient infrastructures, supporting inclusive, sustainable industrialization and fostering innovation through RDI projects, environmentally-friendly technologies and innovation.

Sustainable cities and communities
In our case, the goal of making cities and human settlements inclusive, safe, adaptable, resilient and sustainable takes the form of promoting and supporting environmentally-friendly transport, reducing GHG emissions and waste from production. ALTEO's related projects primarily concern occupational health and CSR.

Responsible consumption and production
The goal to promote sustainable consumption and production patterns primarily concerns ALTEO's waste management activities and the implementation of the Green Office Program.

Climate action
This SDG, that includes urgent and inevitable measures to combat climate change and its impacts, concerns ALTEO's sustainability projects, through the reduction of our emissions and environmental impact. In addition to updating our business strategy, in 2022 we added strategic objectives and specific actions to our comprehensive sustainability strategy, as well as the metrics required to track those objectives and actions. Our sustainability strategy is available on our website: https://alteo.hu/fenntarthatosag/

Our ESG approach and Sustainability Strategy

ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate in February 2022. Based on the assessment by Sustainalytics, the Company performed better than the industry average, i.e. it achieved a lower risk rating already at that point in time.

ALTEO manages its high industry exposure with a strong risk management-based approach. The company retained its "medium" risk rating in the 2024 review. We were rated "Strong" in the category "Management of ESG Risk", which suggests that strong risk management is in place.

Rated MORNINGSTAR | SUSTAINALYTICS

2022 was the first year when the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) were taken into account in preparing our report. As a first step, we completed the Company's first Climate Scenario Analysis. At the end of 2022, we published ALTEO Group's first EU Taxonomy Alignment Report for 2021‡, and the report covering 2022 was made public as part of the integrated report. Similarly, our report on EU Taxonomy alignment for 2024 is disclosed as part of this Sustainability Report. Furthermore, ALTEO's Green Committee, created in 2022, continued to work with the aim of consolidating responsible, ESG-focused corporate governance.

ALTEO Group's reporting for the 2024 financial year is influenced by two strategies. The first one covers the 2022-2024 period and includes the sustainability objectives applicable for that period, with specific actions implemented in the year of the report. The second one is the strategy drawn up in 2024 for the period 2025-2030, and ESG is an integral part of that strategy. It is included here to present the future plans of ALTEO Group and the strategy formulation action implemented in 2024. Both strategies are detailed in the report to present both current and future targets and actions in line with the ESRS.

Overview of our sustainability strategy for 2022-2024§ and a report on current status

<table>
<tr><th></th><th>ALTEO Group objectives</th><th>UN Sustainable Development Goals</th><th>Status</th></tr>
<tr><td rowspan="7">Carbon Footprint Reduction</td><td><table><tr><th>GHG emission reduction</th><th>2030</th><th>2050</th></tr><tr><td>Scope 1 *</td><td>20%</td><td>50%</td></tr><tr><td>Scope 2*</td><td>30%</td><td>75%</td></tr><tr><td>Scope 3**</td><td>55%</td><td>100%</td></tr></table>*compared to the 2019 base year, ** compared to the 2021 base year</td><td rowspan="7">13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY</td><td></td></tr>
<tr><td>25% reduction in NO_x (nitrogen oxide) emissions by 2030</td><td></td></tr>
<tr><td>Increase of the share of renewable production management from 15% to 25% by 2025</td><td></td></tr>
<tr><td>Investment of HUF 35 billion in sustainable energy solutions by 2026</td><td></td></tr>
<tr><td>Annual disclosure of the total amount invested in renewables and the volume of energy produced from renewables</td><td></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td rowspan="2">E-mobility, greening of transport</td><td>Installation of 500 electric car chargers by 2023</td><td rowspan="2">9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</td><td></td></tr>
<tr><td>Establishment of electric car charging infrastructure on Company sites by 2030</td><td></td></tr>
<tr><td>Reducing waste</td><td>Paperless* office by 2030 (*up to the level of legal compliance)</td><td></td><td></td></tr>
</table>

‡ EU Taxonomy Alignment Report for 2021: https://alteo.hu/fenntarthatosag/jelentesek-tenyek-adatok/fenntarthatosagi-jelentesek/

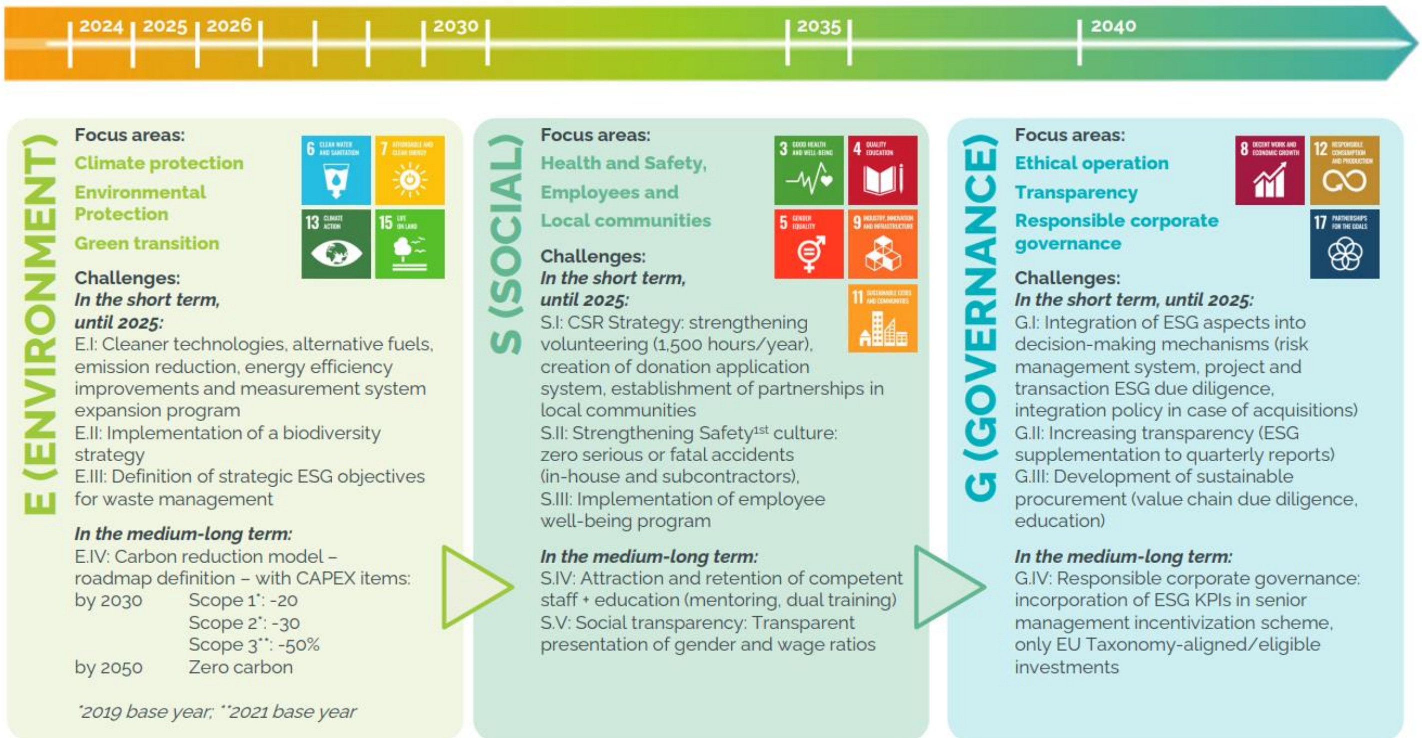
§ Our Sustainability Strategy is also available on our website: https://alteo.hu/sustainability/?lang=en

	ALTEO Group objectives	UN Sustainable Development Goals	Status
	Achieving an operational waste recycling rate of at least 50% by 2030	6 CLEAN WATER AND SANITATION	⏱
	Water-focused risk analysis by 2023 Q4		✓
	Completion of CDP “Water Security” questionnaire in 2024**		✓
	Completion of biodiversity survey by 2023 Q4		✓
Education on sustainability	Implementation of TCFD reporting guidelines in our reporting structure from 2023	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	✓
	Development of an employee education program on sustainability issues by 2025		✓
	EcoVadis assessment from 2024		✓
CSR strategy with ESG focus	Maintenance of 0 LTIF (number of lost time work injuries per 1 million hours worked) result in respect of the Company’s own employees	11 SUSTAINABLE CITIES AND COMMUNITIES	✓
	Achieving 0 LTIF for non-Company employees by 2025		✓
	Development of a detailed CSR plan by 2023		✓
	At least 500 hours/year of CSR activity throughout the whole ALTEO Group by 2025		✓
	Introduction of the ISO 27001 cyber security standard by 2023		✓

✓ Completed ⏱ In progress ✗ Shortfall

** CDP reporting was renewed, the “Water Security” questionnaire was incorporated into the general questionnaire, and this renewed and extended questionnaire was completed by ALTEO Group in 2024.

OUR SUSTAINABILITY STRATEGY FOR 2025-2030:

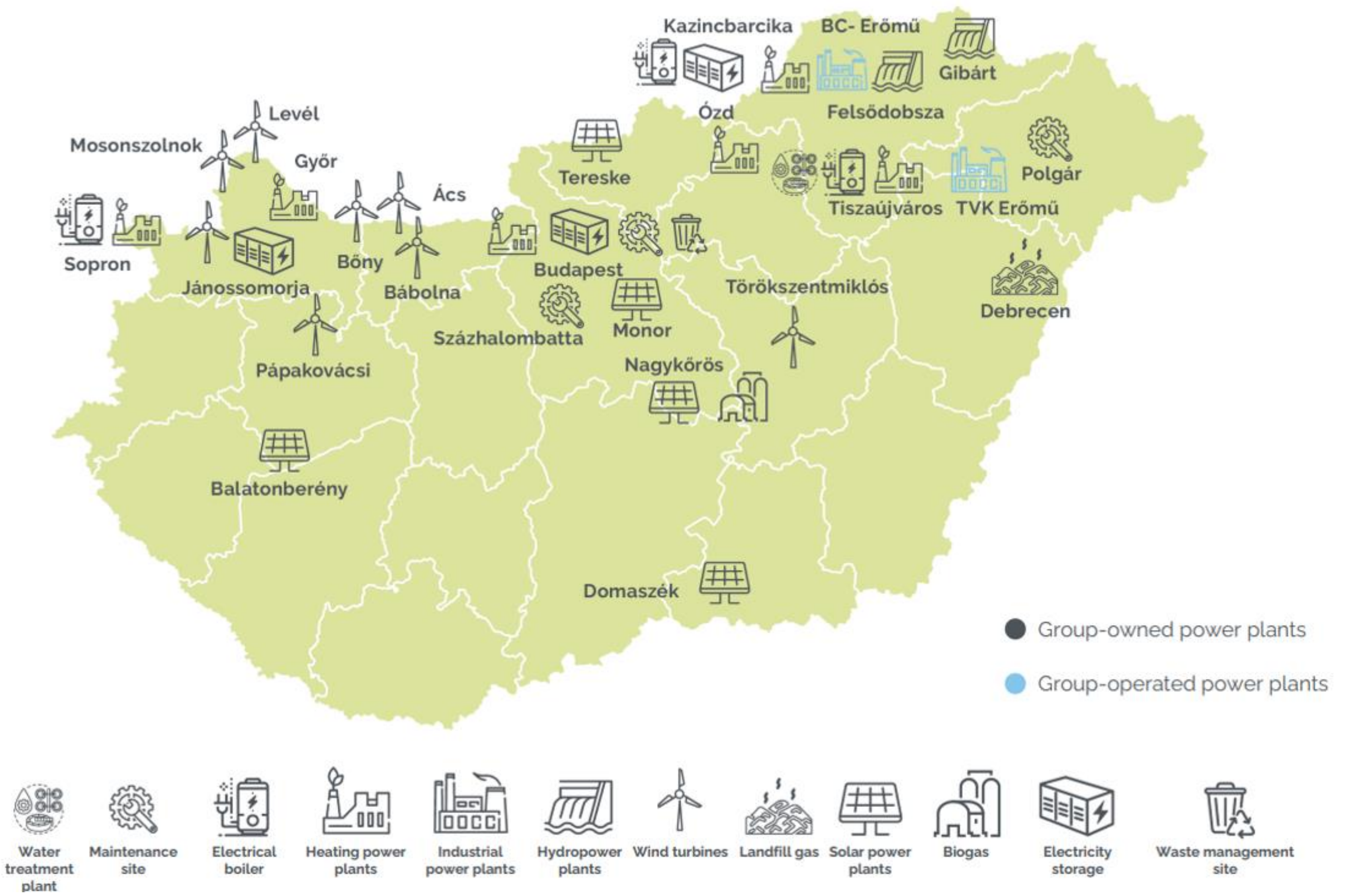


Our business model and value chain

[SBM-1]

ALTEO Group's business activities include renewables-based energy production and high-efficiency hydrocarbon-based cogeneration; energy wholesale and retail trade; and services to industrial companies, in particular installation, operation and maintenance of energy systems.

ALTEO GROUP'S OPERATIONS MAP ACCORDING TO THE DISTRIBUTION OF THE POWER PLANT PORTFOLIO



Energy production

Our power plants produced a total of 1,151 GWh in electricity and 8.61 million GJ of heat energy. 71% of the electricity produced came from industrial, 14.5% from heat and 14.5% from renewables-based power plants.

Electricity production

Site	Natural gas/renewable	Type	Installed electrical capacity (MW)	Electricity sales: Within the subsidized system, on the open market or by trading on the open market through the Virtual Power Plant (VPP)
Owned by ALTEO Group				
Győr	natural gas	heating power plant	23.9	VPP
Sopron	natural gas	heating power plant	9.25	VPP
Kazincbarcika	natural gas	heating power plant	9.3	VPP

Ózd	natural gas	heating power plant	4.9	VPP
Tiszaújváros	natural gas	heating power plant	9.4	VPP
Füredi utca	natural gas	heating power plant	18.6	VPP
Felsődobsza	renewable	hydropower plant	0.9	On the open market
Gibárt	renewable	hydropower plant	1.0	Subsidized
Ács	renewable	wind turbine	2.0	On the open market
Jánossomorja	renewable	wind turbine	2.0	On the open market
Pápakovácsi	renewable	wind turbine	2.0	On the open market
Törökszentmiklós	renewable	wind turbine	1.5	On the open market
Bőny	renewable	wind turbine	25.0	On the open market
Bábolna	renewable	wind turbine	15.0	Subsidized
Mov-R	renewable	wind turbine	24.0	On the open market
Domaszék	renewable	solar power plant	2.0	Subsidized
Monor	renewable	solar power plant	4.0	Subsidized
Balatonberény	renewable	solar power plant	6.2	Subsidized
Nagykőrös (solar power plant)	renewable	solar power plant	6.9	Subsidized
Tereske	renewable	solar power plant	19.5	Subsidized
Debrecen	renewable	landfill gas	1.1	On the open market
Nagykőrös	renewable	biogas	2.0	On the open market

Operated by ALTEO Group				
BC Power Plant	natural gas	industrial services	46.9	
BC Power	natural gas	industrial services	49.9	
TVK Power Plant	natural gas	industrial services	36.0	

Energy trading, balancing group services, scheduling

Volume of electricity sold in our trading activities in 2024: 500.2 GWh of retail sales and 655.1 GWh of wholesale sales. Most of the electricity sold was again wholesale in 2024, but the share of wholesale and retail in 2024 was around 40/60.

Natural gas retail

ALTEO Group Energiakereskedő launched retail sale of natural gas in the gas year beginning on October 1, 2016, and sales have been increasing dynamically. In the financial year 2024, we sold 196.8 GWh of natural gas.

E-mobility

In 2020, ALTEO Group started an E-mobility division through its subsidiary ALTE-GO, which sells, installs and operates electric charging equipment across Hungary, with a focus on office buildings, parking lots, business sites, and public charging stations.

ALTEO Group is a knowledge-based company in the energy sector and, accordingly, the most important element of its business model is attracting and retaining a workforce with the appropriate skills and qualities. With the right team of professionals, ALTEO Group can create technological solutions that enable it to be among the first to enter markets such solutions (like renewable production management service, energy storage, virtual power plant) and to serve its customers at a high level. The Company is committed to continuously training and developing its human resources.

External fund raising is of paramount importance for the growth of ALTEO Group and the operation of its business models. In addition to outstanding financial results, transparency and ethical operation are key to ALTEO Group's financeability.

Thanks to its structure, its strategy based on sustainability and renewable energy production, its diversified portfolio and its team of highly qualified professionals, ALTEO Group was able to actively exploit arising opportunities. The ability to operate quickly and flexibly enables ALTEO Group to react in a timely manner to market fluctuations, short and long-term trends and to identify opportunities in challenges.

The main segments of ALTEO Group's activities are: heat and power production and management, renewable energy production, energy services, waste management and energy retail. The business relationships and cost structures of these segments are described below:

Heat and electricity production and management

This segment includes heat and electricity generation from non-renewable sources, the Virtual Power Plant, as well as the Renewable Production Management (RPM) business. The Virtual Power Plant is responsible for planning and managing production in electricity and/or heat generating and storing facilities owned by the Group and by external partners connected to the Virtual Power Plant.

Electricity production: The operations of the Virtual Power Plant are recognized among the revenues of production, including the full management of scheduling services, MEKH and MAVIR data reporting and administration, and real-time production monitoring activities for our contracted partners' power generation units and trade commissions.

Heat sales: In the course of production, the Group produces the heat energy in its own power plants, and sells it to district heating companies under long-term contracts. The performance of the ALTEO Group under these contracts continues to be consistent and reliable.

Electricity ancillary services: In order to maintain balance in the system, the Hungarian system operator (MAVIR) procures various types of balancing reserve capacities (FCR, aFRR, mFRR) from market actors with the appropriate authorization; the capacity charge is the consideration. The consideration for the ability of the Group's generation facilities to alter such reserved, accredited load is recognized here. The revenue from renewable production management is also included here. In terms of business relationships, ALTEO Group used the competences to launch through the Renewable Production Management (RPM) business, a smart, comprehensive scheduling service involving moderate risk for partners, which offers a solution to the challenges that renewable energy producers encounter.

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

Renewables-based energy production

The renewables-based energy production segment includes all of ALTEO Group's electricity production activities from renewable sources. This covers ALTEO Group's solar, wind, hydro and biogas power plants. Some of the production units sell electricity under the KÁT (Mandatory Offtake System) subsidy system and under the KÁT premium and METÁR (Renewable Energy Sources Support Scheme) schemes, while others sell all of their electricity subject to market terms and conditions.

Under the KÁT selling system, MAVIR, as buyer, sets fixed electricity feed-in tariffs for producers. Power plants selling under the METÁR system sell the electricity they produce to any buyer on the free market at free-market prices. Under METÁR system, after free-market sales, MAVIR makes price adjustments with a view to the difference between the contractual METÁR price and the market reference price as laid down by law in order to pay the corresponding amount to or collect such amount from producers (collectively: "price supplement").

Energy services

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

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

In addition to the above, the Group also provides e-mobility services, including operation of licensed charging equipment and e-mobility services for residential and corporate customers.

Waste management

The waste management segment's activity is determined by the profits from the processing and management of organic and inorganic waste. After July 1, 2023, the Company's activities primarily consist of the collection and processing of electronic, paper and foil/film waste covered by the concession, as well as more complex waste management and komplex treatment services provided to third parties.

In terms of business relationships, MOHU MOL Hulladékgazdálkodási Zrt. has won the waste management concession tender announced by the Hungarian State, meaning that after July 01, 2023, as Concession Company, it will collect and handle municipal solid waste in Hungarian settlements for 35 years. FE-GROUP INVEST Zrt. participates in the process as a subcontractor of MOHU, having signed a two-year contract (plus two years of optional extension) on June 29, 2023. Despite the fact that a significant part of FE-GROUP INVEST Zrt.'s revenue is derived from activities related to concession waste processing, waste sales and the provision of complex services continue to play an important role and the Company is constantly looking for new potential customers and cooperation opportunities.

Retail energy trade

This segment includes the electricity and natural gas sales activities of ALTEO Group on the free market which means the resale of electricity and natural gas purchased within the Group and from other trading partners, to end-consumers. In 2024 key customers included GYŐR-SOPRON-EBENFURTI VASÚT Zrt, LEGO Manufacturing Kft., Transenergo Hungary Kft., NEO Property Services Zrt, Borgwarner Hungary Kft., Goodmills Magyarország Kft., BPW-Hungária Kft.

Cost structure

For the purpose of the business processes above, key items within material expenses include items attributable to the Group's core activity, and are not considered expenses connected to discontinued activities.

- Use of energy carriers, energy and natural gas in the power plants owned by the Group to produce electricity and heat energy, and sells them to district heat service providers under long-term contracts. Furthermore, Retail trade includes purchase of electricity and natural gas for resale to end-consumers.
- Assets managed by the Group include: operation and maintenance related costs of material and service incurred to ensure the reliable and continuous operation of the power plants owned and operated by the Group, and their energy infrastructure.
- Sub-contractor activities, including waste management services and the costs of hired workforce.
- In addition to this, general costs and costs of expert services (like auditing, IT services and consultations) incurred in relation to the operation of the Group as laid down in the strategic objectives, are also included.

ALTEO as a knowledge-based company believes in attracting and keeping a workforce that possesses adequate expertise and qualities, and in creating technological solutions with this that allow the Group to provide its customers high quality services. It is essential for the Company that human resources are regularly and continuously trained, re-trained, and so personnel costs are substantial cost item within the cost structure of the Group.

TOTAL REVENUE OF ALTEO GROUP BY MAJOR ESRS SECTORS

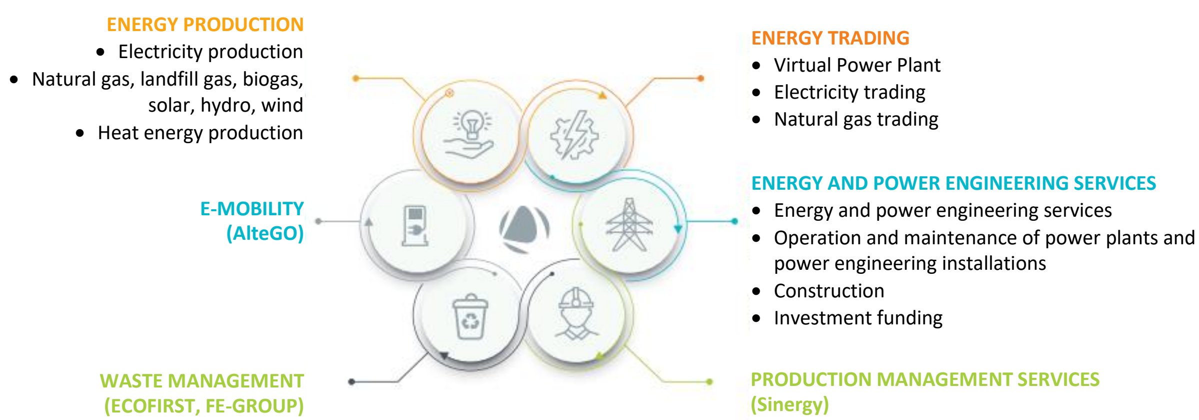
Sector code	Sector name	Total revenue
EEU	Energy production & utilities	HUF 62,012 million
EWW	Water & waste management services	HUF 6,363 million
WWR	Wholesale & retail trade	HUF 37,014 million

Products and services

Supply chain

As a responsible company, ALTEO Group is committed to uphold relevant environmental, social and business ethics principles concerning its own activities and business conduct, as well as its supply chain. Due to the wide range of our business activities, our supply chain covers many segments, such as electricity and heat energy production, energy service, maintenance and development of energy systems, electricity and natural gas trade, production management, electromobility and waste management.

A SUMMARY OF THE ACTIVITIES OF ALTEO GROUP AND AN OVERVIEW OF THE PORTFOLIO



We expect our suppliers, subcontractors and other partners to familiarize themselves with our Code of Ethics and act in accordance with its contents.

ESRS sustainability questions in the form of yes-no statements	
The Group’s activities extend to the natural gas sector	yes

ALTEO Group’s activities cover the natural gas sector, where we generated revenues of HUF 29,385 million in 2024. Our products and services do not include any products or services that are banned in certain markets. Furthermore, ALTEO Group has no revenues from taxonomy-aligned economic activities related to fossil gases.

Material expenses include items attributable to the Group's core activity only:

- Energy carriers: Electricity and natural gas
- Material and service needs of maintenance and projects
- Waste management services
- Other overhead costs
- Expert services (counselling, auditing, IT)
- Agent's commission.

Our key customers:

- MAVIR
- MOHU
- District heating companies
- Industrial heat consumers,
- Renewable power plants
- Natural gas and electricity business end-users,
- Industrial facilities

ALTEO Group is an active player in several areas of the energy value chain. In the case of electricity production, it is of paramount importance to maintain relations with natural gas suppliers and service providers related to the operation and maintenance work, which is carried out by ALTEO Group itself. ALTEO Group is in contact with several suppliers who supply the same service or activity, thus reducing its supplier dependency. The heat energy produced is delivered to the public through heat suppliers or directly consumers, the industrial customers , and therefore security of supply is a priority for ALTEO Group. ALTEO's most important partner in the field of energy management is the Hungarian electricity system operator (MAVIR), as ALTEO is both a customer and a supplier to MAVIR, mainly in relation to ancillary services. ALTEO Group is also engaged in natural gas and electricity trade, supplying business end-users with energy procured from wholesale partners. In providing energy construction, operation and maintenance services, ALTEO strives to achieve long-term partnerships, with a strong focus on customer satisfaction.

In the field of waste management, ALTEO Group provides "total waste management" services in addition to collection, transport and processing, covering almost the entire value chain. Within the framework of the concession scheme, MOHU, as the Concessionaire, is a key partner, but ALTEO Group also carries out waste management activities outside the concession scheme, mainly for medium-sized and large companies.

ALTEO Group's business model and value chain has a number of potential impacts, risks and opportunities that we monitor closely in our day-to-day operations. The inputs that are necessary to make our business successful are essential elements of our business model. ALTEO Group is a knowledge-based company in the energy sector and, accordingly, the most important element of its business model is attracting and retaining a workforce with the appropriate skills and qualities. We strive to continuously train and develop our human resources.

ALTEO Group's structure, its strategy based on sustainability and renewable energy production, its diversified portfolio and its staff of high qualified professionals all contribute to actively seizing market opportunities. Our ability to operate quickly and flexibly enables us to react in a timely manner to market fluctuations, short and long-term trends and to identify opportunities in challenges. As a result, we can continuously improve customer satisfaction, increase our investors' returns and maintain our strong competitive position in the market.

ALTEO Group carries out its activities in Hungary, and the number of its employees as at December 31, 2024 was 513.

Interests and views of stakeholders

Our stakeholders are given priority and are always treated as partners, as they provide important information on our performance and the environmental, economic and social factors that shape ALTEO Group's value-creation processes. Our stakeholders also play a key role in determining the content and focus of our annual integrated report.

Feedback from our stakeholders come to us through multiple channels (such as in-person meetings, email, online survey). Customer satisfaction surveys are conducted with annual frequency, and the results are analyzed and assessed as part of the management reviews. Maintaining the positive results of our evaluations is our primary objective, so as a result of the evaluation, corrective actions are formulated, the results of which are monitored and subsequently assessed, and presented and accepted at the next management review.

We have identified the key stakeholder groups that have the appropriate information to evaluate our activities, either locally or by industry. Our list of stakeholders was identified through interviews with the Executive Board.

Alignment of stakeholder interests and views with the Company's business strategy and model

Stakeholders	Employees, Management	Value chain workers	Society	Consumers and end-users
Alignment of interests and views with the Company's business strategy and model	We are also in close contact with our expanding team through performance reviews, career planning and periodic assessments.	ALTEO Group's activities have no significant impact on and the Company has identified no material risks or opportunities related to the workforce in its value chain and, as such, this topic has not been reviewed.	We become active members of our communities, both at the operation sites and in our broader environment. Given the business in which we work, our aim is to build and maintain a long-term, open relationship.	Client-oriented operation, quality service and safe work are fundamental values for us. We are in constant contact with our customers, proactively seeking feedback and conducting satisfaction surveys.
Stakeholders	**Owners, Investors**	**Professional organizations**	**Authorities**	**Suppliers**
Alignment of interests and views with the Company's business strategy and model	Our corporate strategy aims to create value for owners and investors and to protect their interests.	ALTEO Group pays particular attention to acquiring and maintaining the appropriate expertise, also through communication with professional organizations.	Proactive and professional liaising with the Authorities is essential for a responsible company that looks to lead by example.	Our suppliers are important stakeholders in the sustainability of our activities, and we seek to engage them in dialogue and to build long-term strategic partnerships.

1.4 Material impacts, risks and opportunities and their interaction with strategy and business model(s)

[SBM-3.- E1, E2, E3, E4, E5, S1]

ALTEO Group has identified the ESRS topics in the table below as material in the framework of the materiality assessment. The impacts, risks and opportunities associated with these are discussed in detail in the IRO-1 chapter. In this section, we aim to summarize how these interact with the Company's strategy and business model.

The Company's response and planned actions, which include changes to the strategy or business model that have been implemented or are planned, are detailed in the various chapters.

Standard	Topic	Subtopic	Impact	Risk	Opportunity
E1	Climate change	Adaptation to climate change	•	•	
		Climate change mitigation	•	•	•
		Energy	•		•
E2	Pollution	Air pollution	•		
E3	Water and marine resources	Hydropower	•		
E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	•		
		Impacts on the state of species	•		
		Impacts on ecosystem services and dependence thereon	•	•	
E5	Circular economy	Resources inflows, including resource use	•	•	•
		Waste			•
S1	Own workforce	Working conditions (own workforce)	•		
G1	Business conduct	Corporate culture	•		•
		Corruption and bribery	•	•	
		Management of relationships with suppliers, including payment practices			•
		Protection of whistleblowers		•	

Climate change

Material impacts

ALTEO Group's gradual transition to environmentally-conscious operations, such as increasing the efficiency of fossil power plants and strict compliance with environmental regulations, contributes to the global green transition. At the moment, 61% of the power plant capacity owned by the Group in our portfolio is powered by renewable energy, which accounts for 15% of the Group's electricity production. In addition, the biogas power plant in our portfolio uses renewable fuels to generate electricity, but its operations continue to emit greenhouse gases (GHGs).

Our portfolio also includes electricity production based on fossil fuels, which is also associated with GHG emissions. We have set ambitious targets for GHG emission reductions (see Chapter 7.4). Our power plants use energy to provide for in-house consumption, and our natural gas consumption requires industrial extraction, which contributes to the depletion of natural resources and causes environmental damage, affecting ecosystems, water quality and biodiversity. Our e-mobility business installs charging stations for electric cars, contributing to the transition away from fossil fuels by building infrastructure. At the same time, our production releases nitrogen oxides (NO_x) and carbon monoxide (CO) components into the atmosphere from gas engines and boilers.

When preparing this report, we assessed the exposure and sensitivity to climate change risks (both physical and transition risks) for all of the Company's assets and business activities, taking into account their likelihood, magnitude and duration. *For more information, see data point E1-9*.

Quantitative climate risk assessment is a task to be carried out in the coming years.

Material risks and opportunities

Due to rising temperatures and extreme weather phenomena, there is a risk that the efficiency of our solar parks will decrease, either due to fluctuating sunshine or dust deposition. Heat waves can cause peak loads on the distribution network to be more frequent and intense. Extreme storms and winds can cause potential infrastructure damage to our wind farms. Changes in resource availability can cause a reduction or disruption in production.

More stringent financial requirements may be enforced for projects with impacts and dependencies that also affect nature, reducing the possibility of obtaining financing and investment. However, switching to lower emission or lower impact technologies and increasing the share of renewable-dependent power plants in our portfolio can reduce dependence on fossil fuels.

This can increase our competitiveness in operations and expansion, and open up new business opportunities based on nature-based solutions. In addition, new renewable projects can be implemented by retrofitting existing power plants.

Air pollution

Material impacts

Significant air pollutants generated by the production processes of ALTEO Group include nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers. The Company's key strategic objectives include reducing the emission of these harmful substances, and by doing so contributing to the protection of the environment and the achievement of sustainability targets. We strive to minimize emissions by continuously developing our processes and using state-of-the-art technologies.

All our sites have the necessary environmental permits, which include strict requirements for emissions and the measurement thereof. Accurate measurement of emissions and compliance with the limits are continuously monitored through internal and external audits and are under authority supervision. In addition, environmental aspects are strictly taken into account in the upstream value chain when selecting our suppliers.

Hydropower

Material impacts

ALTEO Group's activities, including hydropower plants and water treatment plants, require a significant amount of water, thus monitoring water use is a priority. Due to climate change and the impact of production activities on water resources, a water-focused risk analysis was carried out in 2023, covering all sites. The study assessed the risks associated with changes in flooding, water quality, precipitation, dry spells and groundwater levels. Although these risks are not considered material at this stage, we have put in place preparatory measures at the sites concerned, in addition to complying with the requirements of the laws and environmental management systems, with particular attention to the protection of water resources and the reduction of pollution.

Biodiversity and ecosystems

Material impacts

The materials needed to build renewable power plants, such as the steel needed to build wind turbines, were used for the first time, and their mining and processing could have had a potentially significant impact on biodiversity. Pipelines used to transport natural gas have a significant spatial footprint, which can lead to habitat degradation and fragmentation throughout the life cycle of the pipelines.

The head-on collision of birds and bats with wind turbine blades can be fatal. The mining of copper for wind and solar power plant components takes place in biodiversity-rich locations such as Chile, Peru, China and the Democratic Republic of Congo, where it can have a significant negative impact on the environment and wildlife. In addition, the mining of lithium, cobalt, graphite, nickel and aluminum for wind and solar power plant and battery components may have a significant impact on the local environment and ecosystems.

Habitat disturbance due to the construction and operation of renewable energy sources also has a significant impact on habitats due to land preparation works and the presence of infrastructure, adversely affecting certain species. Solar parks can be a disruptive factor for polarotactic insects, as the strongly and horizontally polarized light reflected back can resemble water, resulting in insects mistakenly laying their eggs on such surfaces.

Natural gas infrastructure, including well pads, pipelines and other roads, often causes habitat fragmentation, which can alter wildlife habitats and migration patterns, and can also disrupt local biodiversity and the health of the affected ecosystem.

The Group’s own activities do not have a significant negative impact on biodiversity-sensitive areas, with only one power plant located at a Natura 2000 site, which has no significant negative impact on biodiversity. Accordingly, we have not identified any significant negative impacts related to forest degradation, desertification or soil sealing in our own activities. In addition, the Group’s operations do not have a negative impact on endangered species either.

Material risks

Power production by hydropower plants may be at serious risk due to the loss or depletion of water resources, resulting in lost revenue. A disturbed hydrological cycle can cause reduced water flow patterns, which in turn can reduce productivity and therefore profits, and it may also result in substantial maintenance costs for the Company. For solar power plants, temperature fluctuations and changing solar radiation caused by climate change can reduce production and increase the maintenance costs of equipment.

Circular economy

Material impact

Energy production is a resource intensive activity. The ALTEO Group strives for maximum efficiency in the use of primary energy, using as little of these resources as possible, thereby increasing positive impact.

Material opportunities and risks

The waste management activities of FE-Group include the collection and processing of electric and electronic waste, as well as packaging waste, and their transformation into secondary raw materials. The materials produced contribute to the conservation of resources, reducing the need to use new raw materials. Efficient waste sorting significantly reduces the amount of waste going to landfills, thereby implementing circular economy and supporting the efforts to minimize waste generation.

The collection and environmentally friendly pre-treatment of hazardous wastes also has a positive impact on the environment. Although there may be environmental risks during transport and storage, they are strictly controlled and minimized.

Own workforce

Material impacts

Compliance with workplace health and safety regulations, appropriate training, and the provision of appropriate protective equipment can reduce the risk of accidents, injuries and illnesses at work. We ensure that our employees work in a safe and fair working environment, under transparent and lawful working conditions and benefits.

No material opportunity or risk was identified in relation to own workforce.

We did not identify any activities that pose a significant risk of forced or unfree labor, nor any countries or geographical areas where such risks might arise. In addition, we did not find any countries where activities are at significant risk due to forced labor or unfree labor.

Similarly, there are no activities identified that pose a significant risk in respect of child labor. We did not identify any countries or geographical areas where the activities would pose a risk for child labor, not did we identify any countries where the activities would pose a major risk due to child labor.

VALUE CHAIN WORKERS

No material impacts, opportunities or risks were identified for those working in the value chain.

AFFECTED COMMUNITIES

No material impacts, opportunities or risks were identified in relation to the affected communities.

CONSUMERS AND END-USERS

No material impacts, opportunities or risks were identified for consumers and end-users.

Business conduct

Material impacts

Our operational principles and norms help ALTEO Group to create and maintain its corporate culture that affects our employees and their families, as well as our business relationships. Our friendly and solution-focused attitude facilitates the establishment of an inclusive and value-creating culture. All suspected corruption cases may have a potential negative impact on our activity, and so ALTEO Group operates along the lines of zero tolerance towards corruption and bribes to prevent such suspicions. This helps to maintain the integrity, credibility of and legal compliance by the Group at the same time protecting it from financial losses, regulatory fines and damage to its reputation.

Material opportunities and risks

When ALTEO Group performs its activities, developing a culture aligned with corporate values is of key importance, where the related principles and standards form an integral part of our operation. We are committed to protecting whistleblowers, and creating a SpeakUp culture among our employees, ensuring that their concerns are handled confidentially, impartially and without retaliation to foster a culture of accountability, integrity and ethical behavior, thereby enhancing transparency and consistency within the organization.

By screening suppliers for compliance with standards, environmental regulations and ethical business practices, the Company can reduce the risk of working with unethical or unreliable partners and demonstrate its commitment to responsible procurement.

Our material impact is our zero-tolerance policy to avoid corruption and bribery, which preserves the integrity, credibility and legal compliance of the Company, protecting it from financial loss, regulatory penalties and damage to reputation. This includes strict control of conflicts of interest by making conflict of interest declarations mandatory for all employees and business partners. By focusing on fairness, transparency and ethical behavior, the Company enhances its reputation as a trustworthy and credible partner in the industry. Clear policies, procedures and control mechanisms help to detect and prevent corruption, safeguarding the Company's operations and reputation.

1.5 Management of impacts, risks and opportunities

[IRO-1. – E1, E2, E3, E4, E5, G1]

Description of processes to identify and assess material impacts, risks and opportunities

In 2024, ALTEO Group carried out and reviewed its materiality assessment based on the double materiality principle. Double materiality, as defined by the ESRS methodology, has two dimensions: impact materiality and financial materiality. Impact materiality (previously applied) concerns the assessment of sustainability matters where the undertaking may have material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A sustainability matter is financially material for an undertaking if it generates risks or opportunities that could have a material influence on the undertaking's financial position or financial performance over the short-, medium- or long-term.

For the definition of material topics, we assessed 37 subtopics listed in the ESRS, in addition to which the organization-specific sustainability issues specific to ALTEO Group were also taken into consideration. As a large energy and waste management company, issues related to efficiency and availability in energy production were also examined. Several experts of the area with knowledge of the Group's activities, sustainability targets and commitments, representing key functions, participated in the work of ALTEO Group's Sustainability Working Group. These experts joined the working group from the departments of law, compliance, environmental protection and HSE, ESG, capital markets, production, waste management, accounting, controlling and HR. Subtopics clearly not relevant in the context of the activities and value chain of ALTEO Group were discarded in a process of expert consultations.

The ALTEO Group stakeholders were surveyed and shared their opinion concerning material topics. Responses were collected from 28 stakeholders, who assessed each topic on a scale of 1 (not important) to 5 (very important) as to how representative they considered the topics for providing a true picture of the Group from an economic and sustainability perspective. The responses were taken into account when assessing the expert report of each area, for more information on this see the IRO-2 chapter.

In the course of expert analyses, we assessed impacts, risks and opportunities relevant for ALTEO Group in accordance with the methodology of double materiality set out by the ESRS. As a first step, we examined the business context in which ALTEO Group operates. We took into account the actual and potential impacts, risks and opportunities related to employees, suppliers, consumers, customers, end-users, local communities, vulnerable people, authorities, regulators and financial institutions.

In identifying actual and potential impacts, both positive and negative impacts of ALTEO Group were considered. Particular attention was paid to ecological data and the protection of species, since nature as "silent stakeholder" also plays a significant role in our sustainability efforts. After identifying the material impacts, the assessment of their severity was the next step. Three main factors were taken into account in this respect: the scale, scope and irremediable natura of the impacts. Scale shows how severe negative impacts are for the people and the environment, or how beneficial the positive impacts are. Scope measures the extent of the impacts, for example, how many people or how large a geographical area is affected. The irremediable nature indicates the extent to which the negative impacts can be reversed, for example, whether the environment can be restored to its previous state. In particular, the severity of potential negative impacts on human rights were strictly assessed, as in this area severity takes precedence over likelihood.

In assessing financial materiality, we identified the risks and opportunities that could affect our financial position, performance, cash flows and cost of capital in the short, medium and long term. We also considered how our dependence on social and natural resources can affect our financial performance. We also looked at what impacts stricter government regulations and reputational risks had. These factors can indirectly affect our business and financial performance. In the course of the assessment process, we took into account the likelihood of financial impacts and their scale, based on projections and different scenarios. We also assessed the potential financial impact of possible future events and the changes of non-financial capital, such as natural, intellectual, human, social and relational capital.

In identifying and assessing climate impacts, risks and opportunities, we relied on the results of a qualitative climate risk assessment carried out in 2022 based on the TCFD methodology, which was reassessed this year. The time horizon and risk assessment approach of our assessment is consistent with that used in the double materiality assessment and with the Company's existing risk assessment methodology.

In our analysis, we selected the climate scenarios to be used based on expert judgement and the precautionary principle, according to the expected lifetime of our assets and our strategic planning mechanism[††]. The two scenarios selected are: the scenario modelling the impacts of extremely drastic transition and domestic physical impacts, which assumes a 1.5 °C[‡‡] warming path, and the so-called "business as usual" 4 °C scenario[§§], which presumes global emission levels with no change in existing policies. The assessment evaluated physical and transition risks up until 2025 based on our current data, information and plans, up until 2030 based on the two selected scenarios, and up until 2050 based on risk trends.

The material issues identified in the analysis and their associated impacts, risks and opportunities are presented in detail in our report. The materiality assessment is reviewed and updated annually.

The list of ALTEO's material topics is included under disclosure SBM-3 in this report.

The significant impacts, risks and opportunities identified in relation to the material topics are summarized in the table below.

[††] In selecting the climate change scenarios used, we also took into account the critical assumptions in the financial statements according to which the general approach takes "business as usual" conditions into consideration, while the Company is planning to be an active player in the ambitious emission reductions required to meet the Paris Agreement as per its vision and commitment to sustainability.

[‡‡] Reference scenarios used to define the 1.5 °C scenario: IPCC RCP 2.6, IPCC SSP1, NDCs (EU). In this scenario, transition risks and market opportunities dominate. In applying this scenario, the following input factors, limitations and assumptions were taken into account in particular: A globally coordinated effort to reduce emissions to net zero by 2050 to meet the Paris Agreement and achieve steep decarbonization; Accelerated transition to renewables/electrification; Aggressive regulation to limit fossil fuel extraction and use in most industries and economies; Average growth in GDP per capita in high-income countries; Shift to sustainable and less resource-intensive lifestyles, favoring regionally-produced goods; Rapid cost reductions in key technologies such as renewable energy, hydrogen and photovoltaic energy.

[§§] Reference scenarios used to define the 4 °C scenario: IPCC RCP 8.5, IPCC SSP5. In this scenario, physical risks dominate. In applying this scenario, the following input factors, limitations and assumptions were taken into account in particular: Emissions reduction policies are limited to current regulations; Continued use of fossil fuels and energy-intensive activities; High per capita GDP growth worldwide; Increased mobility – migration from poorer to richer countries; Unsustainable, energy-intensive consumption habits; More visible impacts of climate change; Significant investments in adaptation measures to protect assets, infrastructure and communities.

Impacts, risks and opportunities associated with climate change

Material topic	IRO code	Classification	TCFD category of risks and ***opportunities	Place of occurrence	Time horizon: Short term (0-1 year)	Time horizon: Medium term (0-5 years)	Time horizon: Long term (>5 years)	Description of impact, risk or opportunity
Adaptation to climate change	I1	Actual positive impacts	N/A	Own operations		•	•	ALTEO Group's gradual transition to environmentally-conscious operations, such as increasing the efficiency of fossil power plants and strict compliance with environmental regulations, contributes to the global green transition.
	R1	Potential risks	Transitional – Policies and laws	Own operations		•	•	Risk of increased operating expenses and management burden due to expanded climate change reporting requirements (1.5 °C scenario only)
	R2	Potential risks	Transitional – Technology	Own operations		•	•	Due to rising temperatures, there is a risk of reduced efficiency of solar farms as this may make the sun, as a resource, too unstable
	R3	Potential risks	Transitional – Technology	Value chain	•	•	•	More frequent and intense peak loads on the distribution network due to heat waves
	R4	Potential risks	Physical risks (acute)	Own operations		•	•	Potential infrastructural damage to wind turbines due to extreme storms and winds
	R5	Potential risks	Physical risks (chronic)	Own operations	•	•	•	Changes in resource availability can cause a reduction or disruption in production.
Climate change mitigation	I2	Actual positive impacts	N/A	Own operations	•	•	•	Use of renewable energy. (60% of the power plant capacity in the portfolio is powered by renewable energy, which accounts for 14.5% of the Group's electricity production.)
	I3	Actual negative impacts	N/A	Own operations	•	•	•	The biogas power plant in our portfolio uses renewable fuels to generate electricity, but its operations continue to emit greenhouse gases.
	I4	Actual negative impacts	N/A	Own operations	•	•	•	The portfolio also includes electricity production based on fossil fuels, which is also associated with GHG emissions.
	I5	Potential positive impacts	N/A	Own operations		•	•	ALTEO Group has set ambitious targets to reduce GHG emissions.
	R6	Potential risks	Transitional – Market-based	Own operations		•	•	The risk of an increase in the financial burden related to potential development investments (CAPEX), in particular due to the need to take into account rising CO2 prices and EU Taxonomy requirements in investment decisions.
	R7	Potential risks	Transitional – Market-based	Own operations		•	•	Risk of impairment of fossil fuel assets due to rising fuel costs as a result of the introduction of a carbon price component.
	R8	Potential risks	Transitional – Market-based	Own operations		•	•	Risk of worse perception by investors due to ESG rating deterioration if ESG risk is not properly managed
	R9	Potential risks	Transitional – Policies and laws	Own operations		•	•	More stringent financial requirements for projects with impacts and dependencies that also affect nature, that may reduce the possibility of obtaining financing and investment.
	O1	Potential opportunity	Market-based	Own operations		•	•	Increased available capital and/or reduced capital costs due to superior climate performance due to a transition to lower emission/impact technologies and superior climate performance

*** The guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) have been used as a basis for identifying our risks and opportunities related to climate change.

Material topic	IRO code	Classification	TCFD category of risks and ***oppor-tunities	Place of occurrence	Time horizon: Short term (0-1 year)	Time horizon: Medium term (0-5 years)	Time horizon: Long term (>5 years)	Description of impact, risk or opportunity
Energy	I6	Actual negative impacts	N/A	Own operations	•	•	•	The power plants in the ALTEO Group portfolio use energy to supply in-house consumption.
	I7	Actual negative impacts	N/A	Value chain		•	•	The industrial extraction of natural gas for consumption associated with ALTEO Group's operations contributes to the depletion of natural resources and causes environmental damage, affecting ecosystems, water quality and biodiversity.
	I8	Actual positive impacts	N/A	Own operations	•	•	•	The e-mobility business of ALTEO Group installs charging stations for electric vehicles, contributing to the transition away from fossil fuels by building infrastructure.
	O2	Actual opportunity	Products and services	Own operations	•	•	•	Increasing the share of renewable-dependent power plants in the portfolio can reduce dependence on fossil fuels.
	O3	Potential opportunity	Market-based	Own operations		•	•	Increase in revenue, brand value and employee motivation due to outstanding climate performance, and higher competitiveness in operations and expansion.
	O4	Potential opportunity	Reputation	Own operations		•	•	Opportunity to improve investor perception through comprehensive climate risk management and external ESG rating.
	O5	Potential opportunity	Products and services	Own operations		•	•	New business opportunities based on nature-based solutions.
	O6	Potential opportunity	Products and services	Own operations			•	Implementation of new renewable projects by retrofitting existing power plants.

Other material impacts, risks and opportunities

Material topic	IRO code	Classification	Place of occurrence	Time horizon: Short term (0-1 year)	Time horizon: Medium term (0-5 years)	Time horizon: Long term (>5 years)	Description of impact, risk or opportunity
Air pollution	I9	Actual negative impacts	Own operations	•	•	•	Production with gas engines releases nitrogen oxides (NO_x), carbon monoxide (CO) and (TOC) components into the atmosphere.
	I10	Actual negative impacts	Own operations	•	•	•	During production, nitrogen oxide and carbon monoxide are emitted into the air from boilers.
Hydropower	I11	Actual negative impacts	Own operations	•	•	•	The activities of ALTEO Group include water-intensive production methods (hydropower plants, water treatment plants).
Direct impact drivers of biodiversity loss	I12	Actual negative impacts	Value chain	•	•	•	The materials needed to build renewable power plants (such as the steel needed to build wind turbines) were used for the first time, and their mining and processing could have had a significant impact on biodiversity.
	I13	Actual positive impacts	Own operations	•	•	•	ALTEO Group's strategic goal is to invest HUF 100 million in pilot projects to support biodiversity conservation by 2025.
	I14	Actual negative impacts	Value chain			•	Pipelines used to transport natural gas have a significant spatial footprint, which can lead to habitat degradation and fragmentation throughout the life cycle of the pipelines.

Material topic	IRO code	Classification	Place of occurrence	Time horizon Short term (0-1 year)	Medium term (0-5 years)	Long term (>5 years)	Description of impact, risk or opportunity
	I15	Actual negative impacts	Own operations	•	•	•	The head-on collision of birds and bats with wind turbine blades are fatal.
	I16	Actual negative impacts	Value chain	•	•	•	The mining of copper for wind and solar power plant components takes place in biodiversity-rich locations such as Chile, Peru, China and the Democratic Republic of Congo, where it has a significant negative impact on the environment and wildlife.
	I17	Actual negative impacts	Value chain	•	•	•	The mining of lithium, cobalt, graphite, nickel and aluminum for wind and solar power plant and battery components in the Democratic Republic of Congo (DRC) has a significant impact on the local environment and ecosystems.
Impacts on the state of species	I18	Actual negative impacts	Own operations	•	•	•	Habitat disturbance due to the construction and operation of renewable energy sources. This has an effect on habitats due to land preparation works and the presence of infrastructure, adversely affecting certain species.
	I19	Actual negative impacts	Own operations	•	•	•	Solar parks can be a disruptive factor for polarotactic insects (strongly and horizontally polarized light reflected back resembles water, where this species lays its eggs).
Impacts on ecosystem services and dependence thereon	I20	Actual negative impacts	Value chain		•	•	Natural gas infrastructure, including well pads, pipelines and other roads, often causes habitat fragmentation. This can alter wildlife habitats and migration patterns, and can also disrupt local biodiversity and the health of the affected ecosystem.
	R10	Potential risks	Own operations		•	•	Power production by hydropower plants may be at serious risk due to the loss or depletion of water resources, resulting in lost revenue.
	R11	Potential risks	Own operations		•	•	A disturbed hydrological cycle can cause reduced water flow patterns (reducing productivity and therefore profits), as well as incur substantial maintenance costs for the Company.
	R12	Potential risks	Own operations		•	•	For solar power plants, temperature fluctuations and changing solar radiation caused by climate change can reduce production and increase the maintenance costs of equipment.
Resources inflows, including resource use	I21	Actual positive impacts	Own operations	•	•	•	The Company strives for maximum efficiency in the use of primary energy, using as little of these resources as possible.
	R13	Actual risks	Own operations			•	ALTEO Group is exposed to macroeconomic risks, including the changes of natural gas prices and availability.
	O7	Actual opportunity*	Own operations		•	•	By producing secondary raw materials that can be used by industry players, we contribute to the conservation of resources, reducing the need to extract and process new raw materials.
Waste	O8	Actual opportunity*	Own operations	•	•	•	Efficient waste sorting significantly reduces the amount of waste going to landfills.
	O9	Actual opportunity*	Own operations	•	•	•	We use practices that support the circular economy, contributing to the more efficient use of resources and to minimizing waste.
Working conditions (own workforce)	I22	Actual positive impacts	Own operations	•	•	•	Compliance with workplace health and safety regulations, appropriate training, and the provision of appropriate protective equipment can reduce the risk of accidents, injuries and illnesses at work.
	I23	Actual positive impacts	Own operations	•	•	•	We ensure that our employees work in a safe and fair working environment, under transparent and lawful working conditions and benefits.

*Impact, risk or opportunity specific to FE-Group's activities.

Material topic	IRO code	Classification	Place of occurrence	Time horizon: Short term (0-1 year)	Time horizon: Medium term (0-5 years)	Time horizon: Long term (>5 years)	Description of impact, risk or opportunity
Corporate culture	I24	Actual positive impacts	Own operations	•	•	•	Our corporate culture promotes the achievement of common goals, with the Company's Code of Ethics serving as foundation. These principles and standards are an integral part of our operation, and they help us to create and maintain a healthy corporate culture.
	O10	Actual opportunity	Own operations	•	•	•	Strengthening corporate culture can improve employee engagement, morale and productivity, and fosters a more cohesive and motivated workforce.
	O11	Potential opportunity	Own operations	•	•	•	Investing in diversity and inclusive corporate culture initiatives facilitates innovation and collaboration, attracting talent with varying perspectives and a wide range of backgrounds.
Corruption and bribery	I25	Potential negative impacts	Own operations	•	•	•	Possible corruption and bribery cases may have a potential negative impact, so to prevent them we follow a zero-tolerance policy towards corruption and bribery to maintain the integrity, credibility and legal compliance of the Company, protecting it from financial loss, regulatory fines and reputational damage.
	I26	Potential negative impacts	Own operations	•	•	•	Possible corruption and bribery cases may have a potential negative impact, so strict control of conflicts of interest is a priority, and all employees and business partners are required to deliver conflict of interest declarations.
	R14	Potential risk	Own operations	•	•	•	By focusing on fairness, transparency and ethical behavior, the Company can enhance its reputation as a trustworthy and credible partner in the industry. A breach of this may pose a potential risk
	R15	Potential risk	Own operations	•	•	•	Clear policies, procedures and control mechanisms help to detect and prevent corruption, safeguarding the Company's operations and reputation. A breach of this may pose a potential risk.
Management of relationships with suppliers, including payment practices	O14	Actual opportunity	Own operations	•	•	•	By screening suppliers for compliance with standards, environmental regulations and ethical business practices, the Company can reduce the risk of working with unethical or unreliable partners, and at the same time it can demonstrate its commitment to responsible procurement, thereby ensuring business continuity and enabling associated revenue growth.
Protection of whistleblowers	R16	Potential risk	Own operations	•	•	•	The lack of effective whistleblowing mechanisms may contribute the culture of fear and distrust within the organization. Unresolved grievances may become legal disputes or cause damage by becoming media news..
	R17	Potential risk	Own operations	•	•	•	The inadequate protection of whistleblowers may discourage employees from reporting infringements, like fraud, breach of security or unethical practices. This may prevent the organization from dealing with issues that are critical for it, and this in turn may lead to non-compliance and damage to reputation..
	R18	Potential risk	Own operations	•	•	•	Inadequate investigations by the Company into reported concerns may result in maintaining the risk of legal or regulatory infringements and that of damage to reputation. .

ESRS sustainability questions in the form of yes-no statements	
The impact materiality assessment focuses on specific activities, business relationships, geographic areas or other factors that pose an increased risk of adverse impacts.	yes
It takes into account the impacts that the Company is involved in through its own operations or through its business relationships.	yes
The process includes consultation with relevant stakeholders to understand how they may be affected by the activity, and consultation with external experts.	yes
The procedure prioritizes negative impacts based on their relative severity and likelihood, and positive impacts based on their relative scale, scope and likelihood, and identifies which sustainability issues are material for reporting.	yes
The Company has conducted an assessment to identify its assets and business activities that may be exposed to climate-related hazards	yes
Climate-related risks have been identified over short, medium and long time horizons	yes
Short, medium and long-term time horizons have been defined	yes
The extent to which assets and business activities may be exposed and vulnerable to identified climate-related risks has been assessed	yes
The identification of climate risks and the assessment of exposure and vulnerability are based on high-emission climate scenarios	yes
Transition risks have been identified over short, medium and long time horizons	yes
The Company has conducted an assessment to establish whether assets and business activities may be exposed to transition risks	yes
The extent to which assets and business activities may be exposed and vulnerable to identified transition events has been assessed	yes
The identification of and assessment of exposure to transition risks was based on climate scenario analyses	yes
The assets and business activities that are not compatible or require significant effort to be compatible with the transition to a climate-neutral economy have been identified	no

Disclosure requirements in ESRS covered by the undertaking's sustainability statements

[IRO-2]

The material information to be disclosed on the impacts, risks and opportunities that ALTEO Group considers material has been identified by the working group responsible for the preparation of the report. The decision was based on a double materiality assessment prior to the drafting of the Sustainability Report. In the course of the double materiality assessment, a topic deemed material either from an environmental or a financial perspective, or both, is considered a material topic.

For the thresholds, the working group defined the materiality thresholds and presented them in the documentation when the final DMA results were approved. The materiality of impacts, risks and opportunities was assessed using a numerical scale of 25 levels. All impacts, risks and opportunities that have a value of 17 or more are considered material. For impacts, risks and opportunities with an assessment around the threshold, the preliminary assessment was confirmed or revised in further consultation and the final substantive list of material topics was established and is included in the report.

Material topics were assessed at sub-topic level and all datapoints relevant to the Company were included. The relevance of datapoints was assessed based on several criteria: firstly, whether the Company had data. If not, and deferral is applicable, it has been applied in accordance with Annex C. Furthermore, the materiality of the sub-topics provided the basis for determining which information to present. For example, the topic of pollution is material because of air pollution, and therefore datapoints related to air pollution were published, while those related to water pollution were not, as they are not relevant for ALTEO Group.

ALTEO Group did not apply any threshold values for its subsidiaries, the number of employees, but it had drawn up its report in respect of all its companies.

ESRS disclosure requirements in the Company's sustainability statement

[IRO-2]

ESRS 2 – General Disclosures

Topic		Page number
1. Introduction		**1**
	Presentation of ALTEO Group: strategy, business model and value chain	1
2. Principles of preparation		**1**
BP-1	General basis for the preparation of the Sustainability Report	1
BP-2	Disclosures in relation to specific circumstances	1
3. Governance		**2**
GOV-1 **GOV-2**	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	2
GOV-3	Integration of sustainability-related performance in incentive schemes	6
GOV-4	Statement on due diligence	8
GOV-5	Risk management and internal controls of sustainability reporting	8
4. Strategy		**9**
SBM-1	Strategy	9
SBM-2	Interests and views of stakeholders	18
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	19
5. Management of impacts, risks and opportunities		**22**
IRO-1	Description of processes to identify and assess material impacts, risks and opportunities	22
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statements	28
	List of datapoints in cross-cutting and topical standards that derive from other EU laws	81

"E": Environmental topics

Topic	Page number
EU taxonomy report	**32**

ESRS E1 – Climate change

Topic		Page number
Strategy		
ESRS 2 **GOV-3.-E1**	Integration of sustainability-related performance in incentive schemes	6
E1-1	Transition plan for climate change mitigation	45
ESRS 2 **SBM-3.-E1**	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	19
Impact, risk and opportunity management		**45**
ESRS 2 **IRO-1.-E1**	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	45
E1-2	Policies related to climate change mitigation and adaptation	45
E1-3	Actions and resources related to climate change policies	45
Metrics and targets		**46**
E1-4	Goals related to climate change mitigation and adaptation	46
E1-5	Energy consumption and mix	48
E1-6	Scopes 1, 2, 3 gross and total GHG emissions	51
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	55
E1-9	Expected financial impacts of material physical and transition risks, and potential climate-related opportunities	55

ESRS E2 – Pollution

Topic		Page number
Impact, risk and opportunity management		**58**
ESRS 2 IRO-1.-E2	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	58
E2-1	Policies related to pollution	58
E2-2	Actions and resources related to pollution	59
E2-3	Targets related to pollution	59
Metrics and targets		**59**
E2-4	Air pollution	59

ESRS E3 – Water and marine resources

Topic		Page number
Impact, risk and opportunity management		**60**
ESRS 2 IRO-1.-E3	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	60
E3-1	Policies related to water and marine resources	60
E3-2	Actions and resources related to water and marine resources	61
Metrics and targets		**61**
E3-3	Targets related to water and marine resources	61
E3-4	Water consumption	61

ESRS E4 – Biodiversity and ecosystems

Topic		Page number
Strategy		**62**
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	62
ESRS 2 IRO-1.-E4	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	62
Impact, risk and opportunity management		**62**
E4-2	Policies related to biodiversity and ecosystems	62
Metrics and targets		**63**
E4-4	Targets related to biodiversity and ecosystems	63
E4-5	Impact metrics related to biodiversity and ecosystems change	63

ESRS E5 – Resource use and circular economy

Topic		Page number
Impact, risk and opportunity management		63
ESRS 2 IRO-1.-E5	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	63
E5-1	Policies related to resource use and circular economy	63
E5-2	Actions and resources related to resource use and circular economy	63
FeGr1	Waste management activities for FE-GROUP	63
ALTEO1	Waste management within ALTEO Group	64
Metrics and targets		63
E5-3	Targets related to resource use and circular economy	64
E5-5	Resource outflows	63
E5-6	Expected financial effects of resource use and circular economy-related impacts, risks and opportunities	The undertaking may omit the information

		prescribed in the disclosure requirement E5-6 for the year in which its sustainability statement is first prepared.

"S": Social topics – Corporate social responsibility

ESRS S1 – Own workforce

ESRS G1 – Business conduct

2 ENVIRONMENT

2.1 EU taxonomy report

Introduction

With the adoption of the **EU Taxonomy Regulation**[‡‡‡] in 2020, large companies will be required to disclose the extent to which their activities are considered sustainable from 2023 onwards. Activities that are considered sustainable, i.e. “taxonomy-aligned” and “eligible” within the meaning in which it is used by the law, must be defined according to the classification system of the EU Taxonomy Regulation (or its delegated regulations). Article 3 of Regulation (EU) 2020/852 defines the criteria by which an economic activity can be considered sustainable:

- contributes substantially to one of the six environmental objectives,
- complies with the technical screening criteria (TSC) for the activities,
- it does no significant harm (DNSH) with regard to any of the other five objectives,
- it complies with the Minimum Social Safeguards required (MSS).

If the activity meets the above criteria, it is considered “taxonomy-aligned". We also examined the reporting elements of the Commission Delegated Regulation (EU) 2022/1214 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities and concluded that there is no added value yet in supplementing our report with these content elements because ALTEO Group does not carry out activities related to nuclear energy production, and in the case of fossil fuel operated power plants, life-cycle emissions are not yet close to the values specified in the additional regulation.

Taxonomy alignment needs to be examined, as the first step, in terms of a significant contribution to the six environmental objectives set out in EU Taxonomy: (1) climate change mitigation; (2) adaptation to climate change; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy; (5) prevention and reduction of environmental pollution; and (6) protection and restoration of biodiversity and ecosystems, with regard to the economic activities relevant for the companies. Significant contribution must be examined regarding an environmental objective, based on so-called Technical Screening Criteria (TSC). In order for an economic activity to be taxonomy-aligned, it must meet the TSC criteria as well as the criteria of “Do No Significant Harm” (DNSH) and Minimum Social Safeguards (MSS) as well.

Pursuant to the EU Taxonomy Regulation and the relevant disclosure rules[§§§], undertakings are required to disclose their revenues from taxonomy-eligible and taxonomy-aligned activities as well as the CapEx and OpEx ratios. While in 2022 the examination of the criteria[****] and the disclosure of revenue, CapEx and OpEx indicators were required only in case of economic activities contributing substantially to (1) climate change mitigation or (2) climate change adaptation, pursuant to the Commission delegated Regulation (EU) 2023/2486[††††], published in November 2023 and effective from January 1, 2024, the criteria for taxonomy eligibility need to be examined and the relevant revenues, CapEx and OpEx figures disclosed with regard to the other four environmental objectives as well. For 2023 the new rules only require the examination of taxonomy eligibility. The affected undertakings may voluntarily decided on examining taxonomy alignment, and on the disclosure of the relevant financial indicators.

General methodology regarding the financial year 2024

For 2024, taking into account the publication of the delegated environmental regulation, ALTEO Group examined and identified its economic activities that may potentially be regarded as sustainable for each environmental objective and examined taxonomy-alignment regarding the activities identified. In accordance with the 2024 disclosure requirements of the EU Taxonomy Regulation, we have calculated the proportion of our Company’s taxonomy-aligned activities in terms of the revenues and all of the Company’s activities as well as our CapEx and OpEx expenditures.

[‡‡‡] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 – https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020R0852

[§§§] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 specifying the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178

[****] The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139

[††††] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Identification of taxonomy-eligible activities*

In the course of identifying the taxonomy-eligible activities of ALTEO Group, the company took into consideration the eligibility criteria set out in the delegated regulations of the Taxonomy regulation as well as the so-called NACE codes specified for the each activity deemed sustainable. The assessment covered the activities of all subsidiaries of the ALTEO Group.

Examination of taxonomy-aligned activities

For the financial year 2024, ALTEO Group examined the taxonomy-alignment of the climate change related objective and also, on a voluntary basis, of the other four objectives.

Taxonomy-eligible activities were examined for their alignment in three steps. First, we looked at compliance with the Technical Screening Criteria (TSC) specified in the relevant delegated regulations for each activity, that is, the environmental objectives to which the economic activities of ALTEO Group contribute. Then, if the TSC criteria were satisfied, we examined whether the activities comply with the DNSH criteria, and finally we also checked compliance with the Minimum Social Safeguards regarding each activity.

Examination of the satisfaction of the Technical Screening Criteria (TSC)

The Technical Screening Criteria specify the conditions that need to be met for any given economic activity to substantially contribute to the achievement of one of the six environmental objectives specified in the Taxonomy Regulation. Satisfaction of the Technical Screening Criteria was examined based on the technical documentation of projects relevant for each activity. Where more than one environmental objective was relevant for an economic activity, the materiality of the contribution determined the environmental objective for which the TSC criteria would be assessed.

Examination of Do No Significant Harm (DNSH)

<u>Climate change mitigation</u>

In the financial year 2024 the examination of the climate change mitigation criterion was not relevant regarding EU Taxonomy-aligned activities.

<u>Climate change adaptation</u>

The adaptation-related DNSH criteria are set out in Annex A for all delegated regulations. A detailed assessment was carried out to support the compliance of the activities, its methodology having been improved since the previous year. Annex A screening (i.e. compliance with climate change adaptation requirements) covered all sites of all eligible activities.

This year, the assessment of climate risks and the sensitivity of activities relied on the two climate change scenarios specified by the IPCC. The IPCC RCP 4 climate model envisages a global average temperature increase path of 2.5 °C before 2100, while the RCP 8.5 climate model foresees a 4.3 °C increase; these differences may entail different risk levels and sensitivities with regard to the activities.

In the climate risk assessment, we used the long-term climate change forecasts of the IPCC (Intergovernmental Panel on Climate Change) and the EEA (European Environment Agency) as our sources. In addition, the European Climate Adaptation Platform (Climate-ADAPT) database was used to select the relevant climate risks. We have considered all relevant key future climate risks that are relevant in Hungary according to the Climate-ADAPT database. Wherever possible, we also examined risks, and the sensitivity of the identified economic activities from a regional aspect based on the sources of the National Adaptation Geo-information System (NAGiS).

Based on the climate risk assessments performed in the financial year 2024, we identified no long-term physical climate risks that would necessitate the identification of adaptation solutions due to their significance.

<u>Sustainable use and protection of water and marine resources</u>

During the assessment of compliance with Annex B of the delegated regulations, we relied on technical documentation, and operating and environmental permits.

*EU Taxonomy Report for 2023 is available on the webpage of ALTEO

Transition to a circular economy

In the case of transition to a circular economy, the waste management services related to the activities are not yet available in Hungary (material recovery of solar power plant and wind turbine accessories), but progress is expected to be made in this regard by the expected date of replacement of the technical equipment used. In view of the present abandonment and technological replacement plans and operating procedures, the relevant activities comply with the DNSH requirements regarding transition to a circular economy. Until proper material recovery is ensured in our country, we will ensure storage of the disassembled components in the appropriate manner.

Prevention and reduction of environmental pollution

During the verification of compliance with Annex C of the delegated regulations, we relied on operating and environmental permits.

Protection and restoration of biodiversity and ecosystems

During the assessment of compliance with Annex D of the delegated regulations, we relied on operating and environmental permits.

Assessment of compliance with Minimum Social Safeguards (MSS)

ALTEO Group is committed to respecting human rights and complies with the Minimum Social Safeguards, the World Benchmark Alliance UNGP key indicators required for the protection of human rights, the UN Business and Human Rights guidelines and the OECD guidelines for multinational enterprises.

ALTEO Group is a listed company with a strict corporate governance system that ensures compliance with the requirements related to human rights, corruption, taxation and competition law stipulated in the guidelines related to minimum social safeguards.

For the preparation of the EU taxonomy report we also looked at compliance with MSS criteria on the group level and assessed the MSS risks of each activity. The ALTEO Group meets all criteria at the enterprise level and no MSS risk was identified for any of its activities subject to the Taxonomy. Further relevant information related to MSS at company level is available in ALTEO Group's Code of Ethics, the compliance-related chapters of the Integrated Report and in corporate disclosures.

Sales revenues from taxonomy-eligible and taxonomy-aligned activities

Taxonomy-aligned activities

The proportion of the sales revenue from taxonomy-aligned and taxonomy-eligible activities was quantified by taking into account the net revenue from products or services, including from intangible assets. For electricity generation activities, sales revenue is determined based on the method of generation. The proportion of taxonomy-aligned sales revenue was calculated based on the electricity sold to MAVIR and the guarantee of origin sold to third parties in the case of activities related to electricity generation. Activities related to the installation of charging stations for electric vehicles and to waste management are performed within a separate company in the ALTEO Group, consequently sales revenue figures for those activities are available at those companies.

Activities relating the environmental objective of climate change mitigation[‡‡‡‡]

- 4.1 Electricity generation using solar photovoltaic technology: Revenue from the sale of electricity generated by the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Revenue from the sale of electricity generated by the wind turbines of the ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja, Pápakovácsi, Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Revenue from the sale of electricity generated by the hydropower plants operated by the ALTEO Group in Felsődobsza and Gibárt.
- 4.10 Storage of electricity: Electricity, revenue from the energy storage activity at the Füredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant of the ALTEO Group using lithium-ion technology.
- 5.10 Landfill gas capture and utilization: Revenue from the sale of electricity produced from landfill gas generated at a landfill site in Debrecen by the small-scale power plants Debrecen I and Debrecen II.

[‡‡‡‡] The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139

- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings: Revenue from the use of charging stations for electric cars owned by ALTE-Go.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Revenue from the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

Activities in compliance with the environmental objective of transition to a circular economy[§§§§]

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned revenue was calculated based on the ratio of vehicles conforming to the EURO V or EURO VI standards.

Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡‡]

- 4.8 Electricity generation from bioenergy: revenue from the sale of electricity generated by the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO Group.

Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§§]

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-eligible revenue was calculated based on the ratio of vehicles conforming to the EURO IV or EURO III standards.
- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

CapEx ratio of taxonomy-eligible and taxonomy-aligned activities

In the case of taxonomy-aligned and eligible activities, direct CapEx costs specified in the Taxonomy Regulation were taken into account, which does not include the costs of central management activities and maintenance of central office buildings. The CAPEX costs of taxonomy-eligible activities include costs relating to the procurement and leasing of properties, machinery, equipment and intangible assets.

Activities aligned to the environmental objective of climate change mitigation[‡‡‡‡]

- 4.1 Electricity generation using solar photovoltaic technology: Capital expenditure relating to the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Capital expenditure relating to the wind turbines of the ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi, and the capital expenditure related to the acquisition of wind turbines in Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Capital expenditure relating to the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 5.10 Landfill gas capture and utilization: Capital expenditure related to ALTEO Group's small-scale power plants Debrecen I and Debrecen II.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and at parking spaces belonging to buildings): Capital expenditure relating to the installation of ALTE-GO's charging stations for electric vehicles.

Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡‡]

- 4.8 Electricity generation from bioenergy: capital expenditure relating to the Nagykőrös biogas plant owned by Energigas
- 4.29 Electricity generation from fossil gaseous fuels: Capital expenditure relating to the electricity generation of natural gas powered and cogeneration plants operated by ALTEO Group.

[§§§§] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§]

- 2.7 Sorting and material recovery of non-hazardous waste: Capital expenditure relating to the sorting of non-hazardous waste collected by FE-GROUP.

OpEx ratio of taxonomy-eligible and taxonomy-aligned activities

Pursuant to the delegated regulation on disclosure, the following elements may be included in the operating expenditures of taxonomy-eligible and taxonomy-aligned activities: costs related to assets or processes (including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development); capital expenditures to expand taxonomy-aligned economic activities or allow taxonomy-eligible economic activities to become taxonomy-aligned; and expenditures relating to individual measures enabling aligned activities to become low-carbon or to lead to greenhouse gas reductions.

In the case of electricity generation, the direct costs of the relevant power plants were taken into account, including primarily, but not exclusively, costs related to operation and scheduling, potential insurer revenues and non-income tax type charges. Activities related to the installation of charging stations for electric vehicles are performed by a separate company within the ALTEO Group; consequently, the cost statements of the company are available.

Activities aligned to the environmental objective of climate change mitigation[‡‡‡]

- 4.1 Electricity generation using solar photovoltaic technology: Expenditure relating to the operation of the solar power plants of ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Expenditure relating to the operation of the wind turbines of ALTEO Group near Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja, Pápakovácsi, Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Expenditure relating to the operation of the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 4.10 Storage of electricity: Operating expenditure relating to the energy storage activity at the Füredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant of the ALTEO Group using lithium-ion technology.
- 5.10 Landfill gas capture and utilization: Expenditure relating to the operation of the small-scale power plants Debrecen I and Debrecen II.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and at parking spaces belonging to buildings): Operating expenditure relating to the installation, maintenance and repair of ALTE-GO's charging stations for electric vehicles.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Operating expenditure relating to the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

Activities aligned to the environmental objective of transition to a circular economy[§§§]

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Operating expenditures of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned OpEx indicator was calculated based on the applicable ratio.

Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡]

- 4.8 Electricity generation from bioenergy: operating expenditure relating to the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO Group.

Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§]

- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

TABLE 1: PROPORTION OF REVENUE FROM PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[17]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of revenue (3)	Ratio of revenue, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	1.596	1.5	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	4.033	3.8	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	488	0.5	100							I.	I.			I.	I.	T	
Storage of electricity	4.10 (Annex I) / NA	1.494	1.4	100							I.	I.	I.		I.	I.		E
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	127	0.1	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	147	0.1	100							I.					I.		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	0	0.0	100							I.					I.		E
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	1.082	1.0				41.7				I.	I.		I.		I.	T	
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1.)		8.967	8.5															
Of which: transitional		7.326	6.9														T	
Of which: enabling		1.641	1.6															E

[17] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of revenue (3)	Ratio of revenue, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities)																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	671	0.6	I.													0.6	
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	13.017	12.3	I.													21.3	
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	1.515	1.4				I.										0.4	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	2.931	2.8				I.										2.4	
Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		18.134	17.2														24.7	
A: Sales revenues from taxonomy-eligible activities (A.1+A.2.)		27.101	25.7															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Sales revenues from taxonomy-non-eligible activities		78.288	74.3															
Total (A+B)		105.389	100															

RATIO OF REVENUE / TOTAL REVENUE

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	7.5%	13.0%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	1.0%	4.2%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 2: PROPORTION OF CAPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[18]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of CapEx (3)	Ratio of CapEx, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	1.953	8.7	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	8.693	38.9	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	130	0.6	100							I.	I.			I.	I.	T	
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	131	0,6	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	9	0.0	100							I.							E
CapEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		10.916	48.9															
Of which: transitional		10.907	48.9														T	
Of which: enabling		9	0															E

[18] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of CapEx (3)	Ratio of CapEx, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	21	0.1	I.														
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	7.757	34.7	I.													NA	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	531	2.4				I.										NA	
CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		8.309	37.2														0	
A: CapEx of taxonomy-eligible activities (A.1+A.2.)		19.225	86.1															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
CapEx of taxonomy-non-eligible activities		3.099	13.9															
Total (A+B)		22.324	100															

RATIO OF CAPEX / TOTAL CAPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	48.9%	35.4%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	2.4%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 3: PROPORTION OF OPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[19]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of OpEx (3)	OpEx ratio, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	256	0.3	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	1.278	1.6	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	173	0.2	100							I.	I.			I.	I.	T	
Storage of electricity	4.10 (Annex I) / NA	47	0.1	100							I.	I.	I.		I.	I.		E
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	161	0.2	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	257	0.3	100							I.					I.		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	0	0	100							I.					I.		E
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	571	0.7				41.7				I.	I.		I.		I.	T	
OpEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		2.743	3.4															
Of which: transitional		2.439	3.0														T	
Of which: enabling		304	0.4															E

[19] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of OpEx (3)	OpEx ratio, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	794	1.0	I.													NA	
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	9,632	12.0	I.													NA	
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	800	1.0				I.										NA	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.3.2.	2,292	2.8				I.										NA	
OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		13,518	16.8															
A: OpEx of taxonomy-eligible activities (A.1+A.2.)		16,261	20.2															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of taxonomy-non-eligible activities		64,231	79.8															
Total (A+B)		80,492	100															

OPEX RATIO / TOTAL OPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	2.7%	13.0%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0.7%	3.8%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 4: ACTIVITIES RELATING TO NUCLEAR ENERGY AND FOSSIL GAS[20]

Line	Activities relating to nuclear energy	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of cogeneration heat/cooling energy and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cooling energy using fossil gaseous fuels.	YES

TABLE 5: TAXONOMY-ELIGIBLE BUT TAXONOMY-NON-ALIGNED ECONOMIC ACTIVITIES

Line	Economic activity	Revenue		CapEx		OpEx	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
2.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
3.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
4.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139	13,017	12.3	7,757	34.7	9,632	12.0x
5.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139						

[20] Pursuant to Annex III to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214

Line	Economic activity	Revenue		CapEx		OpEx	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		Amount	%	Amount	%	Amount	%
6.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities not mentioned in lines 1 to 6						
8.	Amount and proportion in the denominator of the applicable KPI pf taxonomy-eligible but not taxonomy-aligned economic activities	18,134	17.2	8,309	37.2	13,518	16.8

Line	Economic activity	Amount	Percentage
1.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 1 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
2.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 2 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
3.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 3 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
4.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 4 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
5.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 5 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
6.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 6 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-non-eligible economic activities not mentioned in lines 1 to 6		
8.	Amount and proportion in the denominator of the applicable KPI pf taxonomy-non-eligible economic activities		

2.2 Climate change

Transition plan for climate change mitigation

[E1-1]

ALTEO Group does not currently have a transition plan for climate change mitigation, it will be drawn up in 2025.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

[E1 IRO-1]

In preparing this report, the Company assessed its exposure and sensitivity to climate change risks (including physical and transition risks) for all its assets and business activities, taking into account their likelihood, magnitude and duration, as well as the 1.5 °C scenario and the high-emission climate scenario. The exposure of assets and activities is described in detail in the chapter on disclosure requirement E1-9, which includes gross physical and transition risks and transition opportunities. The Company uses climate scenario analysis as a strategic tool to identify and assess risks and opportunities in the short, medium and long term.

Policies related to climate change mitigation and adaptation

[E1-2]

The energy industry, and thus ALTEO Group, has a major role in managing the global problem of climate change. That is why we are prioritizing climate change mitigation, including, among other things, by reducing the use of fossil fuels, increasing the share of renewables and promoting decarbonization. [E1-2 22] Our related strategic targets and results for the current year are reported under disclosure SBM-1. Adapting to climate change is a priority for the Company, and we are taking great care to increase the efficiency of our fossil power plants and strictly comply with environmental regulations.

ALTEO Group is committed to Hungary's renewable energy production and to achieving climate neutrality by 2050. Our strategy and business model reflect this commitment, with innovation and sustainability at its core. The Integrated Management Policy is the fundamental document of the Integrated Management System, in which the Company's management commits itself to providing quality services, ensuring safe work environment, energy efficiency, the protection of environment, and sustainability. Our Integrated Management Policy applies to all ALTEO Group activities, including the entire value chain of the energy industry. By integrating quality management, environmental management, occupational health and safety and energy management systems, the Integrated Management System (IMS) can operate in compliance with international standards. This also ensures compliance with current laws and stakeholder expectations. The Executive Board is responsible for the operation of the IMS. Through its activities, ALTEO Group serves sustainability, mitigation and adaptation, as well as energy efficiency and the use of renewable energy. For more information, see Chapter 4.1 *Integrated Management System*.

Our portfolio consists of 26 power plant units (both own and operated), which have a total generation capacity of 323.3 MW of electricity and 1053.0 MW of heat. 60% of the power plants in our portfolio are fueled by renewable energy. ALTEO Group's efficiency, controllability and central supervision is ensured by the Virtual Power Plant.

ALTEO Group pays particular attention to the continuous improvement of energy efficiency, in line with the objective set in the Integrated Management Policy. In this context, we implement investment projects to achieve various energy efficiency targets, support the education and training of the next generation of employees and raise the awareness of the future generation in this regard.

Actions and resources related to climate change policies

[E1-3]

ALTEO Group's strategic objectives focus on the use of renewable energy sources in energy production, including wind turbines, solar-powered systems, hydropower plants, as well as biogas and landfill gas technologies.

ALTEO Group does not currently have a transition plan for climate change mitigation, thus the decarbonization assets and the related CapEx and OpEx have not been defined. Our aim is to develop a transition plan for climate change mitigation by 2025, which will contribute significantly on a Group level to ALTEO Group's objective of achieving carbon neutrality as set out in its strategy for 2025-2030.

Our priority measure is the operation of continuous emission measurement systems with high availability and compliance with daily limits to ensure regulatory compliance, reduce environmental load and improve operational efficiency. The measure applies to the relevant sites on a Group level.

In 2024, we have managed to generate 166.5 GWh of electricity from renewable energy sources. [E1-3 29.a)] ALTEO Group is a pioneer in the Hungarian energy market in the scheduling of renewable power plants, which provides the opportunity to operate the existing renewable energy generation capacities with the highest possible efficiency.

No expected GHG emission figures have been defined for actions and, therefore, there is no data on this, nor do we have specific data on the GHG emission reductions achieved with the scheduling of renewable energy plants. We are currently exploring the possibilities for a calculation method to credibly report our figures related to non-emission in the future.

The implementation of actions depends largely on the availability and appropriate distribution of resources. The availability of human resources to build new renewable power plants is essential, as is the availability of technology. For example, wind turbines can have a wait time of several years due to the length of the manufacturing process, while solar panels require rare earth elements, which also limit the availability of resources. In addition, adequate green loans need to be available to secure financing for renewable energy projects.

Highly skilled professionals are needed to provide scheduling services of appropriate quality, and this may be hampered by the expansion of the market.

Together, these factors determine the success and effectiveness of actions and the achievement of long-term goals. In response to these challenges, our Company is constantly looking for ways to make the best use of its resources.

Goals related to climate change mitigation and adaptation

[E1-4]

As a responsible company, ALTEO Group has a comprehensive sustainability strategy, which includes strategic goals, specific actions and metrics to monitor them. Our sustainability strategy is available on our website.

Mitigating climate change is at the heart of our corporate policies. To this end, ALTEO Group is actively working towards our sustainability goals. Based on our goals to reduce our carbon footprint, we aim to reduce our direct Scope 1 emissions by at least 20%, our indirect Scope 2 emissions by 30% and our other indirect Scope 3 emissions by 50% by 2030. We are also using our natural gas-fired power plants to compensate for the fluctuations of renewable energy sources, stabilizing the electricity system and supporting the more extensive integration of renewables.

GHG EMISSION REDUCTION TARGETS

GHG emission reduction targets	Targets in absolute value	Base year	Target year	Target for 2030	Target for 2050
Scope 1	50%	2019	2050	20%	100%
Scope 2	75%	2019	2050	30%	100%
Scope 3	100%	2021	2050	50%	100%

ESRS sustainability questions in the form of yes-no statements	
Greenhouse gas (GHG) emission reduction targets have been set.	yes
The target is set on the basis of the sectoral decarbonization path.	no
The goal to reduce greenhouse gas emissions is scientifically sound and consistent with limiting global warming to 1.5 degrees Celsius.	no
The goal has been validated by an external party.	no
Stakeholders were involved in the target setting process.	no
Progress is in line with original plans.	no
New technologies are going to be introduced to meet the goal of reducing greenhouse gas emissions.	no
A number of different climate scenarios were considered to identify relevant environmental, social, technological, market and regulatory developments and to identify decarbonization assets.	yes

We have set further ambitious targets for 2050: the transition of ALTEO Group to net zero operations. Achieving these targets will contribute to meeting the European Union’s net zero emissions targets. Apart from these targets, we did not consider it necessary to set any further intermediate targets and milestones, and therefore they are not relevant for the Company. Our Scope 2 greenhouse gas emission reduction target is set on a location basis.

In addition, we plan to achieve a 25% reduction in NO_x (nitrogen oxides) emissions by 2030, which will contribute significantly to improving air quality and to reducing health risks. To increase the use of renewable energy sources, we aim to increase the share of our renewable production management business from 15% to 25% by 2025. This is a key step towards increasing the share of sustainable energy production.

In the spirit of transparency, we prepare an annual report on the total amount invested in renewables and the volume of energy produced from renewables. This report provides an opportunity for stakeholders and partners to monitor our progress and commitment to achieving sustainability goals.

These steps are proof that our Company is determined to reduce GHG emissions, while continuing to develop sustainable energy solutions that help us achieve our environmental and economic goals.

Information related to the definition of targets

In order to ensure consistency between greenhouse gas (GHG) emission reduction targets and GHG inventory limits, our Company applies the GHG Protocol standard.

There is no information on the past progress towards the targets from before the current base year. The baseline remains representative as our activities have not changed significantly since 2023.

In 2023, ALTEO explored the possibility of setting science-based (SBTi) GHG emission reduction targets to meet the goal of limiting global warming to 1.5 degrees Celsius. However, due to the limited technological, financial and economic information available, this process is only planned to be introduced at a later stage. We continuously monitor the viability of that objective.

Climate risks have been assessed in terms of the impact on the Company's financial position and the achievement of strategic goals, in line with the Company's existing ERM (risk analysis) methodology. We considered 2 climate scenarios[21] (1.5 °C and 4 °C warming paths), for which we assessed the relevant risks over 3 time horizons: short (2025), medium (2030) and long (2050, trend assessment only). Currently, a qualitative assessment of risks has been carried out, and a quantitative climate risk assessment is a task to be carried out in the coming years.

Currently, ALTEO Group does not have any decarbonization assets. We, therefore, have no information in this regard. However, we intend to explore further strategies and assets that can contribute to reducing emissions through decarbonization in the future.

ALTEO-2

[E1-4] One of the important performance indicators for our strategic goal to increase the share of renewable energy production capacity is the total amount invested in renewables and the volume of energy produced from renewables.

Increasing the share of renewable energy production capacity is an important performance indicator for ALTEO Group's strategic goals. The indicators used to measure this include the amount invested in renewables and the volume of energy produced from renewables. In line with EU Taxonomy guidelines, the value of CAPEX spent to increase the share of renewable energy production capacity of the portfolio of ALTEO Group is used to generate the indicator. We consider activities such as electricity generation from wind, hydro and solar energy, and landfill gas separation and utilization. This allows us to calculate the total amount invested in renewable energy.

INDICATORS FOR OUR STRATEGIC OBJECTIVE TO INCREASE THE SHARE OF RENEWABLES-BASED ENERGY PRODUCTION CAPACITY

[E1-3]

	2024
Total amount invested in renewable energy – CapEx [HUF million]	10,907
Volume of energy produced from own renewables [GJ]	599,484

[21] Reference scenarios used to define the 1.5 °C scenario: IPCC RCP 2.6, IPCC SSP1, NDCs (EU). Reference scenarios used to define the 4 °C scenario: IPCC RCP 8.5, IPCC SSP5.

Energy consumption and mix

[E1-5]

ALTEO Group Energy consumption and mix

	Unit of measurement	2024
Total energy consumption related to own operations	MWh	4,047,926
Total energy consumption from fossil sources	MWh	3,986,414
Total energy consumption from nuclear sources	MWh	10,368
Share of energy consumption from nuclear sources in total energy consumption	MWh	0.26%
Total energy consumption from renewable sources	MWh	50,675
Fuel consumption from renewable sources	MWh	42,669
Consumption of purchased or procured electricity, heat, steam, and cooling from renewable sources	MWh	4,096
Consumption of self-generated non-fuel renewable energy	MWh	3,910
Share of renewable energy sources in total energy consumption	%	1.25%
For high climate impact sectors		
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products	MWh	2,926
Fuel consumption from natural gas	MWh	3,640,565
Fuel consumption from other fossil sources	MWh	328,747
Consumption of purchased or procured electricity, heat, steam, and cooling from fossil sources	MWh	17,101
Total fossil energy consumption	%	98.48%

Energy production

	Unit of measurement	2024
Non-renewable energy production	MWh	3374873.11
Renewable energy production	MWh	166523.25

ENERGY INTENSITY OF ACTIVITIES IN HIGH CLIMATE IMPACT SECTORS

FOR HIGH CLIMATE IMPACT SECTORS

[E1-5]

	Unit of measurement	2024
Energy intensity of activities in high climate impact sectors (total energy consumption per net revenue)	MWh/HUF million	38.40
Total energy consumption of activities in high climate impact sectors	MWh	4,047,926
Net revenue from activities in high climate impact sectors	HUF million	105.389
Net revenues from activities outside high climate impact sectors	HUF million	0

High climate impact sectors used to determine energy intensity for 2024 are: Energy production, energy trading, e-mobility, energy business and energy services, production management services, waste management.

ALTEO Group's net revenue in the current year amounted to HUF 105,389 million.

The net revenues from high climate impact sectors have been determined by classifying the core activities of subsidiaries and parent companies within ALTEO Group according to NACE code. The sales revenue figures shown are the same as those in the Financial Report.

FE-GROUP ENERGY CONSUMPTION AND MIX

	Unit of measurement	2024
Total energy consumption related to own operations	MWh	2.844
Total energy consumption from fossil sources	MWh	2.553
Total energy consumption from nuclear sources	MWh	202
Share of energy consumption from nuclear sources in total energy consumption	%	7%
Total energy consumption from renewable sources	MWh	80
Fuel consumption from renewable sources	MWh	0
Consumption of purchased or procured electricity, heat, steam, and cooling from renewable sources	MWh	80
Consumption of self-generated non-fuel renewable energy	MWh	0
Share of renewable energy sources in total energy consumption	%	2.80%
For high climate impact sectors		
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products	MWh	1914
Fuel consumption from natural gas	MWh	94
Fuel consumption from other fossil sources	MWh	420
Consumption of purchased or procured electricity, heat, steam, and cooling from fossil sources	MWh	125
Total fossil energy consumption	%	89.77%

ENERGY INTENSITY OF ACTIVITIES IN HIGH CLIMATE IMPACT SECTORS

FOR HIGH CLIMATE IMPACT SECTORS IN THE CASE OF FE-GROUP

	Unit of measurement	2024
High climate impact sectors used to determine energy intensity	[-]	Waste management
Energy intensity of activities in high climate impact sectors (total energy consumption per net revenue)	MWh/HUF million	0.45
Total energy consumption of activities in high climate impact sectors	MWh	2,844
Net revenue from activities in high climate impact sectors	HUF million	6,292
Net revenues from activities outside high climate impact sectors	HUF million	0

The sales revenue figures shown are the same as those in the Financial Report.

The EU benchmarks aligned to the Paris Agreement do not apply to ALTEO Group.

Scopes 1, 2, 3 gross and total GHG emissions

[E1-6]

In the energy industry, we need to find the optimal balance between economic efficiency and environmental sustainability. Although energy production and use are essential for the economy and society, traditional methods can have harmful effects on the environment and even on human health.

ALTEO Group is committed to operating in a sustainable manner and, therefore, continuously strives to reduce its environmental load. We achieve this partly by increasing the share of renewable energy sources, but it is equally important for us to minimize the environmental impacts of existing energy production processes.

The strategic objectives of ALTEO Group include reducing our emissions of pollutants and greenhouse gases in order to actively contribute to the protection of the environment and a sustainable future. To achieve this, we are developing our technologies and processes on an ongoing basis taking account of opportunities.

Our Company aims to create an energy production portfolio that strikes the right balance between renewables and efficient fossil fuel-based power plants. This allows for more flexible energy supply and helps the stable integration of weather-dependent renewable energy sources into the electricity grid.

In its direct (“Scope 1”) and indirect (“Scope 2”) carbon calculations, ALTEO Group uses the Bilan Carbone conversion factors and the emission factors of HEPURA and domestic suppliers to convert its greenhouse gas emissions from petrol, diesel and purchased heat to carbon dioxide equivalents.

Our facilities that are part of the European Union’s carbon emissions trading system (EU ETS) are the Győr Power Plant, the Sopron Power Plant, the Kazincbarcika Heating Power Plant, the Tiszaújváros Heating Power Plant, and the Füredi utca Heating Power Plant.

ALTEO Group’s aforementioned power plants participate in the EU-ETS emissions trading system and also receive emission unit allocations. In 2024, freely allocated allowances covered around 13% of total emissions of the power plants of ALTEO Group; therefore, we had to purchase a large amount of CO_2 quotas at auctions.

TOTAL RECEIVED AND PURCHASED CO_2 QUOTA OF ALTEO GROUP [tCO_2e]

	2024
Free allowances of CO2e emissions	13,629
Allowances of CO2e emissions allocated at auction	95,212[23]

The specific CO_2 emissions of power plants owned by ALTEO Group continued to drop in the past year. As an energy producing company, we place a high priority on emission intensity, i.e. the volume of emissions per unit of energy produced.

ALTEO GROUP’S SPECIFIC CO_2 EMISSIONS, NOT INCLUDING FE-GROUP [$kgCO_2e/GJ$]

	2024
Specific emission	56.80

The specific carbon dioxide emissions of ALTEO Group were calculated as the ratio of the Scope 1 direct and indirect emissions ($kgCO_2e$) (at a value of 138,614 tCO_2e) of ALTEO Nyrt. as an energy production entity to the total volume of energy produced (2,440,237 GJ). ALTEO Group’s other indirect (“Scope 3”) emissions were measured for the first time in the calendar year 2021. No new materiality assessment was carried out for the Scope 3 categories, as there were no material changes in the Company’s operations in 2024 compared to the 2021 assessment. After 2022, calculation methodology and data reporting was again based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the Group’s value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 75% of ALTEO Group’s total emissions in 2024, representing 409,647.2 t CO_2 out of a total (Scope 1 + Scope 2 + Scope 3) of 544,345.2 tCO2e of emissions.

Our GHG calculations included a market-based and location-based analysis, as our Company’s activities are limited to a single country. We applied a financial control approach to calculate our direct and indirect emissions. The Company does not break down its GHG emissions by other aspects (e.g. country, operating segment, economic activity, subsidiary, GHG category, etc.), we only apply a break-down by ALTEO Group, not including FE-GROUP and FE-GROUP.

[23] EU ETS emissions are being verified at the time of preparing the Sustainability Report, so the value included here is the estimated value available at the time of preparing the report, according to the ESRS classification, which will be re-disclosed in the next year's report if it is clarified.

Taking into account the principles and requirements of the GHG Protocol's Scope 2 guidelines, the share of the Company's Scope 2 greenhouse gas (GHG) emissions and the share of contractual assets used for the sale and purchase of energy is 0%. As there are no contractual assets at our Company, their types are not relevant.

ALTEO GROUP CARBON DIOXIDE EMISSIONS, NOT INCLUDING FE-GROUP [tCO_2e]

	Retroactive			Milestones and target years		
	Base year	2024	2025	2030	2050	Annual % target value / base year
Scope 1 GHG emissions						
Scope 1 gross GHG emissions (tCO_2e)	219,987	131,061	-	20%	50%	-
Percentage of GHG emissions from Scope 1 regulated emissions trading systems (%)	201,235	108,841	-	-	-	-
Scope 2 GHG emissions						
Scope 2 gross GHG emissions, location-based (tCO_2e)	2,878	3,637	-	30%	75%	-
Scope 2 GHG emissions, market-based (tCO_2e)	-	3,313	-	30%	75%	-
Scope 3 emissions (tCO_2e)						
Total gross indirect (Scope 3) GHG emissions (tCO_2e)	**330,007.2**	**409,647.2**	-	55%	100%	**-**
1. Purchased goods and service	4,078.9	5,285.1	-	-	-	-
2. Capital goods	1,416.7	8,977.9	-	-	-	-
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	241,440	347,803.5	-	-	-	-
4. Upstream distribution and transport	105.86	325.3	-	-	-	-
5. Waste generated in operations	106.6	293.3	-	-	-	-
6. Business trips	*	6.0	-	-	-	-
7. Employee commuting	206.6	131.4	-	-	-	-
8. Upstream leased assets	4	18.2	-	-	-	-
9. Downstream transport	17.45	159.1	-	-	-	-
10. Processing of products sold	*	*	-	-	-	-
11. Processing of sold products	61,600.3	46,647.3	-	-	-	-
12. End-of-life treatment of sold products	21,030	0	-	-	-	-
13. Downstream leased assets	*	*	-	-	-	-
14. Franchise agreements	*	*	-	-	-	-
15. Investments	*	*	-	-	-	-
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2e)	552,872.2	544,345.2	-	-	-	-
Total GHG emissions (market-based) (tCO_2e)	555,878.2	544,021.2	-	-	-	-

** : The category was not considered significant for ALTEO Group's activities and was not calculated*

In calculating Scope 3 emissions, the Group considered the following categories to be significant in 2024: purchased goods and services; capital goods; fuel and energy-related activities (not included in Scope 1 or Scope 2); upstream distribution and transport; waste generated in operations; business traveling; upstream leased assets; downstream transportation; use of sold products; end-of-life treatment of sold products.

ALTEO Group has drawn up its sustainability strategic goals for the long term and has set emission reduction targets for 2030 and 2050; the Company does not have annual emission reduction targets (see Chapter 7.4).

Scope 1, 2, 3 gross and total GHG emissions for FE-GROUP

The direct ("Scope 1"), indirect ("Scope 2") and other indirect ("Scope 3") carbon dioxide emissions of FE-GROUP were first assessed in 2023, with no prior data series available. As part of the first calculation, a Scope-3 materiality assessment was carried out, identifying the emission categories that are significant for FE-GROUP.

For the calculation of Scope 1 emissions, FE-GROUP used the material use measured for the calculation of local and mobile emissions as well as the conversion factors of Bilan Carbone. Of the greenhouse gases, carbon dioxide, methane and nitrogen oxide are taken into account, which are used to calculate the Company's emissions in carbon dioxide equivalent.

In calculating Scope 2 emission, we used the emission intensity indicator of the electricity use measured on the site and the Nowtricity database for the current year regarding Hungary.

In light of the main activity of FE-GROUP it is hardly surprising that more than two thirds of Scope 3 emissions in the waste management process relate to two types of end products. Accordingly, the two main Scope 3 categories are the processing of selected material flows sold as raw material (Category 10) and management of remaining waste not recoverable after sorting (Category 5).

FE-GROUP CARBON DIOXIDE EMISSIONS [tCO_2e]

	Retroactive		Milestones and target years[22]			
	Base year	2024	2025	2030	2050	Annual % target value / base year
Scope 1 GHG emissions						
Scope 1 gross GHG emissions (tCO_2e)	598.0	540.3	-	-	-	-
Percentage of GHG emissions from Scope 1 regulated emissions trading systems (%)	-	-	-	-	-	-
Scope 2 GHG emissions						
Scope 2 gross GHG emissions, location-based (tCO_2e)	65.0	133.9	-	-	-	-
Scope 2 GHG emissions, market-based (tCO_2e)	65.0	136.6	-	-	-	-
Scope 3 emissions (tCO_2e)						
Total gross indirect (Scope 3) GHG emissions (tCO_2e)	3,001.1	5,373.7	-	-	-	-
1. Purchased goods and service	125.6	209.9	-	-	-	-
2. Capital goods	176.9	167.8	-	-	-	-
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	100.0	119.0	-	-	-	-
4. Upstream distribution and transport	135.2	36.0	-	-	-	-
5. Waste generated in operations	1,201.5	2,856.4	-	-	-	-
6. Business trips	*	*	-	-	-	-
7. Employee commuting	55.8	99.0	-	-	-	-
8. Upstream leased assets	*	*	-	-	-	-

[22] Milestones and targets have not been defined for FE_GROIUP emissions. They will be assessed by the ALTEO Group in 2025.

9. Downstream transport	246.1	248.4	-	-	-	-
10. Processing of products sold	945.9	1,388.7	-	-	-	-
11. Processing of sold products	*	*	-	-	-	-
12. End-of-life treatment of sold products	*	*	-	-	-	-
13. Downstream leased assets	14.2	0	-	-	-	-
14. Franchise agreements	*	*	-	-	-	-
15. Investments	*	*	-	-	-	-
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2e)	3,574.1	6,047.9	-	-	-	-
Total GHG emissions (market-based) (tCO_2e)	3,574.1	6,050.6	-	-	-	-

** : The category was not considered significant for FE-GROUP's activities and was not calculated*

Explanation of the methodology for calculating GHG emissions

In the Scope 1 calculation, emissions from the use of company vehicles are calculated from the fuel used and the conversion factor from the Bilan Carbone database for the given year.

Emissions from power plants are calculated based the amount of fuel used and the available quality certificates.

For Scope 2, we use the AIB Residual mix and the conversion factors of the Hungarian providers specified as market averages, based on the purchased electricity and heat energy.

ALTEO Group's other indirect ("Scope 3") emissions were measured for the first time in the calendar year 2021. After 2022, calculation methodology and data reporting was based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the Group's value chain emissions are measured according to an internationally accepted methodology.

There were no significant changes in the definition of the Company and its value chain in the year under review.

The methodology used to calculate Scope 3 emissions involves several steps and approaches, depending on the type of data available. Two main methods were used: the distance-based and expenditure-based method.

For transport-related emissions, the distance-based method calculates emissions by multiplying the weight of the shipment by the distance travelled and the corresponding emission factor. This factor includes emissions from the upstream and combustion stages, which represent emissions from fuel extraction, processing and combustion. When specific data on vehicle type and fuel used were not available, an average emission factor was applied to a standard truck. The methodology also takes into account the load capacity of the vehicle to accurately calculate emissions per ton-kilometer. The source of emission factors were the databases of Bilan Carbone, Base-Empreinte, Exiobase, IEA and Nowotricity.

In cases where expenditure data were available instead of specific transport metrics, the expenditure-based method was used. This included the conversion of Exiobase emission factors from EUR to CO_2e in HUF using the European Central Bank's average daily exchange rates for 2024. The costs in HUF were then multiplied by these converted emission factors. This method did not require adjustment for inflation due to the up-to-date financial data available.

In addition, an average data method was used for products defined by weight or number of items. This method multiplied the weight or number of pieces of the product by the corresponding emission factor from Bilan Carbone or Exiobase sources, covering cradle-to-gate emissions for both extraction and manufacturing phases up to the first reseller.

Furthermore, it is important to highlight that, due to uncertainties about the quality of the data, we propose to refine the methodology by improving data availability and accuracy. Each calculation aims to take into account different aspects and phases of the life cycle of a product or activity to provide a comprehensive assessment of the Scope 3 emissions.

In the course of assessing the other indirect ("Scope 3") emissions of FE-GROUP, the categories not significant for the activities of the company or insignificant in volume relative to other categories, have been excluded. Calculation methodology and data reporting was based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the group's value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 89% of FE-GROUP's total emissions in 2024, amounting to 5,373.7 tons of CO_2e.

GHG INTENSITY BASED ON NET REVENUE (ALTEO GROUP)

	Unit of measurement	2024
Net revenue used to calculate GHG intensity	HUF million	105,389
Net revenue not used to calculate GHG intensity	CO_2e/HUF million	0
GHG emissions intensity	CO_2e/HUF million	56,6

ALTEO Group operates in a greenhouse gas (GHG) emission intensive industry, meaning the net revenue used to calculate the emission intensity is the same as the total sales revenue. The net revenue is reconciled to the consolidated sales revenue line in the financial statements. By carefully reviewing and harmonizing the revenue data in the financial statements, we ensure that the net revenue used to calculate the GHG emissions intensity accurately reflects the Company’s actual economic activity. While doing so, we take into account the credibility of relevant financial data and reconcile them with the values disclosed in sustainability reports, ensuring transparency and reliability from both a financial and environmental perspective.

Milestones and target years

GHG EMISSION REDUCTION TARGETS

GHG emission reduction targets	Targets in absolute value	Base year	Target year	Target for 2030	Target for 2050
Scope 1	50%	2019	2050	20%	100%
Scope 2	75%	2019	2050	30%	100%
Scope 3	100%	2021	2050	50%	100%

GHG removals and GHG mitigation projects financed through carbon credits

[E1-7]

ALTEO Group does not currently apply GHG removal in its activities, and we do not have any GHG mitigation projects financed through carbon credits, thus disclosure is currently not material.

ALTEO Group agrees that claims of greenhouse gas neutrality and reliance on carbon credits do not prevent or reduce the achievement of greenhouse gas emission reduction targets or the net zero target.

Expected financial impacts of material physical and transition risks, and potential climate-related opportunities

[E1-9]

RATE OF ASSETS AT MATERIAL PHYSICAL RISK (HUF MILLION)

	HUF million
Assets at important physical risk before considering climate change adaptation actions	37,636
Assets at acute material physical risk before considering climate change adaptation actions	25,971
Assets at chronic material physical risk before considering climate change adaptation actions	11,665
Percentage of assets at material physical risk before considering climate change adaptation actions	72%
Rate of assets at short-term material physical risk	37,148
Rate of assets at medium-term material physical risk	37,636
Rate of assets at long-term material physical risk	37,636

ASSETS AT MATERIAL PHYSICAL RISK

[E1-9]

Assets	Location (NUTS code)
Solar power plant	HU333
Solar power plant	HU232
Solar power plant	HU120
Solar power plant	HU313
Wind turbine	HU221
Wind turbine	HU322
Wind turbine	HU212
Wind turbine	HU213
Wind turbine	HU221
Hydropower plant	HU311
Water treatment plant	HU311
Maintenance site	HU120
Maintenance site	HU321
Maintenance site	HU110
Natural gas e-term	HU110
Natural gas e-term	HU221
Natural gas e-term	HU311

All Group assets are located in Hungary.

The ratio of assets at material physical risk that are subject to climate change adaptation actions (see E1-3) is 72% of the total amount of assets at material physical risk. Net revenue from business activities at material physical risk amounted to HUF 37,636 million. The percentage of net revenue from business activities is 36% of activities at physical risk.

The expected financial impacts and valuation of assets and businesses at material physical risk, the risk factors for the net revenue from these assets and businesses and the impact of this on the margin erosion of the businesses have not been quantified.

Our aim is to develop the management of climate change adaptation at the governance document level by conducting a quantitative climate risk analysis in 2025.

RATE OF ASSETS AT MATERIAL TRANSITION RISK (HUF MILLION, %)

[E1-9]

	HUF million
Rate of assets at material transition risk before considering climate change mitigation actions	12,320
Percentage of assets at material transition risk before considering climate change mitigation actions	26.6%
Rate of assets at short-term material transition risk	0
Rate of assets at medium-term material transition risk	10,222
Rate of assets at long-term material transition risk	12,320
Percentage of assets at material transition risk managed with climate change mitigation actions	0.0%

The total carrying amount of the real estate assets owned by ALTEO Group is 0, as the Group does not have any real estate assets defined by the standard to be valuated according to energy efficiency classes.

We do not have quantified information on the potential impact on the future financial performance and position of assets and businesses exposed to material transition risk, thus the assessment does not rely on, nor form part of, a process to identify material transition risks and to determine scenarios.

Potentially discontinued assets were not identified. We have not identified any liabilities arising from material transition risks that may need to be recognized in the financial statements.

RATE OF EU ETS-RELATED OBLIGATIONS

Number of Scope 1 GHG emission allowances held within regulated emissions trading systems at the beginning of the reporting period	111,368	EUA
Number of emission allowances to be purchased annually on the regulated emissions trading market in the period up to 2030	679,609*	EUA
Potential future obligations related to carbon emission allowances based on existing contractual arrangements that are planned to be used in the near future	No such obligation has been identified.	-
Gross monetary value of Scope 1 and 2 greenhouse gas emissions	4,033	HUF million

** The information is provided by also taking 2023 into account.*

DISTRIBUTION OF NET REVENUES FROM BUSINESS ACTIVITIES AT MATERIAL TRANSITION RISK BY CUSTOMER TYPE (HUF MILLION, %)

Net revenue from business activities at material transition risk	29,385	HUF million
Net revenue from customers engaged in coal-related activities	0	HUF million
Net revenue from customers engaged in oil-related activities	3,115	HUF million
Net revenue from customers engaged in gas-related activities	13,008	HUF million
Percentage of net revenue from customers engaged in coal-related activities	0%	-
Percentage of net revenue from customers engaged in petroleum-related activities	4%	-
Percentage of net revenue from customers engaged in gas-related activities	17%	-

** Net revenue from natural gas-based energy production and trade*
*** Based on net revenue from the TOP20 largest partners (subject to partner's activity)*

The expected changes in net revenue cannot be clearly quantified since the market to which the Company has access is considered to be unlimited compared to the size of ALTEO Group.

The percentage rate of the net revenue from business activities at material transition risk, from natural gas-based energy production and trading in the case of ALTEO Group, is 28%.

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

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

There is currently no relevant or applicable financial statement related to the data on the significant amount of assets, liabilities and net revenues at material physical and transition risk.

ESRS sustainability questions in the form of yes-no statements	
The expected financial impact of material physical risks affecting assets and business activities has been assessed.	no
The assessment of assets and business activities at material physical risk is part of the process to identify material physical risks and develop climate scenarios.	no

Climate-related opportunities

[E1-9]

The Company's strategy is to develop, on an ongoing basis, renewable (solar, wind, hydro, biogas) energy projects that contribute to climate change mitigation and adaptation. The market for this may be considered to be unlimited, meaning that expected cost savings cannot be clearly quantified.

The size of the potential market for low-carbon products and services or adaptation solutions to which the Company has access or could have access, can be considered as quasi unlimited compared to the size of ALTEO Group. Taking this into account, the expected changes in net revenue cannot be clearly quantified.

ESRS sustainability questions in the form of yes-no statements	
The potential impacts on the future financial performance and position of assets and business activities exposed to material transition risk have been assessed.	yes
The assessment of assets and business activities at transition risk is based on, or forms part of, a process to identify material transition risks and to develop the associated scenarios.	no

2.3 Pollution

Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

[E1 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E2 IRO-1.

Policies related to pollution

[E2-1] [E2-2]

The strategic objectives of ALTEO Group include reducing our emissions of pollutants and greenhouse gases in order to actively contribute to the protection of the environment and a sustainable future. To achieve this, we are developing our technologies and processes on an ongoing basis taking account of opportunities. In addition to greenhouse gases, other air pollutant emissions are also a key focus in the course of ALTEO Group's activities, such as nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers.

When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions. Awareness and monitoring of environmental impacts is of crucial importance for us, and is documented in detail in our current Integrated Report. All our sites have the necessary environmental permits, which include detailed requirements for emissions, measurements and compliance with legal requirements. Accurate emissions measurement, annual reporting and liaising with the authorities fall under the responsibility of the HSE area.

In addition, the operation of continuous emission measurement systems with high availability and compliance with daily limits, for which the power plant managers are responsible, are also important. We monitor and ensure appropriate operational practices through HSE inspections, internal and external audits and regulatory audits.

When comparing the air pollutant emissions of ALTEO-owned and operated power plants with previous years, it is important to note that the Nagykőrös Biogas plant, which was previously operated by ALTEO Group, was acquired in May 2023 and is now owned by ALTEO Group.

Our company is committed to social responsibility and strives to introduced sustainable and environment-friendly practices. To this end, compliance with the strict environmental and waste management regulations is important for us, and we actively support innovation in waste management. This is supported by our Integrated Management Policy and the FE-Group Environment Management Policy. Our priority measures include technological developments to prevent or mitigate negative effects and strict waste management procedures. In addition, we are prepared for emergencies and take timely damage control measures to minimize any negative effects. ALTEO Group accepts the requirements set out in laws, operating permits and environmental management systems as applicable and, therefore, does not have its own corporate policy on pollution. For more information, see Chapter 4.1 *Integrated Management System*.

Actions and resources related to pollution

[E2-2]

Within the upstream value chain, ALTEO Group pays particular attention to environmental aspects when selecting its suppliers, which must comply with ALTEO Group's HSE (Health, Safety and Environment) requirements in all cases, and breaches of environmental regulations during the work are sanctioned.

Replacement of gas engines

For years, it has been a common practice in ALTEO Group's facilities to replace old gas engines that have reached the end of their service life with used but refurbished gas engines. The technological emission limit for refurbished gas engines in the case of the NO_x component is 95 mg/m³, which is much stricter than for existing/old equipment with a limit value of 190 mg/Nm³. The commissioning of new equipment supports our sustainability strategy target of reducing NO_x.

In 2024, the ALTEO Group adopted a decision to replace the old gas engine connected to the P1 point source at the Tiszaújváros Heating Power Plant. Implementation of the project started in 2024 and is still ongoing. The new equipment is required to meet the more stringent NO_x limit value.

In all cases, the compliance of emissions from new equipment must be verified during test run. In addition to the test run emission measurement, the emissions of gas engines are checked every year by an accredited measuring body in accordance with legal requirements.

Targets related to pollution

[E2-3]

We are developing our technologies and processes on an ongoing basis taking account of opportunities. In addition to greenhouse gases, other air pollutant emissions are also a key focus in the course of ALTEO Group's activities, such as nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers. When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions.

ALTEO Group is committed to complying with legal regulations and having environmental management systems in place, paying particular attention to the pollution. Our Company strives to reduce pollution and protect air quality in line with the UN Sustainable Development Goals. ALTEO Group has set a target on air pollutants to reduce nitrogen oxide emissions by 25%. This voluntary target goes beyond the statutory requirement which stipulates emissions below the limit set in the various point source permits.

No ecological threshold was taken into account in the voluntary target setting, but ALTEO Group has set the goal to develop a biodiversity conservation strategy by 2025.

Air pollution

[E2-4]

When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions. Accurate emissions measurement, annual reporting and liaising with the authorities fall under the responsibility of the HSE (Health, safety and environment) area. In addition, the operation of continuous emission measurement systems with high availability and compliance with daily limits, for which the power plant managers are responsible, are also important. We monitor and ensure appropriate operational practices through HSE inspections, internal and external audits and regulatory audits.

VOLUME OF AIR POLLUTION FOR ALTEO GROUP [KG]

	2024
CO	231,280
NO_x	582,407
TOC	44,681
SO_x	1
PM	0

The annual amount of emitted air pollutants is determined through calculation based on concentrations measured in flue gas during sampling, the volume flow rate of the flue gas and equipment annual service hours.

For the calculations, ALTEO Group prepared the analysis based on the regular measurement documents stipulated in Decree No. 110/2013. (XII. 4.) of the Ministry of Rural Development.

Related to the technology, there are no point sources identified by the authorities at the site of FE-GROUP and no air pollutants are emitted.

ESRS sustainability questions in the form of yes-no statements	
Monitoring is carried out in accordance with EU BREF standards or other relevant benchmarks.	yes
Calibration tests of the automatic measuring systems (AMS) have been carried out and validation of the periodic measurements by independent laboratories has been ensured.	yes
The activities are governed by the Industrial Emissions Directive (IED) and the relevant Best Available Techniques Reference Documents (BREFs).	yes

2.4 Water and marine resources

Description of the processes to identify and assess material water-related impacts, risks and opportunities

[E3-IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E3 IRO-1.

Policies related to water and marine resources

[E3-1 9]

ALTEO Group's power plants use a significant amount of water in their operation, so monitoring water consumption is a priority for the Company, taking into account the impact of climate change and production activities on water resources. To this end, in 2023, the Company completed a water-focused risk assessment, which examines the risks associated with flooding, available water quantity, changes in water quality, the status of ecosystem services, changes in extreme rainfall days, expected changes in rainfall, changes in dry period lengths, climatic water balance and groundwater levels for all Company sites. Risk-related preparatory measures have been identified for sites where this is necessary. ALTEO Group is committed to complying with legal regulations and having environmental management systems in place, paying particular attention to the protection of water resources and the minimization of environmental pollution.

ALTEO Group has strict regulations in place to protect against the possibility of soil or groundwater pollution in the event of a malfunction. As required by law, sites and facilities with installed combustion equipment with a rated thermal input of more than 50 MW capacity have a plant water quality damage elimination plan in place, which is regularly reviewed in accordance with regulations. As part of the HSE approach, emphasis is placed on the potential risks associated with the storage of hazardous substances and on adequate preparation for such risks. A good example of this is the fuel oil stored in double-walled tanks at the MOL Petrochemicals and BorsodChem power plants, and the monitoring well system which are not owned by ALTEO, but are related to the power plants operated by it. The purpose of maintaining monitoring wells is to track and monitor any contamination that may occur with groundwater flow in cooperation with the owner of the equipment. We work with accredited laboratories to monitor groundwater quality at the regular intervals required by the permits.

ALTEO Group does not have any sites located in areas subject to significant water stress.

Our Company strives to reduce water consumption and protect water resources in line with the UN Sustainable Development Goals. [E3-1 12] Our interactions with water, our water use in our operations, sustainable water procurement and our expectations for the quality of water and wastewater used and discharged are defined by our Integrated Management Policy and the relevant permits for the consumption and discharge points concerned. Our priority is to reduce our water consumption in order to use water in a sustainable manner. [E3-1 14] Given the operation sites and activities of ALTEO Group, as well as its supply chain, we do not see the need to adopt policies or practices for sustainable oceans and seas, and therefore have not done so. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

Actions and resources related to water and marine resources

[E3-2]

Industrial water use in ALTEO Group power plants

The power plants included in ALTEO Group's portfolio primarily use industrial water, and the largest water user of the Group is Tisza-WTP Water Treatment Plant, which produces the desalinated water necessary for MOL Petrochemicals and the TVK Power Plant. The water treatment plant used more than 3.6 million cubic meters of industrial water in 2024. The water treatment plant takes water from the River Tisza and recirculating water condensate from various areas of use at MOL Petrochemicals as the starting point and uses a process equipment involving an ultrafiltration apparatus, reverse osmosis and a mixed bed ion exchange method to produce desalinated water. Subsurface water consumption occurs only in Győr and Sopron.

Water use in heating power plants

In addition to industrial water consumption, our heating power plants typically use water to replace water circulating in district heating systems and to serve the heating needs of Heineken in Sopron. In this case, a targeted investment has led to a reduction in the amount of water used. The amount of supplementary water greatly depends on the state of repair an urban district heating system is in. ALTEO Group has no direct insight nor any opportunity for intervention in that regard. In order to comply with contractual terms, i.e. to deliver district heating services, we always have to adapt to actual demand.

Tap water and recycled water use

We use piped drinking water to meet the social needs of the power plants and sites. In addition, we attach particular importance to the demonstration of the quantity of recycled water and the effectiveness of tasks related to wastewater management. At the Tisza-WTP Water Treatment Plant and in Sopron, we use water recycling, whereby we purify and desalinate condensate water from other industrial companies and recycle it, thus reducing fresh water consumption. The volume and quality of the discharged wastewater (pH, conductivity, temperature) are continuously monitored according to our self-monitoring plan, and the most important water chemistry properties (chemical and biological oxygen demand, pH, conductivity, total phosphorus, nitrogen and total dissolved solids) are measured quarterly through accredited laboratory testing. Wastewater generated is always discharged into the municipal sewer network at the sites.

Water saving measures

The fact that the waste processing technologies used during the operation of FE-GROUP require no water as the water-cooled systems have been replaced by air-cooled ones, and also that the PET chips washing plant was closed down, can be considered measures implemented to avoid water use. If our waste management operation were to require water consumption and emission in the future, we shall monitor and document water consumption and water quality on a daily basis, as before, during the operation of the facility concerned.

Actions related to the reclaiming and reuse of water

The development of Heineken’s condensate water system has increased the volume of water recycled from our power plant by approximately 2,800 m^3 per year. As a result of our investment, the water plant on our site was renewed in 2022. In the course of the development, we installed a filter on the well water pipeline, which significantly reduced the amount of water used for washing and de-sludging. As a result of the upgrade of our reverse osmosis water treatment system, we are able to produce water with lower conductivity, reducing the regeneration of the desalination system from 3-4 times a year to an average of 2 times a year, which has significantly decreased the chemical demand of the system in addition to the use of raw water.

Stakeholder involvement was not required for actions and resources related to water policies.

Targets related to water and marine resources

[E3-3]

ALTEO Group has no activities in areas exposed to water-related risks. The organization does not take ecological thresholds into consideration. The targets of the organization are voluntary commitments.

The water-related target of ALTEO Group was to carry out a water-related risk analysis, which has been completed by 2024. Water will also be considered an environmental element and a material topic in the development of the Group’s ESG strategy for 2025.

Water consumption

[E3-4]

The water use of the power plants owned by ALTEO Group has been reduced slightly in 2024.

The activities of ALTEO Group include water-intensive production methods (hydropower plants, water treatment plants). The associated water consumption is presented below. With regard to the significant impacts, risks and opportunities of ALTEO Group related to water, the fact that the portfolio includes hydropower plants is not negligible contextual information. Power production by hydropower plants may be at risk due to the loss or depletion of water resources. For the data presented, we have indicated whether they are measured, calculated or estimated.

WATER USE (MEASURED QUANTITIES) [m^3]

	2024
Owned Power Plants	111,560
Water treatment site	3,645,236
Office	742

Maintenace Sites	158
FE-GROUP	290
Operated Power Plants	2,554,203

WATER RECYCLED AND REUSED (MEASURED QUANTITIES) [m³]

	2024
Sopron	23,729
Tisza-WTP Water treatment plant	692,483
Total	**716,212**

The volume of water recycled and reused by ALTEO Group was 716,212 m³. Recycled water technology is only used at our Sopron power plant and the Tisza-WTP Water Treatment Plant. The change in the amount of water stored is not a material water-related impact for ALTEO Group. ALTEO Group has no activities in areas exposed to water-related risks.

In 2024, the water intensity ratio of ALTEO Group was 0.0068 1,000 m³/mHUF, which shows how many 1,000 m³ of water the Company used for every million HUF (mHUF) of revenue generated.

2.5 Biodiversity and ecosystems

Description of the processes to identify and assess material pollution-related impacts, risks, dependencies and opportunities related to biodiversity and ecosystems

[E4 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E4 IRO-1.

Transition plan and consideration of biodiversity and ecosystems in strategy and business model

[E4-1]

The protection of biodiversity and ecosystems is a key element of ALTEO Group's strategy, as our energy production services are closely linked to climate change and the change in environmental factors. We are aware that our activities can have a significant impact on the environment, so our aim is to minimize these impacts while promoting the transition to green energy.

We have identified environmental impacts both across the value chain and in our own operations.

Our Company is actively working on a comprehensive strategy that focuses on the long-term sustainability of biodiversity and ecosystems. Although a detailed robustness analysis is still underway, we have already identified the risks and opportunities that could affect biodiversity and ecosystems as a result of our activities. Based on these analyses, we will be refining our strategy to be in line with local, national and global public policy objectives.

Our energy production activities are highly dependent on natural resources. The operation of our wind turbines and solar power plants is highly dependent on the temporal and spatial changes of wind and solar radiation, while in the case of our natural gas-based power plants, sustainable extraction and availability of resources is critical. The flow of water from freshwater sources, precipitation and natural sources is a key ecological service for the operation of our hydropower plants.

Our aim is to reduce our environmental footprint, increase the share of our power plants using renewable energy sources and promote the transition to green energy. The steps of our strategy and our results to date are described in detail in Section E4-3.

Protecting biodiversity and ecosystems is of strategic importance for us, as it helps us to reduce our exposure to various environmental risks and to contribute to achieving the global sustainability goals.

Policies related to biodiversity and ecosystems

[E4-2]

The development of our corporate policy on biodiversity and ecosystems was not possible in the past, but is currently underway and is expected to be completed and published in 2025.

Targets related to biodiversity and ecosystems

[E4-4]

Our priority is to further strengthen and expand our sustainability measures in the future. We place great emphasis on ensuring that our production processes respect biodiversity and adhere to the principles of sustainability. We are looking for new opportunities to further reduce environmental loads, whether it's the impact of power plants on habitat conditions, the impact of wind farms on birds and bats, or ethical ways of sourcing raw materials. We are also constantly developing and refining our technology to enable us and our partners to produce more efficiently and in more environmentally-friendly fashion. Our aim is to ensure that all our activities serve long-term sustainability, allowing us to contribute to the preservation of natural resources.

Biodiversity targets are set during the development of the biodiversity strategy.

Impact metrics related to biodiversity and ecosystems change

[E4-5]

Our activities do not have a major direct negative impact on the state of species. Of all the power plants owned or operated by ALTEO Group, only the Gibárt Hydropower Plant is located in a Natura 2000 Special Area of Conservation and Special Protection Area classified under the Birds Directive, which is also considered an ecological corridor. None of our other sites are located in or directly border protected areas or areas of high biodiversity value. We ensure that the operation of the Gibárt Hydropower Plant does not have a significant impact on the conservation status of species and habitats in the area by complying with the requirements and conservation measures set out in the power plant permit.

2.6 Resource use and circular economy

[E5 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E5 IRO-1.

[E5-5]

The waste management and circular economy strategy, and the associated policies and targets, actions and resources, required by the ESRS reporting standards have not yet been finalized. Nevertheless, the development of these areas is a priority for the Company, and we are committed to developing the appropriate strategy and targets in the near future.

VOLUME OF WASTE GENERATED BY ALTEO GROUP ACTIVITIES [t]

	2024
ALTEO	2,437
FE-GROUP	7
Total	2,444

Waste management activities for FE-GROUP

[FEGR-1] FE-GROUP's waste management activities have a number of impacts. Activities promoting the circular economy include the collection and processing of electric and electronic waste, as well as the appropriate pre-treatment of packaging waste (paper, plastic, wood, metal, glass) and their transformation into secondary raw materials. Furthermore, the collection and environmentally friendly pre-treatment of hazardous wastes also has a positive impact on the environment.

However, negative impacts may also arise, such as the possibility of pollution during the transport and storage of wastes since the possibility of environmental pollution arises during transport and storage involved in waste management. Those negative impacts relate primarily to the processes of transport, storage, material handling and processing.

On the whole, the waste management activities of FE-GROUP have a positive effect by facilitating the greatest possible ratio of collection of waste and its preparation for recovery while also reckoning with, and striving to minimize, negative impacts. Those effects are directly related to the waste managed or generated by the Company during its operations.

In order to minimize negative effects, we collect all oily/acidic liquid wastes (hazardous waste) in salvage structures, removed annually. Measures regarding the management of liquid waste include their removal as required, but at least annually.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [t]

	2024
Recycling	-
Reuse	-
Incineration	-
Landfilling	0
Other	0

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [t]

	2024
Recycling	7
Reuse	-
Incineration	-
Landfilling	-
Other	-

Waste management within ALTEO Group, not including FE-GROUP

[ALTEO-1]

The activities of ALTEO Group typically generate various types of non-hazardous industrial and municipal solid waste, municipal wastewater, waste from construction and demolition works and hazardous waste. The company is committed to minimizing its environmental impact, and as such reducing waste is a priority. Our approach to waste management is also based on our Integrated Management Policy and the requirements set out in the operating and environmental permits for the various facilities. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

We strictly comply with legislation on the handling and storage of waste on our sites. All waste is stored in separate collection points according to type and characteristics. We keep track of the quantities of waste generated, collected and disposed of, and regularly monitor the data thereon. We keep detailed records of the waste we dispose of, including delivery notes for hazardous waste and invoices for non-hazardous waste. Oil and liquid fuel waste is the largest waste stream, but there are also significant amounts of absorbents, spill control agents and filters. Waste containing batteries, accumulators and PCBs is minimal or non-existent. The quantities of hazardous and non-hazardous waste are recorded in the official waste declarations on the basis of the delivery notes.

[E5-2] [E5-3]

As set out in our sustainability ambitions, waste reduction is one of our priorities. In relation to this goal, we have highlighted the development of paperless office processes and increasing the recycling rate of operational waste. We agree to develop a waste management and circular economy strategy and related policies in line with the development of the business. The resulting company guidelines contribute to a strategic approach to circular economy.

In 2024, most of the hazardous waste generated by the operations of ALTEO Group were re-used, while the next most used treatment method was incineration. We aim to increase the recycling rate of operational waste to over 50% by 2030. Most hazardous waste is disposed of through trade, collection and pre-treatment.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO GROUP [t], NOT INCLUDING FE-GROUP

	2024
Recycling	11
Reuse	46
Incineration	24
Landfilling	11
Other	8

For non-hazardous waste emitted by ALTEO Group, landfilling continued to be the primary disposal option in 2024.

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO GROUP [t], NOT INCLUDING FE-GROUP

	2024
Recycling	-
Incineration	1
Landfilling	2,336
Other	-

3 SOCIETY

3.1 Own workforce

Policies related to own workforce

[S1-1]

ALTEO Group is committed to comprehensively addressing the material impacts, risks and opportunities concerning its employees. ISO 45001, the Occupational Health and Safety Management System (OHSMS) and the Code of Ethics also apply to our employees. The prohibition of discrimination and the promotion of diversity are among the main values of ALTEO Group. ALTEO Group's internal policies prescribe respect for the human rights of its own workforce, cooperation with its workforce, and measures to ensure and enable the correction of human rights impacts. In addition to statutory requirements, these internal policies are also in line with external guidelines, such as the BSE Corporate Governance Recommendations, the International Human Rights Code, the European Convention on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Global Compact. However, it is important to specify the topics that are not covered by our internal policies. These include topics related to human trafficking, forced labor and child labor, or the admission of own workers at risk of vulnerability. This is because these factors do not pose a significant risk in the Company's current area of operations. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

Code of Ethics

To ensure compliance, we maintain a Code of Ethics that defines ALTEO Group's key ethical principles and guidelines, prescribes compliance with the law and ethical business operation. Our suppliers, subcontractors, contracted, sponsored and supported partners and other stakeholders are also expected to act in accordance with the Code of Ethics in the course of their activities. The implementation of the guidelines is monitored by ALTEO Group's Compliance Department, which regularly reports its observations to the dedicated Supervisory Board. The Director of Ethics, Compliance and Control is responsible for ensuring compliance with the guidelines set out in the Code. They put forward their proposals to the Compliance Committee and the CEO for approval. Our ethics management system is reviewed by an independent third party every three years. The expectations and interests of internal and external stakeholders are taken into account in the development of the Code of Ethics. The latest version of the Code of Ethics is available on the Intranet and the company website.

Occupational accident prevention and management system

Our Group has made the health and safety of employees a priority area, and has its own initiatives and objectives in place in addition to legal compliance. In 2020, we transitioned to the ISO 45001 Occupational Health and Safety Management System (OHSMS), which applies to everyone working for ALTEO Nyrt., including external contractors working on the sites (581 people in total).

Communication and method of implementation of the guidelines

ALTEO Group employees are regularly informed through internal communication channels. The various open door policies, staff meetings and forums, site visits, internal mailing system, Intranet and online ALTEO Academy ensure a free flow of information. We take particular care to ensure that information reaches employees in a timely and appropriate form, so that they are informed of all changes in the Company's operations.

Our Intranet platform provides excellent opportunities for effective communication with our colleagues, and it facilitates our administrative processes: in addition to keeping our staff informed of major events inside and outside the Company, it also allows for the management of HR documentation, and assists our colleagues in the field in monitoring statuses.

If there is any suspicion of non-compliant activity or abuse (incident), it can be reported through the whistleblowing channel which has been in place since 2016. This service is also available to employees and business partners, through an online reporting system, via email or by telephone, if there is a suspicion of abuse that breaches the Code of Ethics. The implementation of and compliance with these guidelines is monitored by our Compliance Department and reported to the Supervisory Board. ALTEO Group's Director of Ethics, Compliance and Control is responsible for the whole process.

Remuneration Policy

The adopted remuneration policies aim to establish a system that is in line with ALTEO Group's business and HR strategy, supports the Company's performance and enhances shareholder value. These policies offer a long-term incentive program for employees and senior managers, taking into account the long-term interests and corporate values of the Group.

The Remuneration Policy applies to all Directors who are members of ALTEO Group's Board of Directors and Supervisory Board pursuant to Section 2(2) of Act LXVII of 2019, as well as to senior officers holding the positions of CEO and Deputy CEO who are not members of the aforementioned bodies.

The draft policy is prepared by the Board of Directors and submitted to the General Meeting for approval. It is reviewed at least every three years and amendments are proposed as necessary. If the General Meeting rejects the proposed amendments, the revised version of the Renumeration Policy is submitted to the General Meeting for approval. The CEO is responsible for implementation and for regularly reporting to the Board of Directors. The Company publishes the remuneration of Directors and the report on the implementation of the policy annually. The policy must be applied subject to the provisions of the Labor Code and the Accounting Act. When drawing up and reviewing the policy, the views and votes of shareholders and the role of the General Meeting, the Board of Directors and the Supervisory Board are taken into consideration. Following the resolution of the General Meeting, the Company makes the Remuneration Report publicly available on its website at least for a period of ten years. ALTEO Group's remuneration policy ensures a transparent and fair remuneration system that contributes to the achievement of the Company's long-term objectives and to the enhancement of shareholder value.

HR Policy

Topics related to the HR policy provide an idea of the state of the Group's internal communication, the appropriate way of sharing information, and the emphasis the Company places on raising awareness and operating in a transparent and regulated manner.

The HR Policy applies to ALTEO Group (with the exception of FE-GROUP), and the HR organization is responsible for compliance therewith. Our HR function operates in accordance with the provisions of ALTEO Group's HR Policy in the areas of the settlement of benefits, selection and training. The Performance Assessment Bonus Scheme (PBS) and the Short-Term Incentive Scheme serve as the pillars of performance assessment.

The interests of our employees are taken into consideration. The HR Policy is one of the internal management documents of ALTEO Group and is accessible by all employees.

Processes for engaging with own employees and employee representatives about impacts

[S1-2]

ALTEO Group, not including FE-GROUP places great emphasis on close cooperation with its employees and their representatives, particularly in the area of improving health and safety at work. The Company applies the Occupational Health and Safety Management System (OHSMS) based on the requirements of the ISO 45001:2018 standard. We receive feedback from out staff through the Sustainability and HSE Culture surveys conducted every two years, and that also plays a key role in the development processes. The results are collected on a standardized interface and are evaluated subsequently. These surveys are administered in a completely anonymous manner and, as ALTEO Group operates in Hungary, there are no language or geographical barriers.

Other tools for creating a safe working environment include both near-miss accident reporting schemes and regular safety trainings. Our Intranet platform provides an efficient communication channel and helps employees receive regular, up-to-date information on changes and developments within the Company.

Formal representation of employees is provided by the Works Council which is regularly consulted by Strategic HR, the Deputy CEO for Communications and the Group CEO. Formal meetings are held twice a year and other informal meetings in between, up to several times a year. Our Group consults with employee representatives on all major decisions affecting our employees. In addition, a meeting between senior management and local employees, including a Q&A session, is also organized at least twice a year at our headquarters and at non-Budapest locations. Our employees also have the opportunity to complete a satisfaction survey every two years, which provides us with direct written feedback on a number of topics. The results of this feedback can be used for real action planning and for making changes. If an employee's contract is terminated, an exit interview is also conducted, where our employees can give feedback and share their thoughts, and their comments are fed back into our decision-making system. Apart from these measures or collaborations, ALTEO Group has no formal agreement with any employee representation body.

The events and activities organized by ALTEO Group are organized in the spirit of environmental awareness, always striving for carbon neutrality. To this end, we carry out calculations where, after quantifying the impacts, we promote countervailing actions to offset those impacts. In addition, our Group also emphasizes the importance of reducing carbon emissions in its communications, encouraging employees to take the appropriate preventive actions.

ALTEO Group has not yet established processes for engaging with employees to manage the impacts of the transition to greener and climate-neutral operations. However, in the future it will seek to expand employee initiatives in this area as well. We work with them to set individual development goals and organize individual trainings or group workshops to help them to develop their careers and improve their professional skills.

With gender equality and the importance of social justice in mind, ALTEO Group has a Female Managers' Club initiative in place that provides a platform for female managers to share their experience with others and support each other.

Processes to remediate negative impacts and channels for own employees to raise concerns

[S1-3]

ALTEO Group aims to identify and analyze the causes of all arising problems as efficiently as possible, and then to find solutions to prevent their future occurrence. To this end, we have various procedures in place to ensure corrective actions, including the operation of a whistleblowing line where suspected breaches of the Code of Ethics or misconduct are investigated under internal rules of procedure, while guaranteeing the protection of whistleblowers. This service has been operational since 2016 and is available to all employees and business partners. Suspicions of ethical misconduct can be reported online, via email or by phone.

In 2024, we received 8 reports of suspected ethics misconduct and 6 reports of suspected abuse: in 3 cases no investigation was opened and 11 cases were investigated and corrective actions were taken. Our Group investigates all reports in line with our internal rules of procedure. We have introduced a Compliance adjustment in the performance assessment system to ensure that ethical standards are met. In 2023, ALTEO Group launched the Speak Up! program, which encourages employees to ask questions, give feedback or express concerns on specific issues without fear of negative consequences. We feel it to be of the utmost importance that whistleblowers are not retaliated against or discriminated, even if no unlawful conduct or infringement is identified after their whistleblowing.

Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

[S1-4]

ALTEO Group ensures equal treatment and equal conditions for all employees. Equal opportunities are an integral part of our corporate culture and are embedded in all our processes. Our Company has a strong Compliance function to ensure transparent, ethical and morally-compliant processes that support employees. To this end, we have a Compliance Committee, a Green Committee and a whistleblowing system in place.

We provide specific answers to all formal or informal inquiries that concern our employees, and these answers are tailored to the nature of the issue. After analyzing a detected anomaly, process-level or systemic changes are introduced and positive change can always be measured.

Risk management and accident prevention, not including FE-Group

ALTEO Group aims to identify risks accurately and minimize them so that the likelihood and severity of accidents can be reduced. To this end, we have put in place a number of measures in accordance with our Occupational Health and Safety Policy; training and information provided to managers ensures compliance with the instruction that they must immediately stop work if they detect a dangerous situation. In addition, hazardous situations or unsafe events and conditions are reported by employees as near-miss accidents and, if necessary, they also notify their direct superiors.

ALTEO Group’s management is committed to minimizing the number of work accidents, and thus, in addition to keeping the number of serious/fatal work accidents at zero, this is also one of the objectives of the management. The opinion of employees is also important for our Group, and we conduct a Sustainability and HSE Culture Assessment every 2 years, involving our staff in the development process. This ensures the effectiveness of our measures and the improvement of our tools, processes and requirements.

The safety and wellbeing of our employees is of paramount importance to us. We constantly monitor accident and fatality statistics, which remain close to zero at all our sites. We place strong emphasis on training our staff in both mandatory and skill-building topics. We also pay particular attention to the quality of the office environment, like by creating social spaces .

Occupational health and safety

We monitor all our processes and listen to employee feedback using the “Plan, Do, Check, Act” (PDCA) cycle. In addition, we strive to maintain a balanced workflow, so depending on the job type, we also offer the possibility to work from home. We pay particular attention to the quality standards of our office buildings, which was also an important factor when we selected our new office building.

In relation to the Occupational Accident Prevention and Management System and the ISO 45001-compliant Occupational Health and Safety Management System (OHSMS), as part of our e-learning program launched on our Intranet in 2021, we train subcontractors working at our sites in key health and safety issues in Hungarian and English. In addition, for sites and projects, as a prerequisite of the work permit the HSE supervisor examination has to be passed. Thanks to these measures, our Group reached a milestone in 2023, by which time ALTEO Group had not had any work accidents resulting in working days lost for 4 years.

Targets related to managing material negative impacts, facilitating positive impacts, and managing material risks and opportunities

[S1-5]

Our employees perform physical work involving high safety risks, which is why protecting the health and safety of employees is a priority for ALTEO Group. As part of the Integrated Management Policy (IMS), our objective is to minimize the number of work accidents, to prevent fires and environmental pollution. To this end, we regularly review occupational risks and, where necessary, take measures to reduce them. Risk assessment and exposure assessment are carried out with the involvement of occupational safety and health specialists. All employees of the ALTEO Group (not including FE-Group) have an annual health check and are covered by Company Care health insurance.

Our Group sets targets and establishes programs, based on risk assessments, experience and analysis of work accidents, and monitor them through the IMS. Health and safety is managed as part of the IMS under the management of the Director of Sustainability and HSE, and the Site Manager at each site is responsible for ensuring appropriate working conditions.

Our key related targets are to maintain the lost time injuries per one million hours worked (LTIF) at zero and to achieve 0 LTIF for non-employees by 2025. Occupational health and safety is also a central theme in the development of our ESG strategy from 2025, and the following objectives will be defined therein.

To track performance against targets, the quality of the health service is continuously monitored, taking feedback from our staff into account. We monitor our results through regular walk-throughs and inspections. We organize several walkthroughs per year at each site, which also include multiple walkthroughs by senior management, one inspection involving the HSE area and two internal audits. Compliance with procedures and policies is also reviewed by external audits and regulatory inspections.

To identify lessons learned and improvements from performance against the targets, we prepare a report at the end of each year as part of the performance assessment process, identifying areas to improve, and then develop actions through an action planning process, which are put into practice during the year.

Workplace risk assessment and the definition of exposures is performed by qualified health and safety officers. The results of the assessment are aligned with the targets, the experience and the analyses of work accidents to get a comprehensive picture. We use the requirements of the ISO 45001:2018 standard to set targets and we use the “Plan, Do, Check, Act” (PDCA) cycle to ensure continuous development.

[MDR-T 81] In respect of employees, beyond the topics of health and safety, no other targets have been set concerning material risks, opportunities or impacts.

Characteristics of ALTEO Group employees

In order to comply with the ESRS reporting standard, the data tables in Chapter 12 present ALTEO Group with a view to social sustainability. Instead of using the term “site” under the ESRS standard, for the sake of clarity, we present the Group by “operation sites”, which shows the Group broken down into ALTEO and FE-GROUP. “ALTEO” is the part of ALTEO Group that includes the ALTEO Group, not including FE-GROUP, along with its subsidiaries and parent companies. FE-GROUP refers to the waste management company that has joined the Group in 2023. The separation was necessary because ALTEO Group’s power plants have only a small number of permanent employees, while the majority are administratively attached to the central headquarters. This breakdown ensures that the data points in the report meet the requirements of the standard and provide a realistic picture of the Company’s performance.

ESRS sustainability questions in the form of yes-no statements	
Stakeholders were involved in setting the targets.	yes
Own workforce or employee representatives are directly involved in monitoring the achievement of the targets.	yes
Own workforce or employee representatives are directly involved in identifying lessons learned or opportunities for development based on the Company’s performance.	yes

[S1-6]

At the end of 2024, the Group had 120 female and 393 male staff members, i.e. a total of 513 employees. The share of female workers is 23%.

The number of employees is only shown for Hungary, as the Group’s activities are limited to Hungary. All the operation sites are located in Hungary.

Number of employees [persons][23]

	2024
Total	513
ALTEO	409
FE-GROUP	104
Men	393
ALTEO	314
FE-GROUP	79
Women	120
ALTEO	95
FE-GROUP	25

In 2024, ALTEO Group employed only permanent contract staff, with zero temporary staff and zero on-call staff.

NUMBER OF EMPLOYEES PER OPERATION SITE BY TYPE OF WORKING TIME (FULL-TIME EMPLOYEES) [PEOPLE]

	2024
Total	502
ALTEO	399
FE-GROUP	103
Men	389
ALTEO	311
FE-GROUP	78
Women	113
ALTEO	88
FE-GROUP	25

NUMBER OF EMPLOYEES PER OPERATION SITE BY TYPE OF WORKING TIME (PART-TIME EMPLOYEES) [PEOPLE]

	2024
Total	11
ALTEO	10
FE-GROUP	1
Men	4
ALTEO	3
FE-GROUP	1
Women	7
ALTEO	7
FE-GROUP	0

[23] The number of employees and the number of permanent employees by contract type (S1-6 50b) are the same, thus we have included only one table.

STAFF TURNOVER

	2024
Total number of employees [person]	513
ALTEO	409
FE-GROUP	104
Number of employees leaving [people]	96
ALTEO	39
FE-GROUP	57
Staff turnover (ALTEO Group) [%]	19%
ALTEO	10%
FE-GROUP	55%

For the calculation of staff turnover, we used the total number of employees leaving as a percentage of the total number of employees. The data has been compiled using our internal human resources database and is presented as at the end of the year. The figures presented are the headcount figures as at the end of the reporting period.

ESRS sustainability questions in the form of yes-no statements	
The number of employees was reported using a different methodology.	no

Characteristics of non-employee workers within the undertaking's own workforce

[S1-7]

In 2024, ALTEO Group employed 112 people under agency agreements. The two people at ALTEO Nyrt. were responsible for lifting equipment administration and technical support related to renewable energy production technologies and energy storage. The 110 non-employee workers at FE-GROUP are the temporary blue-collar workforce hired to carry out the operational activity.

There is no significant seasonality in the data.

NUMBER OF NON-EMPLOYEE WORKERS [PEOPLE]

	2024
Total	112
ALTEO	2
FE-GROUP	110

The data was compiled using our internal human resources database.

Collective bargaining coverage and social dialogue

[S1-8]

At FE-GROUP, the number of employees subject to collective bargaining agreements or social dialogue was zero, but since ALTEO Nyrt. has a Work Council it had 409 employees under social dialogue. The breakdown by countries is not relevant, as our Group operates only in Hungary.

ALTEO Group does not have any collective bargaining agreements in place and, therefore, no employees are subject to them. Working conditions are always determined in compliance with the applicable laws and, in the case of ALTEO, social dialogue is also conducted on other issues through consultations with the Works Council.

The total number of subcontractors employed by ALTEO Group was 581 subcontractors at 283 companies.

As in previous years, the number of subcontractors subject to collective bargaining agreements or social dialogue at ALTEO Group was zero in 2024.

NUMBER OF EMPLOYEES SUBJECT TO A COLLECTIVE BARGAINING AGREEMENT /SOCIAL DIALOGUE PER OPERATION SITE

	2024
Number of employees subject to a collective bargaining agreement /social dialogue [people]	409
ALTEO	409
FE-GROUP	0
Ratio (%)	80%
ALTEO	100%
FE-GROUP	0%

At present, ALTEO Group does not have an employee agreement in place that would allow employees to be represented by the European Works Council (EWC), the Societas Europaea (SE) Works Council or the Societas Cooperativa Europaea (SCE) Works Council.

Adequate wages

[S1-10]

All employees of ALTEO Group receive at least the minimum wage and the guaranteed minimum wage as defined by the applicable laws.

Social protection

[S1-11]

Employees of our Group can also benefit from a range of benefits affording them social protection, and all employees are entitled to these benefits, irrespective of their type of employment. The breakdown by countries is not relevant because we have sites only in Hungary

Loss of income due to illness

When an employee is on sick leave, the employer pays the sick benefit for the first 15 days of illness, and this sick benefit equals to 70% of the employee's salary. Employees who are incapable of working for a period longer than the 15 days, are entitled to sick pay provided by the State. This amount is a pre-defined percentage of the employee's income, financed by social security system.

In case of loss of income due to unemployment

Employees who become unemployed receive a job-seeker's benefit which is 60% of their previous earnings, up to a maximum of 100% of the minimum wage. The benefit is available for a maximum of 90 days.

In case of loss of income due to work-related injury and work-related disability

In the event of a workplace accident or occupational illness, the employee is entitled to accident pay of 100% of their earnings. If the injury or disability is permanent, a rehabilitation allowance may be payable, the amount of which varies depending on the remaining capacity for work.

In case of loss of income due to parental leave

- Baby-care allowance (CSED): Payable for 168 days after the birth of the child, and it equals to 70% of the mother's salary.
- Child-care benefit (GYED): Payable after CSED, until the child is 2 years old, once the employee is not eligible to CSED anymore, and it equals to 70% of the mother's salary, capped at 70% of twice the minimum wage.
- Child-care allowance (GYES): Payable after GYED, by subjective right until the child is 3 years old, once the employee is not eligible to GYED anymore and it is a fixed-amount benefit.

In case of loss of income due to retirement

The employee receives an old-age pension under the social security scheme, and in certain cases may also receive pension supplements, such as a widow's/widower's pension or early retirement benefit.

Health and safety metrics

[S1-14]

At ALTEO Group, we pay great attention to the principle of "Safety 1st", i.e. the importance of safe work and that of health protection. Our results reflect our long-standing commitment and development: We had no serious work-related accidents in 2024 either. This is particularly noteworthy as our staff is engaged in physical work that can pose a high safety risk.

Our goal is to prevent work accidents and provide preventive health services. We set annual targets and programs, based on risk assessments, experience and analysis of work-related accidents, and monitor these through the IMS. Results are monitored during walkthroughs and inspections.

We organize several walkthroughs per year at each site, which include multiple walkthroughs by senior management, one inspection involving the HSE area and two internal audits.

As part of our Integrated Management Policy (IMS), minimizing work accidents and preventing fires and environmental pollution are key objectives. Health and safety is managed as part of the IMS under the direction of the Director of Sustainability and HSE, and the Site Manager at each site is responsible for ensuring that working conditions are appropriate for health and safety.

The effectiveness of ALTEO Group's occupational safety and health preventive measures, as well as the preparedness and attention of our staff, is demonstrated by the fact that in 2024 there were no fatal work accidents involving either ALTEO Group employees or staff working at our sites or on our behalf.

In the year of the report, 80% of all ALTEO Group employees (513) were covered by a health and safety management system.

There is currently no health and safety management system available for FE-Group. As a result, none of the Company's 104 employees benefit from such a system.

PERSONS COVERED BY THE COMPANY'S HEALTH AND SAFETY MANAGEMENT SYSTEM

	2024
Total [persons]	513
ALTEO	409
FE-GROUP	0
Ratio [%]	80%
ALTEO	100%
FE-GROUP	0%

The number of ALTEO's non-employee workers was 2 in the year of the report, both of them were covered by the health and safety management system, thus their ratio is 100%. In the case of FE-Group, the number of non-employee workers was 110, with none covered by such a system.

In the year of the report, 2% (112 persons) of all of non-employee workers at ALTEO Group were covered by a health and safety management system.

NON-EMPLOYEES COVERED BY A HEALTH AND SAFETY MANAGEMENT SYSTEM

	2024
Total [persons]	2
ALTEO	2
FE-GROUP	0
Ratio [%]	2%
ALTEO	100%
FE-GROUP	0%

The Occupational Health and Safety Management System (OHSMS) in place at ALTEO Group covers all ALTEO Nyrt. employees, including own employees and external contractors working at sites (409 persons in total). In 2020, ALTEO Nyrt. migrated to the ISO 45001 occupational health and safety management system.

In 2024, the number of recordable work-related accidents was zero at ALTEO and 8 at FE-GROUP involving employed workers. This represents an improvement for both operation sites compared to the previous year, when 1 case was recorded for ALTEO Nyrt. and 9 for FE-GROUP. For non-employees, there were a total of 5 recordable work-related accidents, all of which occurred during work carried out at FE-GROUP. Relative to the total number of hours worked, this rate was 0.001%.

As before, ALTEO Group continues to be committed to the safety of its employees.

NUMBER AND RATE OF RECORDABLE WORK-RELATED ACCIDENTS

Employed workers	2024
Total [persons]	8
ALTEO	0
FE-GROUP	8
Total hours worked [hours]	850,249
ALTEO	682,574
FE-GROUP	167,676
Ratio [%]	0.001%
ALTEO	0.0000%
FE-GROUP	0.0048%

At ALTEO Group, we regularly review the risks of occupational diseases and take measures to mitigate these where necessary. All employees have an annual health check-up. The quality of service is constantly monitored and feedback from our staff is taken into account. The results are positive: no occupational illnesses have been reported in the past 6 years, which shows the effectiveness and efficiency of the measures.

NUMBER OF CASES OF RECORDABLE WORK-RELATED ILL HEALTH

	2024
Total	0
ALTEO	0
FE-GROUP	0

At our Group, the total number of days our employees lost due to work-related illnesses or injuries resulting from work-related accidents and death resulting from illnesses was 549 days.

The number of fatalities due to work-related injuries and illnesses among own workforce was 0.

The number of fatalities due to work-related injuries and illnesses of other workers at Company sites was 0.

DAYS LOST

	2024
Total number of days lost [days]	549
ALTEO	0
FE-GROUP	549

Work-life balance metrics

[S1-15]

At ALTEO Group, eligibility for family-related leave is determined subject to the laws of Hungary.

In 2024, 6% of employees were entitled to take family-related leave.

The ratio of employees entitled to take family-related leave was 42% for men and 71% for women.

PERCENTAGE OF EMPLOYEES ENTITLED TO TAKE FAMILY-RELATED LEAVE [%]

	2024
Ratio (%)	6.0%
ALTEO	7.6%
FE-GROUP	0.0%

PERCENTAGE OF ENTITLED EMPLOYEES WHO TOOK FAMILY-RELATED LEAVE [%]

	2024
Ratio	48.4%
ALTEO	48.4%
FE-GROUP	0%
Men	41.7%
ALTEO	41.7%
FE-GROUP	0%
Women	71.4%
ALTEO	71.4%
FE-GROUP	0%

Incidents, complaints and severe human rights impacts

[S1-17]

As in previous years, there were no reports of events at ALTEO Group that would qualify as discrimination. The number of complaints, cases of discrimination, severe human rights incidents involving own workforce was 0.

In light of this, there were no fines, penalties or compensation imposed.

INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS	2024
Number of complaints submitted	
Total	0
ALTEO	0
FE-GROUP	0

The number of incidents, complaints and severe human rights incidents are recorded and managed by the Ethics, Compliance and Control Department. The related data report has been produced on the basis of the internal database.

ESRS sustainability questions in the form of yes-no statements	BP-1
There have been no severe human rights incidents involving own workforce.	no

4 CORPORATE GOVERNANCE

4.1 Business conduct

Presentation of processes to identify and assess material impacts, risks and opportunities

[G1 IRO-1]

Information on the disclosure requirement is presented in Chapter IRO-1.

Corporate culture and business conduct policies, and corporate culture

[G1-1] ALTEO Group's corporate culture is deeply rooted in the Code of Ethics, which is described in detail in Chapter S1. The management conducts regular discussions on the aspects of corporate culture, with particular attention to ethical standards, the quality of the working environment, employee rights and sustainability. These issues are regularly communicated to internal and external partners to ensure that these issues become an integral part of the corporate culture. As far as ethics and compliance are concerned, the management monitors the Company's operations, in particular as it relates to the Code of Ethics, data protection, information security and workplace safety, and intervenes as necessary. In addition, the management organizes regular trainings and workshops for employees for personal and professional development. Specific incentive measures by the Company to encourage and promote a corporate culture include flexible working hours, the possibility of working from home, an annual training plan and various training opportunities, a humane approach to dismissals, support for former employees, investigation of Code of Ethics incidents and taking necessary action, and the introduction of a whistleblowing line to report misconduct and abuse. Through our Whistleblowing Line, both internal and external stakeholders can report suspected non-compliance or abuse.

Our Group uses its Compliance Management System (CMS) to report unlawful conduct and to identify concerns about conduct that is contrary to the Code of Ethics or internal rules, and detailed information on the policy is provided in Chapter S1. We have also introduced a Compliance adjustment in the performance appraisal system to ensure that ethical standards are met.

Our Company has anti-corruption policies in place in line with the United Nations Convention against Corruption.

[G1-3] Materials on ethics and business conduct are included in our annual training program in order to ensure that employees are familiar with the Code of Ethics. All employees of ALTEO Group (not including FE-Group) are required to pass a bi-annual mandatory online training and exam, and we have mandatory online ethics trainings and exams for all new hires. The curriculum of the latter covers the chapters of the Code of Ethics step by step in the form of a presentation, and employees take an exam on the Code of Ethics.

However, it is each and every employee is personally responsible for knowing and applying the Code of Ethics that governs the business conduct of ALTEO Group.

Integrated Management System

The Integrated Management Policy is the fundamental document of the system, in which the Company's management commits itself to providing quality services, ensuring safe work environment, energy efficiency, the protection of environment, and sustainability. It applies to all ALTEO Group activities (with the exception of FE-Group), including the entire value chain of the energy industry. ALTEO Group's management is responsible for the implementation of the policy.

The quality of our services is of utmost importance, and we strive to deliver beyond the expectations of our clients. In addition to our primary business interests, we pay great attention to ensuring a healthy and safe working environment while minimizing the environmental impact of our activities. We are committed to adhering to the principles of precaution, responsible thinking, and prevention, and firmly believe in the importance of social responsibility, thus contributing to sustainable development. All of the above is implemented through our Integrated Management System (IMS), which is a system integrating four international standards:

ISO 9001:2015 Quality Management System (QMS)	ISO 14001:2015 Environment Management System (EMS)	ISO 45001:2018 Occupational health and safety management system (OHSMS)	ISO 50001:2018 Energy Management System (EnMS)

For ISO 45001 and ISO 50001, we successfully adopted the new 2018 standards in 2020. Our certifications are available on our website. The integrated operation of these systems enables the ALTEO Group to operate at the highest international standards at all times. This also ensures compliance with current legislation and stakeholder expectations. In 2023, we successfully introduced and had certified the ISO 27001:2022 Information Security Management Systems for support processes, whose supervisory audit was successfully completed in 2024.

Sustainable procurement policy

The Sustainable Procurement Policy of the ALTEO Group (not including FE-Group) sets out the environmental, social and economic criteria that the Company applies in its procurements. The policy aims to promote sustainability, uphold fair labor practices and ensure ethical behavior and transparency in the supply chain. The document applies to the entire supplier network of ALTEO Group, including subcontractors and related partners. In this context, the Sustainable Procurement Policy is supervised and implemented by ALTEO Group's Director of Procurement and Facilities Management.

The management of ALTEO Group is responsible for the development and implementation of the policy, which includes the involvement of stakeholders, including suppliers, employees and customers, and taking their needs into account. Regular training and development ensure that everyone is aware of the importance of sustainability. ALTEO Group requires its suppliers to comply with the guidelines of the Code of Ethics, ensure a safe and healthy working environment, promote diversity and inclusion, and minimize their environmental impact.

ALTEO Group is highly committed to sustainability, continuously striving for innovation and the use of best practices. To this end, the Company regularly reviews its policy to ensure that it always reflects the latest regulations and stakeholder expectations.

Measures related to corporate culture and business conduct

Corruption and bribery

[G1-3] [G1-4]

To prepare the Compliance Risk Map, and to eliminate the possibility of corruption, fraud and abuse, the ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings in November of each year since 2015. The questionnaire shows the extent managers are aware of risks in the areas under review compared with the identified and actual risks of the Group, thus ensuring regulatory compliance and reducing risks from the value chain. In addition to the existing five business areas, we have carried out a risk analysis of three additional business areas (Legal, IT, M&A) in 2024.

In addition, our Group has an anti-corruption program to ensure fair, compliant and transparent business operation. For this reason, based on the Code of Ethics:

- the Company established strict rules on conflict of interest,
- it is prohibited to grant or receive undue benefits,
- small gifts and business invitations can be accepted only on certain conditions,
- activities and positions that are particularly vulnerable to potential bribery are closely monitored to prevent bribery,
- we conduct due diligence checks on our business partners,
- 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.

ALTEO Group focuses the recruitment of new employees which is an HR-related area that is most exposed to the risk of corruption, and therefore receives special attention, as the risk of corruption within the Company can increase in case of conflicts of interest. To remedy this, all new employees are required to sign a conflict of interest declaration as part of the onboarding process, in accordance with our internal rules. The declarations are reviewed and, if necessary, the employee is consulted on the elimination of the conflict of interest or the conditions for authorization. In the event of new contractual relationships, transactions or other forms of value transfer, affected employees must specifically declare that there is no business or personal involvement with respect to the transaction.

When conducting due diligence for business partners, our Group seeks to act with the utmost care, and to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure.

Despite the precautions taken, there were two cases of suspected corruption reported in 2024, one resulting in the dismissal of a staff member and one resulting in the termination of a relationship with a business partner.

In 2024, the number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws were 0.

Whistleblowing Hotline

The Company has been operating a whistleblowing hotline since 2016. Both employees and business partners can report suspected Code of Ethics violations in the Company's operations through an online reporting system, via email or by telephone. Reports are always investigated in accordance with our internal rules of procedure. Our Group places particular emphasis on ensuring that whistleblowers do not suffer any form of retaliation or discrimination, even if after a bona fide report no illegal or inappropriate practices are identified.

In accordance with ALTEO Group's Compliance Policy, the Ethics, Compliance and Control Department sends a confirmation to the whistleblower within seven days of receipt of a written report made in the internal whistleblowing system. In the confirmation, the Director of Ethics, Compliance and Control informs the whistleblower about the procedural and data processing rules under the Whistleblower Protection Act. The report must be investigated within thirty days, but this period may be extended in justified cases after informing the whistleblower. Even in such cases, the investigation cannot exceed three months.

The Director of Ethics, Compliance and Control also informs the whistleblower, orally or in writing, of whether or not the report is being investigated, and the reasons for possible non-investigation, the outcome of the investigation and the action taken or planned to be taken. The person concerned by the report is informed in detail about the report and the processing of personal data at the start of the investigation.

To encourage employees at ALTEO Group to speak up, we launched the Speak Up! program in 2023. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences. We consulted with staff about what they would consider important to say and do on this issue. The program for the next 2-3 years has been set up accordingly.

We also ensure that actions violating our Code of Ethics are reported and appropriately investigated. The Compliance Management System (CMS)[24] is designed to ensure compliance with laws, internal rules and the Group's Code of Ethics in respect of the entire Group. 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 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).

We are committed to operating ethically and transparently, which is why the compliance system at ALTEO Group is of paramount importance in the life of the Company. The Ethics, Compliance and Control Organization reports directly to the CEO. It informs the Company's Compliance Committee and Supervisory Board about its activities and work plan, and any issues identified.

Investigation mechanism

The Ethics, Compliance and Control department of ALTEO Group is responsible for investigating ethical issues brought to its attention and reports received through the whistleblowing line; it also makes recommendations for necessary measures and monitors implementation.

Compliance risk map

To prepare its Compliance Risk Map, ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings every year. More information on the process is shared in disclosures G1-3 and G1-4 of the report.

The questionnaire covers topics concerning the following five main business areas:

BUSINESS AREA	TOPICS
1 CORPORATE GOVERNANCE	The questions on corporate governance provide answers on how the Company's management manages risks, what tools, internal rules and organizational structures are used to fight corruption, fraud and insider trading. How it protects business information and how much emphasis it attaches to maintaining the Company's reputation in its marketing strategy and in its external and internal communications
2 HR POLICY	Topics related to HR policy provide an idea of the adequacy of the Company's internal communication, the sharing of internal information, and the emphasis the Company places on raising awareness and operating in a transparent and regulated manner.
3 FINANCE – ACCOUNTING	It determines how the Company regulates the payment and reviewing of invoices, and the emphasis it places on ensuring that payments are always made in a controlled, approved and properly documented manner.

[24] For more information, please visit the website: https://alteo.hu/sustainability/responsible-corporate-governance/ethics-compliance-and-control/?lang=en

4 PUBLICITY / PROVISION OF INFORMATION	As regards publicity, risks related to the regularity of cooperation with business partners, the publicity of the conditions imposed by the Company (service related expectations), the appropriateness of the selection process used for contracts, the definition of professional competence criteria, can be assessed.
5 PROCUREMENT	The risk map of the procurement area determines the transparency of the procurement processes, the regularity and controlled nature of the tendering process, and the appropriateness of the pre-qualification criteria used.

Health, safety and environment (HSE)

We put great emphasis on the environmental and safety performance of our sites. Our excellent environmental performance means that we comply with domestic and EU requirements, at the same time as minimizing the environmental impact of the energy we generate. In terms of workplace safety, we achieved outstanding results in the Hungarian energy production sector, with no serious work accidents at our sites. We will continue to focus on continuously enhancing our environmental and safety performance to ensure the basic conditions for sustainable operation.

The core value of the ALTEO Group (not including FE-Group) is safety. Health and safety activities are managed in alignment with the Integrated Management System and sustainability considerations. Site managers are responsible for ensuring safe working environment at their site. We aim to handle HSE-related tasks in a single, systemic approach, to minimize risks, and to implement cost-effective measures, while complying with current laws. The prevention of work accidents, increased exposures and occupational diseases and fires is of crucial importance, and requires close cooperation in the area of occupational health and safety.

Our fundamental goal is to prevent work accidents and provide preventive occupational health services. We have an Occupational Health and Safety Committee set up, which participates in occupational health and safety activities at ALTEO Group, and is involved in the preparation of decisions that may affect the health and safety of employees. This also ensures that employees are involved in the development of the corporate HSE strategy. Special attention is paid to the health and safety of all those working at our sites, and everyone is expected to adhere to our common principles.

ALTEO Group considers HSE requirements as its corporate policy, and the purpose of the requirements is to determine the material and personal HSE conditions of work, prepare a risk assessment, determine the necessary personal protective equipment, prepare and enforce a health and safety plan. These regulations apply to all work carried out by ALTEO Group, with the exception of greenfield work, where the Contractor is responsible for authorizing the work once the work site is handed over to it. In order to comply with the regulations, a valid contract, a Supervisor Certificate and the completion of the E-learning material prepared by ALTEO Nyrt. are required.

The HSE organization is responsible for compliance with the regulations. The standards applied include the 14001:2015 Environment Management System, and the ISO 45001:2018 Occupational health and safety management system The HSE requirements serve to protect the health and safety of employees. We organize several management walk-throughs and HSE inspections, and also two internal audits each year. Compliance with policies is also reviewed in external audits and regulatory inspections.

Participants are required to complete a knowledge assessment test after HSE training sessions, and prior to the annually recurring trainings, the curriculum is updated and supplemented in line with internal and legislative changes. HSE training is available for all employees; while non-ALTEO Group employees are provided with contractor supervisor HSE training.

Risk management

Risks and opportunities associated with climate change

Having recognized the potential risks associated with climate change, which may have significant impact on its business activities in terms of demand for energy and opportunities for energy production, ALTEO Group prepared a scenario analysis in 2022 based on a TCFD (Task Force on Climate-related Financial Disclosures) approach to identify risks and opportunities arising in the context of climate change. This was the basis for a more comprehensive and informed assessment of climate-related operational risks and opportunities.

Risks were identified using a risk assessment methodology applied by ALTEO Group, in which the impact and probability of relevant risks actually occurring was evaluated on a scale of 1 to 3 (1–low, 2–medium, 3–high) by the Company's key sustainability, risk management, legal and commercial specialists, with the involvement of external experts. A similar approach was applied to the assessment of the options. The workshops looked at three time horizons: short-term (up until 2025), medium-term (up until 2030) and long-term (up until 2050). The scenario analysis was evaluated and approved by ALTEO Group Green Committee on October 26, 2022.

The two climate scenarios examined by ALTEO Group:

1.5 °C Scenario[25] Transition risks and market opportunities dominate	4 °C Scenario[26] Physical impacts dominate
Globally coordinated efforts to reduce emissions to net zero by 2050	Emission reduction policies are limited to current policies
Aggressive regulation restricting the extraction and use of fossil fuels.	Continued use of fossil fuels and energy-intensive activities
Transition to a sustainable and less resource-intensive lifestyle	Unsustainable, energy-intensive consumption patterns
Rapid decline in the cost of key technologies such as hydrogen and photovoltaics	More visible physical effects of climate change

These results were entered into the Company's risk records, and are continuously monitored and managed in accordance with the Group's risk management strategy and risk management process.

Management of relationships with suppliers

[G1-2]

ALTEO Group only works with suppliers who comply with the applicable legal and ethical standards for business. Accordingly, we pre-qualify our suppliers for all new contracts and re-evaluate our existing suppliers every three years. The suppliers above a certain value threshold are subject to further compliance checks. When entering into a relationship with suppliers, our Group seeks to involve a wide range of local entrepreneurs (those registered in the region) and businesses while keeping cost-effectiveness in mind, thereby helping to spread the economic benefits of its operations in its immediate environment.

When conducting due diligence for business partners, the Company seeks to act with the utmost care, and to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. In addition, we expect our suppliers, subcontractors and other partners to familiarize themselves with our Code of Ethics and act in accordance with its contents.

We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure.

Payment practices

[G1-6]

ALTEO Group does not currently have a documented governance document or policy on the prevention of late payments, however, this process is a fundamental and important part of our daily practice. These documents will be replaced and aligned with our overall governance systems and policies in the coming period.

In 2024, ALTEO Group, not including FE-GROUP, settled invoices from suppliers within an average of 4 days of the due date, while FE-GROUP settled invoices in an average of 1 day.

AVERAGE TIME (DAYS) NEEDED FOR INVOICE SETTLEMENT, PER OPERATION SITE

	2024
ALTEO	4
FE-GROUP	1

When defining the payment due dates for the various supplier categories, we have not broken down the data into foreign and domestic suppliers, given that the volume of foreign invoices is negligible compared to the total number of invoices. For this reason, we have made the categorization according to standard payment due dates. On the basis of the above, "Contracted suppliers II" had the highest percentage of payments made by the due date (in their case a 60-day payment date), at 93.26%.

[25] Based on the Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 2.6 and SS1, and Nationally Determined Contributions (NDC) submitted by the European Union.

[26] Based on the IPCC scenarios: RCP 8.5 and SSP5.

PAYMENT DUE DATES FOR THE VARIOUS SUPPLIER CATEGORIES [DAYS]

Supplier category	Payment due dates (days)	Ratio of payments meeting the payment due date
Ad hoc suppliers	8 days	53.41%
Framework agreement suppliers	15 days	74.14%
Contracted suppliers I	30 days	85.24%
Contracted suppliers II	60 days	93.26%

The principle used to define supplier categories was the length of the standard payment date. The principle of the breakdown is ~1 week, ~2 weeks, ~1 month, ~2 months. This way, we identified the 4 groups shown in the table, which were named according to the nature of their contracts.

As in previous years, there were no legal proceedings concerning late payments at any of our sites in 2024.

[IRO-2]

17. LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION[27]

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				x
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II"		Non-material.
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex I		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material.

[27] In accordance with the ESRS standard, this table shows where the data points from other EU legislation listed in Appendix B of ESRS 2 can be found in the sustainability statement. However, ALTEO Group is not subject to the laws referred to, i.e. the Company is not subject to the European Climate Law, the EU Climate Transition Benchmarks Regulation, the regulation on sustainability-related disclosure in the financial services sector (SFDR) or the disclosure requirements under Pillar 3 of the EBA.

[28] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation)

[29] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance) (Capital Requirements Regulation – "CRR") (OJ L 176, 6/27/2013, p. 1).

[30] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 6/29/2016, p. 1).

[31] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (European Climate Law) (OJ L 243, 7/9/2021, p. 1).

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2	x
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1) (d) to (g), and Article 12(2).		Not relevant
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate Change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		x
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex I				Page X
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex I				x
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex I				x
ESRS E1-6 Scope 1, 2, 3 gross and total GHG emissions Section 44	Indicators number 1 and 2 Table #1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		x
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate Change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		x
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Non-material.
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk			x
ESRS E1-9. Breakdown of the carrying amount of its real estate assets by energy efficiency classes paragraph 67 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2: Banking book – Climate Change transition risk: Loans collateralized by immovable property - Energy efficiency of the collateral			Non-material.
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		x
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex I Indicator number 2 Table #2 of Annex I Indicator number 1 Table #2 of Annex I Indicator number 3 Table #2 of Annex I				x
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				x
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex I				x
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Non-material.
ESRS E3-4 Total recycled and reused water paragraph 28(c)	Indicator number 6.2 Table #2 of Annex I				x
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				x
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I				Non-material.
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I				Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex I				Non-material.
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I				x
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I				x
ESRS 2 – SBM3 – S1 Risk of incidents of forced labor paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				x
ESRS 2 – SBM3 – S1 Risk of incidents of child labor paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				x
ESRS S1-1 Human rights policy commitments Paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				x
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				x
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				x
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				x
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				x
ESRS S1-16 Unadjusted gender pay gap paragraph 97	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS S1-16 Excessive CEO pay ratio paragraph 97	Indicator number 8 Table #3 of Annex I				x
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				x
ESRS S1-17. Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		x
ESRS 2 – SBM3 – S2 Significant risk of child labor or forced labor in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Non-material.
ESRS S2-1 Human rights policy commitments Section 17	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS S2-1 Policies related to value chain workers Section 18	Indicator number 11 and n. 4 Table #3 of Annex I				Non-material.
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Non-material.
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines Section 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material.
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines Section 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Non-material.
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I				x
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I				x
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		106
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex I				106

Budapest, 2024

Separate financial statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the fiscal year ended on December 31, 2024
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
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
CGU	Cash-generating Unit
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization (typically: impairment)
HUF thousand	HUF thousand
EPS	Earnings per Share
EUA	European Emission Allowances
SB	Supervisory Board
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HTM	Financial instruments held to maturity
IFRS	International Financial Reporting Standards
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
BoD	Board of Directors
KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
R&D	Research and development – Innovation
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office)
ESOP	Employee Share Ownership Program
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary
O&M	Operation and Maintenance contract
PM	Ministry of Finances
Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
Capital Market Act	Act CXX of 2001 on the Capital Market
Electricity Act	Act LXXXVI of 2007 – on Electricity

Table of Contents

I Numeric reports of the financial statements

ALTEO Nyrt.
Statement of income
Statement of total comprehensive income
Period: 1/1/2024-12/31/2024

(Negative values are denoted by parentheses.)	Note	2024 12 months data in HUF thousand	2023 12 months data in HUF thousand
Revenues	**1.**	**38 619 845**	**26 007 059**
Material expenses	2.	(17 007 258)	(6 503 373)
Personnel expenses	3.	(9 873 439)	(7 055 314)
Depreciation and amortization	4.	(1 274 424)	(952 843)
Other revenues, expenses	6.	(749 396)	(188 666)
Capitalized own production	5.	699 706	545 027
Operating profit or loss		**10 415 034**	**11 851 890**
Finance income	7.	2 107 779	3 607 268
Financial expenses	7.	(2 282 244)	(1 187 012)
Financial profit/loss	7.	(174 465)	2 420 256
Profit or loss before taxes		**10 240 569**	**14 272 146**
Income tax expenses	8.	(1 559 847)	(1 692 544)
Net profit or loss		**8 680 722**	**12 579 602**
Other comprehensive income (after income tax)	**21.**	-	-
Reserves relating to derivative transactions	21.	-	(64 831)
Other comprehensive income from cash flow hedges	21.	-	-
from cash flow hedges into profit or loss		-	-
Total comprehensive income		**8 680 722**	**12 514 771**

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, 2024

Assets

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Non-current assets		**33 606 161**	**23 497 294**
Property, plant and equipment	9.	5 835 653	4 003 317
Intangible assets and developments	9.	2 359 856	1 136 941
Rights of use	9.	1 187 055	1 251 099
Long-term deposits or loans given	10.	5 715 648	4 872 177
Long-term share in subsidiary	11.	18 507 949	12 233 760
Current assets and assets held for sale		**31 243 603**	**41 634 568**
Inventories	13.	1 967 694	5 535 841
Trade receivables	14.	14 870 008	10 043 326
Other financial assets	15.	199 845	1 683
Other receivables and accruals	16.	11 023 896	9 156 352
Short-term loans given	18.	887 682	-
Cash and cash equivalents	19.	2 294 478	16 897 366
TOTAL ASSETS		**64 849 764**	**65 131 862**

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, 2024

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Equity		**38 837 987**	**37 826 828**
Issued capital	20.	249 140	247 534
Share premium reserves	20.	6 583 772	6 036 423
Reserve for share-based payments	20.	(2 237 648)	(1 885 811)
Derivative reserve	21.	-	(64 831)
Retained earnings	20.	34 242 723	33 493 513
Long-term liabilities		**14 840 259**	**15 666 539**
Debts on the issue of bonds	25.	12 701 604	12 658 274
Long-term loans and borrowings	26.	195 929	218 787
Finance lease liabilities	27.	684 018	956 033
Deferred tax liabilities	23.	39 967	255 879
Provisions	24.	170 553	-
Deferred income	28.	524 006	627 609
Other long-term liabilities	26.	524 182	949 957
Short-term liabilities		**11 171 518**	**11 638 495**
Short-term loans and borrowings	32.	22 858	30 341
Short-term finance lease liabilities	27.	566 848	349 850
Advances received	33.	919 114	-
Trade payables	31.	1 881 674	2 449 221
Short-term provisions	30.	28 038	-
Other short-term liabilities and accruals	32.	7 175 418	6 420 255
Income tax liabilities	34.	577 568	2 388 828
TOTAL EQUITY and LIABILITIES		**64 849 764**	**65 131 862**

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, 2024

Data in HUF thousand	*Issued capital Extract from company register 20.1*	*Issued capital repurchased 20.1*	Total issued capital under the IFRS (Extract from company register – redeemed) 20.1	Share Premium – Reserves total 20.2	Retained earnings 20.3	Of retained earnings: development reserve 20.3	Reserve for share-based payments 20.4 Closed ESOP Program	Reserve for share-based payments 20.4 Active ESOP Program	Derivative reserve 21.	Total equity
1/1/2023	**249 143**	**(77)**	**249 066**	**6 435 484**	**5 107 635**	**16 117 856**	**(322 802)**	**(1 136 742)**	**-**	**26 450 497**
Development reserve use	-	-	-	-	1 681 868	(1 681 868)	-	-	-	-
Development reserve return	-	-	-	-	12 435 988	(12 435 988)	-	-	-	-
Implementation of employee share award through shares	-	24	24	5 518	-	-	-	-	-	5 542
Capital movements related to the closing of the ESOP Program II (2020-2022)										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	-	-		552 218	-	(552 218)	-	-	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	-	-		(866 672)	-	866 672	-	-	-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	-	-	(63 145)	-	-	-	-		(63 145)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	-	-	(2 874)	2 874	-	8 077	-	-	8 077
Share purchase	-	(5 201)	(5 201)	(1 123 942)	-	-	271	45 766	-	(1 083 106)
Shares transferred to ESOP organization	-	3 645	3 645	791 190	-	-	-	(794 835)	-	-
Amounts spent on ESOP operation	-	-	-	(5 808)	-	-	-	-	-	(5 808)
Profit/loss on derivatives transactions, OCI	-		-	-	-	-	-	-	(64 831)	(64 831)
Comprehensive income	-	-	-	-	12 579 602	-	-	-	-	12 579 602
12/31/2023	**249 143**	**(1 609)**	**247 534**	**6 036 423**	**31 493 513**	**2 000 000**	**-**	**(1 885 811)**	**(64 831)**	**37 826 828**
Dividend approval	-		-	-	(7 972 590)	-	-	-	-	(7 972 590)
Consolidation of the ESOP Organization:										
Shares transferred to ESOP Organization for the implementation of ESOP Programs		5 671	5 671	1 601 386			(1 607 057)			-
IFRS 2 vested benefit settlement through the ESOP Organization		(3 192)	(3 192)	(974 428)			977 620			-
Szikra, ESOP 2025 Program share repurchase		(873)	(873)	(276 728)			277 601			-
ESOP Founder's assets forfeited dividend					41 078					41 078
ESOP Founder's assets dividend				197 119						197 119
Rounding							(1)			(1)
Profit/loss on derivatives transactions, OCI (reinvestment)									64 831	64 831
Comprehensive income	-	-	-	-	8 680 722	-	-	-	-	8 680 722
Development reserve use					176 150	(176 150)				-
12/31/2024	**249 143**	**(3)**	**249 140**	**6 583 772**	**32 418 873**	**1 823 850**	**(351 837)**	**(1 885 811)**	**-**	**38 837 987**

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 22.**

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Statement of Cash Flows of ALTEO Nyrt.
Period: 1/1/2024-12/31/2024

	Note	12/31/2024 HUF thousand	12/31/2023 HUF thousand restated*
Profit or loss before taxes		**10 240 569**	**14 272 146**
Net profit/loss on financial expenses (+) and income (-)	7.	261 615	(2 541 130)
Depreciation and amortization of fixed assets and intangible assets	4.	1 274 422	952 843
Recognition (reversal) of impairment of current assets in profit or loss	6.	172 744	117 541
Provisions recognized (and released)	6.	6 032	-
Deferred income increase (decrease)	28.	(103 603)	108 250
Profit or loss on derecognizing fixed assets	6.	94	405
Net cash-flow of business activity without change in current assets		***11 851 873***	***12 910 055***
Change in inventories	13.	3 623 592	(4 036 841)
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(6 520 004)	1 338 283
Change in other financial assets	16.	(198 162)	(1 683)
Change in trade payables, other liabilities, accrued expenses and deferred income	31.	851 379	7 474 695
Advances received (final settlement)	33.	919 114	(60 853)
Financial settlement of particular ESOP liabilities	26.	(854 499)	(10 594)
Taxes paid	8.	(3 592 565)	(2 904 178)
Cash flow from business activities (use of funds)		**6 080 728**	**14 708 884**
Interests received on deposits and investments	7.	1 225 468	2 104 816
Purchase of production and other machinery, and intangible assets	9.	(4 117 349)	(2 462 392)
Investment in acquiring businesses (net of cash)	11.	(6 447 298)	(1 180 953)
Revenue from the sale of production and other machinery, and intangible assets	6.	400	605
Long-term loans given – disbursement	10.	(22 938 447)	(809 939)
Long-term loans given – repayment	10.	19 983 323	3 312 233
Cash generated / (used) in investment activities		**(12 293 903)**	**964 370**
Interest paid on bonds and loans	7.	(527 119)	(736 969)
Loans, bonds, credits and liabilities borrowed	32.	-	249 265
Loans, bonds, credits and liabilities repaid	25.	(54 164)	(8 141 156)
Change in leases	27.	(467 081)	161 991
Capital increase, purchase of own shares	20.	-	(1 129 143)
Transactions in own shares	20.	-	(68 953)
Dividend received	7.	369 000	939 000
Dividend payment	7.	(7 728 076)	-
Cash generated / (used) in financing activities		**(8 407 440)**	**(8 725 965)**
Changes in cash and cash equivalents		**(14 620 615)**	**6 947 289**
Opening cash and cash equivalents	19.	16 897 366	9 948 117
Cash exchange gains/losses	7.	17 727	1 959
Closing cash and cash equivalents	19.	**2 294 478**	**16 897 366**

The notes constitute an integral part of the financial statements.
The references in the Notes refer to Chapter V of the financial statements.
**See the information on restated data in Chapter 7.*

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 the parent company for the year 2024 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, and financial situation of the Company, as well as of its profit and loss and cash flows. Furthermore, the Company declares that its separate Financial Statements as the parent company for the year 2024 provide a true and fair view of the assets, liabilities, financial position, profitability, development and performance of the Company, 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 2024 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 2024 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.

Financial statements of ALTEO Nyrt. for 2024: Data in HUF thousand

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/VAT group identifier	14292615-4-44 / 17783893-5-44
The Company's EU VAT number	HU17783893
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 7112'25)
Governing law	Hungarian
The Company's share capital	HUF 249,143,425
Date of the effective Articles of Association	May 10, 2024 (effective from April 19, 2024)

Ownership structure of the Company

On December 17, 2022, the Company received the statutory public takeover bid of MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: 01-10-046154; hereinafter: "Offeror") as designated offeror as well as 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 series 'A' ordinary shares of ALTEO Energiaszolgáltató Nyrt. (HU0000155726) with a face value of HUF 12.5 each.

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 on December 16, 2022 (and amended on February 2, 2023) 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.

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.

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 Nyrt. ordinary shares, representing 12.237% of the voting rights in ALTEO. 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. As a result of the successful statutory public takeover bid procedure, with the execution of the transactions referred to in Section 2.5.2 of the Bid, the Offeror acquired 4,902,536 ordinary shares, Főnix Private Equity Fund acquired 4,902,535 ordinary shares and Riverland Private Equity Fund acquired 4,902,535 ordinary shares of ALTEO Nyrt. on March 21, 2023, thus the Acquirers' joint share in the Company increased to 73.791%, while their control over the treasury shares of the Company increased to 73.806% in the financial year 2023.

On September 10, 2024, a change occurred regarding one of ALTEO's majority shareholders. Lead Ventures Alapkezelő Zrt. took over control of Riverland Private Equity Fund (Riverland Magántőkealap, owner of 24.60% of ALTEO's shares) from Indotek-Investments Alapkezelő Zrt.

Majority shareholders of ALTEO Nyrt.:

- MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28.; company registration number: Cg.01-10-046154)
- Riverland Private Equity Fund (registered office: H-1133 Budapest, Váci út 110.; tax number: 19314961-2-41)
- Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25.; tax number: 19315357-2-41).

Ownership structure of ALTEO Nyrt. based on the share register as at December 31, 2024:

Shareholders according to the share register on December 31, 2024	Quantity (of shares)		Face value (HUF thousand) (Section 20.1)		Ownership ratio (%)	
	2024	2023	2024	2023	2024	2023
MOL RES Investments Zrt.	4 902 536	4 902 536	61 282	61 282	24,60%	24,60%
Riverland Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Főnix Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Board of Directors, Supervisory Board, and Executive	380 071	383 053	4 751	4 788	1,91%	1,92%
Repurchased own shares	245	128 783	3	1 610	0,00%	0,65%
ALTEO ESOP Organization	943 387	814 849	11 792	10 186	4,73%	4,09%
Free float	3 900 164	3 897 183	48 752	48 715	19,57%	19,55%
TOTAL	**19 931 474**	**19 931 474**	**249 143**	**249 143**	**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 2024 (on December 30) was HUF 4,050, which is 42% higher than the same value in the last year (HUF 2,850). The share trading volume in 2024 was 2,113,477 shares in the value of HUF 8,157 million.

Scopes of consolidation

The Company has no parent company involving it in consolidation.

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 Act C of 2000 on Accounting in effect, the Company complies with its consolidation obligation by publishing its financial statements and annual report compiled in accordance with the IFRSs.

The Company publishes its consolidated annual financial statements at the following places of disclosure:

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

6 The basis for the preparation of the financial statements

Statement of IFRS compliance

These Financial Statements were prepared in accordane 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 financial 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, financial instruments held for trading, derivatives and in certain situations assets held for sale are to be assessed 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.

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 Key elements of the accounting policies

Presentation of the separate financial statements

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

- separate statement of total comprehensive 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.

In the context of the financial statements but as a separate document, the Company prepares its **Business report**, **Sustainability Report as part of the Business Report**, **Management Report** and **Non-Financial Statements** in accordance with the disclosure requirements for publicly traded securities.

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	12/31/2014	2024 average	12/31/2023	2023 average
euro (EUR)	410,09	395,20	382,78	381,95

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 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 (administration and management)	Other non-segment activities and central administration.

The Operation, Ventures and Power Plant Construction segment indicated in the table corresponds to the Energy Services segment in the consolidated annual financial statements.

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

Changes in comparative data

The previous IFRS financial statement of the Company was drawn up for the fiscal year of 2023. 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 Company so as to ensure comparability.

The presentation (structure) of the Company's statement of financial position changed in 2024. The purpose of the change was to provide users with a true and fair overall picture and to facilitate comparability through the alignment of the structures of the separate and consolidated financial statements. There were no corrections of accounting errors or restatements in 2024, only the structure and the presentation of the financial statements changed.

Changes to the Statement of financial position:

	12/31/2023		
data in HUF thousand	Restated	disclosed	Change
Non-current assets	**23 497 294**	**23 497 294**	**-**
Property, plant and equipment	4 003 317	4 003 317	-
Intangible assets and developments	1 136 941	876 826	260 115
R&D	-	260 115	(260 115)
Rights of use	1 251 099	1 251 099	-
Long-term loans given	4 872 177	4 872 177	-
Long-term share in subsidiary	12 233 760	12 233 760	-
Current assets and assets held for sale	**41 634 568**	**41 634 568**	**-**
Inventories	5 535 841	5 535 841	-
Trade receivables	10 043 326	10 043 326	-
Other financial assets	1 683	-	1 683
Other receivables and accruals	9 156 352	9 158 035	(1 683)
Cash and cash equivalents	16 897 366	16 897 366	-
TOTAL ASSETS	**65 131 862**	**65 131 862**	**-**

Equity	**37 826 828**	**37 826 828**	**-**
Issued capital	247 534	247 534	-
Share premium reserves	6 036 423	6 036 423	-
Reserve for share-based payments	(1 885 811)	(1 885 811)	-
Reserves relating to derivative transactions	(64 831)	(64 831)	-
Retained earnings	33 493 513	33 493 513	-
Long-term liabilities	**15 666 539**	**15 666 539**	**-**
Debts on the issue of bonds	12 658 274	12 658 274	-
Long-term loans and borrowings	218 787	218 787	-
Finance lease liabilities	956 033	956 033	-
Deferred tax liabilities	255 879	255 879	-
Provisions	-	-	-
Deferred income	627 609	627 609	-
Other long-term liabilities	949 957	949 957	-
Short-term liabilities	**11 638 495**	**11 638 495**	**-**
Short-term bond payables	-	7 483	(7 483)
Short-term loans and borrowings	30 341	22 858	7 483
Short-term finance lease liabilities	349 850	349 850	-
Advances received	-	-	-
Trade payables	2 449 221	2 449 221	-
Short-term provisions	-	-	-
Other short-term liabilities and accruals	6 420 255	6 420 255	-
Income tax liabilities	2 388 828	2 388 828	-
TOTAL EQUITY and LIABILITIES	**65 131 862**	**65 131 862**	**-**

For the preparation of the Financial Statements for 2024, the Company also updated the figures of the 2023 statement of cash flows. The reasons for the restatement included changes in the structure of the cash flow and the correction of adjustments that were previously incorrectly identified. The restatement only affects the presentation of the statement of cash flows so it does not affect the rest of the financial statements for the previous year.

As a result of the restatement, the items of the statement of cash flows changed as follows:

Cash flow (Negative values are denoted by parentheses)	12/31/2023 HUF thousand restated*	12/31/2023 HUF thousand disclosed	Change
Profit or loss before taxes	14 272 146	14 272 146	-
Cash flow from business activities (use of funds)	14 708 884	14 708 884	-
Cash flow of investment activities (cash outflow)	964 370	964 370	-
Cash flow from financing activities (cash outflow)	(8 725 965)	(8 725 965)	-
Changes in cash and cash equivalents	6 947 289	6 947 289	-

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 uniform model for revenues originating from contracts with customers. 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.

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

Items collected on behalf of other entities to be recharged later

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,
- operation and maintenance contracts,
- rent related contracts,
- contracts involving management and accounting fees,
- contracts involving performance based fees.

Energy industry service fees and projects: Each general construction-installation contract is assessed individually in accordance with IFRS 15 considering the associated risks and the contractual terms, and the related revenue is determined in a manner to comply with the relevant standards. If the performance obligation under a construction-installation contract is met by the Group over time according to the standards (i.e. it is subject to over time recognition), the revenue to be recognized is determined based on the stage of completion. If the revenue determined based on the stage of completion exceeds the revenue actually invoiced, the Group recognizes contractual assets in the statement of financial position, and if the invoiced amount is higher, the Group recognizes contractual liabilities. Stage of completion is determined at the rate of actually incurred costs to the total budgeted costs. If, in the case of the project as a whole, a loss may be expected, that expected loss must be accounted for immediately. All the estimates concerning the revenues accounted for must be prepared considering all the information that is available at that moment. If the amount of the planned (expected) profit changes in the course of a given project, then it involves the adjustment of the revenues accounted for. If a given project is expected to generate loss, then accounting for the loss in full becomes necessary in the earliest period when the related information becomes available the first time. Estimates concerning the revenues accounted for must be prepared considering all the information available at the time of publishing the report in question. If the performance obligation under a construction-installation contract is performed at a particular point in time (i.e. it is subject to point-in-time recognition), then, if the contract milestone has not yet been completed, the costs incurred to date are recognized in project inventories and do not affect the total comprehensive income.

The overhaul component of **flat-rate operation and maintenance contracts (O&M)** (at present, this is relevant only in the intra-Group contract cases): For the appropriate operation of certain pieces of power plant equipment (e.g. gas turbines, gas engines etc.), overhaul repairs are required at predetermined intervals. If an operation and maintenance contract concluded with an external party contains such a periodical element, the proportion of the related revenue must be stated separately, and shall be realized against the respective costs.

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.

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.

Capitalized own production

Changes in the inventory of assets produced by the Company

The Company develops industrial equipment and facilities (e.g. energy storage facilities) as well as control technology equipment and software, which are presented as internally developed assets.

Changes in the inventory of stocks produced by the Company

Expenditure allocated to the production of industrial equipment and facilities developed by the Company is presented as inventories in accordance with the relevant customer contract.

Contractual assets

According to IFRS 15, performances where the Company performs its obligations before receiving consideration from the customer, are recognized as 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 items may include various legal, brokerage and other fees.

The Company presents all proceeds from operating 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 recognizes its finance income and expenses according to IFRS 9 and other applicable standards.

Dividend income and interest income are recognized as finance income. Interest income is recognized using the effective interest rate method. 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.

Income tax expenses

- 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)
- deferred tax (IAS 12).

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, the economic events are identical or similar in nature, and the item in question is not relevant to business operation (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 2023 and 2024, 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 fixed assets

the Company modifies the net profit or loss with the following items:

Finance income: the net income is adjusted with all items included in 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.

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 at least one year after commissioning are classified by the Company as property, plant and equipment. Furthermore, future economic benefits arising from their use will probably be realized, and the initial cost of assets can be measured reliably.

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, as well as borrowing costs (for details, see the accounting policy on borrowing costs).

The retirement cost of any necessary removal or dismantling of an asset at the end of its useful life (or if its is no longer used, it is sold or abandoned) (Asset Retirement Obligation or ARO) is added to the initial value of the asset, for which provisions are made, provided that the Company has at least a constructive obligation to remove or restore the asset. No provisions are made for ARO is the estimated expense of deconstruction is not significant, that is, it remains under HUF thousand 50,000. Assets that belong together must be reviewed as a group and if the decommissioning costs of a group of assets that belong together is significant in total, then provisions must be made for ARO concerning the group of assets.

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

The depreciable amount is the initial cost reduced by the residual value. Residual value is equal to the income that can be realized after the asset is decommissioned, reduced by the cost of sale, which is not consider significant up to the value of HUF 50,000 thousand, and therefore it is not included.

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

The existence of any contractual periods which restrict the use of such rights must be considered for assets. 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.

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.

In case of production equipment, the date of commissioning is the first day of continued revenue generating capacity, and in case of other equipment the date on which they are first put to use. The Company reviews return on assets and investments at reporting date.

Investment property

The Company owns no investment property.

Intangible assets

The initial 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 14 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 initial cost of the development project is recognized among intangible assets. The initial cost of intangible assets shows the certified and accrued expenses directly related to the project.

Rights of use and related lease liability (IFRS 16)

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 exemptions offered by IFRS 16 for short-term leases and low specific value assets (under HUF 2,000,000).

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.

Initial recognition of a lease:

For high-value contracts with a term of more than 12 months, the initial cost of the right-of-use asset is determined by the Company at the discounted present value of payments due for the lease term.

The lease term is equal to the period during which the subject of the lease is used from acquisition to termination of the right of use.

If according to an executive decision the Group wishes to exercise a contractual option, the lease is reassessed when the statement of financial position is prepared, based on the terms and conditions of the option.

For the initial recognition of a lease, the value of the right of use and of the obligation are determined using the reference interest rate (BUBOR) effective at the start of the contract + interest rate premium. The base value of the reference interest rate may be a monthly, quarterly, biannual or annual value depending on the scheduling of rent payments. ALTEO Group uses comparable independent market data to determine the interest rate premium.

Future events requiring a review may include contract amendment and change of cash outflows due to price monitoring. As part of the review process, rates are adjusted according to the requirements of IFRS 16.

The initial recognition and future recalculation of the right-of-use asset take place in the same manner as in the case of the related lease liability.

Lease assets and related lease receivables

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

The latter means that, for the given asset or asset group

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

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

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

Where the Company acts as a lessor, it

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

The initial recognition and remeasurement of the lease asset take place in the same manner as in the case of the related lease liability.

The Company recognizes lease income under Sales revenue in the Statement of profit or loss.

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 2024 no borrowing costs were capitalized.

Government grants

As a general rule, government grants are recognized by the Company as income. If the grant is related to an asset, the income is spread out over the periods in which the asset is used. The part that may be added to the profit, but cannot be counterbalanced by expenses is recognized as deferred income. Income must be presented in parallel with the related expenses.

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

Grants may be accounted for if

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

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

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

In accordance with the above principle, the Company recognizes assets received without consideration as assets by recording deferred income (liability) against the asset.

In the reporting period, the Company 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 cost on the reporting date and fair value less costs to sell. 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 initial cost and net realizable value.

Inventory types:

- Spare parts (strategic) inventories: spare parts and fuel ensuring business continuity in operation and maintenance without the continuous availability of which the Group cannot ensure the availability of the operated equipment to satisfy ongoing customer needs.

- Project development inventories: items related to development projects implemented for the purposes of services, including materials and services not accepted by the customer, are recognized as inventories.

The Company determines the value of inventories based on their initial cost where the value of an inventory includes all costs required for the use of that inventory in the intended manner and at the intended location.

Impairment loss of inventories: the Company recognizes impairment loss at reporting date if there are indications to impairment (damage, obsolescence, technological change).

Recognizing cash-generating units (CGUs) and their impairment

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 return on the asset is not ensured:

- decline in income, market energy price changes
- unfavorable changes in market conditions and a decline in demand;
- regulatory changes
- increase of returns on risk-free securities
- increase in market interest rates.

If there are signs that the return on an asset is not ensured, i.e. its carrying amount is higher than its cash-generating capacity, the Company calculates its present value.

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. The cash flow is determined based on a 3-year target, then the cash flow calculated using the growth rate (inflation expectations) from the fourth year until the end of the concession period or lease term. In the absence of more precise estimations, the cost of disposal is deemed to be 10%.

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

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

- first, reduce the value of the damaged asset; (in Profit or loss: Depreciation and amortization)
- second, goodwill is reduced; (in Profit or loss: Depreciation and amortization)
- third, the remaining amount of impairment losses are split among fixed assets (PPE) and intangible assets in proportion to their carrying amount prior to impairment (in Profit or loss: Depreciation and amortization)

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 5 years or even later.

The following items are typically included in provisions:

- related to onerous contracts
- compensation payable in relation to legal cases;
- indemnification or compensation based on an agreement;
- warranty liabilities;
- asset retirement obligations;
- severance pay and costs arising due to restructuring.

The Company unilaterally agreed to cover the long-term decommissioning and recultivation liabilities of its subsidiaries “not otherwise hedged” under the Accounting Act. The Company recognizes such liability at fair value. When determining the fair value of the liability to third parties to recultivate land used by the subsidiaries for the construction of production power plants, the parent company discounts the residual liability not covered by other revenues in the future by the risk-free return less the long/medium-term inflation rate assigned to probable cash flows. Unilateral covenants are presented in the value of the Company's shares.

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 contribution retirement benefit plan only as required by law or at its own discretion, where the contribution is calculated on the basis of the salary paid and, therefore, recognized simultaneously with the salary.

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.

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.

Financial instruments

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

Financial assets and liabilities

Financial assets are classified by the Company as follows:

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

Cash and cash equivalents

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

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

In the case of debt instruments:

Loans and receivables: Loans and receivables are contractual rights to receive cash or other financial assets.

The Company typically records the following items in this category:

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

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.

Equity instruments include shares in other companies

Non-associated, i.e. other non-current assets These assets are held by the Company for non-trading purposes, not for achieving short-term profits based on these instruments. These assets are recognized at cost and the follow-up valuation is performed at fair value against profit. The Company performs the necessary impairment tests, using the approved business plans and long-term assumptions as a basis. If the carrying amount of the share is not substantially different from its fair value, no impairment needs to be recognized.

Derivatives

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

If the hedge accounting rules are observed, derivatives are recognized in Other comprehensive income based on fair value. In all other cases, they are recognized at fair value through profit or loss (FVTPL).

Financial liabilities must be classified into the following groups:

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. The Company does not typically engage in such transactions. If hedge accounting rules are applied, the valuation of interest rate swaps and forward foreign exchange contracts is recognized in Other comprehensive income.

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

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

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

With regard to financial assets and liability instruments, the Company classifies instruments as part of the initial valuation. The Group measures its financial assets, and liability instruments at amortized cost. The Company capitalizes transaction costs.

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 considered 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 prices quoted on active (public) markets for identical assets or liabilities the Company has access to at the time of valuation.
- 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 Company would receive at arm's length business terms upon the termination of the contract at the end of the reporting period with respect to the effective market conditions and the current creditworthiness of the parties.

The Company measures the fair value of assets and liabilities based on the Level 1 and Level 2 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.

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. With regard to the acquisition of fixed assets within the group company, the Company used hedging transactions in relation to the settlement of supplier invoices.

Interest in other entities

The Company holds several investments in other entities that are consolidated, but none that would need to be treated as associates. 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, which includes transaction costs.

Share-based payments

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.

Current and deferred income tax expenses

The actual income tax expense for the current year (see Income taxes) 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, the Company also estimates deferred taxes and recognizes them in long-term liabilities or non-current assets. Deferred taxes are calculated by the Company using the balance sheet method. Deferred tax assets are recognized only if it is certain that the item in question will be realized (reversed). Deferred taxes are determined using the tax rate effective at the expected date of reversal. At every reporting date, the Company takes account of deferred tax receivables not recognized in the statement of financial position, as well as the carrying amount of recognized tax receivables.

Deferred tax assets and liabilities may be offset if the Company has a legal right to offset its current tax receivables due from and liabilities due to the same tax authority against each other, and it intends to settle such assets and liabilities on a net basis.

The assessment of whether the deferred tax assets can be recovered requires an estimate on the expected recovery period and the available taxable income. The recovery of deferred tax assets and the related accounting judgment are based on the business plans of the Company.

Description of the accounting policy regarding fair value measurement

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

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

Description of the accounting policy regarding the impairment of assets

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

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

General accounting policies relating to the statement of cash flows

The Company uses the indirect method to prepare the statement of cash flows from operating activities in its statement of cash flows. 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
Reserve for share-based payments	Reserves established based on the IFRS 2 standard
Derivative reserve	Reserves established in accordance with the provisions of the IFRS 9 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 cash and cash equivalents, assets received to be transferred into capital reserve in accordance with the law, 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 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.

Significance, faults and fault effects

According to the rules of the IFRS an item is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users make on the basis of those 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 material 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 fiscal year under review. If 2% of the statement of financial position total exceeds HUF 900 million, then the limit of significance is HUF 900 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.

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Such faults can be mathematical faults, faults in the application of the accounting policy, disregarding or incorrect interpretation of facts and the effects of fraud.

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

III 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

New accounting standards as of January 1, 2024

The following standards and interpretations (and their respective amendments) became effective during the 2024 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 financial years starting from January 1, 2024:	Effective date	EU endorsement	ALTEO Group
IFRS 16 Leases (Amendment – Liabilities under leaseback)	1/1/2024	approved	none
IAS 1 Presentation of financial statements (Amendment – Classification of liabilities as short or long-term)	1/1/2024	approved	none
IAS 1 Presentation of financial statements (Amendment – Long-term liabilities with Covenants)	1/1/2024	approved	none
IAS 7 and IFRS 7 Supplier financing agreements	1/1/2024	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 financial years:	Effective date	EU endorsement	ALTEO Group
IAS 21 - Lack of exchangeability	1/1/2025	approved	No impact is expected
IFRS 9 and IFRS 7 - Amendments to the classification and measurement of financial instruments	1/1/2026	approved	No impact is expected
IFRS 18 Presentation and disclosure in financial statements	1/1/2027	approved	Accounting policy and chart of accounts changes
IFRS 19 Subsidiaries without public accountability: disclosures	1/1/2027	approved	No impact is expected

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.

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): Prices offered by independent parties for similar services available on the market were used to estimate the prices of decommissioning power plant equipment. Solar power plant: HUF 9 million/ MW installed capacity, Wind turbine: HUF 80 million/ wind turbine. Probability variable used to determine the expected value: 6.67-31.11%.

Sensitivity analysis of unilateral covenant	Present value of net asset retirement obligation (HUF thousand)	Expected value HUF (thousand)	Fair value change (HUF thousand)
10% increase	1 725 954	130 347	(9 204)
5% increase	1 785 056	134 847	(4 704)
Current period closing estimate	**1 846 601**	**139 551**	-
-5% decrease	1 910 717	144 472	4 921
-10% decrease	1 977 540	149 623	10 072

- We used a discount rate of 2.81% to 3.64% depending on the time of decommissioning.
- Estimates on the valuation of inventories and receivables The management's assessment is a critical decision which directly impacts profit or loss when the impairment of trade receivables is calculated.
- 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 35.

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 delivered) activities
- If the obligation under a construction-installation contract is performed by the Group over time (performance over time), the revenue to be recognized is determined based on the stage of completion.
- If the obligation under a construction-installation contract is performed at a particular point in time (performance at a point in time), the Company recognizes the revenue once a contractual milestone has been reached.
- 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.
- Operating lease income from subsidiaries recognized under operating leases according to the rules of IFRS 16 are recognized as revenues. Apart from the energy storage units and the electric boilers installed in Sopron, Kazincbarcika and Tiszaújváros, 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 any royalty to be recognized as revenue.

Composition of revenues by geographic distribution:

Revenues	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Domestic revenue	38 488 944	26 007 059
Export revenue	130 901	-
	38 619 845	**26 007 059**

The breakdown of revenue by activities is as follows:

Revenues	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Operation, maintenance and management services	25 894 245	23 941 190
Project development	11 644 698	1 478 746
Operating lease	739 422	457 900
Accounting services	338 176	128 043
Other	3 304	1 180
	38 619 845	**26 007 059**

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

Project development: Construction-installation and project work, power plant construction, engineering services.

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

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

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	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Operation, maintenance and project development	(14 446 140)	(4 541 815)
Expert fees /accounting, auditing, consultancy/	(1 613 437)	(1 132 703)
Marketing, education, further training costs	(205 426)	(187 301)
Rent /office, car, other devices, IT/	(235 700)	(205 983)
Fuel	(133 527)	(105 585)
Other costs	(124 986)	(141 831)
Bank expenses, insurance	(120 850)	(86 545)
Office maintenance exp. /operation, telephone, materi	(111 127)	(91 331)
Membership fees, duties	(16 065)	(10 279)
	(17 007 258)	**(6 503 373)**

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	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Property rent	(9 631)	(12 198)
Vehicle rental	(98 400)	(69 135)
Site premises rent	(54 827)	(44 581)
Workwear rent	(32 852)	(39 827)
IT equipment rent	(14 349)	(13 361)
Rental fee of machinery, equipment	(11 540)	(7 101)
Other rental fees	(14 101)	(19 780)
	(235 700)	**(205 983)**

3 Personnel expenses

Personnel expenses	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Wages	(6 184 802)	(4 899 231)
Costs of share-based benefits	(1 905 990)	(723 816)
of which: ESOP 2022-2024 program	*(195 391)*	*(285 916)*
of which: ESOP 2022-2025 program	*(780 955)*	*(173 796)*
of which: ESOP 2023-2025 Watt Program	*(81 594)*	*(32 348)*
of which: ESOP Szikra 2023-2025 program	*(280 985)*	*(123 118)*
of which: ESOP 2024-2026 program	*(171 328)*	-
of which: ESOP Management 2023-2025 program	*(250 058)*	*(108 638)*
of which: ESOP 2024-2026 Program 2026 Executive	*(145 678)*	-
Contributions	(930 831)	(739 501)
Other personnel expenses	(851 816)	(692 766)
	(9 873 439)	**(7 055 314)**

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 20.4, 26 and 32, while privately issued ordinary shares are discussed in Section 20.1.

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)	2024	2023
Alteo Nyrt.	378	327

The closing headcount of the Company on 12/31/2024 was 400 people.

Wages and personnel benefits to employees and taxes related to such payments:

Headcount 2024	Average statistical headcount (no. of employees)	Total gross salaries and wages (HUF thousand)	Of total gross wages bonus, premium (HUF thousand)	Personnel-type payments (HUF thousand)	Costs of share-based benefits (HUF thousand)	Social contr. payable (HUF thousand)
Full-time						
blue-collar	115	1 853 004	108 593	92 460	-	275 181
white-collar	255	4 108 833	240 792	752 924	1 905 990	610 185
Part-time						
blue-collar		-	-	-	-	-
white-collar	8	128 904	7 554	6 432	-	19 143
Other employees not on payroll	2	92 869		-	-	4 786
ad hoc	9	1 191		-	-	21 536
	378	**6 184 802**	**356 939**	**851 816**	**1 905 990**	**930 831**

Headcount 2023	Average statistical headcount (no. of employees)	Total gross salaries and wages (HUF thousand)	Of total gross wages bonus, premium (HUF thousand)	Personnel-type payments (HUF thousand)	Costs of share-based benefits (HUF thousand)	Social contr. payable (HUF thousand)
Full-time						
blue-collar	105	1 197 735	90 630	53 042	-	185 649
white-collar	217	3 580 537	715 123	1 341 810	725 136	535 103
Part-time						
blue-collar	-	-	-	-	-	-
white-collar	6	49 524	5 564	865	-	7 676
Other employees not on payroll	-	71 435	2 288	20 865	-	11 072
ad hoc	-	-	-	-	-	-
	327	**4 899 231**	**813 605**	**1 416 582**	**725 136**	**739 501**

4 Depreciation and amortization

Depreciation and amortization	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Depreciation and amortization	(1 274 424)	(952 843)
	(1 274 424)	**(952 843)**

Depreciation is explained in detail in Section 9.

5 Capitalized own production

Capitalized own production	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Capitalized value of assets produced by the Company, wages	296 685	376 938
Other own performance – wages and material expenses	403 021	168 089
	699 706	**545 027**

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

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

Other revenues, expenses	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Other revenues:		
Reversal of impairment loss	150 515	-
Subsidies and grants received	103 603	119 209
Other account settlements (revenue)	33 013	13 749
Fines, compensation, default interest received	8 649	-
Sale of fixed and intangible assets	400	604
	296 180	*133 562*
Other expenses:		
Fines, damages, default interest paid	(650 363)	(133 465)
Impairment	(323 259)	(81 723)
Cash transferred	(49 322)	(50 185)
Other account settlements (expenses)	(22 311)	(38 176)
Inventory difference	-	(3 745)
Taxes and other payment obligations	(221)	(11 676)
Scrapping of fixed and intangible assets	(100)	(3 258)
	(1 045 576)	*(322 228)*
Total:	**(749 396)**	**(188 666)**

Impairment: current-year reversals: HUF 150,515 thousand. Individual impairment and impairment recognized based on the ECL model for 2024 amounted to HUF (323,259) thousand.

Subsidies and grants received: The time-proportionate income from subsidies and grants recognized in deferred income. Subsidies and grants received are described in detail in Sections 9 and 28.

Fines, compensation, default interest received/paid: The effect of the legal consequences arising during the usual course of business of the Company. Late payment surcharges increased from 2023 because, pursuant to the management's decision, the Company will not use the development reserve previously set aside from the pre-tax profit for investment purposes and, therefore, this amount was repaid in 2024.

The Company assumed liquidated damages in the amount of HUF 610,570 thousand incurred in connection with the gas trade agreement of one of its subsidiaries, ALTEO-Therm Kft.

Cash transferred: The Company provided grants to foundations, nonprofit organizations and the ESOP organization in the total amount of HUF 49,322 thousand.

The Company provided pecuniary benefits without consideration in excess of HUF 1,000,000 to the following organizations or entities:

Name of subsidized economic entity	Tax number	Registered office	Amount (HUF thousand)
ALTEO Employee Share Ownership Program Organization	18874527-1-41	H-1033 Budapest, Kórház utca 6-12.	13 944
Barcika Art Nonprofit Kft.	14408542-2-05	H-3700 Kazincbarcika, Fő tér 5.	2 500
Budafoki Dohnányi Ernő Szimfonikus Zenekar Közhasznú Nonprofit Kft.	21106424-2-43	H-1225 Budapest, Nagytétényi út 280.	6 000
Budapesti Fesztiválzenekar Alapítvány	18005488-2-41	H-1034 Budapest, Selmeci utca 14-16.	3 000
Csányi Alapítvány a Gyermekekért Közhasznú Alapítvány	18186464-1-43	H-1125 Budapest, Lóránt utca 5. A. épület	3 000
Menedzser Alapítvány	18095692-1-43	H-1112 Budapest, Repülőtéri út 2/A.	2 500
Mosoly Alapítvány	18674190-1-43	H-1126 Budapest, Kiss János Altábornagy utca 47/A. III. emelet 19. ajtó	2 220
Művészetek Völgye Nonprofit Kft.	24860248-2-19	H-8294 Kapolcs, Kossuth utca 62.	2 000
Nemzetközi Gyermekmentő Szolgálat Magyar Egyesület	19622158-1-42	H-1066 Budapest, Teréz körút 24.	1 000
REKK Regionális Energia- és Infrastruktúra-politikai Együttműködésért Alapítvány	18744121-2-43	H-1118 Budapest, Mányoki út 14. I. emelet 4/A. ajtó	5 000
Tiszaújvárosi Phoenix Kosárlabda Klub	18424634-2-05	3580 Tiszaújváros, Teleki B. utca 6.	3 000
Hungarian Committee of UNICEF Foundation	18212718-2-42	H-1077 Budapest, Wesselény utca 16., Centrál Udvar	2 500

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.

7 *Income from and expenses of financial transactions*

Financial profit/loss consists of the following items:

Financial profit or loss	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Dividend received	369 000	939 000
Received/receivable interest	1 343 727	2 410 035
Foreign currency translation gains	240 487	257 917
Other financial settlements	154 565	316
Income from financial transactions	**2 107 779**	**3 607 268**
Impairments	(1 501 772)	(35 818)
Interests paid/payable	(496 800)	(809 864)
Foreign currency translation losses	(283 672)	(341 330)
Expenses on financial transactions	**(2 282 244)**	**(1 187 012)**
	(174 465)	**2 420 256**

Dividend received: The Company is entitled to dividend after its shares in its subsidiaries. In 2024 dividends received included the following:

- Euro Green Energy Kft. HUF 180,000 thousand
- Pannon Szélerőmű Kft. HUF 90,000 thousand
- Sinergy Energiaszolgáltató Kft. HUF 50,000 thousand
- Monsolar Kft. HUF 49,000 thousand

Interest received/due, Interests paid/payable: 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 currency translation: foreign exchange difference realized on items recognized in EURO.

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 tax expense recognized in profit or loss

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

Income tax expense	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Corporate tax	(1 186 045)	(2 387 882)
Business tax	(516 293)	(439 172)
Innovation contribution	(79 833)	(70 712)
Deferred tax expenses	222 324	1 205 222
	(1 559 847)	**(1 692 544)**

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.

Elaboration of corporate tax

Elaboration of the tax base	note	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
IFRS profit or loss before taxes		10 240 569	14 287 714
Increasing items		4 972 755	2 092 173
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	9.	1 274 524	956 102
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	6.	14 348	119 238
Total provisions recognized	3.	1 196 299	850 009
Amount of impairment recognized regarding receivables	6.	1 192 784	96 098
Impairment related to reported business share recognized as expenditure in the FY	6.	576 803	20 543
Determined amount of grant, benefit	6.	49 322	50 183
Other additions	6.	610 570	-
Difference of the arm’s length price and the applied price in affiliate transactions		56 780	-
Total of costs and expenses not related to the gainful business activity	6.	1 325	-
Decreasing items	-	2 035 001	2 162 476
Depreciation recognized in accordance with the tax legislation	9.	882 457	689 708
Dividends, shares received and recognized as income	7.	369 000	939 000
Determined amount of grant, benefit	6.	22 604	8 316
Provision recognized in the tax year due to the use of provisions	24.	14 348	-
Impairment recognized in previous years as addition to the taxable income upon depreciation of uncollectible receivables, and the amount recognizable upon the transfer, settlement, or offsetting of receivables, impairment reversed in the current year	6.	150 515	-
Local business tax, innovation contribution	34.	596 077	525 452
Tax base		13 178 274	14 217 411
Tax (9%)		1 186 045	1 279 567
Benefit (reducing taxes)		-	-
Tax pursuant to the Corporate Tax Act		1 186 045	1 279 567
Support for sports and arts entitling to tax benefit		-	-
Amendment of corporate tax for previous years	34.	-	1 108 315
Corporate tax expenses		1 186 045	2 387 882

The amount of deferred taxes disclosed in the statement of financial position is included in Note 23.

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.

Income taxes	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Profit or loss before taxes	**10 240 569**	**14 272 146**
Expected tax 9%	921 651	1 284 493
Local business tax	516 244	454 740
Innovation contribution	79 833	70 712
Total	1 517 729	1 809 945
Income tax paid	**1 559 847**	**1 692 544**
Other difference:	(42 118)	117 401

The deferred tax data are presented in the following table:

Elaboration of deferred taxes	12/31/2024Year ending on 12/31/2024 HUF thousand				12/31/2023Year ending on 12/31/2023 HUF thousand			
	Tax value	Accounting value	Deferred tax asset base	Deferred tax liability base	Tax value	Accounting value	Deferred tax asset base	Deferred tax liability base
Property, plant and equipment	3 104 211	5 835 653	-	(2 731 442)	1 026 456	3 942 578	-	(2 916 122)
Intangible assets and developments	1 449 530	1 592 562	-	(143 032)	1 021 492	1 136 942	-	(115 450)
Rights of use	1 187 055	1 187 055	-	-	1 251 099	1 251 099	-	-
Different valuation of non-current assets	***5 740 796***	***8 615 270***	***-***	***(2 874 474)***	***3 299 047***	***6 330 619***	***-***	***(3 031 572)***
Long-term loans given (impairment)	-	(916 935)	916 935	-	-	(214 793)	214 793	-
Trade receivables (impairment)	-	(529 992)	529 992	-	-	(394 753)	394 753	-
Other receivables (impairment)	-	(62 224)	62 224	-	-	(66 645)	66 645	-
Measurement of financial instruments	***-***	***(1 509 151)***	***1 509 151***	***-***	***-***	***(676 191)***	***676 191***	***-***
Development reserve	(1 823 850)	-	-	(1 823 850)	(2 000 000)	-	-	(2 000 000)
Other long-term liabilities (ESOP Programs)	-	(1 545 333)	1 545 333	-	-	(711 475)	711 475	-
Other short-term liabilities (ESOP Programs)	-	(876 741)	876 741	-	-	(659 108)	659 108	-
Provisions	-	(198 591)	198 591	-	-	(53 009)	53 009	-
Short-term liabilities (unused leave)	-	(124 429)	124 429	-	-	(88 684)	88 684	
Derivative transactions	-	-	-	-	-	71 243	-	(71 243)
Valuation of liabilities	***(1 823 850)***	***(2 745 094)***	***2 745 094***	***(1 823 850)***	***(2 000 000)***	***(1 441 033)***	***1 512 276***	***(2 071 243)***
Deferred tax position of balance sheet items			4 254 245	(4 698 324)			2 188 467	(5 102 815)
Differences not qualifying as returning			-	-			-	-
Net deferred tax position				(444 079)				(2 914 348)
Of which part of the comprehensive income:			-	-			-	(71 243)
Deferred tax liability (9%)	9%		0	(39 967)	9%		-	(262 291)
Of which part of the comprehensive income:	9%		-	-	9%		-	(6 412)
Deferred tax due to changes in the statement of financial position:								
Recognition of deferred tax liability (tax loss)				(39 967)				(262 291)
De-recognition of deferred tax liability (tax gain)				255 879				1 467 513
Deferred taxes recognized in Other comprehensive income:								(6 412)
Deferred taxes recognized in Other comprehensive income				-				(6 412)
Deferred taxes derecognized in Other comprehensive income				(6 412)				-
Effect of deferred taxes on profit or loss				(222 324)				(1 211 634)
of which recognized in Comprehensive income:				(215 912)				(1 205 222)
of which recognized in Other comprehensive income:				(6 412)				(6 412)

9 *Fixed assets, intangible assets and developments, rights of use*

The changes in assets are detailed in the following table:

Gross value (HUF thousand)	Property, plant and equipment	Intangible assets and developments	Rights of use	Total
January 1, 2023	**3 558 623**	**1 102 309**	**1 424 598**	**6 085 530**
Acquisition put to use	1 693 975	332 988	492 212	2 519 175
Own production/investment capitalization	100 532	-	-	100 532
Own production/investment	-	276 406	-	276 406
Decrease IFRS 16	-	-	(52 653)	(52 653)
Investment	60 739	-	-	60 739
Sale	(6 216)	-	-	(6 216)
Scrapping	(65 927)	-	-	(65 927)
Reclassification to inventories	-	-	-	-
December 31, 2023	**5 341 726**	**1 711 703**	**1 864 157**	**8 917 586**
Acquisition put to use	2 277 051	1 213 097	906 786	4 396 934
Own production/investment capitalization	-	-	-	-
Internal development	-	294 834	-	294 834
Decrease IFRS 16	-	-	(634 440)	(634 440)
Investment	175 929	-	-	175 929
Sale	(26 827)	-	-	(26 827)
Scrapping	(978)	-	-	(978)
Reclassification to inventories	-	-	-	-
December 31, 2024	**7 766 901**	**3 219 634**	**2 136 503**	**13 123 038**

Accumulated depreciation (HUF thousand)	Property, plant and equipment	Intangible assets and developments	Rights of use	Total
January 1, 2023	**907 680**	**393 832**	**393 412**	**1 694 924**
De-recognition, sale	(6 160)	-	(52 304)	(58 464)
De-recognition, scrapping	(63 074)	-	-	(63 074)
Increase through acquisition	-	-	-	-
De-recognition due to reclassification	-	-	-	-
Depreciation and amortization	499 963	180 930	271 950	952 843
December 31, 2023	**1 338 409**	**574 762**	**613 058**	**2 526 229**
De-recognition, sale	(26 738)		(32 461)	(59 199)
De-recognition, scrapping	(978)			(978)
Increase through acquisition				-
De-recognition due to reclassification				-
Depreciation and amortization	620 555	285 016	368 851	1 274 422
December 31, 2024	**1 931 248**	**859 778**	**949 448**	**3 740 474**

Net value (HUF thousand)	Property, plant and equipment	Intangible assets and developments	Rights of use	Total
12/31/2023	**4 003 317**	**1 136 941**	**1 251 099**	**6 391 357**
12/31/2024	**5 835 653**	**2 359 856**	**1 187 055**	**9 382 564**

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

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

Current-year increase in property, plant and equipment includes the battery storage unit in Győr with a nominal capacity of 8 MW/16 MWh in the amount of HUF 2,087,189 thousand. The project will contribute significantly to a more efficient integration of weather-dependent electricity generation capacities, to the balancing of fluctuations in energy demand, and will significantly improve the stability of the electricity grid in Hungary. The battery storage unit, the gas engine that will be installed next to it, and our wind turbine in Bőny will connect to the electricity grid at a joint intersection, making use of the existing grid connection capacity of the wind turbine and improving its utilization.

Intangible assets and developments: This item includes the software and the corporate governance system used by the Company. The value of other intangible assets increased significantly from the previous year due to the fact that the implementation of the SAP HANA enterprise management software and some other process and system support software (e.g. SAP Success Factor, SAP Ariba) was launched in the financial year 2024.

Between July 1, 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 million, to be amortized over 10 years.

The Company's ongoing project for 2021-2024: 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 was completed 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.

Right-of-use assets:

Rights-of-use assets include car and property lease contracts.

Asset related disclosures

- 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, 2024 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.

- The Company leases the following assets exclusively under operating lease arrangements:
  - Sopron electric boiler
  - Kazincbarcika electric boiler
  - Tiszaújváros electric boiler
  - Kazincbarcika energy storage unit
  - Füredi út energy storage unit

- 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 deposits or loans given

The changes in long-term loans given in 2023 are detailed in the following table:

Long-term loans given (HUF thousand)	1/1/2023 Opening gross portfolio	1/1/2023 opening impairment	Loans given	Loans repaid	Impairment loss of loans	12/31/2024 closing balance
Alte Go Kft.	146 452	-	20 000	-	-	**166 452**
Domaszék Kft.	22 292	-	-	-	-	**22 292**
Edelyn-Solar Kft.	103 012	-	215 000	-	-	**318 012**
Energigas Kft.	180 414	(180 414)	21 067	-	(21 067)	**-**
Euro-Green Energy Kft.	3 274 386	-	-	(2 765 387)	-	**508 999**
FE-Group Zrt.	300 400	-	750 800	-	-	**1 051 200**
Monsolar Kft.	431 288	-	-	-	-	**431 288**
Pannon Szélerőmű Kft.	1 550 000	-	-	(533 000)	-	**1 017 000**
SUNTEO Kft.	1 090 417	-	-	-	-	**1 090 417**
Loans given – principal	**7 098 661**	**(180 414)**	**1 006 867**	**(3 298 387)**	**(21 067)**	**4 605 660**
Interests on loans given to associates and affiliated companies	180 964	-	103 188	-	-	**284 152**
Loans to employees	-	-	34 215	(34 215)	-	**-**
ECL model interest	-	(7 904)	-	-	1 470	**(6 434)**
ECL model principal	-	(6 780)	-	-	(4 421)	**(11 201)**
Loans given – principal and interest	**7 279 625**	**(195 098)**	**1 144 270**	**(3 332 602)**	**(24 018)**	**4 872 177**

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

Long-term loans given (HUF thousand)	1/1/2024 Opening gross portfolio	1/1/2024 opening impairment	Change in the current period						12/31/2024 closing balance
			Loans granted	Loans repaid	Impairment loss of loans	Capital increase from loan	Interest capitalization	Reclassification as short-term	
Alte Go Kft.	**166 452**	-	50 000	-	(216 452)	-	-	-	**-**
Aerope Holding Kft.	-	-	304 797	-	-	-	-	-	**304 797**
ALTEO-DEPÓNIA Kft.	-	-	15 748 650	(14 150 000)	-	-	-	-	**1 598 650**
Alteo-Therm Kft.	-	-	2 500 000	(2 500 000)	-	-	-	-	**-**
Domaszék Kft.	**22 292**	-	-	(13 323)	-	-	-	-	**8 969**
ALTE-GAS Kft. (Eco First Kft.)	-	-	540 000	(100 000)	-	-	-	-	**440 000**
Edelyn-Solar Kft.	**318 012**	-	30 000	-	-	(27 000)	-	-	**321 012**
Energigas Kft.	**201 481**	**(201 481)**	690 000	-	(486 408)	(211 463)	7 871	-	**-**
Energikum Zrt.	-	-	5 000	-	(5 000)	-	-	-	**-**
Euro-Green Energy Kft.	**508 999**	-	-	-	-	-	-	-	**508 999**
FE-Group Zrt.	**1 051 200**	-	70 000	(220 000)	-	-	-	(901 200)	**-**
Monsolar Kft.	**431 288**	-	-	-	-	-	-	-	**431 288**
Pannon Szélerőmű Kft.	**1 017 000**	-	3 000 000	(3 000 000)	-	-	-	-	**1 017 000**
SUNTEO Kft.	**1 090 417**	-	-	-	-	-	-	-	**1 090 417**
Loans given – principal	**4 807 141**	**(201 481)**	**22 938 447**	**(19 983 323)**	**(707 860)**	**(238 463)**	**7 871**	**(901 200)**	**5 721 132**
Loans to employees	-	-	-	-	-	-	-	-	**-**
ECL model interest	-	**(6 434)**	-	-	6 434	-	-	-	**-**
ECL model principal	-	**(11 201)**	-	-	5 717	-	-	-	**(5 484)**
Loans given – principal and interest	**4 807 141**	**(219 116)**	**22 938 447**	**(19 983 323)**	**(695 709)**	**(238 463)**	**7 871**	**(901 200)**	**5 715 648**

The Company adjusted the interest rates of loans given to those of the sources of funding (cf. terms and conditions of financing in Section 25 Debts on the issue of bonds). The Company shows the recoverable values of loans given in the statement of financial position.

<u>Loans granted:</u> Disbursement of the amount set out in the loan agreement.

<u>Repayment of loans:</u> Loans repaid in the current year.

<u>Impairment:</u> Based on the assessment of the Company's management, 100% of the loan granted to Energigas Kft., Energikum Zrt. and Alte-Go Kft. was impaired. The items relating to the ECL impairment applied to financial assets are presented in detail in Section 17.

Capital Increase: The Company implemented a capital increase with the help of its long-term loans to Edelyn Solar Kft. and Energigas Kft.

Capitalization of loan and accrued interest: current-year capitalization of the loan previously granted to a subsidiary.

Loan reclassification to short-term loans given: The loan granted to FE Group Zrt. expires on May 31, 2025 and so it was reclassified to short-term loans given.

11 Shares in subsidiaries

Shares in subsidiaries:

The Company's long-term shares in 2023:

Long-term share in subsidiary (HUF thousand)	1/1/2023	Reclassification	Additional contribution/repayment	Impairment/reversal	Acquisition of participation	12/31/2023
ALTE-A Kft.	1 070	-	-	-	-	1 070
ALTE-GO Kft.	20 000	-	-	-	-	20 000
ALTEO Energiakereskedő Zrt.	48 094	-	-	-	-	48 094
ALTEO-DEPÓNIA Kft.	13 000	-	-	-	-	13 000
Alteo-Therm Kft.	4 082 025	-	-	-	-	4 082 025
Domaszék Kft.	173 160	-	-	-	-	173 160
Eco First Kft.	3 000		-	(20 443)	20 443	3 000
Edelyn-Solar Kft.	735 304	-	1 507	-	(36 391)	700 420
Energigas Kft.	-	100	-	(100)	-	-
Energikum Zrt.	-	-	-	-	660 000	660 000
Euro Green Energy Kft.	2 748 353	-	-	-	-	2 748 353
FE-Group Zrt.	360 480	-	-	-	-	360 480
Monsolar Kft.	38 000	-	-	-	-	38 000
Pannon Szélerőmű Kft.	2 405 890	-	-	-	-	2 405 890
Sinergy Energiakereskedő Kft.	100 000	-	-	-	-	100 000
Sinergy Kft.	245 353	-	-	-	-	245 353
SUNTEO Kft.	634 915	-	-	-	-	634 915
Total participation	**11 608 644**	**100**	**1 507**	**(20 543)**	**644 052**	**12 233 760**

The Company's long-term shares in 2024:

Long-term share in subsidiary (HUF thousand)	1/1/2024	Impairment/ Reversal	Acquisition of participation	12/31/2024	Unilateral covenants for asset retirement costs of subsidiaries	12/31/2024
Aerope Holding Kft.	-	-	912 901	912 901	-	912 901
ALTE-A Kft.	1 070	-	-	1 070	-	1 070
ALTE-GO Kft.	20 000	(20 000)	-	-	-	-
ALTEO Energiakereskedő Zrt.	48 094	-	-	48 094	-	48 094
ALTEO-DEPÓNIA Kft.	13 000	-	-	13 000	1 613	14 613
ARTEMIS Technologies Zrt.	-	-	5 000	5 000	-	5 000
Alteo-Therm Kft.	4 082 025	-	-	4 082 025	13 389	4 095 414
Domaszék Kft.	173 160	-	-	173 160	-	173 160
ALTE-GAS Kft. (Eco First Kft.)	3 000	(20 443)	20 443	3 000	-	3 000
Edelyn-Solar Kft.	700 420	-	27 000	727 420	9 273	736 693
Energigas Kft.	-	(210 376)	210 376	-	-	-
Energikum Zrt.	660 000	(346 426)	26 766	340 340	-	340 340
Energy Corp Hungary Megújuló Energia Hasznosító Kft.	-	-	5 308 000	5 308 000	-	5 308 000
Euro Green Energy Kft.	2 748 353	-	-	2 748 353	55 001	2 803 354
FE-Group Zrt.	360 480	-	144 895	505 375	-	505 375
Monsolar Kft.	38 000	-	-	38 000	-	38 000
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.	-	-	76 502	76 502	37 875	114 377
Pannon Szélerőmű Kft.	2 405 890	-	-	2 405 890	22 400	2 428 290
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
Total participation	**12 233 760**	**(597 245)**	**6 731 883**	**18 368 398**	**139 551**	**18 507 949**

ALTEO members at reporting date are presented in the annex.

Impairment/reversal of shares:

The Company recognized HUF 597,145 thousand impairment on the ownership interests in Energikum Zrt., Energigas Kft. and Alteo-Go Kft.

Acquisition of participation:

- The Company entered into a sale and purchase contract and acquired 100% interest in Energy Corp Hungary Megújuló Energia Hasznosító Kft and 1.5% of the equity of Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft, and as a result of these transactions ALTEO became MOV-R's sole owner.

Financial statements of ALTEO Nyrt. for 2024: Data in HUF thousand

– In December 2024, it acquired 100% of the interest and equity of Aerope Holding Kft.
– Exercising its option set out in the Articles of Association of FE-Group, the Company acquired 24.9% of the shares of Blue Planet Climate Protection Foundation in FE-Group, thus becoming its sole owner.
– On November 7, 2024, it established its solely-owned subsidiary ARTEMIS Technologies Zrt.

Investments recognized as leases:

Tisza-WTP Vízelőkészítő és Szolgáltató Kft. With regard to Tisza WTP Kft., the Company is entitled to no lease income; the value of the lease receivable is zero.

The Company did not recognize its 100% participation under shares, but rather as lease receivables in accordance with the IFRS 16 (formerly IFRIC4) rules (see Note 12).

Valuation of CGUs in the current period:

The Company performs the valuation tests for shares by every reporting date to determine whether the recognized value is considered recoverable.

For subsidiaries where the tests performed showed that the value was below the carrying amount and the value of the shares were not recoverable, impairment was recognized in the current year. No impairment has been reversed in the current year.

For testing recoverable values, the Company applied the discounted cash flow (DCF) model with discount rates relevant to the activity of the subsidiary in question and the date of the generated cash flows. The input data used in the model were derived from observable markets. The assessment of the data includes the consideration of inputs such as liquidity risk, credit risk and volatility.

Breakdown of the discount rates used by CGU (cash-generating unit):

Classification	Rate
Integrated energy	9,29%
Subsidized renewable	9,35%
Market-based renewable	10,42%
Waste management	9,98%

Integrated energy segment: procurement of various types of balancing reserve capacities (FCR, aFRR, mFRR) by the Hungarian system operator (MAVIR) in order to maintain balance in the system as well as the retail activity of the purchase and resale of electricity and gas to end-consumers

Subsidized renewables segment: activities performed at subsidized prices relating to solar, wind and hydropower based energy production.

Market-based renewables segment: activities performed at market prices relating to solar, wind and hydropower based or CHP heat and electricity generation.

Waste management segment: collection and recovery of waste by type, activities relating to the appropriate disposal of non-recoverable waste.

12 Lease receivables

The 100% participation held by the Company in Tisza-WTP Kft. is recognized as lease receivables according to the rules of IFRS 16 (formerly IFRIC 4). 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. Tisza WTP Kft. satisfies special customer needs, and is not available to entities other than the buyer.

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.

13 Inventories

The Company only holds strategic inventories at reporting date. These inventory categories are shown in the following table:

Strategic inventories:

- *Spare parts, operating materials:* These include the stock of spare parts relating to the maintenance of power plant equipment and, among others, work clothing, empties and auxiliary materials.
- *Project inventories:* Inventories related to projects are the value of materials and services not received by the buyer on the reporting date.
- *Fuels:* Inventories include the fuels (fuel oil) used by power plants.

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 980,624 thousand, and materials and services not transferred related to the gas engine, solar power plant project development in the amount of HUF 987,070 thousand.

Strategic inventories	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Parts O&M	980 624	781 649
Project development inventories	987 070	4 754 192
- on gas engine power plant projects	525 578	7 957 507
- on on-site solar panels	557	648
- on hydropower plant projects	600	12 100
- on solar power plant projects	2 431	3 037 824
- on landfill gas power plant projects	131 077	-
- on electricity storage unit construction projects	42 615	-
- on other projects	284 212	154 038
	1 967 694	**5 535 841**

Impairment loss of inventories:

Impairment loss of inventories	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening	**(20 761)**	**(20 761)**
Impairment reversed	-	-
Impairment recognized	(5 820)	(1 000)
Derecognized impairment loss	20 761	1 000
Closing	**(5 820)**	**(20 761)**

The Company recognized impairment among inventories, regarding the implementation designs and preparatory works. The impairment recognized in 2020 for the biomass power plants in Tiszaújváros and Kazincbarcika due to the uncertainties of project implementation was derecognized in 2024. Since the management decided that the project for the conversion of the condensate drainage of heat exchangers designed for the Sopron Power Plant will not be implemented, the Company recognized impairment in the amount of HUF 5,820 thousand in 2024.

14 Trade receivables

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

Trade receivables	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Trade receivables at initial cost	15 400 000	10 438 079
Recognized impairment	(529 992)	(394 753)
	14 870 008	**10 043 326**

- 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 37.

Statement of changes in impairment of trade receivables:

Trade impairment losses	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening balance	**394 753**	**344 241**
Impairment reversed	(132 575)	-
Impairment recognized	267 814	50 512
Closing balance	**529 992**	**394 753**

The aging list of trade receivables (data in HUF thousand):

Trade receivables ageing (HUF thousand) 12/31/2024	Not overdue	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	over 365 days	Total
Trade receivable at initial cost	5 169 981	160 855	5 501 234	3 359 238	861 872	345 126	1 694	15 400 000
of which third party	*1 606 088*	*3 849*	-	*4 106*	*(29)*	-	*953*	*1 614 967*
of which related parties	*3 563 893*	*157 005*	*5 501 234*	*3 355 132*	*861 901*	*345 126*	*742*	*13 785 033*
Impaired trade receivables (ECL)	(145 973)	(42 516)	(34 908)	(62 816)	(93 106)	(148 996)	(1 677)	(529 992)
of which third party	*(106 334)*	*(136)*	-	*(145)*	-	-	*(953)*	*(107 568)*
of which related parties	*(39 639)*	*(42 380)*	*(34 908)*	*(62 671)*	*(93 106)*	*(148 996)*	*(724)*	*(422 424)*
Total	**5 024 008**	**118 338**	**5 466 326**	**3 296 421**	**768 766**	**196 130**	**18**	**14 870 008**

Items involving related parties are presented in Section 36.

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

2024 Largest customer	2024 Total revenue percentage ratio	2023 Largest customer	2023 Total revenue percentage ratio
Sinergy Energiakereskedő Kft.	27,71%	Sinergy Energiakereskedő Zrt.	43,25%
Alteo-Therm Kft.	22,37%	Alteo Energiakereskedő Zrt.	17,01%
Edelyn Solar Kft.	12,99%	Alteo-Therm Kft.	13,03%
ALTEO Energiakereskedő Zrt.	9,84%	TVK Erőmű Kft.	5,68%
TVK-Erőmű Kft.	3,83%	Tisza-WTP Kft.	3,36%

15 Other financial assets

Other financial assets include the cash and cash equivalents of the ESOP Organization (closing balance in 2024: HUF 199,845 thousand, closing balance in 2023: HUF 1,683 thousand). The cash and cash equivalents increased significantly as a result of dividend payment in 2024, which the ESOP Organization will pay to its members in 2025 at the earliest, upon closing of the ESOP program.

16 Other receivables and accruals

Other receivables and accruals	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Accrued revenues	5 993 866	3 765 048
of which related parties	*5 781 964*	*3 511 243*
of which third party	*211 902*	*253 805*
Advances given	551 762	768 066
Receivables from affiliated companies	3 266 022	3 377 093
Receivables due from the customer	949 096	137 189
of which related parties	*913 047*	*-*
of which third party	*36 049*	*137 189*
Security deposit, escrow account	31 664	30 204
Accrued expenses	216 933	106 342
of which related parties	*-*	*-*
of which third party	*216 933*	*106 342*
Deposits and security deposits	5 195	965 526
Other receivables	9 358	6 884
	11 972 992	**9 293 541**

Accrued revenues: they relate to the operation contracts of the Company. Items involving related parties are presented in Note 36.

Advances given: Advances paid in the course of the usual course of business. The 2024 closing balance of advances given is HUF 551,762 thousand, on which the Company recognized ECL impairment in the amount of HUF 8,402 thousand.

Receivables from affiliated companies: Items involving related parties are presented in Note 36.

Receivables due from the customer: The receivables recognized in relation to contracts for construction and installation services are presented in detail in Section 43. In 2024, the Company recognized ECL impairment in the amount of HUF 15,309 thousand, resulting in an amount of HUF 949,096 thousand due from the customer.

Other cash: Cash on a separate security bank account

<u>Accrued expenses:</u> Expenses regarding which the documentation was entered into the books in 2024, but the period of performance extends to 2025.

<u>Deposits and security deposits:</u> Deposits and security deposits made on tenders and rent less impairment.

<u>Other receivables:</u> Salary advances to employees, overpayments to suppliers, receivables from the state tax authority

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

<u>Application of the expected loss model (ECL)</u>

The management of the Company has performed the risk analysis of its financial assets. Risks of financial assets are presented in Section 37. 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	3,54%	1 436 913	(47 306)	1 389 607
Customers – public sector	N/A	Performing	3,54%	94 805	(3 356)	91 449
Customer – other	N/A	Performing	3,54%	28 262	(1 919)	26 343
Trade receivable – Intercompany	N/A	Performing	1,68%	13 430 806	(68 197)	13 362 609
Long-term loan – Intercompany	N/A	Performing	1,68%	5 721 132	(5 484)	5 715 648
Advances given	N/A	Performing	1,50%	560 164	(8 402)	551 762
Other receivables – Intercompany	N/A	Performing	1,50%	1 497 437	(24 994)	1 472 443
Loans given - Intercompany	N/A	Performing	1,50%	901 200	(13 518)	887 682
Receivables as per IFRS 15 - Intercompany	N/A	Performing	1,50%	928 356	(15 309)	913 047
Customer – other	N/A	Non-performing	100,00%	54 986	(54 986)	-
Long-term loan – Intercompany	N/A	Non-performing	100,00%	911 452	(911 452)	-
Customer – Energigas	N/A	Non-performing	100,00%	354 227	(354 227)	-
Total				**25 919 741**	**(1 509 150)**	**24 410 591**

In current year's valuation, the management of the Company uses the data available in public databases to determine ECL rates.

<u>Presentation of individual impairments:</u>

There was no reversed impairment for individual assets or cash-generating units recorded in the separate financial statement of the Company.

In the current year, HUF 354,227 thousand individual impairment was recognized for the trade receivables of Energigas Kft. and the following amounts for the below long-term loans given:

- Energikum Zrt.: HUF 5,000 thousand,
- Alte-Go Kft.: HUF 216,452 thousand,
- Energigas Kft.: HUF 690,000 thousand.

18 Short-term loans given

The loan granted to FE Group Zrt. expires on May 31, 2025 and so it was reclassified from long-term loans given to short-term loans given:

Short-term loans given	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Short-term loans given	901 200	-
Short-term loans given ECL model impairment	(13 518)	
	887 682	-

19 Cash and cash equivalents

Cash and cash equivalents	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Bank accounts – HUF	2 164 163	16 075 661
Bank accounts – foreign currency	130 315	821 705
of which: exchange gain/loss	(2 506)	1 959
Cash desk	-	-
	2 294 478	**16 897 366**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. The revaluation difference arises from the year-end revaluation of FX current accounts. The Company ties up unrestricted cash on a weekly basis on its current account at the overnight rate published by the central bank - 1%.

The detailed reasons for changes in cash are included in the statement of cash flows.

20 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 Company observes the requirements of Act V of 2013 on the Civil Code (of Hungary).

20.1 Shares traded

The Company reports its issued 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)
January 01, 2022	**Opening 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
January 01, 2023	**Opening balance**	**19 925 254**	**12,5**		**249 066**	**1 880 510**
2/7/2023	Transfer of employee share award	1 911	12,5	24		5 518
5/16/2023	Share purchase other than OTC	(185 672)	12,5	(2 321)		(510 412)
5/17/2023	Transfer of own shares to ESOP due to the ESOP Program Watt	4 309	12,5	54		5 020
5/17/2023	Transfer of own shares to ESOP due to the ESOP Program Watt	27 933	12,5	349		76 439
5/17/2023	Transfer of own shares to ESOP due to the ESOP Program Szikra	122 717	12,5	1 534		335 815
5/17/2023	Transfer of own shares to ESOP due to the ESOP Program Management	30 713	12,5	384		84 046
5/17/2023	Share purchase other than OTC	(208 328)	12,5	(2 604)		(572 694)
5/18/2023	Transfer of own shares to ESOP due to the ESOP Program Management	88 287	12,5	1 104		241 597
7/4/2023	Shares purchased from ESOP	(22 073)	12,5	(276)		(59 189)
7/13/2023	ESOP Program 2022-2024 transfer of own shares to ESOP	17 640	12,5	220		48 272
January 01, 2024	**Opening balance**	**19 802 691**	**12,5**		**247 534**	**1 534 923**
6/3/2024	ESOP Program 2024 repurchase of own share (vested)	(223 200)	12,5	(2 790)		(851 709)
6/3/2024	ESOP Program 2024 repurchase of own share (unvested)	(32 160)	12,5	(402)		(122 719)
6/26/2024	Repurchase of own share to ESOP due to the ESOP 2025 Program	(50 790)	12,5	(635)		(201 154)
6/26/2024	Repurchase of own shares to ESOP due to the ESOP Program Szikra	(19 082)	12,5	(240)		(75 574)
6/27/2024	Transfer of own shares to ESOP due to the ESOP Program Executive 2026	141 000	12,5	1 763		548 110
6/27/2024	ESOP Program 2026 transfer of own share to ESOP	216 380	12,5	2 705		789 505
6/27/2024	ESOP Program 2025 transfer of own share to ESOP	81 070	12,5	1 013		221 848
6/27/2024	ESOP Program Szikra transfer of own share to ESOP	15 320	12,5	192		41 923
December 31, 2024	**Closing balance**	**19 931 229**	**12,5**		**249 140**	**1 885 153**

The changes in capital elements is presented in the Equity table. Share transfers under ALTEO Nyrt.'s employee share ownership program are recognized using the FIFO method.

The 2024 opening number shows 19,802,691 shares with a face value of HUF 12.5 per share, which makes the opening balance of the registered capital related to ordinary shares shown under equity HUF 247,534 thousand.

In 2024, the Company conducted no OTC share purchase transactions. As a result of the changes shown above, the 2024 closing number shows 19,931,229 shares with a face value of HUF 12.5 per share, making a closing balance of HUF 249,140 thousand.

In 2024, ALTEO Nyrt. repurchased 325,232 shares at the total nominal value of HUF 4,067 thousand from the ESOP organization due to the departure of employees who had participated in the remuneration policy previously implemented.

The Company transferred 453,770 shares to the ESOP organization at the nominal value of HUF 5,673 thousand within the framework of the 2025 and 2026 Executive and Szikra ESOP Programs.

20.2 Share premium – reserves

Share Premium – reserves include the reserves generated because of the ESOPs and employee share award programs as well as 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.

Share premium – reserves	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening	**6 036 423**	**6 435 484**
Shares transferred to ESOP Organization for the	1 601 386	-
IFRS 2 vested benefit settlement through the ESOP	(974 428)	-
Szikra, ESOP 2025 Program share repurchase	(276 728)	-
ESOP Founder's assets dividend	197 119	-
Implementation of employee share award through shares	-	5 518
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	(63 145)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	(2 874)
Share purchase	-	(1 123 942)
Shares transferred to ESOP organization	-	791 190
Amounts spent on ESOP operation	-	(5 808)
Closing	**6 583 772**	**6 036 423**

<u>Changes:</u>

- HUF 1,601,386 thousand as the above-par part of the shares transferred to the ESOP Organization for the implementation of ESOP Programs
- HUF 1,251,156 thousand as the above-par part of the shares repurchased from the ESOP Organization,
- HUF 197,119 thousand as ESOP Founder's assets dividend.

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 22.

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.

20.3 Retained earnings

Retained earnings	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening	**31 493 513**	**5 107 635**
Development reserve use	176 150	1 681 868
Development reserve return	-	12 435 988
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	552 218
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	(866 672)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	2 874
Dividend approval	(7 972 590)	-
ESOP Founder's assets forfeited dividend	41 078	-
Comprehensive income	8 680 722	12 579 602
Closing	**32 418 873**	**31 493 513**

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

In 2024, the Company approved dividends in the value of HUF 7,972,590 thousand relating to the 19,802,691 shares with a price of HUF 402.6 per share.

Development reserve	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening balance	**2 000 000**	**16 117 856**
Development reserve creation		
Development reserve closing		(12 435 988)
Development reserve use	(176 150)	(1 681 868)
Closing balance	**1 823 850**	**2 000 000**

Pursuant to the decision of the Management, HUF 12,435,988 thousand of the HUF 13,660,786 development reserve made in 2023 was released in 2023 as the projects proposed within the Group would be implemented outside ALTEO Nyrt. The development reserve was taken into account as a limit on dividend payment, see Section 22 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 opening balance of the development reserve was HUF 2,000,000 thousand in 2024, of which the Company used HUF 176,150 thousand in the current year to purchase other electronic and office equipment. The end date for using the remaining HUF 1,823,850 thousand is December 31, 2025.

20.4 Reserve for share-based payments

Recognition of the Employee Share Ownership Program in equity:

Reserve for share-based payments	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
opening	**(1 885 811)**	**(1 459 544)**
Acquisition of own shares	-	46 036
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	(552 218)
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	866 672
ESOP Organization cash and cash equivalents spent on operation and costs	-	8 077
Shares transferred to ESOP organization	-	(794 835)
Shares transferred to ESOP Organization for the implementation of ESOP Programs	(1 607 057)	-
IFRS 2 vested benefit settlement through the ESOP Organization (ESOP 2024)	977 620	-
Szikra, ESOP 2025 Program share repurchase	277 601	-
Aggregate amount of rounding difference	(1)	1
closing	**(2 237 648)**	**(1 885 811)**

The ESOP programs are described in Section IV.35. of the Consolidated Financial Statements.

21 Derivative reserve

The accounting policy of the Company established hedge connection between certain transactions and certain derivatives. These derivative transactions qualify as cash flow hedge transactions. The Company recognizes profit or loss on the cash flow hedge transactions under other comprehensive income and collects such profit or loss in this equity component up to the effective part. The Company reclassifies the balance of cash flow hedge transactions in the derivative reserve to the net profit or loss at the closing of such transactions (or if the hedge connection is interrupted for another reason). In 2023, an open cash flow hedge transaction was recognized for the implementation of the solar panel farm in Tereske, which changed the value of the investment. The Company had no open hedging transactions on December 31, 2024.

22 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

Equity correlation table	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Issued capital under the IFRSs (difference of IFRS assets and liabilities)		38 837 987	37 826 828
Supplementary payments made, recognized as assets (-)		(1 327 886)	(1 302 886)
Section 114/B. Equity		***37 510 101***	***36 523 942***
Equity under the IFRSs		249 140	247 534
Section 114/B(4)(b) Issued capital under the IFRSs	***20.1***	***249 140***	***247 534***
Face value of repurchased own shares	20.1	(3)	(1 609)
Issued capital according to Hungarian Accounting Standards		***249 143***	***249 143***
Section 114/B(4)(d) Capital reserve	20.2	4 346 124	4 085 781
Capital reserve total		***4 346 124***	***4 085 781***
After-tax profit accumulated and undistributed in previous years under the IFRSs	20.3	25 274 045	20 596 263
Total of the closing retained earnings and the after-tax profit or loss before IFRS with IFRS adjustments		452 102	452 102
Amounts directly credited or debited to retained earnings under the IFRSs	20.3	(7 931 512)	(314 454)
Supplementary payments made, recognized as assets (-)		(1 327 886)	(1 302 886)
Unused development reserve (-)	20.3	(1 823 850)	(2 000 000)
Deferred tax relating to unused development reserve calculated as per IAS 12 (+)	20.3	164 147	180 000
114/B.		***14 807 047***	***17 611 025***
Section 114/B(4)(g) Current year profit/loss	20.3	8 680 722	12 579 602
Profit or loss after taxes Current year profit/loss (-) under IFRS5		***8 680 722***	***12 579 602***
Section 114/B(4)(h) Allocated reserve (without deferred tax effect)	20.3	1 823 850	2 000 000
Total allocated reserve		***1 823 850***	***2 000 000***
Issued capital registered at the Court of Registration	20.1	249 143	249 143
Issued capital according to the IFRSs	20.1	249 140	247 534
Deviation (face value of repurchased own shares)	***20.1***	***3***	***1 609***
Equity		***29 906 883***	***36 523 942***
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)		23 487 769	30 190 627
Free retained earnings available for dividend payment		***23 487 769***	***30 190 627***

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.

23 Deferred tax liabilities

When calculating deferred taxes, the Company compares the amounts to be considered for taxation purposes with the accounting value 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. No deferred tax asset was recorded.

When computing corporate taxes, the Company used a 9% rate upon reversal.

The change in deferred taxes was recognized by the Company in the statement of profit or loss.

The following differences were identified in 2024:

Deferred tax liability (HUF thousand) 12/31/2024	Note	Tax value	Accounting value	Difference
Fixed and intangible assets	19.	5 740 796	8 615 270	2 874 474
Impairments	20.	-	(1 509 150)	(1 509 150)
Provisions	24.	-	(198 591)	(198 591)
ESOP Program 2026 long-term liabilities	32.	-	(171 328)	(171 328)
ESOP Program Executive 2026 long-term liabilities	26.	-	(145 678)	(145 678)
ESOP program 2025 short-term liabilities	26.	-	(1 228 327)	(1 228 327)
ESOP program Watt short-term liabilities	26.	-	(113 942)	(113 942)
ESOP program Szikra short-term liabilities	26.	-	(404 103)	(404 103)
ESOP program Management short-term liabilities	24.	-	(358 696)	(358 696)
Leave not taken	32.		(124 429)	(124 429)
Development reserve	20.	(1 823 850)	-	1 823 850
Deductible temporary difference			**(4 055 653)**	
Total taxable difference			**4 499 733**	
Deferred tax liability (9%)			**39 967**	

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

The Company presents the disclosures required under IAS 12 in Section 8 “Income taxes” of its Separate Financial Statement. The development reserves are recognized directly relating to equity. The Company has other comprehensive income items, the related tax is presented in the table below. The Company identified no temporary differences relating to its investments in subsidiaries, therefore no related disclosures are made in the report.

Deferred tax	12/31/2024 HUF thousand 12 months	12/31/2023 HUF thousand 12 months
Deferred tax opening	255 879	1 467 513
Generated in capital	6 412	(6 412)
Returning in capital	-	-
Generated in profit or loss	(222 324)	(1 205 222)
Deferred tax closing	**39 967**	**255 879**

24 *Provisions – Non-current liabilities*

Provisions – Non-current liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Provisions opening	-	15 500
Provisioning against profit/loss	170 553	-
Reclassification	-	(15 500)
	170 553	-

The Company unilaterally undertook to cover the long-term decommissioning and recultivation liabilities of its subsidiaries. The Company recognizes such liability at expected value and when determining the fair value of the liability to third parties to recultivate land used by the subsidiaries for the construction of production power plants, the Company discounts the residual liability not covered by other revenues in the future by the risk-free return less the long/medium-term inflation rate assigned to probable cash flows. Unilateral covenants are recognized in long-term provisions and long-term participations in the amount of HUF 139,551 thousand. In 2024, the Company made provisions for other future liabilities in the value of HUF 31,002 thousand.

25 Debts on the issue of bonds

Debts on the issue of bonds	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening principal and interest:	**12 658 274**	**12 658 274**
ALTEO Nyrt. NKP1 2029	8 762 151	8 762 151
Alteo Nyrt. NKP1 2031	3 896 123	3 896 123
Interest recognized in the current period	**331 789**	**335 884**
ALTEO Nyrt. NKP1 2029	251 941	251 789
Alteo Nyrt. NKP1 2031	79 848	84 095
Principal and interest payments in the current period	**(364 000)**	**(364 000)**
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 626 063**	**12 630 158**
ALTEO Nyrt. NKP1 2029	(53 704)	(19 111)
Alteo Nyrt. NKP1 2031	(21 837)	(9 005)
Recognized interest rate change of short-term liabilities	**(75 541)**	**(28 116)**
Debts on the issue of bonds	**12 701 604**	**12 658 274**
Short-term bond payables	**-**	**-**

Terms of borrowings and repayment schedule:

Name	Frequency of repayments	Amounts paid	Currency	Nominal liabilities 2024	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	2025	2026	2027	2028	2029	after 2029
ALTEO Nyrt. NKP 2029	270 900	270 900	270 900	270 900	8 870 900	-
ALTEO Nyrt. NKP1 2031	93 100	93 100	473 100	463 790	454 480	2 781 030

Bond programs open on 12/31/2024:

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 NKP1/2031" with a total face value of HUF 3.8 billion. The average issue value of the bonds was 102.9605% of the face value. The bonds have a fixed rate coupon of 2.45% and the maturity is 11 years.

26 Other long-term liabilities, long-term loans and borrowings

Long-term loans and borrowings

In 2023, ALTEO Nyrt. took out a loan of HUF 249,265 thousand from MFB for a term of 11 years to finance its RDI activities under the GINOP-2.1.2-8.1.4-16 tender. The financing bears an interest rate of 2%. On the reporting date of December 31, 2024, the Company recognized liabilities in the amount of HUF 218,787 thousand in connection with the loan.

At reporting date, the long-term amortized carrying amount of the loan was HUF 195,929 thousand while the short-term part amounted to HUF 22,858 thousand.

Other long-term liabilities

Other long-term liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
ESOP liability	**317 006**	**711 475**
ESOP 2022-2025 program liabilities	-	*447 371*
ESOP Watt 2023-2025 program liabilities	-	*32 348*
ESOP Szikra 2023-2025 program liabilities	-	*123 118*
ESOP Management 2023-2025 program liabilities	-	*108 638*
ESOP 2024-2026 program liabilities	*171 328*	
ESOP 2024-2026 program Executive	*145 678*	
Conditional purchase price liabilities	**207 176**	**238 482**
Total	**524 182**	**949 957**

ESOP liability:

The employee incentive programs are presented in detail in Section IV.35 "Presentation of Share-based and Equity Settled Benefit Programs" of the Consolidated Financial Statements.

Conditional purchase price liabilities:

HUF 207,176 thousand is recorded as provisional purchase price under other long-term liabilities in relation to the Zugló-Therm Kft. participation (further HUF 50,000 thousand under other short-term liabilities). 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 (aggregate short- and long-term) amortized carrying amount of the provisional purchase price of the Zugló-Therm Kft. participation was HUF 257,176 thousand at the reporting date. The fair value of the items above does not materially differ from their amortized cost.

27 Lease liabilities

Change in lease liabilities in the current year:

Change in lease liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Opening balance	1 305 882	1 063 818
Lease liability increase	906 786	492 212
Derecognition	(634 440)	(52 653)
Recognized interest expense	139 718	80 073
Debt repayments	(467 080)	(277 568)
Closing balance	**1 250 866**	**1 305 882**
of which: short-term	566 848	349 850
of which: long-term	684 018	956 032

The Company's leases mature as follows:

Lease liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Long-term liabilities relating to rights of use (over 5 years)	-	281 343
Long-term liabilities relating to rights of use (1-5 years)	684 018	674 690
Total:	684 018	956 033
Instalments due within a year	**566 848**	**349 850**
Total:	**1 250 866**	**1 305 883**

Expected cash flows from leases	2025	2026	2027	2028	2029
vehicles	294 792	265 861	240 071	155 932	639
office space rent	211 658	105 829	-	-	-
assembly hall rental	60 398	60 398	57 269	40 942	2 573
Total	**566 848**	**432 088**	**297 340**	**196 874**	**3 212**

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 renewal option, while the Company does not exercise its contractual renewal option related to the leased property.

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 vehicle leases, the Company recognizes its office leased in Budapest and its warehouses leased in Budapest, Polgár, and Százhalombatta as lease liabilities.

The Company uses the benefits as per IFRS 16 in force in the current year, and recognizes the following items as lease payments: 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.

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

Effect of leases on profit or loss	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Recognized amortization	(368 851)	(205 308)
Recognized interest expense	(139 718)	(80 073)
Lease of current and low-value assets	(202 848)	(166 156)
	(711 417)	**(451 537)**

28 Deferred income

Deferred income	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
"KFI" grant	192 224	243 479
"KFII" grant	155 431	178 176
"KFIII" grant	176 351	205 954
	524 006	**627 609**

Financial statements of ALTEO Nyrt. for 2024: Data in HUF thousand

The deferred income balance sheet line shows the amount of Research and Development (R&D) grants not yet recognized in profit or loss.

- The Company recognized an income of HUF 51,254 thousand in 2024 for the 'KFI I' grant received for the construction of power storage facilities.
- In June 2023, the Company received grants in the amount of HUF 227,460 thousand for the construction of the 'KFI II' Kazincbarcika energy storage unit. HUF 22,746 thousand of the grant was recognized as income in the current year.
- In 2022, the Company recorded HUF 224,626 thousand for the 'KFI III' grant and in 2024 it submitted its professional and financial report. Upon approval, the project enters the maintenance phase according to the resolution. HUF 29,604 thousand of the grant was recognized as income.

The main requirements of funding are the following:

	RDI 1
Purpose of the grant	**Systemic integration and innovative application model of an electricity storage architecture**
Criteria satisfied	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: The creation of one newly developed product, technology, service or prototype The preparation of one know-how Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million One appearance at a domestic and an international forum (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) 2 publications
Realistic criteria	Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million
Implementation	July 2019
Maintenance period	July 2019 – 12/31/2024

	RDI 2
Purpose of the grant	**Integration into the electricity system of storage facilities with battery cells of various parameters**
Realistic criteria	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 subsidized undertaking for the manufacture of the new product In the 2 financial years following implementation, the amount of R&D expenses amounts to 30% of grants as evidenced in the corporate tax returns
Implementation	January 2022
Maintenance period	January 2022 – June 2029

	RDI 3
Purpose of the grant	**Development of real-time autonomous energy information and production management system**
Realistic criteria	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 new product developed involvement of 3 enterprises in development publication of the project achievements on domestic forums on 3 occasions 3 publications 1 publication resulting from private-public cooperation 3 undertakings making use of the project achievements 9 researchers/developers and 2 other employed project participants 1 additional agreement with universities or research institutes
Implementation	September 2024
Maintenance period	expected on December 31, 2030, subject to the approval date of the professional and financial report submitted

29 Financial liabilities – conditions

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

The terms and conditions of bonds are explained in Section 25 while long-term bank loans are presented in Section 26.

30 Short-term provisions

The entire amount of the short-term provisions (HUF 28,038 thousand) 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 within 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.

31 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 1,881,674 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	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Invoices not past due	**1 535 070**	**2 351 347**
Invoices past due	**346 604**	**97 874**
Invoices past due for 1-30 days	152 334	49 313
Invoices past due for 31-90 days	16 403	32 487
Invoices past due for 91-180 days	3 001	311
Invoices past due for 181-365 days	11 874	4 146
Past due for over one year	162 992	11 617
	1 881 674	**2 449 221**

The Company's five largest suppliers:

2024	2023
KELER Zrt.	Risen Energy Co., LTD
Photomate s.r.o.	Extor Energy Zrt.
Ceolica Hispania S.L.	Vestas Hungary Kft.
Pannonia Bio Zrt.	Thermotrade Kft.
Extor Energy Zrt.	Wartsila Hungary Kft.

32 Short-term loans and borrowings, other short-term liabilities and accruals

Short-term loans and borrowings	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
KFIII long-term loan short-term part	22 858	22 858
Short-term bond payables		7 483
	22 858	**30 341**

See Note 26 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	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Cost accruals	1 679 101	913 275
Liabilities under ESOP Programs:		
ESOP program 2024 short-term liabilities	-	659 108
ESOP program 2025 short-term liabilities	1 228 327	-
ESOP program Watt short-term liabilities	113 942	-
ESOP program Szikra short-term liabilities	404 104	-
ESOP program Management short-term liabilities	358 696	-
Amounts payable to customers (IFRS 15)	1 166 154	1 024 086
Other tax liabilities	1 763 187	2 668 791
Income settlement	333 817	284 350
Income accruals	71 529	642 270
Zugló contingent purchase price instalment	50 000	50 000
Other short-term liabilities	6 561	16 566
Liabilities from derivative transactions	-	71 242
Provisions for future costs	-	53 009
Group VAT liabilities to group members	-	37 558
	7 175 418	**6 420 255**

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

Short-term liabilities under the ESOP Program 2025, Watt, Szikra Management Programs: the ESOP Programs are presented in detail in Section IV.35. “Presentation of Share-based and Equity Settled Benefit Programs” of the Consolidated Financial Statements.

Amounts due to customers (IFRS 15): for a detailed explanation, see Note 43.

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 2024.

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

Zugló contingent purchase price Contingent purchase price remaining from the purchase price of Zugló-Therm Kft. (absorbed by Alteo-Therm Kft. on January 1, 2020)

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

33 Advances received

On December 31, 2024, advances received from customers were recognized in the amount of HUF 919,114 thousand related to the construction of the turnkey implementation of the solar power plant at the Algyő site of MOL Nyrt.

34 Income tax liabilities

Income tax liabilities	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Corporate tax liability	546 260	2 332 782
Innovation contribution liability	28 550	35 702
Local business tax liability	2 758	20 344
	577 568	**2 388 828**

35 Operating segments

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

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,
- construction, installation, and project development,
- other (administrative services and management)

The Operation, Construction, Installation and Project Development segment indicated in the table corresponds to the Energy Services segment in the Consolidated Annual Financial Statements.

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

2024	Operation	Construction – Project development	Other, administration and management	Statement of profit or loss
Revenues	**9 909 311**	**11 644 373**	**17 066 161**	**38 619 845**
Material expenses	(4 434 472)	(10 094 152)	(2 478 634)	(17 007 258)
Personnel expenses	(3 296 146)	(934 645)	(5 642 648)	(9 873 439)
Depreciation, amortization	(634 526)	(30 499)	(609 399)	(1 274 424)
Capitalized own production	58 162	346 658	294 886	699 706
Other revenues, expenses	(778 755)	(9 381)	38 740	(749 396)
Operating profit or loss	**823 574**	**922 354**	**8 669 106**	**10 415 034**

2023	Operation	Construction – Project development	Other, administration and management	Statement of profit or loss
Revenues	**7 643 191**	**1 478 746**	**16 885 122**	**26 007 059**
Material expenses	(3 625 883)	(997 298)	(1 880 192)	(6 503 373)
Personnel expenses	(2 568 963)	(500 582)	(3 985 769)	(7 055 314)
Depreciation, amortization	(517 777)	(19 494)	(415 572)	(952 843)
Capitalized own production	10 404	258 217	276 406	545 027
Other revenues, expenses	109 415	(7 644)	(290 437)	(188 666)
Operating profit or loss	**1 050 387**	**211 945**	**10 589 558**	**11 851 890**

There are no transactions between segments.

36 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 and their close relatives 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 Annual 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 Executive Board were employed by the Company during the period referred to above.

Members in 2024: Attila Chikán Jr., László Hegedűs, Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga, Anita Simon, Magdolna Tokai

Remuneration paid to related parties (executive officers):

2024	Wages, commissions, benefits	Reimbursement of costs	Share purchase
Board of Directors	46 440	-	-
Supervisory Board	44 718	3 580	-
Executive Board non-BoD members	344 243	55 423	204 865
Total	**435 401**	**59 003**	**204 865**

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 in the financial statements due from affiliated companies or other related parties (Tisza WTP Kft.) (data in HUF thousand):

12/31/2024	Loans given	Impairment of loans given	Accrued income and deferred charges - revenue	Accrued income and deferred charges - interest income	Trade receivables	Impairment of trade receivables	Other receivables	Trade payables	Other liabilities	Accrued expenses and deferred income - costs	Accrued expenses and deferred income - income
Aerope Holding Kft.	304 797										
ALTE-A Kft.											
ALTE-GAS Kft. (Eco First Kft.)	440 000			12 561			84				
ALTE-GO Kft.	216 452	(216 452)	197 451	4 278				(10 389)	(1 207)		
ALTEO Energiakereskedő Zrt.			1 109 470		655 859		144 792			(223)	
ALTEO-DEPÓNIA Kft.	1 598 650		156 554	5 591	1 240				(311 042)		
ALTEO-Therm Kft.			1 172 967		3 572 571		84 485				
Domaszék Kft.	8 969		18 711	173			14 068				
Edelyn Solar Kft.	321 012		14 992	78 392	5 108 400				(265)		
Energias Kft.	690 000	(690 000)	66 885		354 227	(354 227)			(6 968)		
Energikum Zrt.	5 000	(5 000)		459					(68)		
Energy Corp Megújuló Energia Hasznosító Kft.			170				333 162				
Euro-Green Energy Kft.	508 999		32 869	30 749	882 802		680 000		(245)		(23 662)
FE Group Zrt.	901 200		396 996	21 216	11 699		59 185				
Monsolar Kft.	431 288		27 920	41 598			6 376				
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.			1 560				9 675				
Pannon Szélerőmű Kft.	1 017 000		16 864	61 438			340 000				
Sinergy Energiakereskedő Kft.			2 283 891		3 142 340		168 253	(500)			
Sinergy Energiaszolgáltató Kft.			63 625		50 929		50 000		(916)		
SUNTEO Kft.	1 090 417		77 898	145 956	4 966		94 438				
Tisza WTP Kft.							22 409				
Total	**7 228 987**	**(911 452)**	**5 638 823**	**402 411**	**13 785 033**	**(354 227)**	**2 006 927**	**(10 889)**	**(320 711)**	**(223)**	**(23 662)**

Credit loss for receivables from affiliated companies was determined based on the ECL model, except in the case of Energigas Kft., Energikum Zrt. and Alte-GO Kft. where impairment was applied individually.

In the current year, the Company had the following transactions with the affiliated companies listed below (data in HUF thousand):

2024	Revenue	Material expenses	Personnel expenses	Other expenses	Interest income	Interest expenses	Dividend income
ALTE-A Kft.	2 136						
ALTE-GAS Kft. (Eco First Kft.)	42 408				18 308		
ALTE-GO Kft.	215 367	(9 309)			5 500		
Aerope Holding Kft.							
ALTEO Energiakereskedő Zrt.	3 989 426						
ALTEO-DEPÓNIA Kft.	188 906				64 184		
ALTEO-Therm Kft.	9 067 877	(51 881)		(17 751)	145 158		
Domaszék Kft.	34 142				447		
Edelyn Solar Kft.	5 268 603				46 933		
Energigas Kft.	396 629				6 784		
Energikum Zrt.	824				459		
Energy Corp Megújuló Energia Hasznosító Kft.	170						
Euro-Green Energy Kft.	1 156 234				16 077		180 000
FE Group Zrt.	544 735	(300)			104 571		
Monsolar Kft.	53 780				13 623		49 000
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.	1 560						
Pannon Szélerőmű Kft.	555 937				109 287		90 000
Sinergy Energiakereskedő Kft.	11 234 534	(639)			5 585	(84)	
Sinergy Energiaszolgáltató Kft.	282 560						50 000
SUNTEO Kft.	172 386				34 442		
Tisza WTP Kft.	982 045				1 712		
Grand total	**34 190 259**	**(62 130)**	**-**	**(17 751)**	**573 070**	**(84)**	**369 000**

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

37 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.
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 16 and 17.

38 *Contingent liabilities and other disclosures*

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.

We detailed the contacts towards other banks that have no value in the financial statements in Item 29 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 contract on the reporting date:

Beneficiary	Subject of guarantee	Amount (EUR)	Maturity
MET Magyarország Zrt.	Payment guarantee	2 300 000	12/15/2025
GANZ Transzformátor- és Vill. Forgógépgyártó Ltd	Payment guarantee	1 240 000	until the payment of contractual liabilities

The table below shows guarantees provided by Alteo Nyrt. broken down by purpose:

Guarantees by purpose	Amount (HUF thousand)
Related to general contractor's contract	2 280 828
Related to network connection	660 000
Related to office lease	230 723

The following waste movements occurred at the sites of Alteo Nyrt. in 2024.

Name	Movement	quantity/kg
Hazardous waste	2024 Opening	4 259
	removed in 2024	93 144
	2024 Closing	2 419
Non-hazardous waste	2024 Opening	87
	removed in 2024	9 356
	2024 Closing	245

39 *Significant events after the reporting date*

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

January 9, 2025: On this day, ALTEO Group published its strategy for 2025-2030 which opens up new growth prospects for both the Company and the Group. The new strategy focuses on regional expansion, regional exports of sustainability solutions and energy matters.

February 1, 2025: ARTEMIS Zrt., Energy Corp Hungary Kft. and Mov-R H1 Szélerőmű Kft. joined the VAT group represented by ALTEO Nyrt.

February 6, 2025: The Company signed a credit facility agreement with MBH BANK Nyrt. and GRÁNIT BANK Nyrt. for general corporate financing purposes and strategy implementation, to promote growth and optimize the financing structure.

Dividend payment: The Board of Directors proposes to the General Meeting the payment of no (0) dividend of (in the value of HUF 0 per share) in 2025. The dividend per own share is to be distributed among the shareholders entitled to dividends in proportion to the number of shares they hold.

40 Litigation and claims

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

41 Economic relations subject to legal proceedings

There is a dispute between Sinergy Energiakereskedő Kft. and CHP Energia Zrt. (post-succession patent holder instead of VPP Magyarország Zrt.), based on the fact that Sinergy Energiakereskedő Kft. claims 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.

The Hungarian Intellectual Property Office approved the negative clearance claims submitted by Sinergy Energiakereskedő Kft., and found that the solution in question does not infringe the patent, but CHP Energia Zrt. filed a request for a change of the decisions. The Budapest-Capital Regional Court dismissed the change requests, but CHP Energia Zrt. filed an appeal, thus the proceedings of second instance are still ongoing.

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

42 Fair value measurement disclosures

The Company recognizes ESOP liabilities at fair value trough profit or loss, and apart from the ESOP liabilities, the Company has no financial instruments at reporting date that would be measured at fair value. There is no significant difference between the fair value and the carrying amount of financial instruments and the Company measures them at amortized cost.

The Company did not have any derivatives as of the reporting date.

The fair value of ESOP liabilities is HUF 2,422,074 thousand (previous year: HUF 1,370,582 thousand).

No differences were identified between the carrying amount and fair value of the remaining financial instruments; the carrying amount is a reasonable approximation of fair value.

The Company did not have any cash flow hedge transactions as of the reporting date.

The Company measures the fair value of the liabilities based on the table below:

12/31/2024	Level 1	Level 2	Level 3
Liabilities:			
Debts on the issue of bonds		12 701 604	
Liabilities under ESOP Programs		2 312 243	
Loans and borrowings		218 787	
Short-term loans and borrowings			
Total:	-	15 232 634	-

43 *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 stage 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	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand	Recognized current year revenue total	Revenue adjustment against statement of financial position	Invoiced revenue current year	Expected completion
Project development against third parties	(189 491)	-	(1 099 200)	196 255	(1 295 455)	2025-2026
Maintenance against related parties	(976 663)	(1 024 086)	(2 961 582)	(787 737)	(2 173 845)	continuous, 2025-2035
Project development – third parties	36 049	137 189	(761 050)	94 376	(855 426)	2025-2026
Project development – related parties	401 875	-	(5 660 600)	(402 200)	(5 258 400)	2025
Maintenance against related parties	526 481	-	(1 524 562)	(526 481)	(998 081)	2025
Project development – related parties impairment according to the ECL model	(15 309)					
Projects – Receivables due from customers	**949 096**	**137 189**				
Projects – amounts due to customer	**(1 166 154)**	**(1 024 086)**				

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 customer are disclosed in Note 16 while liabilities in Section 32.

44 *Disclosure of interests in other entities*

The Company was not faced with any uncertainty and was not forced to make a complex decision when making a judgment about how to present its investments in its financial statements. All controlled entities qualify as subsidiaries. With the exception of one entity, it can be concluded that the parent company has control over its holdings, since it can be seen that all of the criteria of control, operative daily tasks and exposure to variable return are fully and clearly satisfied. Where the Company does not control the entity, it is not consolidated but treated another way.

The Company has no associates, it does not participate in joint organizations and has no interests in joint ventures.

The Company has to face no 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 the Company qualify as or have interests in any investment companies.

The equity disclosed in the financial statements of Energigas Kft. and Alte-Go Kft. is not in line with the applicable provisions of the Civil Code and therefore the Management of the Company will provide for capital replacement within the due date stipulated in the Civil Code.

45 The auditor, the audit fee and non-audit services

The Accounting Act requires the Group to prepare consolidated financial statements, which, in accordance with Section 155 (2) of that Act, is to be mandatorily reviewed by the auditor. The chosen auditor of the Company is Authentic Audit Kft. (chamber registration number: 004322), the person personally responsible for auditing is Andrea Zsoldos-Horváth, chamber membership number: 005428.

The fee for auditing the unconsolidated annual report and the IFRS consolidated annual report is HUF 29,900,000 + VAT.

In the fiscal year 2024, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by Authentic Audit 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.

46 Approval of the disclosure of the financial statements

On April 4, 2025, the Board of Directors of the Group's parent company approved the disclosure of the financial statements in its current form.

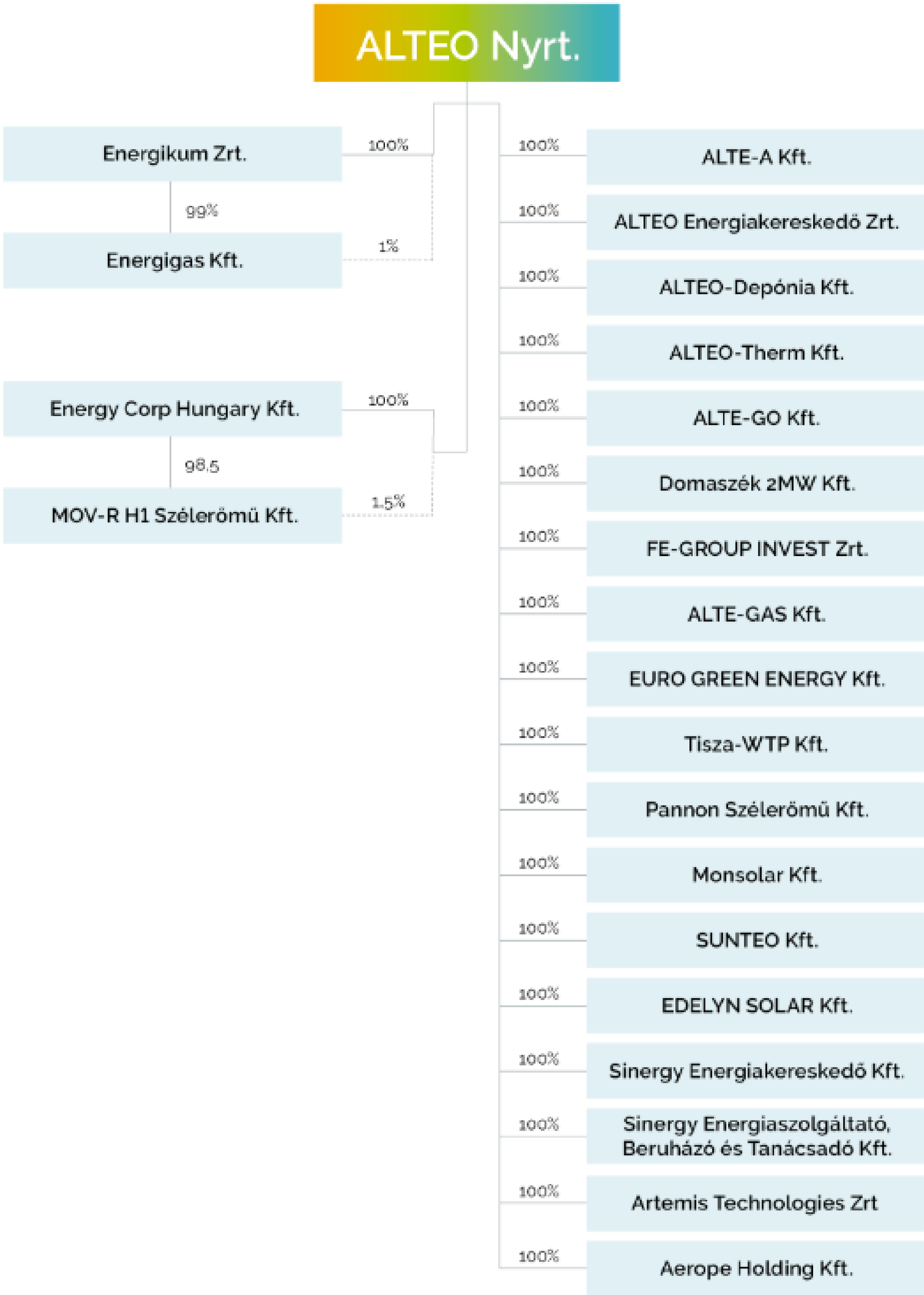
Budapest, April 4, 2025

On behalf of ALTEO Nyrt.:

Attila László Chikán
Member of the Board of Directors
CEO

Zoltán Bodnár
CFO

ALTEO members on the reporting date



Financial statements of ALTEO Nyrt. for 2024: Data in HUF thousand

Information on the Group

Group companies Name	Note	Registered office	Scope of activities	Ownership acquisition date	Acquisition of participation Legal title	Control % 12/31/2024	Control % 12/31/2023	Amount of equity (HAS) 12/31/2024	Amount of revenue (HAS) 12/31/2024
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Aerope Holding Kft.	5	H-1033 Budapest, Kórház utca 6-12.	Other professional, scientific and technical activities	12/11/2024	Purchase	100%	-	16 899	-
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	Asset management	8/2/2011	Founding	100%	100%	6 339	-
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	Electricity and gas trade	12/5/2011	Founding	100%	100%	673 347	40 896 059
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production	10/1/2008	Founding	100%	100%	129 796	236 073
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production, e-mobility services	5/4/2015	Purchase	100%	100%	(215 356)	198 600
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	Heat energy production, electricity production	12/31/2009	Purchase	100%	100%	3 628 952	19 694 998
ARTEMIS Technologies Zrt.		H-1033 Budapest, Kórház utca 6-12.	Information technology consultancy	11/14/2024	Founding	100%	-	4 488	-
Domaszék 2MW Naperőmű Kft.	6	H-1033 Budapest, Kórház utca 6-12.	Electricity production (wind turbine)	12/4/2017	Purchase	100%	100%	89 465	135 359
ALTE-GAS Kft.	3	H-1033 Budapest, Kórház utca 6-12.	Treatment and disposal of non-hazardous waste	6/25/2019	Purchase	100%	100%	16 704	98 097
Edelyn Solar Kft.		H-1034 Budapest, Kórház utca 6-12.	Business and other consultancy activities	7/21/2022	Purchase	100%	100%	27 191	439007
Energigas Kft.	2	H-1035 Budapest, Kórház utca 6-12.	Electricity production (biogas)	5/25/2023	Purchase	100%	100%	(91 584)	936 878
Energikum Zrt.	1	H-1033 Budapest, Kórház utca 6-12.	Business and other consultancy activities	5/25/2023	Purchase	100%	100%	338 699	-
Energy Corp Hungary Megújuló Energia Hasznosító Kft.	7	H-1033 Budapest, Kórház utca 6-12.	Electricity production (wind turbine)	10/1/2024	Purchase	100%	-	1 051 860	99 000
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production (wind turbine)	5/28/2019	Purchase	100%	100%	1 328 039	1 963 076
FE-Group Zrt.		H-1101 Budapest, Sírkert utca 2-4	Wholesale of waste and scrap, recycling	9/9/2022	Purchase	100%	75,10%	625 102	6 292 061
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító Kft.	8	H-1033 Budapest, Kórház utca 6-12.	Electricity production (wind turbine)	10/1/2024	Purchase	100%	-	994 707	1 252 778
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production (wind turbine)	10/14/2020	Purchase	100%	100%	1 823 058	1 484 214
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity trading	5/4/2015	Purchase	100%	100%	1 068 514	50 593 049
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production (hydropower plant)	5/4/2015	Purchase	100%	100%	520 045	447 016
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity production (solar power plant)	1/30/2013	Founding	100%	100%	566 354	1 004 713
Tisza-WTP Kft.	4	H-3580 Tiszaújváros, Ipartelep 2069/3.	Water treatment, desalinated water production	5/4/2015	Purchase	100%	100%	101 735	2 303 876

Comments:
companies:

Energikum Zrt.	1	Energikum Zrt. acquisition of 100% of shares
Energigas Kft.	2	Energigas Kft. acquisition of 99% of the business quotas through the acquisition of Energikum Zrt.
ALTE-GAS Kft.	3	Eco-First Kft. acquisition of the 33.33% minority business quota 2023, change of company name 2024
Tisza-WTP Kft.	4	100% interest, entity disclosed as a lease asset, consolidated by Mol Petrochemicals Zrt. as a 100% shareholding in its consolidated report
Aerope Holding Kft.	5	Acquisition of 100% interest in Aerope Holding Kft.
ARTEMIS Technologies Zrt.	6	Establishing ARTEMIS Technologies Zrt.
Energy Corp Hungary Megújuló Energia Hasznosító K	7	Acquisition of 100% interest in Energy Corp Hungary Kft.
Mov-R H1 Szélerőmű Megújuló Energia Hasznosító K	8	Acquisition of 100% interest in Mov-R H1 Szélerőmű Kft. 100% through the acquisition of ECH Kft.

ALTEO Nyrt.
Parent company

Annual Report
for the financial year 2024

Published on: April 4, 2025

Annual Report of ALTEO Nyrt. for 2024

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 2024, and the financial statements for the fiscal year 2024*** (hereinafter collectively: "**Annual Report**").

The Company prepares and publishes a Consolidated Annual Report for the companies listed in Section 1.14 of the Consolidated 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 2024 were verified by an independent auditor.

The 2024 Annual Report of ALTEO Nyrt. and its subsidiaries includes the following reporting systems:

- Business report and Sustainability 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 2024

Table of Contents

1 The Management's report and analysis of business activities for 2024

Executive summary on events yielding significant results over the period

The 2024 results confirmed ALTEO's strategy and the success of the investments of the past period. Thanks to its diversified portfolio, well-established risk management measures, fast reaction time, profitable strategic investments, and outstanding professional staff, ALTEO remains on a sound financial footing despite a less favorable price environment and is committed to long-term sustainable growth.

Key economic events at ALTEO in 2024:

In fall, ALTEO signed business quota sale and purchase agreements for the acquisition of 100% of the ownership of Mov-R. Upon full compliance with the contractual conditions of closing, the transaction was successfully closed on November 29, 2024 and ALTEO became the holder of the entire Mov-R business quota. Mov-R currently operates a wind farm with a total capacity of 24MW consisting of 12 wind turbines with an individual capacity of 2MW each near Levél and Mosonszolnok. Once the transaction is closed, ALTEO's wind power capacity in Hungary is now 71.5 MW, bringing its total renewables-based electricity production capacity to over 115 MW and reinforcing the role it plays in sustainable electricity production.

On December 20, 2024, ALTEO Nyrt. signed business quota sale and purchase agreements for the future acquisition of 100% of the business quotas of ÉLTEX Kft. Through this deal, ALTEO wishes to reinforce and enhance the role it plays in circular economy. ALTEO expects the closing conditions of the transaction to be fully met in 2025. ÉLTEX Kft. has been a key player in Hungary's circular economy for three decades now. Its core activities include the treatment, transport and sorting of electronic and other hazardous and non-hazardous waste, and also exploring markets for recycled materials, thus contributing to making the future sustainable.

The tender published by MOL Nyrt. for general contractors to build a solar power plant with a capacity of 37.5 MWp in Algyő was closed in December 2024. ALTEO Nyrt. will participate as a general contractor in the implementation of the project worth HUF 11 billion on the largest hydrocarbon field in Hungary. According to the project schedule, the design and permit approval phase will start in spring 2025, followed by a one-year construction phase on site. Construction is expected to be completed in the first half of 2026.

As of January 10, 2024, László Hegedűs joined ALTEO's management as Deputy CEO for Strategic HR and Communications. Mr. Hegedűs has more than 20 years of professional experience, including as HR Director at the Central European University and as International HR Manager at BlackRock's Service Centre.

On March 1, 2024, ALTEO Nyrt., a company listed on the Prime Market of the Budapest Stock Exchange, was awarded the "Company with Long-term Share Price Increase" prize at the Best of BSE 2023 awards ceremony.

On April 19, 2024, the General Meeting adopted ALTEO's 2023 annual report.

The General Meeting adopted a decision on the payment of a dividend of HUF 4 billion gross and an additional extraordinary dividend of HUF 4 billion gross on April 19, 2024.

On May 28, 2024, Scope Ratings GmbH carried out the annual review of the credit rating of the bonds issued by ALTEO, as a result of which the rating remained unchanged, ALTEO as issuer and the bonds remained in the BBB- category with a stable outlook.

Continuing its practice of incentivizing employee groups, on June 26, 2024, to replace the expiring 2024 Remuneration Policy, ALTEO approved the 2026 ESOP General Remuneration Policy, which would benefit a wider range of employees upon fulfilment of the remuneration criteria, and the 2026 Executive Remuneration Policy, which is designed to motivate the CEO and Deputy CEOs.

On September 26, 2024, ALTEO Nyrt. received silver rating from the independent sustainability rating platform EcoVadis, which evaluates the performance of currently over 130,000 companies and suppliers worldwide based on environmental, social and governance criteria. ALTEO’s silver rating also means that it is rated as one of the top 15% of the companies assessed.

On November 15, 2024, Morningstar Sustainalytics confirmed the ‘medium’ ESG Risk Rating of ALTEO Energiaszolgáltató Nyrt. ALTEO reduced the ‘high’ risk level of its certification, first obtained in 2022, to ‘medium’ last year and has maintained this level for this year.

On November 18, 2024, ALTEO established ARTEMIS Technologies Zártkörűen Működő Részvénytársaság.

On December 12, 2024, ALTEO exercised its option under the contract concluded with Callis Befektetési Zrt. to acquire ownership of Aerope Holding Kft. Aerope Holding Kft. is a project company that owns a solar power plant project with a current total of 19.95 MW grid connection in the early permit phase. Through the acquisition, ALTEO intends to further expand its portfolio of power plants utilizing renewable energy.

Events after the reporting date

On January 9, 2025, ALTEO published its business strategy for 2025-2030, which will enable the Company to achieve a veritable leap in scale, both in the geographical and financial sense. A significant new feature of the newly published strategy is its regional focus, with the aim of expanding the Company’s presence in the domestic market as well as entering specific markets in the Central European region. In this regard, the regional markets are of particular interest since this is where ALTEO’s majority ownership group already has a strong presence and market connections.

A significant new feature of the strategy published in January is its **regional focus**, with the aim of expanding the Company’s presence in the domestic market as well as entering specific markets in the Central European region. In this regard, the regional markets are of particular interest since this is where ALTEO’s majority ownership group already has a strong presence and market connections.

On February 6, 2025, ALTEO signed a credit facility agreement with MBH Bank Nyrt. and Gránit Bank Nyrt. Under the agreement, the financing parties provide ALTEO with a facility of up to HUF 40 billion for general corporate financing purposes. ALTEO intends to use the available facility to implement its strategy, support its further growth and optimize its financing structure.

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 2023 and 2024.

(Negative values are denoted by parentheses.)	Note	2024 12 months data in HUF thousand	2023 12 months data in HUF thousand	Change 12 months data in HUF thousand
Revenues	**1.**	**38 619 845**	**26 007 059**	**12 612 786**
Material expenses	2.	(17 007 258)	(6 503 373)	(10 503 885)
Personnel expenses	3.	(9 873 439)	(7 055 314)	(2 818 125)
Depreciation and amortization	4.	(1 274 424)	(952 843)	(321 581)
Other revenues, expenses	6.	(749 396)	(188 666)	(560 730)
Capitalized own production	5.	699 706	545 027	154 679
Operating profit or loss		**10 415 034**	**11 851 890**	**(1 436 856)**
Finance income	7.	2 107 779	3 607 268	(1 499 489)
Financial expenses	7.	(2 282 244)	(1 187 012)	(1 095 232)
Financial profit/loss	7.	(174 465)	2 420 256	(2 594 721)
Profit or loss before taxes		**10 240 569**	**14 272 146**	**(4 031 577)**
Income tax expenses	8.	(1 559 847)	(1 692 544)	132 697
Net profit or loss		**8 680 722**	**12 579 602**	**(3 898 880)**
				-
				-
Other comprehensive income (after income tax)	**21.**	-	-	-
Reserves relating to derivative transactions	21.	-	(64 831)	64 831
Other comprehensive income from cash flow hedges	21.	-	-	-
from cash flow hedges into profit or loss		-	-	-
Total comprehensive income		**8 680 722**	**12 514 771**	**(3 834 049)**

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

The **revenues** of ALTEO Nyrt. increased by **HUF 13 billion to HUF 39 billion** from 2023. All three segments of the Company contributed to this revenue increase. Key drivers of performance

- This year, the project development unit focused primarily on work related to ALTEO's solar power plant projects and the implementation of electrical hot water boilers within the Group; which projects will be delivered in stages in 2024 and in 2025.
- Management stability in the segments was strongly enabled by the capacity expansion projects realized at the Company and its subsidiaries in previous years.
- The Company's projects continue to deliver sound profitability.
- Material expenses of maintenance and operation increased proportionally to the expansion of operational projects.
- Personnel expenses increased by HUF 2.8 billion primarily due to the long-term incentive programs and pay raises in line with labor market wages, and to a lesser extent due to the growing number of employees. Increasing the number of experts became crucial in the context of the acquisitions concluded and will remain necessary in the preparation of strategic plans.
- Depreciation and amortization increased by HUF 0.3 billion due to the planned and successful commissioning of assets.

ALTEO Nyrt. generated an operating profit of HUF 10.2 billion and a net profit after tax of HUF 8.6 billion in the financial year 2024.

1.2 Executive summary of the statement of financial position

The Company's **closing balance sheet total was HUF 65 billion** as at December 31, 2024. The balance sheet total was **HUF 65 billion** as at December 31, 2023. The balance sheet total **changed** only **insignificantly**.

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand	Change HUF thousand
Non-current assets		**33 606 161**	**23 497 294**	**10 108 867**
Property, plant and equipment	9.	5 835 653	4 003 317	1 832 336
Intangible assets and developments	9.	2 359 856	1 136 941	1 222 915
Rights of use	9.	1 187 055	1 251 099	(64 044)
Long-term deposits or loans given	10.	5 715 648	4 872 177	843 471
Long-term share in subsidiary	11.	18 507 949	12 233 760	6 274 189
Current assets and assets held for sale		**31 243 603**	**41 634 568**	**(10 390 965)**
Inventories	13.	1 967 694	5 535 841	(3 568 147)
Trade receivables	14.	14 870 008	10 043 326	4 826 682
Other financial assets	15.	199 845	1 683	198 162
Other receivables and accruals	16.	11 023 896	9 156 352	1 867 544
Short-term loans given	18.	887 682	-	887 682
Cash and cash equivalents	19.	2 294 478	16 897 366	(14 602 888)
TOTAL ASSETS		**64 849 764**	**65 131 862**	**(282 098)**

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand	Change HUF thousand
Equity		**38 837 987**	**37 826 828**	**1 011 159**
Issued capital	20.	249 140	247 534	1 606
Share premium reserves	20.	6 583 772	6 036 423	547 349
Reserve for share-based payments	20.	(2 237 648)	(1 885 811)	(351 837)
Derivative reserve	21.	-	(64 831)	64 831
Retained earnings	20.	34 242 723	33 493 513	749 210
Long-term liabilities		**14 840 259**	**15 666 539**	**(826 280)**
Debts on the issue of bonds	25.	12 701 604	12 658 274	43 330
Long-term loans and borrowings	26.	195 929	218 787	(22 858)
Finance lease liabilities	27.	684 018	956 033	(272 015)
Deferred tax liabilities	23.	39 967	255 879	(215 912)
Provisions	24.	170 553	-	170 553
Deferred income	28.	524 006	627 609	(103 603)
Other long-term liabilities	26.	524 182	949 957	(425 775)
Short-term liabilities		**11 171 518**	**11 638 495**	**(466 977)**
Short-term loans and borrowings	32.	22 858	30 341	(7 483)
Short-term finance lease liabilities	27.	566 848	349 850	216 998
Advances received	33.	919 114	-	919 114
Trade payables	31.	1 881 674	2 449 221	(567 547)
Short-term provisions	30.	28 038	-	28 038
Other short-term liabilities and accruals	32.	7 175 418	6 420 255	755 163
Income tax liabilities	34.	577 568	2 388 828	(1 811 260)
TOTAL EQUITY and LIABILITIES		**64 849 764**	**65 131 862**	**(282 098)**

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

Significant components and changes

Non-current assets:

Non-current assets increased by HUF 10 billion in the reporting period due to the increase of participations and the commissioning of the battery electricity storage facility.

Current assets:

As a result of the high profitability of the year 2024, the year-end balance of inventories and trade receivables includes unbilled or unpaid trade receivables.

Cash equivalents were used to make investments and distribute dividends.

Equity components:

The **equity** of the Group **showed a HUF 1.1 billion increase in 2023**. This change was the result of dividend payment and profit in 2024. Described in detail in Section 1.3.

Liabilities:

Long-term liabilities of the Group decreased by HUF 0.8 billion.

Short-term liabilities declined by a total of HUF 0.5 billion.

1.3 Statement of cash flows for the 12-month-period ending on December 31, 2024

ALTEO Nyrt. closed the **financial year 2024 with a cash spending of HUF 14.7 billion.** The operating activities of ALTEO Nyrt. generated HUF **2.6 billion** of incremental funds, while investment **projects used HUF 8.4 billion** of funds. The Group presents the cash flow changes arising from changes in the statement of financial position (indirect cash flow).

	Note	**12/31/2024 HUF thousand**	**12/31/2023 HUF thousand restated***
Profit or loss before taxes		**10 240 569**	**14 272 146**
Net profit/loss on financial expenses (+) and income (-)	7.	261 615	(2 541 130)
Depreciation and amortization of fixed assets and intangible assets	4.	1 274 422	952 843
Recognition (reversal) of impairment of current assets in profit or loss	6.	172 744	117 541
Provisions recognized (and released)	6.	6 032	-
Deferred income increase (decrease)	28.	(103 603)	108 250
Profit or loss on derecognizing fixed assets	6.	94	405
Net cash-flow of business activity without change in current assets		***11 851 873***	***12 910 055***
Change in inventories	13.	3 623 592	(4 036 841)
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(6 520 004)	1 338 283
Change in other financial assets	16.	(198 162)	(1 683)
Change in trade payables, other liabilities, accrued expenses and deferred income	31.	851 379	7 474 695
Advances received (final settlement)	33.	919 114	(60 853)
Financial settlement of particular ESOP liabilities	26.	(854 499)	(10 594)
Taxes paid	8.	(3 592 565)	(2 904 178)
Cash flow from business activities (use of funds)		**6 080 728**	**14 708 884**
Interests received on deposits and investments	7.	1 225 468	2 104 816
Purchase of production and other machinery, and intangible assets	9.	(4 117 349)	(2 462 392)
Investment in acquiring businesses (net of cash)	11.	(6 447 298)	(1 180 953)
Revenue from the sale of production and other machinery, and intangible assets	6.	400	605
Long-term loans given – disbursement	10.	(22 938 447)	(809 939)
Long-term loans given – repayment	10.	19 983 323	3 312 233
Cash generated / (used) in investment activities		**(12 293 903)**	**964 370**
Interest paid on bonds and loans	7.	(527 119)	(736 969)
Loans, bonds, credits and liabilities borrowed	32.	-	249 265
Loans, bonds, credits and liabilities repaid	25.	(54 164)	(8 141 156)
Change in leases	27.	(467 081)	161 991
Capital increase, purchase of own shares	20.	-	(1 129 143)
Transactions in own shares	20.	-	(68 953)
Dividend received	7.	369 000	939 000
Dividend payment	7.	(7 728 076)	-
Cash generated / (used) in financing activities		**(8 407 440)**	**(8 725 965)**
Changes in cash and cash equivalents		**(14 620 615)**	**6 947 289**
Opening cash and cash equivalents	19.	16 897 366	9 948 117
Cash exchange gains/losses	7.	17 727	1 959
Closing cash and cash equivalents	19.	**2 294 478**	**16 897 366**

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, 2024

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 20.1*	*Issued capital repurchased 20.1*	Total issued capital under the IFRS (Extract from company register – redeemed) 20.1	Share Premium – Reserves total 20.2	Retained earnings 20.3	Of retained earnings: development reserve 20.3	Reserve for share-based payments 20.4 Closed ESOP Program	Reserve for share-based payments 20.4 Active ESOP Program	Derivative reserve 21.	Total equity
1/1/2023	**249 143**	**(77)**	**249 066**	**6 435 484**	**5 107 635**	**16 117 856**	**(322 802)**	**(1 136 742)**	**-**	**26 450 497**
Development reserve use	-	-	-	-	1 681 868	(1 681 868)	-	-	-	-
Development reserve return	-	-	-	-	12 435 988	(12 435 988)	-	-	-	-
Implementation of employee share award through shares	-	24	24	5 518	-	-	-	-	-	5 542
Capital movements related to the closing of the ESOP Program II (2020-2022)										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	-	-		552 218	-	(552 218)	-	-	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	-	-		(866 672)	-	866 672	-	-	-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	-	-	(63 145)	-	-	-	-		(63 145)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	-	-	(2 874)	2 874	-	8 077	-	-	8 077
Share purchase	-	(5 201)	(5 201)	(1 123 942)	-	-	271	45 766	-	(1 083 106)
Shares transferred to ESOP organization	-	3 645	3 645	791 190	-	-	-	(794 835)	-	-
Amounts spent on ESOP operation	-	-	-	(5 808)	-	-	-	-	-	(5 808)
Profit/loss on derivatives transactions, OCI	-		-	-	-	-	-	-	(64 831)	(64 831)
Comprehensive income	-	-	-	-	12 579 602	-	-	-	-	12 579 602
12/31/2023	**249 143**	**(1 609)**	**247 534**	**6 036 423**	**31 493 513**	**2 000 000**	**-**	**(1 885 811)**	**(64 831)**	**37 826 828**
Dividend approval	-		-	-	(7 972 590)	-	-	-	-	(7 972 590)
Consolidation of the ESOP Organization:										
Shares transferred to ESOP Organization for the implementation of ESOP Programs		5 671	5 671	1 601 386			(1 607 057)			-
IFRS 2 vested benefit settlement through the ESOP Organization		(3 192)	(3 192)	(974 428)			977 620			-
Szikra, ESOP 2025 Program share repurchase		(873)	(873)	(276 728)			277 601			-
ESOP Founder's assets forfeited dividend					41 078					41 078
ESOP Founder's assets dividend				197 119						197 119
Rounding							(1)			(1)
Profit/loss on derivatives transactions, OCI (reinvestment)									64 831	64 831
Comprehensive income	-	-	-	-	8 680 722	-	-	-	-	8 680 722
Development reserve use					176 150	(176 150)				-
12/31/2024	**249 143**	**(3)**	**249 140**	**6 583 772**	**32 418 873**	**1 823 850**	**(351 837)**	**(1 885 811)**	**-**	**38 837 987**

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

<u>Statement of changes in equity in the period between 1/1/2024 – 12/31/2024</u>

<u>Dividends:</u>

The amount of dividends paid in 2024 from the retained earnings according to the resolution of the General Meeting.

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

Consolidated reporting on the ALTEO ESOP Organization: The economic events and operating expenses related to the Remuneration Policies of the ALTEO ESOP Organization are recognized in equity.

<u>Derivative reserve:</u>

Profit/loss on derivatives transactions: The Company's intra-group investment is the result of a hedge transaction.

1.5 Disclosures and considerations for the preparation of the financial statements

Accounting policies and changes to standards

ALTEO Nyrt.'s accounting policies are identical with those disclosed for the reporting date of 12/31/2023.

The basis for the 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.

Changes in the reporting system

The management of ALTEO Nyrt. is committed to the transparent presentation of ALTEO Nyrt.'s separate statement of financial position, consolidated statement of total comprehensive income for the reporting period, and the statement of comprehensive income of the segments. There were no changes in the reporting system during the current period.

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.

For details on Critical accounting assumptions and estimates, see Section IV of the Separate Financial Statements.

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 profit or loss or cash flows and can be deemed unusual due to their nature, amount or frequency.

Non-financial indicators: Employee headcount is a non-financial indicator characterizing the Company.

Key intangible resources

As specified by ALTEO Nyrt. pursuant to the provisions of the Accounting Act, key intangible resources are **"power plant management logics and procedures"**, which are resources that do not take physical form, but are otherwise essential to the business model of ALTEO Nyrt.

- The continuous development of power plant management logics and procedures is the key to the success and value creation of the business process.
- In ALTEO Nyrt.'s business model, the ***ability*** of power plant management logics ***to continuously renew*** is a fundamental success criterion for future good decisions in the business model.
- The value creation process includes ***establishing the human and material environment for the continuous development*** of the logics, and integrating the increasingly broader operational and predicted operational data of the power plants into the enhanced management logic.
- The successful operation of the model is efficient if the existing logic is operated and developed simultaneously.
- ALTEO Nyrt. becomes capable and suitable to provide risk management services through power plant management logics.

- The capacity of key intangible assets is able to provide decision-making procedures for a client base with a large power plant portfolio. The customers of power plant management logic and process services are manufacturing and trading companies with low risk asset investment portfolios.
- The return on key resource development investments in power plant management logics and processes is based on enhancing the ever-increasing capacity for unified electricity cooperation. The legislator creates the need and urge to enforce the ability to cooperate while prescribing increasingly shorter decision-making times. Participants with different decision-making capacities, who are forced to cooperate in energy systems, must join together in an identical manner.
- The plant management logics and procedures model is intended to manage the diversity in plant values. The model provides a ready-made solution to the challenges market players are faced with.
- Solutions can be used by market players as services. Services are available at several levels. The full risk management process represents the highest level of service.

1.6 Headcount data for 2024

The average headcount of the Issuer in 2024 was 378.

1.7 EPS indicator

See Section IV.34 of the Consolidated Financial Statements.

1.8 Non-financial report

Section 1.11 of this Annual Report presents major changes in ALTEO’s subsidiaries, while Section 1.12 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	**14292615-4-44**
The Company's EU VAT number:	**HU17783893**
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	**May 10, 2024 (effective from April 19, 2024)**
The Company's core activity	**Engineering activities and related technical consultancy**
Financial year	**same as the calendar year**
Place of publication of notices	**The Company discloses its notices regarding regulated information on its website https://investors.alteo.hu/, on the website of the BSE at www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by the applicable law, the notices of the Company are also published in the Company Gazette.**

ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 shares of the Company have been listed on the BSE in Premium category.**
Other securities	**Bonds** __ALTEO NKP/2029:__ **registered bonds with a fixed coupon rate, issued by private placement, having a face value of HUF 50,000,000 and 10 years maturity, total face value: HUF 8,600,000,000, listed on the BSE. ISIN code: HU0000359252** __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, Chairman of the Board of Directors, CEO** **Dr. György Bacsa, Deputy Chairman of the Board of Directors** **Ágnes Bencsik, Member of the Board of Directors** **Álmos Mikesy, Member of the Board of Directors**
The Company's Supervisory Board	**Dr. Ákos Székely, Chairman of the Supervisory Board** **Péter Kaderják, Member of the Supervisory Board** **Márton Oláh, Member of the Supervisory Board** **Attila Gyula Sütő, Member of the Supervisory Board**
The Company's Audit Committee	**Dr. Ákos Székely, Chairman of the Audit Committee** **Péter Kaderják, Member of the Audit Committee** **Márton Oláh, Member of the Audit Committee**
The Company's Auditor	**The current auditor of the Company is Authentic Audit Korlátolt Felelősségű Társaság (registered office: H-1139 Budapest, Teve utca 24-28. B. lház. 8. em. 2., company registration number: 01-09-355573). The mandate of the auditor is for the period from April 19, 2024 until the date of adoption of the General Meeting's resolution on the report for the fiscal year ending on December 31, 2026 or until May 31, 2027, whichever occurs earlier. The auditor personally responsible for auditing the Company is Andrea Zsoldos-Horváth.**
Shareholders of the Company with a share exceeding 5%	**MOL RES Investments Zrt.** **Riverland Private Equity Fund** **Főnix Private Equity Fund**

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

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.

Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Company's Articles of Association, the shareholder or the holder of voting rights (hereinafter, for the purposes of this Section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Section 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written statement 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 the relevant provisions 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 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 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.

Presentation of investors with a significant share

As at December 31, 2024, ALTEO is jointly owned by majority shareholders MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: Cg.01-10-046154), Riverland Private Equity Fund (registered office: H-1026 Budapest, Pasaréti út 122-124; tax number: 19314961-2-41) and Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25; tax number: 19315357-2-41).

On September 10, 2024, a change occurred regarding one of ALTEO's majority shareholders. Lead Ventures Alapkezelő Zrt. took over control of Riverland Private Equity Fund (Riverland Magántőkealap, owner of 24.60% of ALTEO's shares) from Indotek-Investments Alapkezelő Zrt.

Ownership structure of ALTEO based on the share register as at December 30, 2024:

Shareholders according to the share register on December 31, 2024	Quantity (of shares)		Face value (HUF thousand) (Section 20.1)		Ownership ratio (%)	
	2024	2023	2024	2023	2024	2023
MOL RES Investments Zrt.	4 902 536	4 902 536	61 282	61 282	24,60%	24,60%
Riverland Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Főnix Private Equity Fund	4 902 535	4 902 535	61 282	61 282	24,60%	24,60%
Board of Directors, Supervisory Board, and Executive	380 071	383 053	4 751	4 788	1,91%	1,92%
Repurchased own shares	245	128 783	3	1 610	0,00%	0,65%
ALTEO ESOP Organization	943 387	814 849	11 792	10 186	4,73%	4,09%
Free float	3 900 164	3 897 183	48 752	48 715	19,57%	19,55%
TOTAL	**19 931 474**	**19 931 474**	**249 143**	**249 143**	**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 2024 (on December 30) was HUF 4050, which is 42% higher than the same value in the last year (HUF 2850). Annual turnover totaled at HUF 8.157 billion, up by 136% from 2023.

The number of shares held by the executive officers of ALTEO:

Number of shares held by the Board of Directors, the Executive Board and the Supervisory Board (number of pieces)			
Board	Name	12/30/2024	12/29/2023
Board of Directors	Álmos Mikesy	-	-
	Dr. György Bacsa	-	-
	Ágnes Bencsik	-	-
	Attila László Chikán	208 443	208 443
Executive Board	Domonkos Kovács	108 296	108 296
	Péter Luczay	10 034	10 034
	Magdolna Tokai	-	-
	László Hegedűs	-	-
	Anita Simon	10 760	10 760
	Viktor Varga	7 018	10 000
	Zoltán Bodnár	20 328	20 328
Supervisory Board	Péter Kaderják	15 192	15 192
	Attila Gyula Sütő	-	-
	Dr. Ákos Székely	-	-
	Márton Oláh	-	-

1.10.1 Powers of senior executives

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. 17/2024. (IV.19.), the General Meeting of the Company repealed its previous Resolution No. 13/2019. (XI.26.) on authorization, and authorized the Board of Directors to resolve on the increase of the share capital of the Company at its own discretion. 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 19, 2024. The authorization applies to all cases and means of share capital increase set out in the Civil Code (the share capital may be increased by the issue of new ordinary shares and/or any class of preference shares and/or convertible and/or mandatory convertible bonds, or any combination of these), as well as the restriction or exclusion of the exercise of preferential rights to the subscription or takeover of shares, the passing of resolutions on share capital increases otherwise within the competence of the General Meeting pursuant to the Civil Code and other laws and the Company's Articles of Association, and on any amendment to the Articles of Association necessitated by the share capital increase. This authorization to increase the share capital may be exercised several times during the above period.

In its Resolution No. 16/2024 (IV.19.), the General Meeting of the Company authorized the Board of Directors for a period of 18 (eighteen) months starting on April 19, 2024, 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, 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 this authorization shall not exceed the number of shares with a total face value of twenty-five percent 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 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 5,000 (five thousand Hungarian forints). The authorization shall also cover 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. Events at the Company's subsidiaries relevant under company law in the period between January 1, 2024 and the date of publication of this Annual Report.

1.11 Changes in the Shareholding structure

1.11.1 Acquisition of sole ownership of FE-GROUP INVEST Zrt.

In September 2022, ALTEO acquired 75.1%, while Blue Planet Climate Protection Venture Capital Fund acquired 24.9% of the shares of FE-GROUP INVEST Zrt.

Exercising its option defined in the Articles of Association of FE-GROUP INVEST Zrt., on October 31, 2024, ALTEO transferred the purchase price due under the Articles of Association to Blue Planet Climate Protection Venture Capital Fund to acquire the 24.9% share of Blue Planet Climate Protection Venture Capital Fund in FE-GROUP INVEST Zrt., thus becoming the sole owner of FE-GROUP INVEST Zrt. following the transfer of the shares.

1.11.2 Establishing ARTEMIS Technologies Zrt.

ALTEO established its new, wholly-owned subsidiary ARTEMIS Technologies Zrt., which was registered in the Companies Register on November 18, 2024 by the Court of Registration of the Budapest-Capital Regional Court.

1.11.3 Acquisition of Energy Corp Hungary Kft. and Mov-R H1 Szélerőmű Kft.

ALTEO as buyer signed a business quota sale and purchase agreement (i) with Pannonia Bio Zártkörűen Működő Részvénytársaság and CEOLICA HISPANIA, S.L. on the transfer of all (100%) of the business quotas of Energy Corp Hungary Kft., and (ii) with DTKM Tanácsadó Korlátolt Felelősségű Társaság on the transfer of its business quotas in Mov-R H1 Szélerőmű Kft. representing 1.5% of its equity capital. The closing conditions set out in detail in the quota sale and purchase agreement were fulfilled in November 2024 and, as a result, ALTEO became the sole owner of the business quotas of Mov-R H1 Szélerőmű Kft.

Mov-R H1 Szélerőmű Kft. currently operates 12 wind turbine towers with a total capacity of 24MW and with individual capacities of 2MW, in the villages of Levél and Mosonszolnok. With the closing of the transaction, ALTEO's capacity in the Hungarian wind turbine market is now 71.5 MW, bringing ALTEO's total renewables-based electricity generation capacity to over 110 MW.

1.11.4 Acquisition of Aerope Holding Kft.

On December 12, 2024, ALTEO exercised its option defined in the agreement signed with Callis Befektetési Zártkörűen Működő Részvénytársaság and, simultaneously, on December 12, 2024, the agreement on the sale and purchase of the business quotas representing the whole of Aerope Holding Kft.'s registered capital of HUF 3,000,000 entered into force. As a result, ALTEO acquired Aerope Holding Kft. on December 12, 2024.

Aerope Holding Kft. is a project company that owns a solar power plant project with a current total of 19.95 MW grid connection in the early permit phase. Through the acquisition, ALTEO intends to further expand its portfolio of power plants utilizing renewable energy.

The acquisition is fully in line with ALTEO's strategy, updated at the beginning of 2022, which sets the objective of further increasing renewable capacities.

1.11.5 Acquisition of ÉLTEX Kft.

On December 20, 2024, ALTEO signed a quota sale and purchase agreement with Global Refuse Holding Zártkörűen Működő Részvénytársaság on the acquisition of 100% of the business quotas of ÉLTEX Kereskedelmi és Fuvarozó Kft. As a result of the transaction, ALTEO will become the holder of 100% of the business quotas of ÉLTEX Kft. upon full satisfaction of the closing conditions agreed in the quota sale and purchase agreement, which ALTEO expects to occur in 2025.

ÉLTEX Kft., which has been operating for more than 30 years, is a key player in the circular economy in Hungary, and its core activities include the treatment, transport and sorting of electronic waste and other hazardous and non-hazardous waste, and seeking out and exploring markets for recycled materials.

1.12 Major events

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

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

The Company held its ordinary General Meeting on April 19, 2024, where the following resolutions were adopted:

a) The General Meeting **adopted** the Company's **Separate Annual Financial Statements** for 2023 prepared for the fiscal year ending on December 31, 2023 according to the International Financial Reporting Standards (IFRS) as proposed for approval by the Company's auditor (comprehensive income: HUF 12,514,771 thousand, total assets: HUF 65,131,862 thousand), its Business (Annual) Report, the Report of the Board of Directors and the relevant report of the auditor.

b) The General Meeting **adopted** the **Corporate Governance Report** relating to the Company's 2023 operations with the proposed content.

c) The General Meeting **adopted the Reports** of the ALTEO Group for 2023 with the proposed content.

d) The General Meeting resolved that **HUF 7,972,589,600 be distributed as dividend** in 2024. The dividend per own share is to be distributed among the shareholders entitled to dividends in proportion to the number of shares they hold.

e) 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.

f) Starting from January 1, 2024, the General Meeting **adjusted the remuneration of the members of the Board of Directors and the Supervisory Board.** The General Meeting further resolved that the remuneration of the members of the Board of Directors and the Supervisory Board be adjusted annually, in accordance with the rate of the minimum wage increase applicable for the fiscal year in question, subject to the rules of rounding to 5,000.

g) The General Meeting appointed Authentic Audit Korlátolt Felelősségű Társaság as the **permanent auditor** of the Company and Andrea Zsoldos-Horváth as the person responsible for the audit for a fixed term from April 19, 2024 until the date on which the General Meeting adopts its resolution on the report for the fiscal year ending on December 31, 2026, but until no later than May 31, 2027. The General Meeting set the auditor's fee for the three years on the basis of the annual fee for the base period of 2024 (not including HCSO and company size indexation, which will be included in the contract with the auditor and, as such, the fee will be adjusted accordingly from 2025) in the total amount of HUF 89,700,000 + VAT for the audit of the Company's individual and consolidated financial statements.

h) The General Meeting **adopted** the **Remuneration Report** of the Company for 2023 by means of an advisory vote.

i) The General Meeting **approved** the extension of the scope of the Executive ESOP Remuneration Policy to include Attila László Chikán, who is a member of the Board of Directors, and further approved, in an advisory vote, the **consolidated amendment of the Remuneration Policy**, including, in particular, the extension thereof to Deputy CEOs Magdolna Tokai and László Hegedűs, and, as proposed, the incorporation of the provisions of the new Executive Remuneration Policy of the ALTEO Employee Share Ownership Program, adopted on April 27, 2023.

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

k) 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, 2024 with the proposed conditions.

l) The General Meeting **authorized** the Board of Directors to increase the **Company's share capital at its own discretion** by a maximum amount of HUF 150,000,000 (authorized share capital), calculated at the face value of the shares issued by the Company, during the five-year period starting on April 19, 2024.

m) The General Meeting **approved** the amended **rules of procedure** of the Company's **Supervisory Board and Audit Committee** dated August 31, 2023.

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

With respect to the relevant resolution of the General Meeting, the Company's Board of Directors set June 7, 2024 as the starting date for dividend payment.

Events at the Company's subsidiaries relevant under company law in the period between January 1, 2024 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 it will not cover decisions regarding changes in personnel, establishments and branches.

Moreover, this chapter does not include events that have already been presented in Section 1.10.

In 2024 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2023. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 180,000,000
Monsolar Kft.	HUF 49,000,000
Pannon Szélerőmű Kft.	HUF 90,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 50,000,000

In 2025 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2024. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
Pannon Szélerőmű Kft.	HUF 660,000,000
Mov-R Szélerőmű Kft.	HUF 200,000,000
Domaszék 2MW Naperőmű Kft.	HUF 40,000,000
Energy Corp Hungary Kft.	HUF 200,000,000
Sunteo Kft.	HUF 200,000,000

Own share transactions

In June 2024, ALTEO executed **own share transactions related to the 2024 ESOP Remuneration Policy** launched under the ESOP. The own share transactions were executed partly because the **remuneration condition** as set out in the 2024 Remuneration Policy **was satisfied** and therefore the participating employees received remuneration. As part of this, the ALTEO ESOP Organization converted the shares held in respect of the participating employees' stake into cash. As the method of conversion into cash, the ALTEO ESOP Organization sold the shares to ALTEO as founder over the counter. As a result, on June 3, 2024, ALTEO as buyer signed over-the-counter share sale and purchase agreements with the ALTEO ESOP Organization as seller for **223,200 ALTEO ordinary shares** at a price of HUF 3,828.4 per share.

The other reason for the own share transactions was to handle the shares which attached to members' stakes under the 2024 ESOP Remuneration Policy that had been held by participating employees who forfeited remuneration as a result of the expiry or termination of their employment contracts or where the number of shares attached to the members' stakes decreased as a result of adjustment. According to the 2024 Remuneration Policy, a total of **32,160 ALTEO ordinary shares** were attached to previously unincluded members' stakes which were passed on to ALTEO. The sale and purchase of these shares took place under the same conditions as described in the previous paragraph and concurrently with it.

Thereafter, also in June 2024, the Company executed an own share transaction with the ALTEO ESOP Organization with respect to the 2025 Remuneration Policy and the 2025 Szikra Remuneration Policy. The purpose of the transaction was to settle accounts between the ALTEO ESOP Organization and ALTEO concerning the members' stakes, and the attaching shares, transferred to the Company from the employees who dropped out of the two programs referred to. ALTEO purchased altogether 69,872 ALTEO ordinary shares at a price of HUF 3,973 per share from the ALTEO ESOP Organization under the transaction.

Eventually, at the end of June 2024, the Company provided the ALTEO ESOP Organization with the amount of shares, partly repurchased under former transactions, required for the **launching and expansion** of the new ESOPs launched by the Company as founder.

Annual review of the credit rating

Scope Ratings GmbH carried out an annual review of the Company's credit rating on its bonds issued under the Bond Funding for Growth Scheme announced by the MNB, as a result of which ALTEO's **rating remained unchanged,** ALTEO as issuer remained in the BBB- category with a stable outlook, and its short-term debt rating also remained S-2.For the report of the credit rating agency, follow the links below:

https://scoperatings.com/ratings-and-research/rating/EN/177044

https://www.scoperatings.com/ratings-and-research/issuer/563875/rating-news

Stock tracking

Kalliwoda Research GmbH updated its model on June 7, 2024 **following the results for 2023**, and can be found at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2024_Q1.pdf

Major investment projects and contracts

ALTEO's wholly-owned ALTE-GAS Kft. (formerly ECO-FIRST Kft.) as provider and MOL Nyrt. as client signed a 10-year long-term service contract for the utilization of natural gas with high inert content. According to the contract, ALTE-GAS Kft. is responsible for preparing high-inert natural gas products extracted by gas wells for gas production at MOL Nyrt.'s Csombrád site, for road transport (compress and load into transport containers), transporting them by road, and unloading and delivering them to the combustion plant. To deliver the service, ALTE-GAS Kft. undertook to invest around HUF 820 million in a project which includes the purchase of equipment for gas compaction, transport and unloading and the performance of necessary construction works at MOL's site. Pursuant to the contract signed and in line with its terms and conditions, ALTEO started to provide the services to MOL on November 1, 2024 and will continue to deliver until October 31, 2034.

ALTEO's wholly-owned ALTEO-Depónia Kft., ALTEO-Therm Kft. and Pannon Szélerőmű Kft. (for the purposes of this section hereinafter jointly referred to as "Companies") received a non-refundable state grant in the amount of HUF 62 billion from the Recovery and Resilience Facility ("RRF") under grant program No. RRF-6.5.1-23 for the installation of grid energy storage units, with the relevant grant contracts signed on June 24, 2024. The total project value of the investments to be implemented by the Companies based on their winning applications is around HUF 28 billion (nearly EUR 68 million), with HUF 9.436 billion being the amount of the grant awarded, which is the largest greenfield investment in the history of ALTEO. ALTEO agreed to operate the storage facilities involved in the grant for at least 10 years, for which the tender provides fixed revenue-based compensation based on storage facility performance for 10 years. According to the terms of the grant, the operation of the storage units must commence by April 30, 2026 while supplier contracts and construction works already started in the second half of 2024.

ALTEO built and its subsidiary commissioned a **solar farm on the outskirts of Tereske**, where test run was launched in August 2024. The almost $20MW_{AC}$ unit that was funded and built by ALTEO Nyrt. **doubled ALTEO's solar power plant capacities.** The solar power plant will be able to produce 31 GWh of electricity per year, equivalent to the annual electricity consumption of more than 10,000 households. Back in 2022, ALTEO acquired EDELYN SOLAR Kft., which owned the project to develop the solar power plant. ALTEO implemented the physical project in nine months with a self-funded investment of over EUR 17 million.

ALTEO's new 8MW/16MWh **battery electricity storage facility in Győr started operations** in October 2024 and will significantly contribute to the utilization of weather-dependent renewable energy sources. The electricity storage facility built in the Győr Industrial Park next to a gas engine with 6MW electrical power still under construction is ALTEO's third and largest storage unit. The delivered unit increases Hungary's current total energy storage capacity by 20%, about 40% of which will be provided by ALTEO.

The project involved the installation of 9 battery containers consisting of altogether 1,134 battery modules. ALTEO's new unit is unique in the sense that three new technologies, i.e. the new battery storage unit, the gas engine that will be installed next to it, and ALTEO's wind turbine in Bőny, will be connected to the electricity grid at a joint connection point, making use of the existing grid connection capacity of the wind turbine and improving its utilization rate.

The project was entirely self-financed by ALTEO.

The joint innovation project of ALTEO and Alfréd Rényi Institute of Mathematics has concluded

The grant project No. 2020-1.1.2-PIACI-KFI-2021-00229 "Development of a Real-time Autonomous Power Engineering Information and Generation Management System" has been completed following successful implementation by the consortium of ALTEO and Alfréd Rényi Institute of Mathematics using the non-refundable grant of HUF 401 million received under grant scheme No. 2020-1.1.2-PIACI KFI entitled "Support for Market-driven Research/Development and Innovation Projects" from the National Research Development and Innovation Fund. The implementation of the project with a total cost of nearly HUF 1 billion started on October 1, 2021 and ended on September 30, 2024. The final technical financial report has been submitted by the Company and, once approved, the project will enter its maintenance period.

Within the framework of the project, ALTEO developed a highly automated, artificial intelligence-based **energy engineering IT system** capable of making autonomous generation and commercial decisions **to manage and optimize "smart" electricity generation in power plants** with professional support from the internationally acclaimed Alfréd Rényi Institute of Mathematics. The system also includes an electrical boiler, to be newly installed, which in addition to providing the option of converting electricity generated from renewable sources to heat, will provide a higher level of flexibility for ALTEO's Virtual Power Plant through its rapid load switching capability.

The implementation of the system can contribute to accelerating the trend as a result of which renewables-based power plants become widespread, thereby improving the stability of the electricity system, increasing the security of supply and, through all of that, supporting the creation of a climate-neutral economy.

The project organically fits in with the long-standing, consistent ambition to make the ALTEO Virtual Power Plant the leader of the Hungarian balancing energy and capacity market.

ALTEO further increases its Sopron Power Plant capacities

ALTEO implemented a HUF 1 billion **investment at its Sopron Power Plant** to further expand the capacity of its Virtual Power Plant. This investment included the **installation and commissioning of a** 3 MW **gas engine** together with its heat recovery system. As a result ALTEO's gas engine portfolio has been expanded to a capacity of 110 MW. The heat recovery system of the gas engine can supply 1.2 MWth of steam and 1.6 MWth of hot water to the heat consumers of the Sopron Power Plant. The project included the demolition of a boiler house that had been out of use for a long time, which was a further step along the path towards the modernization of the Sopron Power Plant and the redevelopment of the site.

ALTEO won the general contractor's contract announced by MOL Nyrt. for its 37.5 MWp solar power plant in Algyő, meaning that ALTEO will be the general contractor for the investment project implemented in the largest hydrocarbon field in Hungary. Following the design and permit approval phase, on-site construction works are scheduled to start in the spring of 2025 and to be completed in April 2026.

A general contractor's contract worth nearly HUF 11 billion was signed by the parties.

Remuneration and personal changes

ALTEO ESOP Remuneration Policies

As described in Section 1.16.3.1, the 2024 Remuneration Policy expired in June 2024 and the participating employees received remuneration. As the Company has informed its investors in recent years, ALTEO's fundamental goal is to promote the future improvement of the Company's business performance based on innovation. In this context, it is in the Company's interest to improve the performance and enhance the loyalty of its employees by giving them a share in the success of the Company. With respect to this, in June 2024 the Company's Board of Directors adopted the 2026 ESOP General Remuneration Policy and the 2026 Executive Remuneration Policy. Just as the 2024 ESOP, the 2026 ESOP General Remuneration Policy provides benefits to a wider range of employees upon fulfilment of the remuneration conditions defined, while the 2026 Executive Remuneration Policy is designed to motivate the executive officers of the Company, i.e. the CEO and Deputy CEOs.

Changes in senior management positions

László Hegedűs, formerly Director of Strategic HR and Communications, continues as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications starting from January 10, 2024. László Hegedűs is responsible for HR and Communications, in particular for the development of the HR area and active support for the flow of information between partner departments.

Sustainability awards and certifications

ALTEO received silver rating from EcoVadis, the leading sustainability intelligence platform for global supply chains. One of the most reliable independent platforms assessing sustainability, EcoVadis evaluates the performance of companies and suppliers based on environmental, social and governance criteria. It currently assesses more than 130,000 companies all around the world. ALTEO's silver rating also means that it is rated as one of the top 15% of the companies assessed. ALTEO scored particularly high in the assessment of its environmental performance (80 out of a maximum of 100 points) while it also outperformed the industry average in ethics, labor and human rights. The recognition from EcoVadis demonstrates ALTEO's ongoing commitment to sustainability and CSR (corporate social responsibility). Building on the valuable experience it gained from this certification, ALTEO will use every effort to maintain and develop its processes and thereby ensure a high level of compliance in the area of sustainability.

Morningstar Sustainalytics **reaffirmed the 'medium' ESG Risk Rating of ALTEO.** In 2022, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate. It has arranged for the certification by an independent party every year since then, and for the third time this year, voluntarily.

The Morningstar Sustainalytics report is available at the link below:

https://www.sustainalytics.com/esg-rating/alteo-energy-services-plc/2003159536

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

New strategy

On January 9, 2025, ALTEO published **its business strategy for 2025-2030**, which will enable the Company to achieve an actual leap in scale, both in the geographical and financial sense.

The strategy for 2025-2030 is available at:

https://bet.hu/newkibdata/129182148/ALTEO_Strategia_2030__20250109.pdf

Company analysis

Erste Group Research updated its corporate analysis on the Company, which is available at:

https://www.erstemarket.hu/files/ALTEO_CR_20250107.pdf

Credit facility agreement

On February 6, 2025, ALTEO signed a **credit facility agreement with MBH Bank Nyrt.** as broker and first original creditor **and Gránit Bank Nyrt.** as second original creditor.

Under the agreement, the financing parties **provide ALTEO with a facility of up to HUF 40 billion** for general corporate financing purposes.

ALTEO intends to use the available facility to implement its strategy, support its further growth and optimize its financing structure.

Stock tracking

Kalliwoda Research GmbH updated its model on February 28, 2025, which is available at:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2024_Q3.pdf

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

- In the Basic Information Memorandum published on October 10, 2022, the Company described the relevant risks and their assessment that are applicable to this report as well.
- See the update in section "Detailed and comprehensive risk analysis of ALTEO Nyrt." presented in ALTEO Nyrt.'s Consolidated Annual Report. See Section 1.18.

Risks associated with changes in foreign exchange rates based on currency exposure, quantified:

Financial instrument	EUR	Effect of 5% change in exchange rate (HUF thousand)
Assets:		
Trade receivables	75 457	1 547
Advances given	1 254 854	25 730
Other receivables and accruals	-	-
Liabilities:		
Advances received	-	-
Trade payables	(524 952)	(10 764)
Other short-term liabilities and accruals	(957 363)	(19 630)
	(152 004)	**(3 117)**

Liquidity risks associated with the structure of assets and liabilities:

Financial instruments (HUF thousand)	within 1 year	maturity 2-5 years	more than 5 years
Assets:			
Long-term deposits or loans given	-	-	5 715 648
Trade receivables	14 870 008	-	-
Other receivables and accruals	11 023 896	-	-
Liabilities:			
Debts on the issue of bonds	-	(8 796 895)	(3 904 709)
Finance lease liabilities	(566 848)	(684 018)	-
Trade payables	(1 881 674)	-	-
Other long-term liabilities	-	(524 182)	-
Other short-term liabilities and accruals and short-term borrowings	(7 198 276)	-	-
Income tax liabilities	(577 568)	-	-
Advances received	(919 114)	-	-
Total	**13 831 310**	**(10 005 095)**	**1 810 939**

Managing capital, compliance with statutory capital requirements:

Equity to issued capital ratio	Year ending on 12/31/2024 HUF thousand	Year ending on 12/31/2023 HUF thousand
Issued capital	249 140	247 534
Equity	38 837 987	37 826 828
Equity to issued capital ratio %	**15,588.82%**	**15,281.47%**

1.15 Description of ALTEO Group policies

ALTEO Nyrt. adopts group-level policies. Group-level policies for 2024 are presented in Section 1.20 of ALTEO Nyrt.'s Consolidated Annual Report for 2024.

2 Statements of the issuer

2.1 Use of non-audit services

In 2024, ALTEO Group did not use audit services provided by Authentic Audit Kft.

2.2 Declaration on compliance with the obligation to disclose related party transactions

ALTEO published on its website the transactions with affiliated parties to be disclosed or subject to approval in compliance with Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization, passed in 2024, except for the transactions specified in Section 24 thereof.

2.3 Corporate governance statement

The Group's parent ALTEO prepares its Corporate Governance Report 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, the Deputy Chair, and the member entitled to hold the title of CEO ("**CEO**") from among themselves. The Group has a Remuneration and Nomination Committee, which, among others, makes proposals to the General Meeting concerning the election, removal and remuneration of the members of the Board of Directors. The remuneration of members of the Board of Directors is, however, determined by the General Meeting. The Board of Directors comprises at least three and at the most nine natural person 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 Chief Executive Officer shall act within the limits of the applicable laws, the Articles of Association, and the rules of procedure of the Board of Directors in all matters which the Board of Directors, in its rules of procedure, has delegated to the Chief Executive Officer and, in this context, shall direct and control the day-to-day operational activities of the Company, unless the Board of Directors has expressly provided otherwise in a resolution. 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. The Remuneration and Nomination Committee makes proposals to the General

Meeting concerning the election, removal and remuneration of the members of the Supervisory Board. 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 four members.

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 training on policies related to compliance (e.g. Code of Ethics, Privacy Policy), 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 and human security requirements and criteria required by the law, and supporting and monitoring the establishment of the necessary property protection and physical 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.

2.4 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 Financial Statements and Business Report for 2023 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.

The Company also declares that its Annual Report for 2024 provides a true and fair view of the situation, development and performance of the issuer, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

2.5 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 Financial Statements.

2.6 Dividend payment

The Board of Directors proposes to the General Meeting the payment of no (0) dividend (in the value of HUF 0 per share) in 2024. The dividend per own share is to be distributed among the shareholders entitled to dividends in proportion to the number of shares they hold.

2.7 Sustainability Report

The Company's Sustainability Report, prepared in accordance with the sustainability reporting standards as per Section 95/D (1) (3) of Act C of 2000 on Accounting and the requirements adopted pursuant to Article 8 (4) of Regulation (EU) 2020/852 of the European Parliament and of the Council, is attached to this document.

2.8 Authorization for publication of the Annual Report

This Annual Report was approved by the Group's Board of Directors and authorized for publication on April 4, 2025.

Budapest, April 4, 2025

On behalf of ALTEO Nyrt.:

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

ALTEO Nyrt.

Sustainability Report 2024

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1 GENERAL INFORMATION

1.1 Basic principles for preparing the Sustainability Report

[BP-1]

General basis for preparing sustainability statements

This document is the 2024 (from January 1, 2024 to December 31, 2024) annual Sustainability Report of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter referred to as ALTEO Nyrt. or ALTEO) which aims to present our sustainability and transparency efforts and financial data to all our stakeholders.

The Sustainability Report has been prepared in accordance with the European Union's Corporate Sustainability Reporting Directive (CSRD) and the applicable European Sustainability Reporting Standards (ESRS), the sustainability statement set out therein and the sustainability reporting requirements set out in Act C of 2000 on Accounting.

Members of the Sustainability Reporting Working Group were involved in the preparation of our Sustainability Report as verifiers, and also the organization's data point officers participated in the preparation process. After expert and working group review, the Green Committee delivers its opinion on the report, and the final document is approved by the Board of Directors.

Showing our value chain in the Sustainability Report

In order to appropriately assess the impacts, risks and related opportunities of our activities, we have taken into account both the upstream and downstream value chains when preparing our Sustainability Report. Our double materiality assessment *(see the IRO-1 section for detailed results)* also covered our value chain, but in the course of the assessment, we found that we need to report relevant impacts, risks and opportunities primarily with regard to our relationship with our direct suppliers, our approach to selection and screening and our greenhouse gas emissions.

The Sustainability Report presents ALTEO Nyrt. and its value chain, of which the consolidated subsidiaries of the ALTEO Group are inseparable parts from a sustainability reporting perspective. Therefore, in our sustainability report, we present the ALTEO Group (hereinafter collectively: ALTEO Group or Group of Companies), whose members we always try to prepare in a timely manner to meet the reporting requirements.

Omitted information

[BP-1]

ESRS sustainability questions in the form of yes-no statements	BP-1
The undertaking is not required to prepare a financial report.	no
The Sustainability Report is prepared in accordance with Article 48i of Directive 2013/34/EU.	yes
The undertaking has opted for omitting information specific to intellectual property, know-how or the results of innovation.	no
The undertaking has made used the option that allows for an exemption from disclosure of impending developments or information concerning pending negotiations.	no
The scope of consolidation for the Consolidated Sustainability Report is the same as for the financial reports.	yes

Disclosures in relation to specific circumstances

[BP-2]

Sustainability is also part of our consolidation process, thus following its consolidation in 2023, our report for the year 2024 also includes FE-GROUP. The preparation of the Sustainability Report was supported by the experts of Deloitte Zrt.

In preparing this report, we have used estimates for the presentation of GHG emissions and EU ETS, which we believed to be adequately reliable in line with industry expectations. The estimates related to Scope 3 emissions have been prepared by Deloitte, the GHG inventory has been verified by the expert staff of ALTEO Nyrt.. Details of the estimation are described in more detail in the chapter on Scope 3 emissions.

Our report includes future projections (climate scenarios) in its presentation of climate change risks and opportunities, the considerations for which are described in detail in the section on IRO-1.

Our reporting practices has not changed compared to the previous reporting period since 2024 is the first year that we prepare and issue a report under ESRS.

During the preparation of the Report, due to the lack of the relevant Taxonomy, ALTEO Group was unable to prepare a machine-readable annotation of the sustainability content of the report.

Disclosures made using a reference document

In preparing our Sustainability Report, we do not refer to any additional documents in making our disclosures.

Application of deferrals under Appendix C

The number of employees of ALTEO Group does not exceed 750 and therefore, ALTEO Group entitled to apply the deferrals in accordance with Appendix 1 C of ESRS for relevant disclosures. Our aim is to prepare our Sustainability Report with the appropriate level of detail, including full disclosure of the necessary data, taking into account the applicable requirements.

For the 2024 report, we have applied a deferral in the following disclosures, which include our relevant objectives, governance documents and metrics for material topics:

- Disclosure requirement E1-9, data point 68
- E4-3
- S1-9
- S1-12
- S1-13
- S1-16

1.2 Corporate governance

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

[GOV-1] [GOV-2]

General Meeting

The main body of ALTEO is the General Meeting, which consists of all shareholders. It has an exclusive responsibility to make decisions regarding the management and operations of ALTEO. The Board of Directors shall convene the General Meeting at least once a year. The General Meeting does not deal directly with sustainability issues, but its decisions can indirectly influence them, for example through the election of the members of the Board of Directors and the Supervisory Board.

Board of Directors

The Board of Directors is the managing body of ALTEO. It exercises its rights and duties as a single body, its members are legal representatives (senior executives) of ALTEO. The Board of Directors coordinates and manages ALTEO Group, provides guidance and defines ALTEO's business and development concept. The Board of Directors consists of at least three and maximum nine natural persons, and elects its chairperson from among its members. The majority of the members of the Board of Directors (3 out of 4) are not employees of the company, which ensures the independence of the Board from the work organization. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years. The Board of Directors approves the annual Consolidated Sustainability Report, which includes the targets and the material impacts, risks and opportunities identified.

The Board of Directors had four members on December 31, 2024:

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Dr. György Bacsa, Deputy Chairman of the Board of Directors (independent member)
- Ágnes Bencsik, Member of the Board of Directors (independent member) and
- Álmos Mikesy, Member of the Board of Directors (independent member).

One of the four members of the Board of Directors is a woman. This puts the ratio of women in senior management at **25%,** compared to **75%** ratio of men. Although women are at present underrepresented, we are committed to increasing diversity and inclusion.

The term in office for Attila Chikán terminates on April 30, 2025, whereas for other members of the Board on April 3, 2028.

The General Meeting has authorized the Board of Directors to make decisions on certain matters at its own discretion, within the limits of such authorization. These authorizations are presented in detail in Section 1.13 'Information on the ownership structure of the Company and voting rights' of the Annual Report.

Supervisory Board

The work of ALTEO's management is supervised by the Supervisory Board. Its objective is to ensure the protection of the owners' interests as well as to supervise the management of ALTEO. Although the Supervisory Board mainly assesses the Company's activities from a legal and financial perspective, it also takes sustainability aspects into consideration in the course of its work.

Members of the Supervisory Board on December 31, 2024:

- Dr. Ákos Székely, Chairman of the Supervisory Board (independent member);
- Péter Kaderják, Member of the Supervisory Board (independent member);
- Márton Oláh, Member of the Supervisory Board (independent member) and
- Attila Gyula Sütő, Occupational and Fire Safety Manager, ALTEO employee, Member of the Supervisory Board.

The term in office for Attila Gyula Sütő, Chairman of the Works Council, who represents ALTEO employees in the Supervisory Board, terminates on April 30, 2025, whereas the office of the other members of the Supervisory Board terminates on April 3, 2028. As required by law, the Supervisory Board is composed of a majority of non-employee members (3 out of 4), which ensures the independence of the Board from the work organization.

Audit Committee

The Audit Committee assists the Supervisory Board in monitoring the financial reporting system, appointing a permanent auditor, and cooperating with the permanent auditor. The Audit Committee has the right to request information from members of the Board of Directors or senior executives of ALTEO, who must provide written answers to such queries. Its primary focus is on the monitoring of financial processes, but its activities also cover sustainability aspects through the combined financial and sustainability reporting requirements, ensuring that the data reported in the Sustainability Report are consistent with those in the financial statements. The Audit Committee consists of three members, independent of the organization, elected by the General Meeting from among the members of the Supervisory Board.

Members of the Audit Committee on December 31, 2024:

- Dr. Ákos Székely, Chairman of the Audit Committee (independent member);
- Péter Kaderják, Member of the Audit Committee (independent member) and
- Márton Oláh, Member of the Audit Committee (independent member).

The term of office of the members of the Audit Committee expires on April 3, 2028.

Other key advisory and expert bodies on sustainability issues

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a committee established by the Board of Directors to act as a body. The Remuneration and Nomination Committee is composed of at least 4 members, 3 of whom are elected from among the members of the Board of Directors and 1 from among the members of the Supervisory Board.

Its members are elected by the Board of Directors for an indefinite term, but their term of office lasts until the term of office of the elected members of the Board of Directors and the Supervisory Board. Its members may be recalled at any time and their remuneration is proposed by the Board of Directors and decided by the General Meeting.

Members of the Remuneration and Nomination Committee as at December 31, 2024:

- Dr. Ákos Székely, Chairman of the Remuneration and Nomination Committee;
- Dr. György Bacsa, Member of the Remuneration and Nomination Committee;
- Álmos Mikesy, Member of the Remuneration and Nomination Committee;
- Ágnes Bencsik, Member of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee makes proposals to the General Meeting concerning the election, recall and remuneration of the members of the Supervisory Board, the Audit Committee and the Board of Directors. It reviews and provides its opinion on the Remuneration Policy pursuant to Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization and provides its opinion on the Remuneration Report at least once a year prior to its submission to the General Meeting. It reviews the annual general salary increase and the compensation policy before the Board of Directors makes its decision thereon.

Green Committee

The Green Committee is an advisory body to the CEO, and plays a key role in integrating ESG considerations into corporate decision-making. The Green Committee meets quarterly, and its primary purpose is the preparation, monitoring and corporate implementation of ALTEO's sustainability strategy and efforts. The board of senior officers and staff members from specialist areas monitor and approve corporate policies and long-term objectives for sustainable development and ensure that the ESG approach and climate risks are kept on the agenda. The Green Committee also ensures that sustainability is consistently represented in ALTEO Group's external relations. The committee reviews the Sustainability Report and approves its content in terms of consistency with sustainability objectives and its presentation of ALTEO's environmental, social and corporate governance performance.

The Green Committee informs the Board of Directors on sustainability and ESG trends, and prepares an annual report on the implementation of ESG activities and the progress of approved programs.

Members of the Green Committee are appointed and recalled by the CEO. Membership lasts until recall, but no later than the termination of the Green Committee member's employment relationship. The main criteria for nomination for membership are that the areas of Sustainability and HSE, Controlling, HR, Energy Production and Services, Production Management and Business Development, M&A and Capital Markets, Legal, Ethics, Compliance and Control, and the Supervisory Board be represented. Members of the Green Committee may be recalled at any time.

Members of the Green Committee on December 31, 2024:

- Attila László Chikán, Chairman of the Green Committee;
- Márton Oláh, Member of the Supervisory Board;
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- László Hegedűs, Deputy CEO for Strategic HR and Communications
- Beatrix Szabó, Director of Sustainability and HSE
- Attila Gyökeres, Controlling Director
- Gábor Hohol, Director of Maintenance
- Attila Kiss, Director of Operations Director and Head of the North-East Hungary Region
- Csaba Fekete, Director of Business Development
- Balázs Szécsi, Transaction Manager
- Dr. Melinda Mészáros, Chief Legal Counsel
- Márta Osztroluczki, Director of Ethics, Compliance and Control
- Éva Klein-Stiller, Sustainability and IMS Manager, secretary of the Green Committee.

Executive Board

The Executive Board is responsible for the Company's operational management. The Deputy CEOs are executives appointed by the CEO and are responsible for the management of the area they are put in charge of. The CEO of ALTEO and the Deputy CEOs appointed by the CEO form the Executive Board, which is the advisory body to the CEO. They are responsible, in accordance with the Company's corporate strategy, for ALTEO Group's operational leadership, cost-effective operation, quality service delivery, provision of healthy and safe working conditions, the protection of the environment, and for ensuring compliance with current legal requirements in line with the provisions of the Company's Integrated Management System (IMS) and the currently effective sustainability and ESG (Environmental, Social, Governance) standards.

At the management overview convened once annually by the CEO, the management reviews and assesses fulfillment of the above requirements and defines development opportunities for the future. During the overview, the management monitors, among others, fulfillment of the tasks outlined in the Quality, Energy and HSE objectives and programs and sets new tasks where necessary.

As at December 31, 2024, the Executive Board consisted of 8 members (6 men and 2 women):

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Zoltán Bodnár, Chief Financial Officer
- Domonkos Kovács, Deputy CEO for M&A and Capital Markets

- Péter Luczay, Deputy CEO for Production Management and Business Development
- Viktor Varga, Deputy CEO for Energy Production and Energy Supply
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- Magdolna Tokai, Deputy CEO for Corporate Support
- László Hegedűs, Deputy CEO for Strategic HR and Communications.

ALTEO Group's commitment to sustainability is also underlined by the fact that the Executive Board includes the Deputy CEO for Sustainability and Circular Economy as a representative of the ESG approach.

Compliance Committee

The Compliance Committee approves the annual risk analysis prepared by the Ethics, Compliance and Control Director and the annual compliance work plan prepared on the basis thereof, and takes a position in individual cases.

Works Council

Our company has a Works Council to represent the interests of employees, which provides an opportunity to strengthen cooperation between employees and management. Employees can send requests and queries via email, anonymously through internal communication channels, or at face-to-face meetings. In 2024, the Works Council again received a number of employee requests, which the Works Council, on behalf of the employees, presented to the Company's management. The Works Council meets twice a year in an organized manner, in addition to ongoing consultation between management and the Works Council on issues of concern to employees. The Chairman of the Works Council is a member of ALTEO's Supervisory Board.

The role of the administrative, management and supervisory bodies related to business conduct

[ESRS 2 GOV-1.-G1]

ALTEO Group's management and supervisory bodies work closely in cooperation to ensure that the Company's business conduct complies with the laws and good business practices. The members of the management, led by the CEO, participate in operational management and contribute to the implementation of the corporate strategy, taking into account the interests and values of the Company. As an independent body, the Supervisory Board monitors the management of the Company, thus promoting compliance with ethical standards. The Audit Committee monitors the process of financial reporting and assists the Supervisory Board in order to facilitate the appropriate control over the financial reporting system. Members of the Board of Directors, including the CEO, receive regular further training to keep them up to date with business ethics, legal requirements and company directives.

The expertise needed to address sustainability issues within ALTEO Group

[GOV-1] [GOV-2]

ALTEO Group was founded 17 years ago, in 2008, to exploit the new opportunities in the energy industry and to be part of the redefinition of this market, of which the adoption of a sustainability approach is an essential part. As an energy provider and trading company, the three pillars of our business activity are energy production based on renewable and natural gas as energy carriers, energy trading, and customized energy services and developments offered to companies. In 2019, our sphere of activity was extended to include a new waste management division.

It is of paramount importance for us to supply our customers with a reliable, environmentally-friendly energy based on renewable energy sources. At the heart of all you will find our Virtual Power Plant and our own diversified portfolio, enabling us to serve efficiently the needs of our small, medium and large corporate partners alike.

We have been a member of the Business Council for Sustainable Development in Hungary (BCSDH) for 12 years, ALTEO CEO Attila Chikán Jr. is also Chairman of the BCSDH.

The leadership and expert skills of Attila Chikán Jr. and Beatrix Szabó are closely related to the material impacts, risks and opportunities of ALTEO Group.

Attila Chikán Jr., Chair of the Green Committee and CEO of ALTEO Nyrt. He has extensive experience in the energy sector and in the field of sustainability. He is a member of the Presidential Committee on Sustainable Development of the Hungarian Academy of Sciences, serves as a member of the Supervisory Board of Blue Planet Climate Protection Investment Fund Management (Kék Bolygó Klímavédelmi Befektetési Alapkezelő Zrt.) and is also the Chairman of the Business Council for Sustainable Development in Hungary (BCSDH). As CEO of ALTEO Group, he is responsible for supervising the Company's strategic initiatives, including sustainable energy solutions and corporate sustainability practices.

Beatrix Szabó is the Director of Sustainability and HSE (Health, Safety and Environment) of ALTEO Group. Her professional background includes extensive experience in sustainability, environment, health and safety. In her role at ALTEO, she pays particular attention to integrating ESG (environmental, social and governance) aspects into corporate strategy, promoting sustainable development and long-term value creation.

Sustainability issues raised and addressed during the reporting period

[GOV-2]

ALTEO's Green Committee provides a regular forum to discuss sustainability issues at management level. The meetings, held four times a year, have discussed and presented a number of important issues in 2024, including the Company's decarbonization targets and the launching of the Sustainability Ambassador program at ALTEO. In addition, particular attention was given to the development of the ESG Action Plan and the current status of the Sustainability Strategy, as well as to the evaluation of the results of the 2023 ESG assessments, including the CDP and Sustainalytics assessments. Finally, the meetings also discussed the current status of the CSR strategy and the planning of programs for the coming year, as well as the creation of the new ESG Strategy, published at the beginning of 2025, its breakdown into interim targets and the preparation of the Biodiversity Strategy.

In addition to the above, ALTEO bodies adopted the following decisions in 2024:

- ALTEO Group continued its renewable energy and waste management activity, completed significant acquisitions and started the largest greenfield investment project in its history with the development of an energy storage facility worth nearly HUF 28 billion.
- ALTEO, in cooperation with MOL, has signed a service contract for the exploitation of the high inert natural gas extracted from the Csombárd gas wells, which requires an investment of HUF 820 million.
- On August 8, ALTEO's largest solar power plant, with a capacity of 20 MW, started operational production in the Tereske region.
- ALTEO was awarded a Silver rating by EcoVadis, placing the Company in the top 15% of the companies assessed for sustainability performance.
- On April 19, ALTEO adopted the 2026 ESOP General Remuneration Policy and the 2026 Executive Remuneration Policy [*]

ESRS sustainability questions in the form of yes-no statements	**[GOV-1] [GOV-2]**
The role of management in governance processes, controls and procedures for monitoring, managing and overseeing impacts, risks and opportunities is delegated to a specific management level position or committee.	yes
Dedicated controls and procedures are in place to manage impacts, risks and opportunities.	yes
The administrative, management and supervisory bodies are informed of the material impacts, risks and opportunities, the application of due diligence, and the results and effectiveness of the guidelines, measures, indicators and targets adopted to address these.	yes
The administrative, management and supervisory bodies have weighed and considered the trade-offs between impacts, risks and opportunities.	yes

Integration of sustainability-related performance in incentive schemes

[GOV-3]

The role of the administrative, management and supervisory bodies, like the independent members of the Board of Directors, the Supervisory Board and the Audit Committee receive a service fee, and there are no incentive mechanisms applicable to them. The Executive Board is the entity with the highest decision-making power in ALTEO Group's operations, and also involved in incentive mechanisms. One its members, Attila Chikán Jr. is also a member of the Board of Members, so the following shall apply to him.

In addition to meeting financial performance criteria, the objective of providing fringe compensation to the Executive Board and all our staff is to meet agreed non-financial and social responsibility criteria. These criteria are:

-CSR target (e.g. participation in the volunteers' day or the ALTEO Fitt program)

-HSE target (zero serious accident)

[*] ALTEO Group's remuneration policy covers a two-year period, during which we aim to encourage employee motivation and engagement through competitive pay and performance-based rewards, by providing long-term incentives, training opportunities and welfare benefits.

determined with a view to the business strategy, long-term interests and sustainability of the Company. Our Compensation Policy thus seeks to promote the Company's sustainability strategy alongside its business strategy. The Performance Assessment Bonus Scheme (PBS) and the Short-Term Incentive Scheme serving as the pillars of performance assessment.

On the other, in April 2024, ALTEO's Board of Directors adopted both the remuneration policy for the senior and middle management levels and the remuneration policy for talented young managers and experts. The aim of the remuneration policies adopted is to put in place a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the ALTEO Group's performance and, thereby, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates (including members of senior management) 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 annual performance management process starts with the target setting process at the beginning of the year. Setting ESG targets is mandatory for all Nyrt. employees participating in the Performance Assessment Bonus Scheme, and we also apply HSE targets for our staff members performing physical work. Their weight in the overall assessment is 5% each, meaning that there is a direct correlation between the achievement of ESG/HSE targets and the value of the bonus amount received on the basis of the performance assessment. In the case of FE-Group, a member of ALTEO Group, the establishment of the performance assessment process is currently ongoing, which will be guided by the processes of ALTEO Nyrt.

The draft Remuneration Policy is prepared by the Board of Directors, then the Remuneration and Nomination Committee provides its opinion, and is then submitted to the General Meeting for approval. At least every three years, the Board of Directors reviews the policy and, if it deems necessary, proposes amendments to the General Meeting after having obtained the prior opinion of the Remuneration and Nomination Committee. If the General Meeting rejects the proposed amendments, the Board of Directors must re-submit these at the next meeting. The CEO is responsible for implementing the policy and regularly informs the Board of Directors thereon. In addition, the Company discloses the remuneration of the Directors, including the implementation of the Remuneration Policy, in the annual Remuneration Report.

The Board of Directors reviewed and published a consolidated amendment to the Remuneration Policy[†] for the Annual General Meeting held on April 19, 2024. This is due to a change in the composition of the Board of Directors under Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization, and the adoption of remuneration policies affecting directors under the Employee Share Ownership Program. The General Meeting adopted the consolidated amendment to the Remuneration Policy and also approved the Company's Remuneration Report 2023.

One of the stated objectives of the Remuneration Policy is to contribute to the Company's business strategy, long-term interests and sustainability, and to ensure that the performance of officers defined is assessed using both financial and non-financial performance criteria, including, where appropriate, environmental, social and governance factors.

In addition to determining service time, and stipulating potential retention obligations (lock-up) or terms relating to alienation (minimum price, pre-emption rights, etc.), in the case of contribution to the business strategy, long-term interests and sustainability of the Company, the Company may determine share-based remuneration for Directors. Such share-based remuneration must be set out in the Remuneration Policy, and the benefit may only be granted based on it after an advisory vote by the General Meeting.

In exceptional cases, in order to ensure the long-term interests and sustainable operation of the Company or to ensure its viability, it is possible to deviate from the Remuneration Policy. Derogations are only possible in respect of basic salary and allowances and bonuses.

Performance is not assessed against specific sustainability targets, but against overall sustainability performance. These indicators and benchmark calculation methods have not been specified in detail.

Integration of climate change-related performance in incentive schemes

[ESRS 2 GOV-3.-E1.]

There are currently no performance metrics directly linked to climate change-related performance in the broader performance assessment system, commitment to ESG and HSE culture is an important expectation for us.

In 2024, there were no incentive mechanisms related to sustainability issues present in the remuneration mechanisms of administrative, management and supervisory bodies. In its ESG strategy, which is currently being revised, this issue is one of the priorities of the Group.

[†] The personal scope of the Remuneration Policy extends to directors as defined in Section 2(2) of Act LXVII of 2019, who at the time of the adoption of the Remuneration Policy shall include the members of ALTEO Group's Board of Directors (BoD) or Supervisory Board (SB), as well as the Chief Executive Officer and the executive employees acting as Deputy CEOs, provided they are not members of the Board of Directors or Supervisory Board.

ESRS sustainability questions in the form of yes-no statements	
There are incentive schemes and remuneration policies linked to sustainability issues for members of the administrative, management and supervisory bodies.	yes
Incentive schemes for members of the administrative, management and supervisory bodies take into account performance in relation to sustainability goals and/or impacts.	yes
Sustainability performance metrics play an important role and are used as guidelines and/or as part of remuneration policies.	yes

Statement on due diligence

[GOV-4]

We have compiled a table to simplify the presentation of the due diligence process applied by ALTEO Group with respect to sustainability issues, pursuant to Section 33 of ESRS GOV-4 which does not stipulate any specific behavioral requirements with regard to due diligence actions and does not apply to or modify the role of administrative, management and supervisory bodies prescribed by other laws or regulation.

Below, we present the due diligence processes the results of which serve as a basis for the assessment of the material impacts, risks and opportunities of ALTEO Group. These processes are used to identify, manage, prevent and mitigate the actual and potential negative impacts of our business activities on the environment and people. The due diligence processes in practice also help to identify risks and opportunities.

Statement on due diligence	
a) incorporating due diligence into governance, strategy and the business model	When conducting due diligence for business partners, the Company seeks to act with the utmost care. We perform an audit of new business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. The due diligence process at ALTEO Group included a review of sustainability issues required under ESRS which are incorporated into the ALTEO Group Strategy through the Sustainability Strategy.
b) cooperating with relevant stakeholders in all key steps of the due diligence	We strive to establish dialogues and long-term strategic partnerships with our suppliers. When conducting due diligence for business partners, the Company seeks to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. One of the key steps in the due diligence process is the assessment of each specialized area, including the issues of finance, controlling and biodiversity.
c) identifying and evaluating adverse impacts	We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. In 2024, we performed the mandatory compliance audit of 23 (21 Hungarian, 2 foreign) companies, and we screened out 6 companies that were deemed to be risky. Further harmful effects have been identified and assessed within the framework of the double materiality assessment which is presented in the report in detail.
d) implementing measures to address those adverse impacts	The Ethics, Compliance and Control Organization considers the findings of the assessments prior to taking the necessary measures, which may include terminating the partnership. In designing our sustainability measures identified harmful effects, be it actual or potential, compliance with our statutory obligations and the potentials to improve our activities are all taken into consideration.
e) monitoring the effectiveness of these efforts and communicating	To prepare its Compliance Risk Map, ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings every year. More information on the process is shared in disclosures G1-3 and G1-4 of the report.

Risk management and internal controls of sustainability reporting

[GOV-5]

Main features of the risk management and internal control system in relation to the sustainability reporting process

The preparation of the sustainability report is coordinated by ALTEO's Sustainability team. The checks built into the process are used to reduce risk, ensure accuracy and prevent errors or fraud. This significantly reduces the potential occurrence of errors, abuse and fraud. It also uses external professional consultation to prepare reporting.

1.3 Strategy

Our corporate strategy

[SBM-1]

We have been building our sustainability vision and strategy for a number of years now. In 2022, we presented these in a published form, adopting an ESG approach. Our long-term goal is to become leaders in the domestic market through our commitment to ESG and to cooperate with our stakeholders to facilitate change for more sustainable energy production. ALTEO's sustainability strategy covers different actions from clean energy through responsible consumption and production all the way to urgent action against climate change, which spectrum is presented in the following thematic chapters.

Sustainability is at the core of our strategy, and we aim to continuously expand our renewable power plant portfolio. The extension of our renewable production management business and the implementation of B2B renewable power plant projects in a PPA scheme are of particular importance to us. At the same time, we are placing great emphasis on the development of our AVPP virtual power plant and the provision of B2B decentralized complex energy services tailored to specific business needs, including energy production management, implementation and O&M services.

Beyond the energy base, supporting the circular economy is also a priority for our Group, especially in the areas of waste management and e-mobility. In the area of waste management, our focus is on the recovery of waste for energy, and the development of collection and recycling capabilities through acquisitions.

We are already present in the e-mobility market and our goal is to find a successful business model, mainly with a B2B focus, to serve company needs as efficiently as possible. In this area, we provide integrated services that include the distribution, deployment and operation of chargers for corporate customers.

Market trends show that there is a strong increase in demand for electricity, which makes the development of the Virtual Power Plant even more important as it has proven to be an excellent tool to deal with a volatile external environment. In addition to renewables, our planned capacity expansion projects focus on power plants and energy storage.

Our vision is to offer our partners a possibility for a sustainable business advantage by providing the best energy solutions today, and to be the companies of tomorrow together. This commitment is proof of ALTEO Group's belief in sustainable development. The impact of our strategy on and its relation to sustainability issues is presented, in line with international good practice, along the lines of the UN Sustainable Development Goals (SDGs).

Clean water and sanitation
The goal of ensuring sustainable water management and access to water and sanitation for all concerns ALTEO through water treatment, hydropower plants, heating power plants (district heating, hot water supply) and waste management.

Clean energy
The goal of ensuring access to affordable, reliable, sustainable and modern energy for all is the main goal that concerns ALTEO through the use of renewable energy sources, the expansion of its renewable portfolio and in increasing its energy efficiency.

Industry, innovation, infrastructure
ALTEO is linked to the SDGs aimed at building resilient infrastructures, supporting inclusive, sustainable industrialization and fostering innovation through RDI projects, environmentally-friendly technologies and innovation.

Sustainable cities and communities
In our case, the goal of making cities and human settlements inclusive, safe, adaptable, resilient and sustainable takes the form of promoting and supporting environmentally-friendly transport, reducing GHG emissions and waste from production. ALTEO's related projects primarily concern occupational health and CSR.

Responsible consumption and production
The goal to promote sustainable consumption and production patterns primarily concerns ALTEO's waste management activities and the implementation of the Green Office Program.

Climate action
This SDG, that includes urgent and inevitable measures to combat climate change and its impacts, concerns ALTEO's sustainability projects, through the reduction of our emissions and environmental impact. In addition to updating our business strategy, in 2022 we added strategic objectives and specific actions to our comprehensive sustainability strategy, as well as the metrics required to track those objectives and actions. Our sustainability strategy is available on our website: https://alteo.hu/fenntarthatosag/

Our ESG approach and Sustainability Strategy

ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate in February 2022. Based on the assessment by Sustainalytics, the Company performed better than the industry average, i.e. it achieved a lower risk rating already at that point in time.

ALTEO manages its high industry exposure with a strong risk management-based approach. The company retained its "medium" risk rating in the 2024 review. We were rated "Strong" in the category "Management of ESG Risk", which suggests that strong risk management is in place.

Rated

MORNINGSTAR | SUSTAINALYTICS

2022 was the first year when the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) were taken into account in preparing our report. As a first step, we completed the Company's first Climate Scenario Analysis. At the end of 2022, we published ALTEO Group's first EU Taxonomy Alignment Report for 2021‡, and the report covering 2022 was made public as part of the integrated report. Similarly, our report on EU Taxonomy alignment for 2024 is disclosed as part of this Sustainability Report. Furthermore, ALTEO's Green Committee, created in 2022, continued to work with the aim of consolidating responsible, ESG-focused corporate governance.

ALTEO Group's reporting for the 2024 financial year is influenced by two strategies. The first one covers the 2022-2024 period and includes the sustainability objectives applicable for that period, with specific actions implemented in the year of the report. The second one is the strategy drawn up in 2024 for the period 2025-2030, and ESG is an integral part of that strategy. It is included here to present the future plans of ALTEO Group and the strategy formulation action implemented in 2024. Both strategies are detailed in the report to present both current and future targets and actions in line with the ESRS.

Overview of our sustainability strategy for 2022-2024§ and a report on current status

<table>
<tr><th></th><th>ALTEO Group objectives</th><th>UN Sustainable Development Goals</th><th>Status</th></tr>
<tr><td rowspan="5">Carbon Footprint Reduction</td><td><table><tr><th>GHG emission reduction</th><th>2030</th><th>2050</th></tr><tr><td>Scope 1 *</td><td>20%</td><td>50%</td></tr><tr><td>Scope 2*</td><td>30%</td><td>75%</td></tr><tr><td>Scope 3**</td><td>55%</td><td>100%</td></tr></table>*compared to the 2019 base year, ** compared to the 2021 base year</td><td rowspan="5">13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY</td><td></td></tr>
<tr><td>25% reduction in NO_x (nitrogen oxide) emissions by 2030</td><td></td></tr>
<tr><td>Increase of the share of renewable production management from 15% to 25% by 2025</td><td></td></tr>
<tr><td>Investment of HUF 35 billion in sustainable energy solutions by 2026</td><td></td></tr>
<tr><td>Annual disclosure of the total amount invested in renewables and the volume of energy produced from renewables</td><td></td></tr>
<tr><td rowspan="2">E-mobility, greening of transport</td><td>Installation of 500 electric car chargers by 2023</td><td rowspan="2">9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</td><td></td></tr>
<tr><td>Establishment of electric car charging infrastructure on Company sites by 2030</td><td></td></tr>
<tr><td>Reducing waste</td><td>Paperless* office by 2030 (*up to the level of legal compliance)</td><td></td><td></td></tr>
</table>

‡ EU Taxonomy Alignment Report for 2021: https://alteo.hu/fenntarthatosag/jelentesek-tenyek-adatok/fenntarthatosagi-jelentesek/

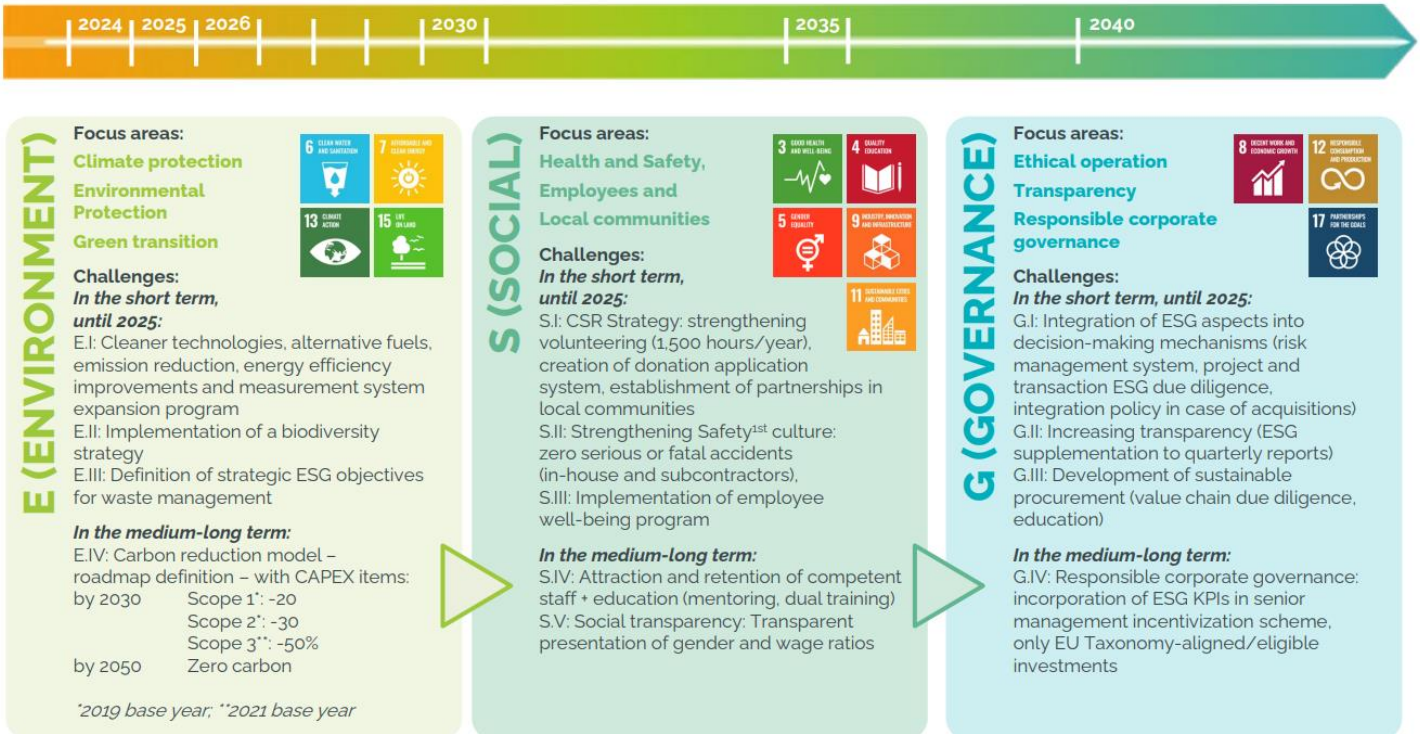
§ Our Sustainability Strategy is also available on our website: https://alteo.hu/sustainability/?lang=en

	ALTEO Group objectives	UN Sustainable Development Goals	Status
	Achieving an operational waste recycling rate of at least 50% by 2030	6 CLEAN WATER AND SANITATION	⏱
	Water-focused risk analysis by 2023 Q4		✔
	Completion of CDP "Water Security" questionnaire in 2024**		✔
	Completion of biodiversity survey by 2023 Q4		✔
Education on sustainability	Implementation of TCFD reporting guidelines in our reporting structure from 2023	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	✔
	Development of an employee education program on sustainability issues by 2025		✔
	EcoVadis assessment from 2024		✔
CSR strategy with ESG focus	Maintenance of 0 LTIF (number of lost time work injuries per 1 million hours worked) result in respect of the Company's own employees	11 SUSTAINABLE CITIES AND COMMUNITIES	✔
	Achieving 0 LTIF for non-Company employees by 2025		✔
	Development of a detailed CSR plan by 2023		✔
	At least 500 hours/year of CSR activity throughout the whole ALTEO Group by 2025		✔
	Introduction of the ISO 27001 cyber security standard by 2023		✔

✔ Completed ⏱ In progress ✖ Shortfall

** CDP reporting was renewed, the "Water Security" questionnaire was incorporated into the general questionnaire, and this renewed and extended questionnaire was completed by ALTEO Group in 2024.

OUR SUSTAINABILITY STRATEGY FOR 2025-2030:

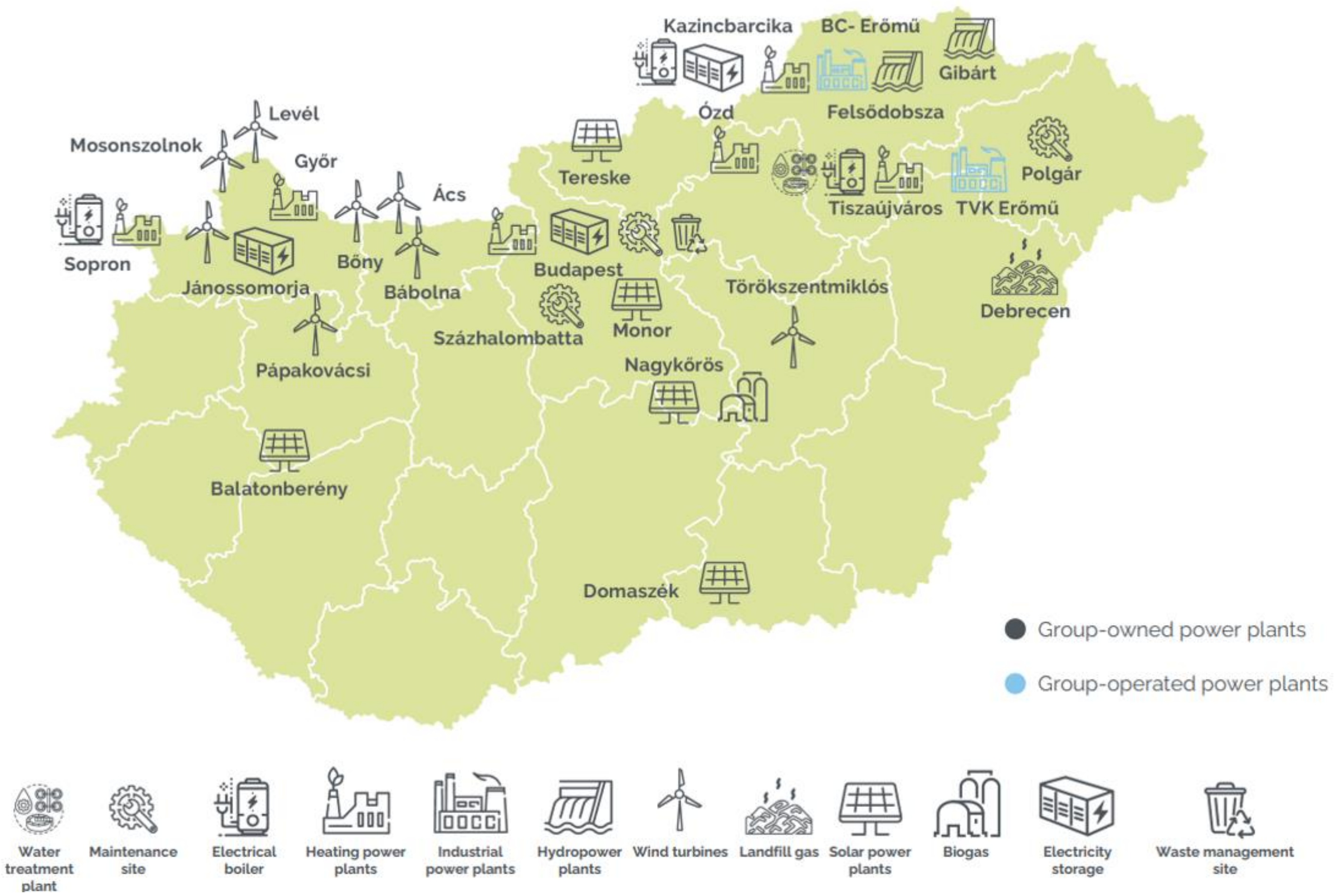


Our business model and value chain

[SBM-1]

ALTEO Group's business activities include renewables-based energy production and high-efficiency hydrocarbon-based cogeneration; energy wholesale and retail trade; and services to industrial companies, in particular installation, operation and maintenance of energy systems.

ALTEO GROUP'S OPERATIONS MAP ACCORDING TO THE DISTRIBUTION OF THE POWER PLANT PORTFOLIO



Energy production

Our power plants produced a total of 1,151 GWh in electricity and 8.61 million GJ of heat energy. 71% of the electricity produced came from industrial, 14.5% from heat and 14.5% from renewables-based power plants.

Electricity production

Site	Natural gas/renewable	Type	Installed electrical capacity (MW)	Electricity sales: Within the subsidized system, on the open market or by trading on the open market through the Virtual Power Plant (VPP)
Owned by ALTEO Group				
Győr	natural gas	heating power plant	23.9	VPP
Sopron	natural gas	heating power plant	9.25	VPP
Kazincbarcika	natural gas	heating power plant	9.3	VPP

Ózd	natural gas	heating power plant	4.9	VPP
Tiszaújváros	natural gas	heating power plant	9.4	VPP
Füredi utca	natural gas	heating power plant	18.6	VPP
Felsődobsza	renewable	hydropower plant	0.9	On the open market
Gibárt	renewable	hydropower plant	1.0	Subsidized
Ács	renewable	wind turbine	2.0	On the open market
Jánossomorja	renewable	wind turbine	2.0	On the open market
Pápakovácsi	renewable	wind turbine	2.0	On the open market
Törökszentmiklós	renewable	wind turbine	1.5	On the open market
Bőny	renewable	wind turbine	25.0	On the open market
Bábolna	renewable	wind turbine	15.0	Subsidized
Mov-R	renewable	wind turbine	24.0	On the open market
Domaszék	renewable	solar power plant	2.0	Subsidized
Monor	renewable	solar power plant	4.0	Subsidized
Balatonberény	renewable	solar power plant	6.2	Subsidized
Nagykőrös (solar power plant)	renewable	solar power plant	6.9	Subsidized
Tereske	renewable	solar power plant	19.5	Subsidized
Debrecen	renewable	landfill gas	1.1	On the open market
Nagykőrös	renewable	biogas	2.0	On the open market

Operated by ALTEO Group				
BC Power Plant	natural gas	industrial services	46.9	
BC Power	natural gas	industrial services	49.9	
TVK Power Plant	natural gas	industrial services	36.0	

Energy trading, balancing group services, scheduling

Volume of electricity sold in our trading activities in 2024: 500.2 GWh of retail sales and 655.1 GWh of wholesale sales. Most of the electricity sold was again wholesale in 2024, but the share of wholesale and retail in 2024 was around 40/60.

Natural gas retail

ALTEO Group Energiakereskedő launched retail sale of natural gas in the gas year beginning on October 1, 2016, and sales have been increasing dynamically. In the financial year 2024, we sold 196.8 GWh of natural gas.

E-mobility

In 2020, ALTEO Group started an E-mobility division through its subsidiary ALTE-GO, which sells, installs and operates electric charging equipment across Hungary, with a focus on office buildings, parking lots, business sites, and public charging stations.

ALTEO Group is a knowledge-based company in the energy sector and, accordingly, the most important element of its business model is attracting and retaining a workforce with the appropriate skills and qualities. With the right team of professionals, ALTEO Group can create technological solutions that enable it to be among the first to enter markets such solutions (like renewable production management service, energy storage, virtual power plant) and to serve its customers at a high level. The Company is committed to continuously training and developing its human resources.

External fund raising is of paramount importance for the growth of ALTEO Group and the operation of its business models. In addition to outstanding financial results, transparency and ethical operation are key to ALTEO Group's financeability.

Thanks to its structure, its strategy based on sustainability and renewable energy production, its diversified portfolio and its team of highly qualified professionals, ALTEO Group was able to actively exploit arising opportunities. The ability to operate quickly and flexibly enables ALTEO Group to react in a timely manner to market fluctuations, short and long-term trends and to identify opportunities in challenges.

The main segments of ALTEO Group's activities are: heat and power production and management, renewable energy production, energy services, waste management and energy retail. The business relationships and cost structures of these segments are described below:

Heat and electricity production and management

This segment includes heat and electricity generation from non-renewable sources, the Virtual Power Plant, as well as the Renewable Production Management (RPM) business. The Virtual Power Plant is responsible for planning and managing production in electricity and/or heat generating and storing facilities owned by the Group and by external partners connected to the Virtual Power Plant.

Electricity production: The operations of the Virtual Power Plant are recognized among the revenues of production, including the full management of scheduling services, MEKH and MAVIR data reporting and administration, and real-time production monitoring activities for our contracted partners' power generation units and trade commissions.

Heat sales: In the course of production, the Group produces the heat energy in its own power plants, and sells it to district heating companies under long-term contracts. The performance of the ALTEO Group under these contracts continues to be consistent and reliable.

Electricity ancillary services: In order to maintain balance in the system, the Hungarian system operator (MAVIR) procures various types of balancing reserve capacities (FCR, aFRR, mFRR) from market actors with the appropriate authorization; the capacity charge is the consideration. The consideration for the ability of the Group's generation facilities to alter such reserved, accredited load is recognized here. The revenue from renewable production management is also included here. In terms of business relationships, ALTEO Group used the competences to launch through the Renewable Production Management (RPM) business, a smart, comprehensive scheduling service involving moderate risk for partners, which offers a solution to the challenges that renewable energy producers encounter.

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

Renewables-based energy production

The renewables-based energy production segment includes all of ALTEO Group's electricity production activities from renewable sources. This covers ALTEO Group's solar, wind, hydro and biogas power plants. Some of the production units sell electricity under the KÁT (Mandatory Offtake System) subsidy system and under the KÁT premium and METÁR (Renewable Energy Sources Support Scheme) schemes, while others sell all of their electricity subject to market terms and conditions.

Under the KÁT selling system, MAVIR, as buyer, sets fixed electricity feed-in tariffs for producers. Power plants selling under the METÁR system sell the electricity they produce to any buyer on the free market at free-market prices. Under METÁR system, after free-market sales, MAVIR makes price adjustments with a view to the difference between the contractual METÁR price and the market reference price as laid down by law in order to pay the corresponding amount to or collect such amount from producers (collectively: "price supplement").

Energy services

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

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

In addition to the above, the Group also provides e-mobility services, including operation of licensed charging equipment and e-mobility services for residential and corporate customers.

Waste management

The waste management segment's activity is determined by the profits from the processing and management of organic and inorganic waste. After July 1, 2023, the Company's activities primarily consist of the collection and processing of electronic, paper and foil/film waste covered by the concession, as well as more complex waste management and komplex treatment services provided to third parties.

In terms of business relationships, MOHU MOL Hulladékgazdálkodási Zrt. has won the waste management concession tender announced by the Hungarian State, meaning that after July 01, 2023, as Concession Company, it will collect and handle municipal solid waste in Hungarian settlements for 35 years. FE-GROUP INVEST Zrt. participates in the process as a subcontractor of MOHU, having signed a two-year contract (plus two years of optional extension) on June 29, 2023. Despite the fact that a significant part of FE-GROUP INVEST Zrt.'s revenue is derived from activities related to concession waste processing, waste sales and the provision of complex services continue to play an important role and the Company is constantly looking for new potential customers and cooperation opportunities.

Retail energy trade

This segment includes the electricity and natural gas sales activities of ALTEO Group on the free market which means the resale of electricity and natural gas purchased within the Group and from other trading partners, to end-consumers. In 2024 key customers included GYŐR-SOPRON-EBENFURTI VASÚT Zrt, LEGO Manufacturing Kft., Transenergo Hungary Kft., NEO Property Services Zrt, Borgwarner Hungary Kft., Goodmills Magyarország Kft., BPW-Hungária Kft.

Cost structure

For the purpose of the business processes above, key items within material expenses include items attributable to the Group's core activity, and are not considered expenses connected to discontinued activities.

- Use of energy carriers, energy and natural gas in the power plants owned by the Group to produce electricity and heat energy, and sells them to district heat service providers under long-term contracts. Furthermore, Retail trade includes purchase of electricity and natural gas for resale to end-consumers.
- Assets managed by the Group include: operation and maintenance related costs of material and service incurred to ensure the reliable and continuous operation of the power plants owned and operated by the Group, and their energy infrastructure.
- Sub-contractor activities, including waste management services and the costs of hired workforce.
- In addition to this, general costs and costs of expert services (like auditing, IT services and consultations) incurred in relation to the operation of the Group as laid down in the strategic objectives, are also included.

ALTEO as a knowledge-based company believes in attracting and keeping a workforce that possesses adequate expertise and qualities, and in creating technological solutions with this that allow the Group to provide its customers high quality services. It is essential for the Company that human resources are regularly and continuously trained, re-trained, and so personnel costs are substantial cost item within the cost structure of the Group.

TOTAL REVENUE OF ALTEO GROUP BY MAJOR ESRS SECTORS

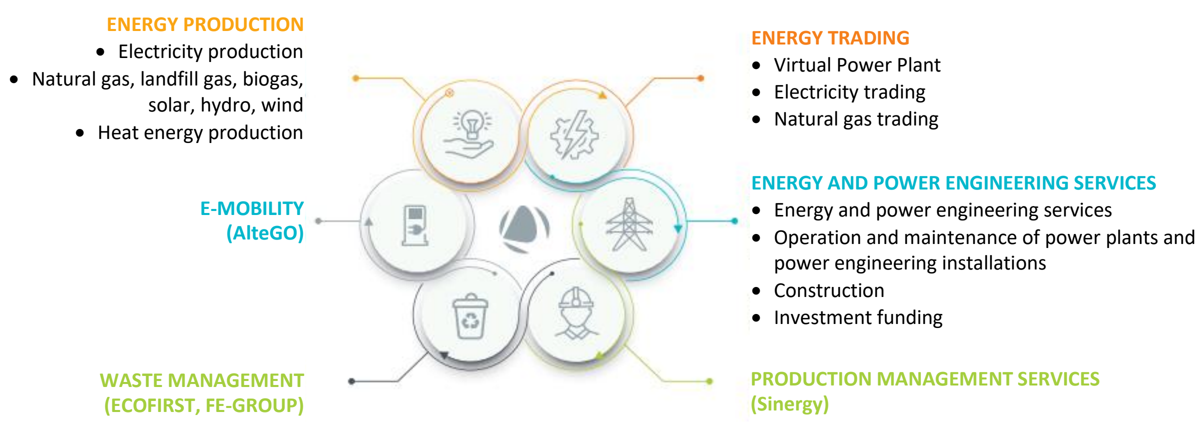
Sector code	Sector name	Total revenue
EEU	Energy production & utilities	HUF 62,012 million
EWW	Water & waste management services	HUF 6,363 million
WWR	Wholesale & retail trade	HUF 37,014 million

Products and services

Supply chain

As a responsible company, ALTEO Group is committed to uphold relevant environmental, social and business ethics principles concerning its own activities and business conduct, as well as its supply chain. Due to the wide range of our business activities, our supply chain covers many segments, such as electricity and heat energy production, energy service, maintenance and development of energy systems, electricity and natural gas trade, production management, electromobility and waste management.

A SUMMARY OF THE ACTIVITIES OF ALTEO GROUP AND AN OVERVIEW OF THE PORTFOLIO



We expect our suppliers, subcontractors and other partners to familiarize themselves with our Code of Ethics and act in accordance with its contents.

ESRS sustainability questions in the form of yes-no statements	
The Group’s activities extend to the natural gas sector	yes

ALTEO Group’s activities cover the natural gas sector, where we generated revenues of HUF 29,385 million in 2024. Our products and services do not include any products or services that are banned in certain markets. Furthermore, ALTEO Group has no revenues from taxonomy-aligned economic activities related to fossil gases.

Material expenses include items attributable to the Group's core activity only:

- Energy carriers: Electricity and natural gas
- Material and service needs of maintenance and projects
- Waste management services
- Other overhead costs
- Expert services (counselling, auditing, IT)
- Agent's commission.

Our key customers:

- MAVIR
- MOHU
- District heating companies
- Industrial heat consumers,
- Renewable power plants
- Natural gas and electricity business end-users,
- Industrial facilities

ALTEO Group is an active player in several areas of the energy value chain. In the case of electricity production, it is of paramount importance to maintain relations with natural gas suppliers and service providers related to the operation and maintenance work, which is carried out by ALTEO Group itself. ALTEO Group is in contact with several suppliers who supply the same service or activity, thus reducing its supplier dependency. The heat energy produced is delivered to the public through heat suppliers or directly consumers, the industrial customers , and therefore security of supply is a priority for ALTEO Group. ALTEO's most important partner in the field of energy management is the Hungarian electricity system operator (MAVIR), as ALTEO is both a customer and a supplier to MAVIR, mainly in relation to ancillary services. ALTEO Group is also engaged in natural gas and electricity trade, supplying business end-users with energy procured from wholesale partners. In providing energy construction, operation and maintenance services, ALTEO strives to achieve long-term partnerships, with a strong focus on customer satisfaction.

In the field of waste management, ALTEO Group provides "total waste management" services in addition to collection, transport and processing, covering almost the entire value chain. Within the framework of the concession scheme, MOHU, as the Concessionaire, is a key partner, but ALTEO Group also carries out waste management activities outside the concession scheme, mainly for medium-sized and large companies.

ALTEO Group's business model and value chain has a number of potential impacts, risks and opportunities that we monitor closely in our day-to-day operations. The inputs that are necessary to make our business successful are essential elements of our business model. ALTEO Group is a knowledge-based company in the energy sector and, accordingly, the most important element of its business model is attracting and retaining a workforce with the appropriate skills and qualities. We strive to continuously train and develop our human resources.

ALTEO Group's structure, its strategy based on sustainability and renewable energy production, its diversified portfolio and its staff of high qualified professionals all contribute to actively seizing market opportunities. Our ability to operate quickly and flexibly enables us to react in a timely manner to market fluctuations, short and long-term trends and to identify opportunities in challenges. As a result, we can continuously improve customer satisfaction, increase our investors' returns and maintain our strong competitive position in the market.

ALTEO Group carries out its activities in Hungary, and the number of its employees as at December 31, 2024 was 513.

Interests and views of stakeholders

Our stakeholders are given priority and are always treated as partners, as they provide important information on our performance and the environmental, economic and social factors that shape ALTEO Group's value-creation processes. Our stakeholders also play a key role in determining the content and focus of our annual integrated report.

Feedback from our stakeholders come to us through multiple channels (such as in-person meetings, email, online survey). Customer satisfaction surveys are conducted with annual frequency, and the results are analyzed and assessed as part of the management reviews. Maintaining the positive results of our evaluations is our primary objective, so as a result of the evaluation, corrective actions are formulated, the results of which are monitored and subsequently assessed, and presented and accepted at the next management review.

We have identified the key stakeholder groups that have the appropriate information to evaluate our activities, either locally or by industry. Our list of stakeholders was identified through interviews with the Executive Board.

Alignment of stakeholder interests and views with the Company's business strategy and model

Stakeholders	Employees, Management	Value chain workers	Society	Consumers and end-users
Alignment of interests and views with the Company's business strategy and model	We are also in close contact with our expanding team through performance reviews, career planning and periodic assessments.	ALTEO Group's activities have no significant impact on and the Company has identified no material risks or opportunities related to the workforce in its value chain and, as such, this topic has not been reviewed.	We become active members of our communities, both at the operation sites and in our broader environment. Given the business in which we work, our aim is to build and maintain a long-term, open relationship.	Client-oriented operation, quality service and safe work are fundamental values for us. We are in constant contact with our customers, proactively seeking feedback and conducting satisfaction surveys.
Stakeholders	**Owners, Investors**	**Professional organizations**	**Authorities**	**Suppliers**
Alignment of interests and views with the Company's business strategy and model	Our corporate strategy aims to create value for owners and investors and to protect their interests.	ALTEO Group pays particular attention to acquiring and maintaining the appropriate expertise, also through communication with professional organizations.	Proactive and professional liaising with the Authorities is essential for a responsible company that looks to lead by example.	Our suppliers are important stakeholders in the sustainability of our activities, and we seek to engage them in dialogue and to build long-term strategic partnerships.

1.4 Material impacts, risks and opportunities and their interaction with strategy and business model(s)

[SBM-3.- E1, E2, E3, E4, E5, S1]

ALTEO Group has identified the ESRS topics in the table below as material in the framework of the materiality assessment. The impacts, risks and opportunities associated with these are discussed in detail in the IRO-1 chapter. In this section, we aim to summarize how these interact with the Company's strategy and business model.

The Company's response and planned actions, which include changes to the strategy or business model that have been implemented or are planned, are detailed in the various chapters.

Standard	Topic	Subtopic	Impact	Risk	Opportunity
E1	Climate change	Adaptation to climate change	●	●	
		Climate change mitigation	●	●	●
		Energy	●		●
E2	Pollution	Air pollution	●		
E3	Water and marine resources	Hydropower	●		
E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	●		
		Impacts on the state of species	●		
		Impacts on ecosystem services and dependence thereon	●	●	
E5	Circular economy	Resources inflows, including resource use	●	●	●
		Waste			●
S1	Own workforce	Working conditions (own workforce)	●		
G1	Business conduct	Corporate culture	●		●
		Corruption and bribery	●	●	
		Management of relationships with suppliers, including payment practices			●
		Protection of whistleblowers		●	

Climate change

Material impacts

ALTEO Group's gradual transition to environmentally-conscious operations, such as increasing the efficiency of fossil power plants and strict compliance with environmental regulations, contributes to the global green transition. At the moment, 61% of the power plant capacity owned by the Group in our portfolio is powered by renewable energy, which accounts for 15% of the Group's electricity production. In addition, the biogas power plant in our portfolio uses renewable fuels to generate electricity, but its operations continue to emit greenhouse gases (GHGs).

Our portfolio also includes electricity production based on fossil fuels, which is also associated with GHG emissions. We have set ambitious targets for GHG emission reductions (see Chapter 7.4). Our power plants use energy to provide for in-house consumption, and our natural gas consumption requires industrial extraction, which contributes to the depletion of natural resources and causes environmental damage, affecting ecosystems, water quality and biodiversity. Our e-mobility business installs charging stations for electric cars, contributing to the transition away from fossil fuels by building infrastructure. At the same time, our production releases nitrogen oxides (NO_x) and carbon monoxide (CO) components into the atmosphere from gas engines and boilers.

When preparing this report, we assessed the exposure and sensitivity to climate change risks (both physical and transition risks) for all of the Company's assets and business activities, taking into account their likelihood, magnitude and duration. *For more information, see data point E1-9*.

Quantitative climate risk assessment is a task to be carried out in the coming years.

Material risks and opportunities

Due to rising temperatures and extreme weather phenomena, there is a risk that the efficiency of our solar parks will decrease, either due to fluctuating sunshine or dust deposition. Heat waves can cause peak loads on the distribution network to be more frequent and intense. Extreme storms and winds can cause potential infrastructure damage to our wind farms. Changes in resource availability can cause a reduction or disruption in production.

More stringent financial requirements may be enforced for projects with impacts and dependencies that also affect nature, reducing the possibility of obtaining financing and investment. However, switching to lower emission or lower impact technologies and increasing the share of renewable-dependent power plants in our portfolio can reduce dependence on fossil fuels.

This can increase our competitiveness in operations and expansion, and open up new business opportunities based on nature-based solutions. In addition, new renewable projects can be implemented by retrofitting existing power plants.

Air pollution

Material impacts

Significant air pollutants generated by the production processes of ALTEO Group include nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers. The Company's key strategic objectives include reducing the emission of these harmful substances, and by doing so contributing to the protection of the environment and the achievement of sustainability targets. We strive to minimize emissions by continuously developing our processes and using state-of-the-art technologies.

All our sites have the necessary environmental permits, which include strict requirements for emissions and the measurement thereof. Accurate measurement of emissions and compliance with the limits are continuously monitored through internal and external audits and are under authority supervision. In addition, environmental aspects are strictly taken into account in the upstream value chain when selecting our suppliers.

Hydropower

Material impacts

ALTEO Group's activities, including hydropower plants and water treatment plants, require a significant amount of water, thus monitoring water use is a priority. Due to climate change and the impact of production activities on water resources, a water-focused risk analysis was carried out in 2023, covering all sites. The study assessed the risks associated with changes in flooding, water quality, precipitation, dry spells and groundwater levels. Although these risks are not considered material at this stage, we have put in place preparatory measures at the sites concerned, in addition to complying with the requirements of the laws and environmental management systems, with particular attention to the protection of water resources and the reduction of pollution.

Biodiversity and ecosystems

Material impacts

The materials needed to build renewable power plants, such as the steel needed to build wind turbines, were used for the first time, and their mining and processing could have had a potentially significant impact on biodiversity. Pipelines used to transport natural gas have a significant spatial footprint, which can lead to habitat degradation and fragmentation throughout the life cycle of the pipelines.

The head-on collision of birds and bats with wind turbine blades can be fatal. The mining of copper for wind and solar power plant components takes place in biodiversity-rich locations such as Chile, Peru, China and the Democratic Republic of Congo, where it can have a significant negative impact on the environment and wildlife. In addition, the mining of lithium, cobalt, graphite, nickel and aluminum for wind and solar power plant and battery components may have a significant impact on the local environment and ecosystems.

Habitat disturbance due to the construction and operation of renewable energy sources also has a significant impact on habitats due to land preparation works and the presence of infrastructure, adversely affecting certain species. Solar parks can be a disruptive factor for polarotactic insects, as the strongly and horizontally polarized light reflected back can resemble water, resulting in insects mistakenly laying their eggs on such surfaces.

Natural gas infrastructure, including well pads, pipelines and other roads, often causes habitat fragmentation, which can alter wildlife habitats and migration patterns, and can also disrupt local biodiversity and the health of the affected ecosystem.

The Group’s own activities do not have a significant negative impact on biodiversity-sensitive areas, with only one power plant located at a Natura 2000 site, which has no significant negative impact on biodiversity. Accordingly, we have not identified any significant negative impacts related to forest degradation, desertification or soil sealing in our own activities. In addition, the Group’s operations do not have a negative impact on endangered species either.

Material risks

Power production by hydropower plants may be at serious risk due to the loss or depletion of water resources, resulting in lost revenue. A disturbed hydrological cycle can cause reduced water flow patterns, which in turn can reduce productivity and therefore profits, and it may also result in substantial maintenance costs for the Company. For solar power plants, temperature fluctuations and changing solar radiation caused by climate change can reduce production and increase the maintenance costs of equipment.

Circular economy

Material impact

Energy production is a resource intensive activity. The ALTEO Group strives for maximum efficiency in the use of primary energy, using as little of these resources as possible, thereby increasing positive impact.

Material opportunities and risks

The waste management activities of FE-Group include the collection and processing of electric and electronic waste, as well as packaging waste, and their transformation into secondary raw materials. The materials produced contribute to the conservation of resources, reducing the need to use new raw materials. Efficient waste sorting significantly reduces the amount of waste going to landfills, thereby implementing circular economy and supporting the efforts to minimize waste generation.

The collection and environmentally friendly pre-treatment of hazardous wastes also has a positive impact on the environment. Although there may be environmental risks during transport and storage, they are strictly controlled and minimized.

Own workforce

Material impacts

Compliance with workplace health and safety regulations, appropriate training, and the provision of appropriate protective equipment can reduce the risk of accidents, injuries and illnesses at work. We ensure that our employees work in a safe and fair working environment, under transparent and lawful working conditions and benefits.

No material opportunity or risk was identified in relation to own workforce.

We did not identify any activities that pose a significant risk of forced or unfree labor, nor any countries or geographical areas where such risks might arise. In addition, we did not find any countries where activities are at significant risk due to forced labor or unfree labor.

Similarly, there are no activities identified that pose a significant risk in respect of child labor. We did not identify any countries or geographical areas where the activities would pose a risk for child labor, not did we identify any countries where the activities would pose a major risk due to child labor.

VALUE CHAIN WORKERS

No material impacts, opportunities or risks were identified for those working in the value chain.

AFFECTED COMMUNITIES

No material impacts, opportunities or risks were identified in relation to the affected communities.

CONSUMERS AND END-USERS

No material impacts, opportunities or risks were identified for consumers and end-users.

Business conduct

Material impacts

Our operational principles and norms help ALTEO Group to create and maintain its corporate culture that affects our employees and their families, as well as our business relationships. Our friendly and solution-focused attitude facilitates the establishment of an inclusive and value-creating culture. All suspected corruption cases may have a potential negative impact on our activity, and so ALTEO Group operates along the lines of zero tolerance towards corruption and bribes to prevent such suspicions. This helps to maintain the integrity, credibility of and legal compliance by the Group at the same time protecting it from financial losses, regulatory fines and damage to its reputation.

Material opportunities and risks

When ALTEO Group performs its activities, developing a culture aligned with corporate values is of key importance, where the related principles and standards form an integral part of our operation. We are committed to protecting whistleblowers, and creating a SpeakUp culture among our employees, ensuring that their concerns are handled confidentially, impartially and without retaliation to foster a culture of accountability, integrity and ethical behavior, thereby enhancing transparency and consistency within the organization.

By screening suppliers for compliance with standards, environmental regulations and ethical business practices, the Company can reduce the risk of working with unethical or unreliable partners and demonstrate its commitment to responsible procurement.

Our material impact is our zero-tolerance policy to avoid corruption and bribery, which preserves the integrity, credibility and legal compliance of the Company, protecting it from financial loss, regulatory penalties and damage to reputation. This includes strict control of conflicts of interest by making conflict of interest declarations mandatory for all employees and business partners. By focusing on fairness, transparency and ethical behavior, the Company enhances its reputation as a trustworthy and credible partner in the industry. Clear policies, procedures and control mechanisms help to detect and prevent corruption, safeguarding the Company’s operations and reputation.

1.5 Management of impacts, risks and opportunities

[IRO-1. – E1, E2, E3, E4, E5, G1]

Description of processes to identify and assess material impacts, risks and opportunities

In 2024, ALTEO Group carried out and reviewed its materiality assessment based on the double materiality principle. Double materiality, as defined by the ESRS methodology, has two dimensions: impact materiality and financial materiality. Impact materiality (previously applied) concerns the assessment of sustainability matters where the undertaking may have material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A sustainability matter is financially material for an undertaking if it generates risks or opportunities that could have a material influence on the undertaking’s financial position or financial performance over the short-, medium- or long-term.

For the definition of material topics, we assessed 37 subtopics listed in the ESRS, in addition to which the organization-specific sustainability issues specific to ALTEO Group were also taken into consideration. As a large energy and waste management company, issues related to efficiency and availability in energy production were also examined. Several experts of the area with knowledge of the Group’s activities, sustainability targets and commitments, representing key functions, participated in the work of ALTEO Group’s Sustainability Working Group. These experts joined the working group from the departments of law, compliance, environmental protection and HSE, ESG, capital markets, production, waste management, accounting, controlling and HR. Subtopics clearly not relevant in the context of the activities and value chain of ALTEO Group were discarded in a process of expert consultations.

The ALTEO Group stakeholders were surveyed and shared their opinion concerning material topics. Responses were collected from 28 stakeholders, who assessed each topic on a scale of 1 (not important) to 5 (very important) as to how representative they considered the topics for providing a true picture of the Group from an economic and sustainability perspective. The responses were taken into account when assessing the expert report of each area, for more information on this see the IRO-2 chapter.

In the course of expert analyses, we assessed impacts, risks and opportunities relevant for ALTEO Group in accordance with the methodology of double materiality set out by the ESRS. As a first step, we examined the business context in which ALTEO Group operates. We took into account the actual and potential impacts, risks and opportunities related to employees, suppliers, consumers, customers, end-users, local communities, vulnerable people, authorities, regulators and financial institutions.

In identifying actual and potential impacts, both positive and negative impacts of ALTEO Group were considered. Particular attention was paid to ecological data and the protection of species, since nature as “silent stakeholder” also plays a significant role in our sustainability efforts. After identifying the material impacts, the assessment of their severity was the next step. Three main factors were taken into account in this respect: the scale, scope and irremediable natura of the impacts. Scale shows how severe negative impacts are for the people and the environment, or how beneficial the positive impacts are. Scope measures the extent of the impacts, for example, how many people or how large a geographical area is affected. The irremediable nature indicates the extent to which the negative impacts can be reversed, for example, whether the environment can be restored to its previous state. In particular, the severity of potential negative impacts on human rights were strictly assessed, as in this area severity takes precedence over likelihood.

In assessing financial materiality, we identified the risks and opportunities that could affect our financial position, performance, cash flows and cost of capital in the short, medium and long term. We also considered how our dependence on social and natural resources can affect our financial performance. We also looked at what impacts stricter government regulations and reputational risks had. These factors can indirectly affect our business and financial performance. In the course of the assessment process, we took into account the likelihood of financial impacts and their scale, based on projections and different scenarios. We also assessed the potential financial impact of possible future events and the changes of non-financial capital, such as natural, intellectual, human, social and relational capital.

In identifying and assessing climate impacts, risks and opportunities, we relied on the results of a qualitative climate risk assessment carried out in 2022 based on the TCFD methodology, which was reassessed this year. The time horizon and risk assessment approach of our assessment is consistent with that used in the double materiality assessment and with the Company’s existing risk assessment methodology.

In our analysis, we selected the climate scenarios to be used based on expert judgement and the precautionary principle, according to the expected lifetime of our assets and our strategic planning mechanism[††]. The two scenarios selected are: the scenario modelling the impacts of extremely drastic transition and domestic physical impacts, which assumes a 1.5 °C[‡‡] warming path, and the so-called “business as usual” 4 °C scenario[§§], which presumes global emission levels with no change in existing policies. The assessment evaluated physical and transition risks up until 2025 based on our current data, information and plans, up until 2030 based on the two selected scenarios, and up until 2050 based on risk trends.

The material issues identified in the analysis and their associated impacts, risks and opportunities are presented in detail in our report. The materiality assessment is reviewed and updated annually.

The list of ALTEO’s material topics is included under disclosure SBM-3 in this report.

The significant impacts, risks and opportunities identified in relation to the material topics are summarized in the table below.

[††] In selecting the climate change scenarios used, we also took into account the critical assumptions in the financial statements according to which the general approach takes “business as usual” conditions into consideration, while the Company is planning to be an active player in the ambitious emission reductions required to meet the Paris Agreement as per its vision and commitment to sustainability.

[‡‡] Reference scenarios used to define the 1.5 °C scenario: IPCC RCP 2.6, IPCC SSP1, NDCs (EU). In this scenario, transition risks and market opportunities dominate. In applying this scenario, the following input factors, limitations and assumptions were taken into account in particular: A globally coordinated effort to reduce emissions to net zero by 2050 to meet the Paris Agreement and achieve steep decarbonization; Accelerated transition to renewables/electrification; Aggressive regulation to limit fossil fuel extraction and use in most industries and economies; Average growth in GDP per capita in high-income countries; Shift to sustainable and less resource-intensive lifestyles, favoring regionally-produced goods; Rapid cost reductions in key technologies such as renewable energy, hydrogen and photovoltaic energy.

[§§] Reference scenarios used to define the 4 °C scenario: IPCC RCP 8.5, IPCC SSP5. In this scenario, physical risks dominate. In applying this scenario, the following input factors, limitations and assumptions were taken into account in particular: Emissions reduction policies are limited to current regulations; Continued use of fossil fuels and energy-intensive activities; High per capita GDP growth worldwide; Increased mobility – migration from poorer to richer countries; Unsustainable, energy-intensive consumption habits; More visible impacts of climate change; Significant investments in adaptation measures to protect assets, infrastructure and communities.

Impacts, risks and opportunities associated with climate change

Material topic	IRO code	Classification	TCFD category of risks and ***opportunities	Place of occurrence	Time horizon: Short term (0-1 year)	Time horizon: Medium term (0-5 years)	Time horizon: Long term (>5 years)	Description of impact, risk or opportunity
Adaptation to climate change	I1	Actual positive impacts	N/A	Own operations		•	•	ALTEO Group's gradual transition to environmentally-conscious operations, such as increasing the efficiency of fossil power plants and strict compliance with environmental regulations, contributes to the global green transition.
	R1	Potential risks	Transitional – Policies and laws	Own operations		•	•	Risk of increased operating expenses and management burden due to expanded climate change reporting requirements (1.5 °C scenario only)
	R2	Potential risks	Transitional – Technology	Own operations		•	•	Due to rising temperatures, there is a risk of reduced efficiency of solar farms as this may make the sun, as a resource, too unstable
	R3	Potential risks	Transitional – Technology	Value chain	•	•	•	More frequent and intense peak loads on the distribution network due to heat waves
	R4	Potential risks	Physical risks (acute)	Own operations		•	•	Potential infrastructural damage to wind turbines due to extreme storms and winds
	R5	Potential risks	Physical risks (chronic)	Own operations	•	•	•	Changes in resource availability can cause a reduction or disruption in production.
Climate change mitigation	I2	Actual positive impacts	N/A	Own operations	•	•	•	Use of renewable energy. (60% of the power plant capacity in the portfolio is powered by renewable energy, which accounts for 14.5% of the Group's electricity production.)
	I3	Actual negative impacts	N/A	Own operations	•	•	•	The biogas power plant in our portfolio uses renewable fuels to generate electricity, but its operations continue to emit greenhouse gases.
	I4	Actual negative impacts	N/A	Own operations	•	•	•	The portfolio also includes electricity production based on fossil fuels, which is also associated with GHG emissions.
	I5	Potential positive impacts	N/A	Own operations		•	•	ALTEO Group has set ambitious targets to reduce GHG emissions.
	R6	Potential risks	Transitional – Market-based	Own operations		•	•	The risk of an increase in the financial burden related to potential development investments (CAPEX), in particular due to the need to take into account rising CO2 prices and EU Taxonomy requirements in investment decisions.
	R7	Potential risks	Transitional – Market-based	Own operations		•	•	Risk of impairment of fossil fuel assets due to rising fuel costs as a result of the introduction of a carbon price component.
	R8	Potential risks	Transitional – Market-based	Own operations		•	•	Risk of worse perception by investors due to ESG rating deterioration if ESG risk is not properly managed
	R9	Potential risks	Transitional – Policies and laws	Own operations		•	•	More stringent financial requirements for projects with impacts and dependencies that also affect nature, that may reduce the possibility of obtaining financing and investment.
	O1	Potential opportunity	Market-based	Own operations		•	•	Increased available capital and/or reduced capital costs due to superior climate performance due to a transition to lower emission/impact technologies and superior climate performance

*** The guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) have been used as a basis for identifying our risks and opportunities related to climate change.

Material topic	IRO code	Classification	TCFD category of risks and ***oppor-tunities	Place of occurrence	Time horizon: Short term (0-1 year)	Medium term (0-5 years)	Long term (>5 years)	Description of impact, risk or opportunity
Energy	I6	Actual negative impacts	N/A	Own operations	•	•	•	The power plants in the ALTEO Group portfolio use energy to supply in-house consumption.
	I7	Actual negative impacts	N/A	Value chain		•	•	The industrial extraction of natural gas for consumption associated with ALTEO Group's operations contributes to the depletion of natural resources and causes environmental damage, affecting ecosystems, water quality and biodiversity.
	I8	Actual positive impacts	N/A	Own operations	•	•	•	The e-mobility business of ALTEO Group installs charging stations for electric vehicles, contributing to the transition away from fossil fuels by building infrastructure.
	O2	Actual opportunity	Products and services	Own operations	•	•	•	Increasing the share of renewable-dependent power plants in the portfolio can reduce dependence on fossil fuels.
	O3	Potential opportunity	Market-based	Own operations		•	•	Increase in revenue, brand value and employee motivation due to outstanding climate performance, and higher competitiveness in operations and expansion.
	O4	Potential opportunity	Reputation	Own operations		•	•	Opportunity to improve investor perception through comprehensive climate risk management and external ESG rating.
	O5	Potential opportunity	Products and services	Own operations		•	•	New business opportunities based on nature-based solutions.
	O6	Potential opportunity	Products and services	Own operations			•	Implementation of new renewable projects by retrofitting existing power plants.

Other material impacts, risks and opportunities

Material topic	IRO code	Classification	Place of occurrence	Time horizon: Short term (0-1 year)	Medium term (0-5 years)	Long term (>5 years)	Description of impact, risk or opportunity
Air pollution	I9	Actual negative impacts	Own operations	•	•	•	Production with gas engines releases nitrogen oxides (NO_x), carbon monoxide (CO) and (TOC) components into the atmosphere.
	I10	Actual negative impacts	Own operations	•	•	•	During production, nitrogen oxide and carbon monoxide are emitted into the air from boilers.
Hydropower	I11	Actual negative impacts	Own operations	•	•	•	The activities of ALTEO Group include water-intensive production methods (hydropower plants, water treatment plants).
Direct impact drivers of biodiversity loss	I12	Actual negative impacts	Value chain	•	•	•	The materials needed to build renewable power plants (such as the steel needed to build wind turbines) were used for the first time, and their mining and processing could have had a significant impact on biodiversity.
	I13	Actual positive impacts	Own operations	•	•	•	ALTEO Group's strategic goal is to invest HUF 100 million in pilot projects to support biodiversity conservation by 2025.
	I14	Actual negative impacts	Value chain			•	Pipelines used to transport natural gas have a significant spatial footprint, which can lead to habitat degradation and fragmentation throughout the life cycle of the pipelines.

Material topic	IRO code	Classification	Place of occurrence	Time horizon: Short term (0-1 year)	Medium term (0-5 years)	Long term (>5 years)	Description of impact, risk or opportunity
	I15	Actual negative impacts	Own operations	•	•	•	The head-on collision of birds and bats with wind turbine blades are fatal.
	I16	Actual negative impacts	Value chain	•	•	•	The mining of copper for wind and solar power plant components takes place in biodiversity-rich locations such as Chile, Peru, China and the Democratic Republic of Congo, where it has a significant negative impact on the environment and wildlife.
	I17	Actual negative impacts	Value chain	•	•	•	The mining of lithium, cobalt, graphite, nickel and aluminum for wind and solar power plant and battery components in the Democratic Republic of Congo (DRC) has a significant impact on the local environment and ecosystems.
Impacts on the state of species	I18	Actual negative impacts	Own operations	•	•	•	Habitat disturbance due to the construction and operation of renewable energy sources. This has an effect on habitats due to land preparation works and the presence of infrastructure, adversely affecting certain species.
	I19	Actual negative impacts	Own operations	•	•	•	Solar parks can be a disruptive factor for polarotactic insects (strongly and horizontally polarized light reflected back resembles water, where this species lays its eggs).
Impacts on ecosystem services and dependence thereon	I20	Actual negative impacts	Value chain		•	•	Natural gas infrastructure, including well pads, pipelines and other roads, often causes habitat fragmentation. This can alter wildlife habitats and migration patterns, and can also disrupt local biodiversity and the health of the affected ecosystem.
	R10	Potential risks	Own operations		•	•	Power production by hydropower plants may be at serious risk due to the loss or depletion of water resources, resulting in lost revenue.
	R11	Potential risks	Own operations		•	•	A disturbed hydrological cycle can cause reduced water flow patterns (reducing productivity and therefore profits), as well as incur substantial maintenance costs for the Company.
	R12	Potential risks	Own operations		•	•	For solar power plants, temperature fluctuations and changing solar radiation caused by climate change can reduce production and increase the maintenance costs of equipment.
Resources inflows, including resource use	I21	Actual positive impacts	Own operations	•	•	•	The Company strives for maximum efficiency in the use of primary energy, using as little of these resources as possible.
	R13	Actual risks	Own operations			•	ALTEO Group is exposed to macroeconomic risks, including the changes of natural gas prices and availability.
	O7	Actual opportunity*	Own operations		•	•	By producing secondary raw materials that can be used by industry players, we contribute to the conservation of resources, reducing the need to extract and process new raw materials.
Waste	O8	Actual opportunity*	Own operations	•	•	•	Efficient waste sorting significantly reduces the amount of waste going to landfills.
	O9	Actual opportunity*	Own operations	•	•	•	We use practices that support the circular economy, contributing to the more efficient use of resources and to minimizing waste.
Working conditions (own workforce)	I22	Actual positive impacts	Own operations	•	•	•	Compliance with workplace health and safety regulations, appropriate training, and the provision of appropriate protective equipment can reduce the risk of accidents, injuries and illnesses at work.
	I23	Actual positive impacts	Own operations	•	•	•	We ensure that our employees work in a safe and fair working environment, under transparent and lawful working conditions and benefits.

*Impact, risk or opportunity specific to FE-Group's activities.

Material topic	IRO code	Classification	Place of occurrence	Time horizon: Short term (0-1 year)	Medium term (0-5 years)	Long term (>5 years)	Description of impact, risk or opportunity
Corporate culture	I24	Actual positive impacts	Own operations	•	•	•	Our corporate culture promotes the achievement of common goals, with the Company's Code of Ethics serving as foundation. These principles and standards are an integral part of our operation, and they help us to create and maintain a healthy corporate culture.
	O10	Actual opportunity	Own operations	•	•	•	Strengthening corporate culture can improve employee engagement, morale and productivity, and fosters a more cohesive and motivated workforce.
	O11	Potential opportunity	Own operations	•	•	•	Investing in diversity and inclusive corporate culture initiatives facilitates innovation and collaboration, attracting talent with varying perspectives and a wide range of backgrounds.
Corruption and bribery	I25	Potential negative impacts	Own operations	•	•	•	Possible corruption and bribery cases may have a potential negative impact, so to prevent them we follow a zero-tolerance policy towards corruption and bribery to maintain the integrity, credibility and legal compliance of the Company, protecting it from financial loss, regulatory fines and reputational damage.
	I26	Potential negative impacts	Own operations	•	•	•	Possible corruption and bribery cases may have a potential negative impact, so strict control of conflicts of interest is a priority, and all employees and business partners are required to deliver conflict of interest declarations.
	R14	Potential risk	Own operations	•	•	•	By focusing on fairness, transparency and ethical behavior, the Company can enhance its reputation as a trustworthy and credible partner in the industry. A breach of this may pose a potential risk
	R15	Potential risk	Own operations	•	•	•	Clear policies, procedures and control mechanisms help to detect and prevent corruption, safeguarding the Company's operations and reputation. A breach of this may pose a potential risk.
Management of relationships with suppliers, including payment practices	O14	Actual opportunity	Own operations	•	•	•	By screening suppliers for compliance with standards, environmental regulations and ethical business practices, the Company can reduce the risk of working with unethical or unreliable partners, and at the same time it can demonstrate its commitment to responsible procurement, thereby ensuring business continuity and enabling associated revenue growth.
Protection of whistleblowers	R16	Potential risk	Own operations	•	•	•	The lack of effective whistleblowing mechanisms may contribute the culture of fear and distrust within the organization. Unresolved grievances may become legal disputes or cause damage by becoming media news..
	R17	Potential risk	Own operations	•	•	•	The inadequate protection of whistleblowers may discourage employees from reporting infringements, like fraud, breach of security or unethical practices. This may prevent the organization from dealing with issues that are critical for it, and this in turn may lead to non-compliance and damage to reputation..
	R18	Potential risk	Own operations	•	•	•	Inadequate investigations by the Company into reported concerns may result in maintaining the risk of legal or regulatory infringements and that of damage to reputation. .

ESRS sustainability questions in the form of yes-no statements	
The impact materiality assessment focuses on specific activities, business relationships, geographic areas or other factors that pose an increased risk of adverse impacts.	yes
It takes into account the impacts that the Company is involved in through its own operations or through its business relationships.	yes
The process includes consultation with relevant stakeholders to understand how they may be affected by the activity, and consultation with external experts.	yes
The procedure prioritizes negative impacts based on their relative severity and likelihood, and positive impacts based on their relative scale, scope and likelihood, and identifies which sustainability issues are material for reporting.	yes
The Company has conducted an assessment to identify its assets and business activities that may be exposed to climate-related hazards	yes
Climate-related risks have been identified over short, medium and long time horizons	yes
Short, medium and long-term time horizons have been defined	yes
The extent to which assets and business activities may be exposed and vulnerable to identified climate-related risks has been assessed	yes
The identification of climate risks and the assessment of exposure and vulnerability are based on high-emission climate scenarios	yes
Transition risks have been identified over short, medium and long time horizons	yes
The Company has conducted an assessment to establish whether assets and business activities may be exposed to transition risks	yes
The extent to which assets and business activities may be exposed and vulnerable to identified transition events has been assessed	yes
The identification of and assessment of exposure to transition risks was based on climate scenario analyses	yes
The assets and business activities that are not compatible or require significant effort to be compatible with the transition to a climate-neutral economy have been identified	no

Disclosure requirements in ESRS covered by the undertaking's sustainability statements

[IRO-2]

The material information to be disclosed on the impacts, risks and opportunities that ALTEO Group considers material has been identified by the working group responsible for the preparation of the report. The decision was based on a double materiality assessment prior to the drafting of the Sustainability Report. In the course of the double materiality assessment, a topic deemed material either from an environmental or a financial perspective, or both, is considered a material topic.

For the thresholds, the working group defined the materiality thresholds and presented them in the documentation when the final DMA results were approved. The materiality of impacts, risks and opportunities was assessed using a numerical scale of 25 levels. All impacts, risks and opportunities that have a value of 17 or more are considered material. For impacts, risks and opportunities with an assessment around the threshold, the preliminary assessment was confirmed or revised in further consultation and the final substantive list of material topics was established and is included in the report.

Material topics were assessed at sub-topic level and all datapoints relevant to the Company were included. The relevance of datapoints was assessed based on several criteria: firstly, whether the Company had data. If not, and deferral is applicable, it has been applied in accordance with Annex C. Furthermore, the materiality of the sub-topics provided the basis for determining which information to present. For example, the topic of pollution is material because of air pollution, and therefore datapoints related to air pollution were published, while those related to water pollution were not, as they are not relevant for ALTEO Group.

ALTEO Group did not apply any threshold values for its subsidiaries, the number of employees, but it had drawn up its report in respect of all its companies.

ESRS disclosure requirements in the Company's sustainability statement

[IRO-2]

ESRS 2 – General Disclosures

Topic		Page number
1. Introduction		**1**
	Presentation of ALTEO Group: strategy, business model and value chain	1
2. Principles of preparation		**1**
BP-1	General basis for the preparation of the Sustainability Report	1
BP-2	Disclosures in relation to specific circumstances	1
3. Governance		**2**
GOV-1 **GOV-2**	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	2
GOV-3	Integration of sustainability-related performance in incentive schemes	6
GOV-4	Statement on due diligence	8
GOV-5	Risk management and internal controls of sustainability reporting	8
4. Strategy		**9**
SBM-1	Strategy	9
SBM-2	Interests and views of stakeholders	18
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	19
5. Management of impacts, risks and opportunities		**22**
IRO-1	Description of processes to identify and assess material impacts, risks and opportunities	22
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statements	28
	List of datapoints in cross-cutting and topical standards that derive from other EU laws	81

"E": Environmental topics

Topic	Page number
EU taxonomy report	**32**

ESRS E1 – Climate change

Topic		Page number
Strategy		**45**
ESRS 2 **GOV-3.-E1**	Integration of sustainability-related performance in incentive schemes	6
E1-1	Transition plan for climate change mitigation	45
ESRS 2 **SBM-3.-E1**	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	19
Impact, risk and opportunity management		**45**
ESRS 2 **IRO-1.-E1**	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	45
E1-2	Policies related to climate change mitigation and adaptation	45
E1-3	Actions and resources related to climate change policies	45
Metrics and targets		**46**
E1-4	Goals related to climate change mitigation and adaptation	46
E1-5	Energy consumption and mix	48
E1-6	Scopes 1, 2, 3 gross and total GHG emissions	51
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	55
E1-9	Expected financial impacts of material physical and transition risks, and potential climate-related opportunities	55

ESRS E2 – Pollution

Topic		Page number
Impact, risk and opportunity management		**58**
ESRS 2 IRO-1.-E2	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	58
E2-1	Policies related to pollution	58
E2-2	Actions and resources related to pollution	59
E2-3	Targets related to pollution	59
Metrics and targets		**59**
E2-4	Air pollution	59

ESRS E3 – Water and marine resources

Topic		Page number
Impact, risk and opportunity management		**60**
ESRS 2 IRO-1.-E3	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	60
E3-1	Policies related to water and marine resources	60
E3-2	Actions and resources related to water and marine resources	61
Metrics and targets		**61**
E3-3	Targets related to water and marine resources	61
E3-4	Water consumption	61

ESRS E4 – Biodiversity and ecosystems

Topic		Page number
Strategy		**62**
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	62
ESRS 2 IRO-1.-E4	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	62
Impact, risk and opportunity management		**62**
E4-2	Policies related to biodiversity and ecosystems	62
Metrics and targets		**63**
E4-4	Targets related to biodiversity and ecosystems	63
E4-5	Impact metrics related to biodiversity and ecosystems change	63

ESRS E5 – Resource use and circular economy

Topic		Page number
Impact, risk and opportunity management		63
ESRS 2 IRO-1.-E5	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	63
E5-1	Policies related to resource use and circular economy	63
E5-2	Actions and resources related to resource use and circular economy	63
FeGr1	Waste management activities for FE-GROUP	63
ALTEO1	Waste management within ALTEO Group	64
Metrics and targets		63
E5-3	Targets related to resource use and circular economy	64
E5-5	Resource outflows	63
E5-6	Expected financial effects of resource use and circular economy-related impacts, risks and opportunities	The undertaking may omit the information

		prescribed in the disclosure requirement E5-6 for the year in which its sustainability statement is first prepared.

"S": Social topics – Corporate social responsibility

2 ENVIRONMENT

2.1 EU taxonomy report

Introduction

With the adoption of the **EU Taxonomy Regulation**[‡‡‡] in 2020, large companies will be required to disclose the extent to which their activities are considered sustainable from 2023 onwards. Activities that are considered sustainable, i.e. “taxonomy-aligned” and “eligible” within the meaning in which it is used by the law, must be defined according to the classification system of the EU Taxonomy Regulation (or its delegated regulations). Article 3 of Regulation (EU) 2020/852 defines the criteria by which an economic activity can be considered sustainable:

- contributes substantially to one of the six environmental objectives,
- complies with the technical screening criteria (TSC) for the activities,
- it does no significant harm (DNSH) with regard to any of the other five objectives,
- it complies with the Minimum Social Safeguards required (MSS).

If the activity meets the above criteria, it is considered “taxonomy-aligned". We also examined the reporting elements of the Commission Delegated Regulation (EU) 2022/1214 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities and concluded that there is no added value yet in supplementing our report with these content elements because ALTEO Group does not carry out activities related to nuclear energy production, and in the case of fossil fuel operated power plants, life-cycle emissions are not yet close to the values specified in the additional regulation.

Taxonomy alignment needs to be examined, as the first step, in terms of a significant contribution to the six environmental objectives set out in EU Taxonomy: (1) climate change mitigation; (2) adaptation to climate change; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy; (5) prevention and reduction of environmental pollution; and (6) protection and restoration of biodiversity and ecosystems, with regard to the economic activities relevant for the companies. Significant contribution must be examined regarding an environmental objective, based on so-called Technical Screening Criteria (TSC). In order for an economic activity to be taxonomy-aligned, it must meet the TSC criteria as well as the criteria of “Do No Significant Harm” (DNSH) and Minimum Social Safeguards (MSS) as well.

Pursuant to the EU Taxonomy Regulation and the relevant disclosure rules[§§§], undertakings are required to disclose their revenues from taxonomy-eligible and taxonomy-aligned activities as well as the CapEx and OpEx ratios. While in 2022 the examination of the criteria[****] and the disclosure of revenue, CapEx and OpEx indicators were required only in case of economic activities contributing substantially to (1) climate change mitigation or (2) climate change adaptation, pursuant to the Commission delegated Regulation (EU) 2023/2486[††††], published in November 2023 and effective from January 1, 2024, the criteria for taxonomy eligibility need to be examined and the relevant revenues, CapEx and OpEx figures disclosed with regard to the other four environmental objectives as well. For 2023 the new rules only require the examination of taxonomy eligibility. The affected undertakings may voluntarily decided on examining taxonomy alignment, and on the disclosure of the relevant financial indicators.

General methodology regarding the financial year 2024

For 2024, taking into account the publication of the delegated environmental regulation, ALTEO Group examined and identified its economic activities that may potentially be regarded as sustainable for each environmental objective and examined taxonomy-alignment regarding the activities identified. In accordance with the 2024 disclosure requirements of the EU Taxonomy Regulation, we have calculated the proportion of our Company’s taxonomy-aligned activities in terms of the revenues and all of the Company’s activities as well as our CapEx and OpEx expenditures.

[‡‡‡] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 – https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020R0852

[§§§] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 specifying the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178

[****] The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139

[††††] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Identification of taxonomy-eligible activities*

In the course of identifying the taxonomy-eligible activities of ALTEO Group, the company took into consideration the eligibility criteria set out in the delegated regulations of the Taxonomy regulation as well as the so-called NACE codes specified for the each activity deemed sustainable. The assessment covered the activities of all subsidiaries of the ALTEO Group.

Examination of taxonomy-aligned activities

For the financial year 2024, ALTEO Group examined the taxonomy-alignment of the climate change related objective and also, on a voluntary basis, of the other four objectives.

Taxonomy-eligible activities were examined for their alignment in three steps. First, we looked at compliance with the Technical Screening Criteria (TSC) specified in the relevant delegated regulations for each activity, that is, the environmental objectives to which the economic activities of ALTEO Group contribute. Then, if the TSC criteria were satisfied, we examined whether the activities comply with the DNSH criteria, and finally we also checked compliance with the Minimum Social Safeguards regarding each activity.

Examination of the satisfaction of the Technical Screening Criteria (TSC)

The Technical Screening Criteria specify the conditions that need to be met for any given economic activity to substantially contribute to the achievement of one of the six environmental objectives specified in the Taxonomy Regulation. Satisfaction of the Technical Screening Criteria was examined based on the technical documentation of projects relevant for each activity. Where more than one environmental objective was relevant for an economic activity, the materiality of the contribution determined the environmental objective for which the TSC criteria would be assessed.

Examination of Do No Significant Harm (DNSH)

Climate change mitigation

In the financial year 2024 the examination of the climate change mitigation criterion was not relevant regarding EU Taxonomy-aligned activities.

Climate change adaptation

The adaptation-related DNSH criteria are set out in Annex A for all delegated regulations. A detailed assessment was carried out to support the compliance of the activities, its methodology having been improved since the previous year. Annex A screening (i.e. compliance with climate change adaptation requirements) covered all sites of all eligible activities.

This year, the assessment of climate risks and the sensitivity of activities relied on the two climate change scenarios specified by the IPCC. The IPCC RCP 4 climate model envisages a global average temperature increase path of 2.5 °C before 2100, while the RCP 8.5 climate model foresees a 4.3 °C increase; these differences may entail different risk levels and sensitivities with regard to the activities.

In the climate risk assessment, we used the long-term climate change forecasts of the IPCC (Intergovernmental Panel on Climate Change) and the EEA (European Environment Agency) as our sources. In addition, the European Climate Adaptation Platform (Climate-ADAPT) database was used to select the relevant climate risks. We have considered all relevant key future climate risks that are relevant in Hungary according to the Climate-ADAPT database. Wherever possible, we also examined risks, and the sensitivity of the identified economic activities from a regional aspect based on the sources of the National Adaptation Geo-information System (NAGiS).

Based on the climate risk assessments performed in the financial year 2024, we identified no long-term physical climate risks that would necessitate the identification of adaptation solutions due to their significance.

Sustainable use and protection of water and marine resources

During the assessment of compliance with Annex B of the delegated regulations, we relied on technical documentation, and operating and environmental permits.

*EU Taxonomy Report for 2023 is available on the webpage of ALTEO

Transition to a circular economy

In the case of transition to a circular economy, the waste management services related to the activities are not yet available in Hungary (material recovery of solar power plant and wind turbine accessories), but progress is expected to be made in this regard by the expected date of replacement of the technical equipment used. In view of the present abandonment and technological replacement plans and operating procedures, the relevant activities comply with the DNSH requirements regarding transition to a circular economy. Until proper material recovery is ensured in our country, we will ensure storage of the disassembled components in the appropriate manner.

Prevention and reduction of environmental pollution

During the verification of compliance with Annex C of the delegated regulations, we relied on operating and environmental permits.

Protection and restoration of biodiversity and ecosystems

During the assessment of compliance with Annex D of the delegated regulations, we relied on operating and environmental permits.

Assessment of compliance with Minimum Social Safeguards (MSS)

ALTEO Group is committed to respecting human rights and complies with the Minimum Social Safeguards, the World Benchmark Alliance UNGP key indicators required for the protection of human rights, the UN Business and Human Rights guidelines and the OECD guidelines for multinational enterprises.

ALTEO Group is a listed company with a strict corporate governance system that ensures compliance with the requirements related to human rights, corruption, taxation and competition law stipulated in the guidelines related to minimum social safeguards.

For the preparation of the EU taxonomy report we also looked at compliance with MSS criteria on the group level and assessed the MSS risks of each activity. The ALTEO Group meets all criteria at the enterprise level and no MSS risk was identified for any of its activities subject to the Taxonomy. Further relevant information related to MSS at company level is available in ALTEO Group's Code of Ethics, the compliance-related chapters of the Integrated Report and in corporate disclosures.

Sales revenues from taxonomy-eligible and taxonomy-aligned activities

Taxonomy-aligned activities

The proportion of the sales revenue from taxonomy-aligned and taxonomy-eligible activities was quantified by taking into account the net revenue from products or services, including from intangible assets. For electricity generation activities, sales revenue is determined based on the method of generation. The proportion of taxonomy-aligned sales revenue was calculated based on the electricity sold to MAVIR and the guarantee of origin sold to third parties in the case of activities related to electricity generation. Activities related to the installation of charging stations for electric vehicles and to waste management are performed within a separate company in the ALTEO Group, consequently sales revenue figures for those activities are available at those companies.

Activities relating the environmental objective of climate change mitigation[‡‡‡‡]

- 4.1 Electricity generation using solar photovoltaic technology: Revenue from the sale of electricity generated by the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Revenue from the sale of electricity generated by the wind turbines of the ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja, Pápakovácsi, Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Revenue from the sale of electricity generated by the hydropower plants operated by the ALTEO Group in Felsődobsza and Gibárt.
- 4.10 Storage of electricity: Electricity, revenue from the energy storage activity at the Füredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant of the ALTEO Group using lithium-ion technology.
- 5.10 Landfill gas capture and utilization: Revenue from the sale of electricity produced from landfill gas generated at a landfill site in Debrecen by the small-scale power plants Debrecen I and Debrecen II.

[‡‡‡‡] The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139

- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings: Revenue from the use of charging stations for electric cars owned by ALTE-Go.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Revenue from the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

Activities in compliance with the environmental objective of transition to a circular economy[§§§§]

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned revenue was calculated based on the ratio of vehicles conforming to the EURO V or EURO VI standards.

Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡‡]

- 4.8 Electricity generation from bioenergy: revenue from the sale of electricity generated by the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO Group.

Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§§]

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-eligible revenue was calculated based on the ratio of vehicles conforming to the EURO IV or EURO III standards.
- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

CapEx ratio of taxonomy-eligible and taxonomy-aligned activities

In the case of taxonomy-aligned and eligible activities, direct CapEx costs specified in the Taxonomy Regulation were taken into account, which does not include the costs of central management activities and maintenance of central office buildings. The CAPEX costs of taxonomy-eligible activities include costs relating to the procurement and leasing of properties, machinery, equipment and intangible assets.

Activities aligned to the environmental objective of climate change mitigation[‡‡‡‡]

- 4.1 Electricity generation using solar photovoltaic technology: Capital expenditure relating to the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Capital expenditure relating to the wind turbines of the ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi, and the capital expenditure related to the acquisition of wind turbines in Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Capital expenditure relating to the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 5.10 Landfill gas capture and utilization: Capital expenditure related to ALTEO Group's small-scale power plants Debrecen I and Debrecen II.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and at parking spaces belonging to buildings): Capital expenditure relating to the installation of ALTE-GO's charging stations for electric vehicles.

Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡‡]

- 4.8 Electricity generation from bioenergy: capital expenditure relating to the Nagykőrös biogas plant owned by Energigas
- 4.29 Electricity generation from fossil gaseous fuels: Capital expenditure relating to the electricity generation of natural gas powered and cogeneration plants operated by ALTEO Group.

[§§§§] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

<u>Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§§]</u>

- 2.7 Sorting and material recovery of non-hazardous waste: Capital expenditure relating to the sorting of non-hazardous waste collected by FE-GROUP.

OpEx ratio of taxonomy-eligible and taxonomy-aligned activities

Pursuant to the delegated regulation on disclosure, the following elements may be included in the operating expenditures of taxonomy-eligible and taxonomy-aligned activities: costs related to assets or processes (including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development); capital expenditures to expand taxonomy-aligned economic activities or allow taxonomy-eligible economic activities to become taxonomy-aligned; and expenditures relating to individual measures enabling aligned activities to become low-carbon or to lead to greenhouse gas reductions.

In the case of electricity generation, the direct costs of the relevant power plants were taken into account, including primarily, but not exclusively, costs related to operation and scheduling, potential insurer revenues and non-income tax type charges. Activities related to the installation of charging stations for electric vehicles are performed by a separate company within the ALTEO Group; consequently, the cost statements of the company are available.

<u>Activities aligned to the environmental objective of climate change mitigation[‡‡‡‡]</u>

- 4.1 Electricity generation using solar photovoltaic technology: Expenditure relating to the operation of the solar power plants of ALTEO Group in Monor, Nagykőrös, Balatonberény, Domaszék and Tereske.
- 4.3 Electricity generation from wind power: Expenditure relating to the operation of the wind turbines of ALTEO Group near Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja, Pápakovácsi, Levél and Mosonszolnok.
- 4.5 Electricity generation from hydropower: Expenditure relating to the operation of the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 4.10 Storage of electricity: Operating expenditure relating to the energy storage activity at the Füredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant of the ALTEO Group using lithium-ion technology.
- 5.10 Landfill gas capture and utilization: Expenditure relating to the operation of the small-scale power plants Debrecen I and Debrecen II.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and at parking spaces belonging to buildings): Operating expenditure relating to the installation, maintenance and repair of ALTE-GO's charging stations for electric vehicles.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Operating expenditure relating to the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

<u>Activities aligned to the environmental objective of transition to a circular economy[§§§§]</u>

- 2.3 Collection at source and transport of non-hazardous and hazardous waste in separate fractions: Operating expenditures of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned OpEx indicator was calculated based on the applicable ratio.

<u>Activities eligible but not aligned with the environmental objective of climate change mitigation[‡‡‡‡]</u>

- 4.8 Electricity generation from bioenergy: operating expenditure relating to the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO Group.

<u>Activities eligible but not aligned with the environmental objective of transition to a circular economy[§§§§]</u>

- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

TABLE 1: PROPORTION OF REVENUE FROM PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[17]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of revenue (3)	Ratio of revenue, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	1.596	1.5	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	4.033	3.8	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	488	0.5	100							I.	I.			I.	I.	T	
Storage of electricity	4.10 (Annex I) / NA	1.494	1.4	100							I.	I.	I.		I.	I.		E
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	127	0.1	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	147	0.1	100							I.					I.		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	0	0.0	100							I.					I.		E
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	1.082	1.0				41.7				I.	I.		I.		I.	T	
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1.)		8.967	8.5															
Of which: transitional		7.326	6.9														T	
Of which: enabling		1.641	1.6															E

[17] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of revenue (3)	Ratio of revenue, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities)																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	671	0.6	I.													0.6	
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	13.017	12.3	I.													21.3	
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	1.515	1.4				I.										0.4	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	2.931	2.8				I.										2.4	
Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		18.134	17.2														24.7	
A: Sales revenues from taxonomy-eligible activities (A.1+A.2.)		27.101	25.7															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Sales revenues from taxonomy-non-eligible activities		78.288	74.3															
Total (A+B)		105.389	100															

RATIO OF REVENUE / TOTAL REVENUE

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	7.5%	13.0%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	1.0%	4.2%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 2: PROPORTION OF CAPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[18]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of CapEx (3)	Ratio of CapEx, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	1.953	8.7	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	8.693	38.9	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	130	0.6	100							I.	I.			I.	I.	T	
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	131	0,6	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	9	0.0	100							I.							E
CapEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		10.916	48.9															
Of which: transitional		10.907	48.9														T	
Of which: enabling		9	0															E

[18] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of CapEx (3)	Ratio of CapEx, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	21	0.1	I.														
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	7.757	34.7	I.													NA	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	531	2.4				I.										NA	
CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		8.309	37.2														0	
A: CapEx of taxonomy-eligible activities (A.1+A.2.)		19.225	86.1															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
CapEx of taxonomy-non-eligible activities		3.099	13.9															
Total (A+B)		22.324	100															

RATIO OF CAPEX / TOTAL CAPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	48.9%	35.4%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	2.4%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 3: PROPORTION OF OPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2024[19]

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of OpEx (3)	OpEx ratio, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	256	0.3	100							I.		I.		I.	I.	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	1.278	1.6	100							I.	I.	I.		I.	I.	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	173	0.2	100							I.	I.			I.	I.	T	
Storage of electricity	4.10 (Annex I) / NA	47	0.1	100							I.	I.	I.		I.	I.		E
Landfill gas capture and utilization	5.10 (Annex I) / E38.2.1.	161	0.2	100							I.			I.	I.	I.	T	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	257	0.3	100							I.					I.		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	0	0	100							I.					I.		E
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	571	0.7				41.7				I.	I.		I.		I.	T	
OpEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		2.743	3.4															
Of which: transitional		2.439	3.0														T	
Of which: enabling		304	0.4															E

[19] Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

Financial year 2024				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of OpEx (3)	OpEx ratio, 2024 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	T	E
A.2. OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities																		
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N									
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	794	1.0	I.													NA	
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	9,632	12.0	I.													NA	
Collection and transportation of non-hazardous and hazardous waste	2.3 (Annex II) / E38.1.1	800	1.0				I.										NA	
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.3.2.	2,292	2.8				I.										NA	
OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		13,518	16.8															
A: OpEx of taxonomy-eligible activities (A.1+A.2.)		16,261	20.2															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of taxonomy-non-eligible activities		64,231	79.8															
Total (A+B)		80,492	100															

OPEX RATIO / TOTAL OPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	2.7%	13.0%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0.7%	3.8%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 4: ACTIVITIES RELATING TO NUCLEAR ENERGY AND FOSSIL GAS[20]

Line	Activities relating to nuclear energy	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of cogeneration heat/cooling energy and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cooling energy using fossil gaseous fuels.	YES

TABLE 5: TAXONOMY-ELIGIBLE BUT TAXONOMY-NON-ALIGNED ECONOMIC ACTIVITIES

Line	Economic activity	Revenue		CapEx		OpEx	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
2.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
3.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
4.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139	13,017	12.3	7,757	34.7	9,632	12.0x
5.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139						

[20] Pursuant to Annex III to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214

Line	Economic activity	Revenue		CapEx		OpEx	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		Amount	%	Amount	%	Amount	%
6.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities not mentioned in lines 1 to 6						
8.	Amount and proportion in the denominator of the applicable KPI pf taxonomy-eligible but not taxonomy-aligned economic activities	18,134	17.2	8,309	37.2	13,518	16.8

Line	Economic activity	Amount	Percentage
1.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 1 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
2.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 2 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
3.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 3 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
4.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 4 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
5.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 5 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
6.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 6 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-non-eligible economic activities not mentioned in lines 1 to 6		
8.	Amount and proportion in the denominator of the applicable KPI pf taxonomy-non-eligible economic activities		

2.2 Climate change

Transition plan for climate change mitigation

[E1-1]

ALTEO Group does not currently have a transition plan for climate change mitigation, it will be drawn up in 2025.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

[E1 IRO-1]

In preparing this report, the Company assessed its exposure and sensitivity to climate change risks (including physical and transition risks) for all its assets and business activities, taking into account their likelihood, magnitude and duration, as well as the 1.5 °C scenario and the high-emission climate scenario. The exposure of assets and activities is described in detail in the chapter on disclosure requirement E1-9, which includes gross physical and transition risks and transition opportunities. The Company uses climate scenario analysis as a strategic tool to identify and assess risks and opportunities in the short, medium and long term.

Policies related to climate change mitigation and adaptation

[E1-2]

The energy industry, and thus ALTEO Group, has a major role in managing the global problem of climate change. That is why we are prioritizing climate change mitigation, including, among other things, by reducing the use of fossil fuels, increasing the share of renewables and promoting decarbonization. [E1-2 22] Our related strategic targets and results for the current year are reported under disclosure SBM-1. Adapting to climate change is a priority for the Company, and we are taking great care to increase the efficiency of our fossil power plants and strictly comply with environmental regulations.

ALTEO Group is committed to Hungary's renewable energy production and to achieving climate neutrality by 2050. Our strategy and business model reflect this commitment, with innovation and sustainability at its core. The Integrated Management Policy is the fundamental document of the Integrated Management System, in which the Company's management commits itself to providing quality services, ensuring safe work environment, energy efficiency, the protection of environment, and sustainability. Our Integrated Management Policy applies to all ALTEO Group activities, including the entire value chain of the energy industry. By integrating quality management, environmental management, occupational health and safety and energy management systems, the Integrated Management System (IMS) can operate in compliance with international standards. This also ensures compliance with current laws and stakeholder expectations. The Executive Board is responsible for the operation of the IMS. Through its activities, ALTEO Group serves sustainability, mitigation and adaptation, as well as energy efficiency and the use of renewable energy. For more information, see Chapter 4.1 *Integrated Management System*.

Our portfolio consists of 26 power plant units (both own and operated), which have a total generation capacity of 323.3 MW of electricity and 1053.0 MW of heat. 60% of the power plants in our portfolio are fueled by renewable energy. ALTEO Group's efficiency, controllability and central supervision is ensured by the Virtual Power Plant.

ALTEO Group pays particular attention to the continuous improvement of energy efficiency, in line with the objective set in the Integrated Management Policy. In this context, we implement investment projects to achieve various energy efficiency targets, support the education and training of the next generation of employees and raise the awareness of the future generation in this regard.

Actions and resources related to climate change policies

[E1-3]

ALTEO Group's strategic objectives focus on the use of renewable energy sources in energy production, including wind turbines, solar-powered systems, hydropower plants, as well as biogas and landfill gas technologies.

ALTEO Group does not currently have a transition plan for climate change mitigation, thus the decarbonization assets and the related CapEx and OpEx have not been defined. Our aim is to develop a transition plan for climate change mitigation by 2025, which will contribute significantly on a Group level to ALTEO Group's objective of achieving carbon neutrality as set out in its strategy for 2025-2030.

Our priority measure is the operation of continuous emission measurement systems with high availability and compliance with daily limits to ensure regulatory compliance, reduce environmental load and improve operational efficiency. The measure applies to the relevant sites on a Group level.

In 2024, we have managed to generate 166.5 GWh of electricity from renewable energy sources. [E1-3 29.a)] ALTEO Group is a pioneer in the Hungarian energy market in the scheduling of renewable power plants, which provides the opportunity to operate the existing renewable energy generation capacities with the highest possible efficiency.

No expected GHG emission figures have been defined for actions and, therefore, there is no data on this, nor do we have specific data on the GHG emission reductions achieved with the scheduling of renewable energy plants. We are currently exploring the possibilities for a calculation method to credibly report our figures related to non-emission in the future.

The implementation of actions depends largely on the availability and appropriate distribution of resources. The availability of human resources to build new renewable power plants is essential, as is the availability of technology. For example, wind turbines can have a wait time of several years due to the length of the manufacturing process, while solar panels require rare earth elements, which also limit the availability of resources. In addition, adequate green loans need to be available to secure financing for renewable energy projects.

Highly skilled professionals are needed to provide scheduling services of appropriate quality, and this may be hampered by the expansion of the market.

Together, these factors determine the success and effectiveness of actions and the achievement of long-term goals. In response to these challenges, our Company is constantly looking for ways to make the best use of its resources.

Goals related to climate change mitigation and adaptation

[E1-4]

As a responsible company, ALTEO Group has a comprehensive sustainability strategy, which includes strategic goals, specific actions and metrics to monitor them. Our sustainability strategy is available on our website.

Mitigating climate change is at the heart of our corporate policies. To this end, ALTEO Group is actively working towards our sustainability goals. Based on our goals to reduce our carbon footprint, we aim to reduce our direct Scope 1 emissions by at least 20%, our indirect Scope 2 emissions by 30% and our other indirect Scope 3 emissions by 50% by 2030. We are also using our natural gas-fired power plants to compensate for the fluctuations of renewable energy sources, stabilizing the electricity system and supporting the more extensive integration of renewables.

GHG EMISSION REDUCTION TARGETS

GHG emission reduction targets	Targets in absolute value	Base year	Target year	Target for 2030	Target for 2050
Scope 1	50%	2019	2050	20%	100%
Scope 2	75%	2019	2050	30%	100%
Scope 3	100%	2021	2050	50%	100%

ESRS sustainability questions in the form of yes-no statements	
Greenhouse gas (GHG) emission reduction targets have been set.	yes
The target is set on the basis of the sectoral decarbonization path.	no
The goal to reduce greenhouse gas emissions is scientifically sound and consistent with limiting global warming to 1.5 degrees Celsius.	no
The goal has been validated by an external party.	no
Stakeholders were involved in the target setting process.	no
Progress is in line with original plans.	no
New technologies are going to be introduced to meet the goal of reducing greenhouse gas emissions.	no
A number of different climate scenarios were considered to identify relevant environmental, social, technological, market and regulatory developments and to identify decarbonization assets.	yes

We have set further ambitious targets for 2050: the transition of ALTEO Group to net zero operations. Achieving these targets will contribute to meeting the European Union's net zero emissions targets. Apart from these targets, we did not consider it necessary to set any further intermediate targets and milestones, and therefore they are not relevant for the Company. Our Scope 2 greenhouse gas emission reduction target is set on a location basis.

In addition, we plan to achieve a 25% reduction in NO_x (nitrogen oxides) emissions by 2030, which will contribute significantly to improving air quality and to reducing health risks. To increase the use of renewable energy sources, we aim to increase the share of our renewable production management business from 15% to 25% by 2025. This is a key step towards increasing the share of sustainable energy production.

In the spirit of transparency, we prepare an annual report on the total amount invested in renewables and the volume of energy produced from renewables. This report provides an opportunity for stakeholders and partners to monitor our progress and commitment to achieving sustainability goals.

These steps are proof that our Company is determined to reduce GHG emissions, while continuing to develop sustainable energy solutions that help us achieve our environmental and economic goals.

Information related to the definition of targets

In order to ensure consistency between greenhouse gas (GHG) emission reduction targets and GHG inventory limits, our Company applies the GHG Protocol standard.

There is no information on the past progress towards the targets from before the current base year. The baseline remains representative as our activities have not changed significantly since 2023.

In 2023, ALTEO explored the possibility of setting science-based (SBTi) GHG emission reduction targets to meet the goal of limiting global warming to 1.5 degrees Celsius. However, due to the limited technological, financial and economic information available, this process is only planned to be introduced at a later stage. We continuously monitor the viability of that objective.

Climate risks have been assessed in terms of the impact on the Company's financial position and the achievement of strategic goals, in line with the Company's existing ERM (risk analysis) methodology. We considered 2 climate scenarios[21] (1.5 °C and 4 °C warming paths), for which we assessed the relevant risks over 3 time horizons: short (2025), medium (2030) and long (2050, trend assessment only). Currently, a qualitative assessment of risks has been carried out, and a quantitative climate risk assessment is a task to be carried out in the coming years.

Currently, ALTEO Group does not have any decarbonization assets. We, therefore, have no information in this regard. However, we intend to explore further strategies and assets that can contribute to reducing emissions through decarbonization in the future.

ALTEO-2

[E1-4] One of the important performance indicators for our strategic goal to increase the share of renewable energy production capacity is the total amount invested in renewables and the volume of energy produced from renewables.

Increasing the share of renewable energy production capacity is an important performance indicator for ALTEO Group's strategic goals. The indicators used to measure this include the amount invested in renewables and the volume of energy produced from renewables. In line with EU Taxonomy guidelines, the value of CAPEX spent to increase the share of renewable energy production capacity of the portfolio of ALTEO Group is used to generate the indicator. We consider activities such as electricity generation from wind, hydro and solar energy, and landfill gas separation and utilization. This allows us to calculate the total amount invested in renewable energy.

INDICATORS FOR OUR STRATEGIC OBJECTIVE TO INCREASE THE SHARE OF RENEWABLES-BASED ENERGY PRODUCTION CAPACITY

[E1-3]

	2024
Total amount invested in renewable energy – CapEx [HUF million]	10,907
Volume of energy produced from own renewables [GJ]	599,484

[21] Reference scenarios used to define the 1.5 °C scenario: IPCC RCP 2.6, IPCC SSP1, NDCs (EU). Reference scenarios used to define the 4 °C scenario: IPCC RCP 8.5, IPCC SSP5.

Energy consumption and mix

[E1-5]

ALTEO Group Energy consumption and mix

	Unit of measurement	2024
Total energy consumption related to own operations	MWh	4,047,926
Total energy consumption from fossil sources	MWh	3,986,414
Total energy consumption from nuclear sources	MWh	10,368
Share of energy consumption from nuclear sources in total energy consumption	MWh	0.26%
Total energy consumption from renewable sources	MWh	50,675
Fuel consumption from renewable sources	MWh	42,669
Consumption of purchased or procured electricity, heat, steam, and cooling from renewable sources	MWh	4,096
Consumption of self-generated non-fuel renewable energy	MWh	3,910
Share of renewable energy sources in total energy consumption	%	1.25%
For high climate impact sectors		
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products	MWh	2,926
Fuel consumption from natural gas	MWh	3,640,565
Fuel consumption from other fossil sources	MWh	328,747
Consumption of purchased or procured electricity, heat, steam, and cooling from fossil sources	MWh	17,101
Total fossil energy consumption	%	98.48%

Energy production

	Unit of measurement	2024
Non-renewable energy production	MWh	3374873.11
Renewable energy production	MWh	166523.25

ENERGY INTENSITY OF ACTIVITIES IN HIGH CLIMATE IMPACT SECTORS

FOR HIGH CLIMATE IMPACT SECTORS

[E1-5]

	Unit of measurement	2024
Energy intensity of activities in high climate impact sectors (total energy consumption per net revenue)	MWh/HUF million	38.40
Total energy consumption of activities in high climate impact sectors	MWh	4,047,926
Net revenue from activities in high climate impact sectors	HUF million	105.389
Net revenues from activities outside high climate impact sectors	HUF million	0

High climate impact sectors used to determine energy intensity for 2024 are: Energy production, energy trading, e-mobility, energy business and energy services, production management services, waste management.

ALTEO Group's net revenue in the current year amounted to HUF 105,389 million.

The net revenues from high climate impact sectors have been determined by classifying the core activities of subsidiaries and parent companies within ALTEO Group according to NACE code. The sales revenue figures shown are the same as those in the Financial Report.

FE-GROUP ENERGY CONSUMPTION AND MIX

	Unit of measurement	2024
Total energy consumption related to own operations	MWh	2.844
Total energy consumption from fossil sources	MWh	2.553
Total energy consumption from nuclear sources	MWh	202
Share of energy consumption from nuclear sources in total energy consumption	%	7%
Total energy consumption from renewable sources	MWh	80
Fuel consumption from renewable sources	MWh	0
Consumption of purchased or procured electricity, heat, steam, and cooling from renewable sources	MWh	80
Consumption of self-generated non-fuel renewable energy	MWh	0
Share of renewable energy sources in total energy consumption	%	2.80%
For high climate impact sectors		
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products	MWh	1914
Fuel consumption from natural gas	MWh	94
Fuel consumption from other fossil sources	MWh	420
Consumption of purchased or procured electricity, heat, steam, and cooling from fossil sources	MWh	125
Total fossil energy consumption	%	89.77%

ENERGY INTENSITY OF ACTIVITIES IN HIGH CLIMATE IMPACT SECTORS

FOR HIGH CLIMATE IMPACT SECTORS IN THE CASE OF FE-GROUP

	Unit of measurement	2024
High climate impact sectors used to determine energy intensity	[-]	Waste management
Energy intensity of activities in high climate impact sectors (total energy consumption per net revenue)	MWh/HUF million	0.45
Total energy consumption of activities in high climate impact sectors	MWh	2,844
Net revenue from activities in high climate impact sectors	HUF million	6,292
Net revenues from activities outside high climate impact sectors	HUF million	0

The sales revenue figures shown are the same as those in the Financial Report.

The EU benchmarks aligned to the Paris Agreement do not apply to ALTEO Group.

Scopes 1, 2, 3 gross and total GHG emissions

[E1-6]

In the energy industry, we need to find the optimal balance between economic efficiency and environmental sustainability. Although energy production and use are essential for the economy and society, traditional methods can have harmful effects on the environment and even on human health.

ALTEO Group is committed to operating in a sustainable manner and, therefore, continuously strives to reduce its environmental load. We achieve this partly by increasing the share of renewable energy sources, but it is equally important for us to minimize the environmental impacts of existing energy production processes.

The strategic objectives of ALTEO Group include reducing our emissions of pollutants and greenhouse gases in order to actively contribute to the protection of the environment and a sustainable future. To achieve this, we are developing our technologies and processes on an ongoing basis taking account of opportunities.

Our Company aims to create an energy production portfolio that strikes the right balance between renewables and efficient fossil fuel-based power plants. This allows for more flexible energy supply and helps the stable integration of weather-dependent renewable energy sources into the electricity grid.

In its direct ("Scope 1") and indirect ("Scope 2") carbon calculations, ALTEO Group uses the Bilan Carbone conversion factors and the emission factors of HEPURA and domestic suppliers to convert its greenhouse gas emissions from petrol, diesel and purchased heat to carbon dioxide equivalents.

Our facilities that are part of the European Union's carbon emissions trading system (EU ETS) are the Győr Power Plant, the Sopron Power Plant, the Kazincbarcika Heating Power Plant, the Tiszaújváros Heating Power Plant, and the Füredi utca Heating Power Plant.

ALTEO Group's aforementioned power plants participate in the EU-ETS emissions trading system and also receive emission unit allocations. In 2024, freely allocated allowances covered around 13% of total emissions of the power plants of ALTEO Group; therefore, we had to purchase a large amount of CO_2 quotas at auctions.

TOTAL RECEIVED AND PURCHASED CO_2 QUOTA OF ALTEO GROUP [tCO_2e]

	2024
Free allowances of CO2e emissions	13,629
Allowances of CO2e emissions allocated at auction	95,212[23]

The specific CO_2 emissions of power plants owned by ALTEO Group continued to drop in the past year. As an energy producing company, we place a high priority on emission intensity, i.e. the volume of emissions per unit of energy produced.

ALTEO GROUP'S SPECIFIC CO_2 EMISSIONS, NOT INCLUDING FE-GROUP [$kgCO_2e/GJ$]

	2024
Specific emission	56.80

The specific carbon dioxide emissions of ALTEO Group were calculated as the ratio of the Scope 1 direct and indirect emissions ($kgCO_2e$) (at a value of 138,614 tCO_2e) of ALTEO Nyrt. as an energy production entity to the total volume of energy produced (2,440,237 GJ). ALTEO Group's other indirect ("Scope 3") emissions were measured for the first time in the calendar year 2021. No new materiality assessment was carried out for the Scope 3 categories, as there were no material changes in the Company's operations in 2024 compared to the 2021 assessment. After 2022, calculation methodology and data reporting was again based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the Group's value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 75% of ALTEO Group's total emissions in 2024, representing 409,647.2 t CO_2 out of a total (Scope 1 + Scope 2 + Scope 3) of 544,345.2 tCO2e of emissions.

Our GHG calculations included a market-based and location-based analysis, as our Company's activities are limited to a single country. We applied a financial control approach to calculate our direct and indirect emissions. The Company does not break down its GHG emissions by other aspects (e.g. country, operating segment, economic activity, subsidiary, GHG category, etc.), we only apply a break-down by ALTEO Group, not including FE-GROUP and FE-GROUP.

[23] EU ETS emissions are being verified at the time of preparing the Sustainability Report, so the value included here is the estimated value available at the time of preparing the report, according to the ESRS classification, which will be re-disclosed in the next year's report if it is clarified.

Taking into account the principles and requirements of the GHG Protocol's Scope 2 guidelines, the share of the Company's Scope 2 greenhouse gas (GHG) emissions and the share of contractual assets used for the sale and purchase of energy is 0%. As there are no contractual assets at our Company, their types are not relevant.

ALTEO GROUP CARBON DIOXIDE EMISSIONS, NOT INCLUDING FE-GROUP [tCO_2e]

		Retroactive				Milestones and target years
	Base year	**2024**	**2025**	**2030**	**2050**	**Annual % target value / base year**
Scope 1 GHG emissions						
Scope 1 gross GHG emissions (tCO_2e)	219,987	131,061	-	20%	50%	-
Percentage of GHG emissions from Scope 1 regulated emissions trading systems (%)	201,235	108,841	-	-	-	-
Scope 2 GHG emissions						
Scope 2 gross GHG emissions, location-based (tCO_2e)	2,878	3,637	-	30%	75%	-
Scope 2 GHG emissions, market-based (tCO_2e)	-	3,313	-	30%	75%	-
Scope 3 emissions (tCO_2e)						
Total gross indirect (Scope 3) GHG emissions (tCO_2e)	**330,007.2**	**409,647.2**	-	55%	100%	-
1. Purchased goods and service	4,078.9	5,285.1	-	-	-	-
2. Capital goods	1,416.7	8,977.9	-	-	-	-
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	241,440	347,803.5	-	-	-	-
4. Upstream distribution and transport	105.86	325.3	-	-	-	-
5. Waste generated in operations	106.6	293.3	-	-	-	-
6. Business trips	*	6.0	-	-	-	-
7. Employee commuting	206.6	131.4	-	-	-	-
8. Upstream leased assets	4	18.2	-	-	-	-
9. Downstream transport	17.45	159.1	-	-	-	-
10. Processing of products sold	*	*	-	-	-	-
11. Processing of sold products	61,600.3	46,647.3	-	-	-	-
12. End-of-life treatment of sold products	21,030	0	-	-	-	-
13. Downstream leased assets	*	*	-	-	-	-
14. Franchise agreements	*	*	-	-	-	-
15. Investments	*	*	-	-	-	-
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2e)	552,872.2	544,345.2	-	-	-	-
Total GHG emissions (market-based) (tCO_2e)	555,878.2	544,021.2	-	-	-	-

** : The category was not considered significant for ALTEO Group's activities and was not calculated*

In calculating Scope 3 emissions, the Group considered the following categories to be significant in 2024: purchased goods and services; capital goods; fuel and energy-related activities (not included in Scope 1 or Scope 2); upstream distribution and transport; waste generated in operations; business traveling; upstream leased assets; downstream transportation; use of sold products; end-of-life treatment of sold products.

ALTEO Group has drawn up its sustainability strategic goals for the long term and has set emission reduction targets for 2030 and 2050; the Company does not have annual emission reduction targets (see Chapter 7.4).

Scope 1, 2, 3 gross and total GHG emissions for FE-GROUP

The direct ("Scope 1"), indirect ("Scope 2") and other indirect ("Scope 3") carbon dioxide emissions of FE-GROUP were first assessed in 2023, with no prior data series available. As part of the first calculation, a Scope-3 materiality assessment was carried out, identifying the emission categories that are significant for FE-GROUP.

For the calculation of Scope 1 emissions, FE-GROUP used the material use measured for the calculation of local and mobile emissions as well as the conversion factors of Bilan Carbone. Of the greenhouse gases, carbon dioxide, methane and nitrogen oxide are taken into account, which are used to calculate the Company's emissions in carbon dioxide equivalent.

In calculating Scope 2 emission, we used the emission intensity indicator of the electricity use measured on the site and the Nowtricity database for the current year regarding Hungary.

In light of the main activity of FE-GROUP it is hardly surprising that more than two thirds of Scope 3 emissions in the waste management process relate to two types of end products. Accordingly, the two main Scope 3 categories are the processing of selected material flows sold as raw material (Category 10) and management of remaining waste not recoverable after sorting (Category 5).

FE-GROUP CARBON DIOXIDE EMISSIONS [tCO_2e]

	Retroactive			Milestones and target years[22]		
	Base year	**2024**	**2025**	**2030**	**2050**	**Annual % target value / base year**
Scope 1 GHG emissions						
Scope 1 gross GHG emissions (tCO_2e)	598.0	540.3	-	-	-	-
Percentage of GHG emissions from Scope 1 regulated emissions trading systems (%)	-	-	-	-	-	-
Scope 2 GHG emissions						
Scope 2 gross GHG emissions, location-based (tCO_2e)	65.0	133.9	-	-	-	-
Scope 2 GHG emissions, market-based (tCO_2e)	65.0	136.6	-	-	-	-
Scope 3 emissions (tCO_2e)						
Total gross indirect (Scope 3) GHG emissions (tCO_2e)	3,001.1	5,373.7	-	-	-	-
1. Purchased goods and service	125.6	209.9	-	-	-	-
2. Capital goods	176.9	167.8	-	-	-	-
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	100.0	119.0	-	-	-	-
4. Upstream distribution and transport	135.2	36.0	-	-	-	-
5. Waste generated in operations	1,201.5	2,856.4	-	-	-	-
6. Business trips	*	*	-	-	-	-
7. Employee commuting	55.8	99.0	-	-	-	-
8. Upstream leased assets	*	*	-	-	-	-

[22] Milestones and targets have not been defined for FE_GROIUP emissions. They will be assessed by the ALTEO Group in 2025.

9. Downstream transport	246.1	248.4	-	-	-	-
10. Processing of products sold	945.9	1,388.7	-	-	-	-
11. Processing of sold products	*	*	-	-	-	-
12. End-of-life treatment of sold products	*	*	-	-	-	-
13. Downstream leased assets	14.2	0	-	-	-	-
14. Franchise agreements	*	*	-	-	-	-
15. Investments	*	*	-	-	-	-
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2e)	3,574.1	6,047.9	-	-	-	-
Total GHG emissions (market-based) (tCO_2e)	3,574.1	6,050.6	-	-	-	-

** : The category was not considered significant for FE-GROUP's activities and was not calculated*

Explanation of the methodology for calculating GHG emissions

In the Scope 1 calculation, emissions from the use of company vehicles are calculated from the fuel used and the conversion factor from the Bilan Carbone database for the given year.

Emissions from power plants are calculated based the amount of fuel used and the available quality certificates.

For Scope 2, we use the AIB Residual mix and the conversion factors of the Hungarian providers specified as market averages, based on the purchased electricity and heat energy.

ALTEO Group's other indirect ("Scope 3") emissions were measured for the first time in the calendar year 2021. After 2022, calculation methodology and data reporting was based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the Group's value chain emissions are measured according to an internationally accepted methodology.

There were no significant changes in the definition of the Company and its value chain in the year under review.

The methodology used to calculate Scope 3 emissions involves several steps and approaches, depending on the type of data available. Two main methods were used: the distance-based and expenditure-based method.

For transport-related emissions, the distance-based method calculates emissions by multiplying the weight of the shipment by the distance travelled and the corresponding emission factor. This factor includes emissions from the upstream and combustion stages, which represent emissions from fuel extraction, processing and combustion. When specific data on vehicle type and fuel used were not available, an average emission factor was applied to a standard truck. The methodology also takes into account the load capacity of the vehicle to accurately calculate emissions per ton-kilometer. The source of emission factors were the databases of Bilan Carbone, Base-Empreinte, Exiobase, IEA and Nowotricity.

In cases where expenditure data were available instead of specific transport metrics, the expenditure-based method was used. This included the conversion of Exiobase emission factors from EUR to CO_2e in HUF using the European Central Bank's average daily exchange rates for 2024. The costs in HUF were then multiplied by these converted emission factors. This method did not require adjustment for inflation due to the up-to-date financial data available.

In addition, an average data method was used for products defined by weight or number of items. This method multiplied the weight or number of pieces of the product by the corresponding emission factor from Bilan Carbone or Exiobase sources, covering cradle-to-gate emissions for both extraction and manufacturing phases up to the first reseller.

Furthermore, it is important to highlight that, due to uncertainties about the quality of the data, we propose to refine the methodology by improving data availability and accuracy. Each calculation aims to take into account different aspects and phases of the life cycle of a product or activity to provide a comprehensive assessment of the Scope 3 emissions.

In the course of assessing the other indirect ("Scope 3") emissions of FE-GROUP, the categories not significant for the activities of the company or insignificant in volume relative to other categories, have been excluded. Calculation methodology and data reporting was based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the group's value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 89% of FE-GROUP's total emissions in 2024, amounting to 5,373.7 tons of CO_2e.

GHG INTENSITY BASED ON NET REVENUE (ALTEO GROUP)

	Unit of measurement	2024
Net revenue used to calculate GHG intensity	HUF million	105,389
Net revenue not used to calculate GHG intensity	CO_2e/HUF million	0
GHG emissions intensity	CO_2e/HUF million	56,6

ALTEO Group operates in a greenhouse gas (GHG) emission intensive industry, meaning the net revenue used to calculate the emission intensity is the same as the total sales revenue. The net revenue is reconciled to the consolidated sales revenue line in the financial statements. By carefully reviewing and harmonizing the revenue data in the financial statements, we ensure that the net revenue used to calculate the GHG emissions intensity accurately reflects the Company's actual economic activity. While doing so, we take into account the credibility of relevant financial data and reconcile them with the values disclosed in sustainability reports, ensuring transparency and reliability from both a financial and environmental perspective.

Milestones and target years

GHG EMISSION REDUCTION TARGETS

GHG emission reduction targets	Targets in absolute value	Base year	Target year	Target for 2030	Target for 2050
Scope 1	50%	2019	2050	20%	100%
Scope 2	75%	2019	2050	30%	100%
Scope 3	100%	2021	2050	50%	100%

GHG removals and GHG mitigation projects financed through carbon credits

[E1-7]

ALTEO Group does not currently apply GHG removal in its activities, and we do not have any GHG mitigation projects financed through carbon credits, thus disclosure is currently not material.

ALTEO Group agrees that claims of greenhouse gas neutrality and reliance on carbon credits do not prevent or reduce the achievement of greenhouse gas emission reduction targets or the net zero target.

Expected financial impacts of material physical and transition risks, and potential climate-related opportunities

[E1-9]

RATE OF ASSETS AT MATERIAL PHYSICAL RISK (HUF MILLION)

	HUF million
Assets at important physical risk before considering climate change adaptation actions	37,636
Assets at acute material physical risk before considering climate change adaptation actions	25,971
Assets at chronic material physical risk before considering climate change adaptation actions	11,665
Percentage of assets at material physical risk before considering climate change adaptation actions	72%
Rate of assets at short-term material physical risk	37,148
Rate of assets at medium-term material physical risk	37,636
Rate of assets at long-term material physical risk	37,636

ASSETS AT MATERIAL PHYSICAL RISK

[E1-9]

Assets	Location (NUTS code)
Solar power plant	HU333
Solar power plant	HU232
Solar power plant	HU120
Solar power plant	HU313
Wind turbine	HU221
Wind turbine	HU322
Wind turbine	HU212
Wind turbine	HU213
Wind turbine	HU221
Hydropower plant	HU311
Water treatment plant	HU311
Maintenance site	HU120
Maintenance site	HU321
Maintenance site	HU110
Natural gas e-term	HU110
Natural gas e-term	HU221
Natural gas e-term	HU311

All Group assets are located in Hungary.

The ratio of assets at material physical risk that are subject to climate change adaptation actions (see E1-3) is 72% of the total amount of assets at material physical risk. Net revenue from business activities at material physical risk amounted to HUF 37,636 million. The percentage of net revenue from business activities is 36% of activities at physical risk.

The expected financial impacts and valuation of assets and businesses at material physical risk, the risk factors for the net revenue from these assets and businesses and the impact of this on the margin erosion of the businesses have not been quantified.

Our aim is to develop the management of climate change adaptation at the governance document level by conducting a quantitative climate risk analysis in 2025.

RATE OF ASSETS AT MATERIAL TRANSITION RISK (HUF MILLION, %)

[E1-9]

	HUF million
Rate of assets at material transition risk before considering climate change mitigation actions	12,320
Percentage of assets at material transition risk before considering climate change mitigation actions	26.6%
Rate of assets at short-term material transition risk	0
Rate of assets at medium-term material transition risk	10,222
Rate of assets at long-term material transition risk	12,320
Percentage of assets at material transition risk managed with climate change mitigation actions	0.0%

The total carrying amount of the real estate assets owned by ALTEO Group is 0, as the Group does not have any real estate assets defined by the standard to be valuated according to energy efficiency classes.

We do not have quantified information on the potential impact on the future financial performance and position of assets and businesses exposed to material transition risk, thus the assessment does not rely on, nor form part of, a process to identify material transition risks and to determine scenarios.

Potentially discontinued assets were not identified. We have not identified any liabilities arising from material transition risks that may need to be recognized in the financial statements.

RATE OF EU ETS-RELATED OBLIGATIONS

Number of Scope 1 GHG emission allowances held within regulated emissions trading systems at the beginning of the reporting period	111,368	EUA
Number of emission allowances to be purchased annually on the regulated emissions trading market in the period up to 2030	679,609*	EUA
Potential future obligations related to carbon emission allowances based on existing contractual arrangements that are planned to be used in the near future	No such obligation has been identified.	-
Gross monetary value of Scope 1 and 2 greenhouse gas emissions	4,033	HUF million

** The information is provided by also taking 2023 into account.*

DISTRIBUTION OF NET REVENUES FROM BUSINESS ACTIVITIES AT MATERIAL TRANSITION RISK BY CUSTOMER TYPE (HUF MILLION, %)

Net revenue from business activities at material transition risk	29,385	HUF million
Net revenue from customers engaged in coal-related activities	0	HUF million
Net revenue from customers engaged in oil-related activities	3,115	HUF million
Net revenue from customers engaged in gas-related activities	13,008	HUF million
Percentage of net revenue from customers engaged in coal-related activities	0%	-
Percentage of net revenue from customers engaged in petroleum-related activities	4%	-
Percentage of net revenue from customers engaged in gas-related activities	17%	-

** Net revenue from natural gas-based energy production and trade*
*** Based on net revenue from the TOP20 largest partners (subject to partner's activity)*

The expected changes in net revenue cannot be clearly quantified since the market to which the Company has access is considered to be unlimited compared to the size of ALTEO Group.

The percentage rate of the net revenue from business activities at material transition risk, from natural gas-based energy production and trading in the case of ALTEO Group, is 28%.

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

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

There is currently no relevant or applicable financial statement related to the data on the significant amount of assets, liabilities and net revenues at material physical and transition risk.

ESRS sustainability questions in the form of yes-no statements	
The expected financial impact of material physical risks affecting assets and business activities has been assessed.	no
The assessment of assets and business activities at material physical risk is part of the process to identify material physical risks and develop climate scenarios.	no

Climate-related opportunities

[E1-9]

The Company's strategy is to develop, on an ongoing basis, renewable (solar, wind, hydro, biogas) energy projects that contribute to climate change mitigation and adaptation. The market for this may be considered to be unlimited, meaning that expected cost savings cannot be clearly quantified.

The size of the potential market for low-carbon products and services or adaptation solutions to which the Company has access or could have access, can be considered as quasi unlimited compared to the size of ALTEO Group. Taking this into account, the expected changes in net revenue cannot be clearly quantified.

ESRS sustainability questions in the form of yes-no statements	
The potential impacts on the future financial performance and position of assets and business activities exposed to material transition risk have been assessed.	yes
The assessment of assets and business activities at transition risk is based on, or forms part of, a process to identify material transition risks and to develop the associated scenarios.	no

2.3 Pollution

Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

[E1 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E2 IRO-1.

Policies related to pollution

[E2-1] [E2-2]

The strategic objectives of ALTEO Group include reducing our emissions of pollutants and greenhouse gases in order to actively contribute to the protection of the environment and a sustainable future. To achieve this, we are developing our technologies and processes on an ongoing basis taking account of opportunities. In addition to greenhouse gases, other air pollutant emissions are also a key focus in the course of ALTEO Group's activities, such as nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers.

When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions. Awareness and monitoring of environmental impacts is of crucial importance for us, and is documented in detail in our current Integrated Report. All our sites have the necessary environmental permits, which include detailed requirements for emissions, measurements and compliance with legal requirements. Accurate emissions measurement, annual reporting and liaising with the authorities fall under the responsibility of the HSE area.

In addition, the operation of continuous emission measurement systems with high availability and compliance with daily limits, for which the power plant managers are responsible, are also important. We monitor and ensure appropriate operational practices through HSE inspections, internal and external audits and regulatory audits.

When comparing the air pollutant emissions of ALTEO-owned and operated power plants with previous years, it is important to note that the Nagykőrös Biogas plant, which was previously operated by ALTEO Group, was acquired in May 2023 and is now owned by ALTEO Group.

Our company is committed to social responsibility and strives to introduced sustainable and environment-friendly practices. To this end, compliance with the strict environmental and waste management regulations is important for us, and we actively support innovation in waste management. This is supported by our Integrated Management Policy and the FE-Group Environment Management Policy. Our priority measures include technological developments to prevent or mitigate negative effects and strict waste management procedures. In addition, we are prepared for emergencies and take timely damage control measures to minimize any negative effects. ALTEO Group accepts the requirements set out in laws, operating permits and environmental management systems as applicable and, therefore, does not have its own corporate policy on pollution. For more information, see Chapter 4.1 *Integrated Management System*.

Actions and resources related to pollution

[E2-2]

Within the upstream value chain, ALTEO Group pays particular attention to environmental aspects when selecting its suppliers, which must comply with ALTEO Group's HSE (Health, Safety and Environment) requirements in all cases, and breaches of environmental regulations during the work are sanctioned.

Replacement of gas engines

For years, it has been a common practice in ALTEO Group's facilities to replace old gas engines that have reached the end of their service life with used but refurbished gas engines. The technological emission limit for refurbished gas engines in the case of the NO_x component is 95 mg/m³, which is much stricter than for existing/old equipment with a limit value of 190 mg/Nm³. The commissioning of new equipment supports our sustainability strategy target of reducing NO_x.

In 2024, the ALTEO Group adopted a decision to replace the old gas engine connected to the P1 point source at the Tiszaújváros Heating Power Plant. Implementation of the project started in 2024 and is still ongoing. The new equipment is required to meet the more stringent NO_x limit value.

In all cases, the compliance of emissions from new equipment must be verified during test run. In addition to the test run emission measurement, the emissions of gas engines are checked every year by an accredited measuring body in accordance with legal requirements.

Targets related to pollution

[E2-3]

We are developing our technologies and processes on an ongoing basis taking account of opportunities. In addition to greenhouse gases, other air pollutant emissions are also a key focus in the course of ALTEO Group's activities, such as nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers. When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions.

ALTEO Group is committed to complying with legal regulations and having environmental management systems in place, paying particular attention to the pollution. Our Company strives to reduce pollution and protect air quality in line with the UN Sustainable Development Goals. ALTEO Group has set a target on air pollutants to reduce nitrogen oxide emissions by 25%. This voluntary target goes beyond the statutory requirement which stipulates emissions below the limit set in the various point source permits.

No ecological threshold was taken into account in the voluntary target setting, but ALTEO Group has set the goal to develop a biodiversity conservation strategy by 2025.

Air pollution

[E2-4]

When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions. Accurate emissions measurement, annual reporting and liaising with the authorities fall under the responsibility of the HSE (Health, safety and environment) area. In addition, the operation of continuous emission measurement systems with high availability and compliance with daily limits, for which the power plant managers are responsible, are also important. We monitor and ensure appropriate operational practices through HSE inspections, internal and external audits and regulatory audits.

VOLUME OF AIR POLLUTION FOR ALTEO GROUP [KG]

	2024
CO	231,280
NO_x	582,407
TOC	44,681
SO_x	1
PM	0

The annual amount of emitted air pollutants is determined through calculation based on concentrations measured in flue gas during sampling, the volume flow rate of the flue gas and equipment annual service hours.

For the calculations, ALTEO Group prepared the analysis based on the regular measurement documents stipulated in Decree No. 110/2013. (XII. 4.) of the Ministry of Rural Development.

Related to the technology, there are no point sources identified by the authorities at the site of FE-GROUP and no air pollutants are emitted.

ESRS sustainability questions in the form of yes-no statements	
Monitoring is carried out in accordance with EU BREF standards or other relevant benchmarks.	yes
Calibration tests of the automatic measuring systems (AMS) have been carried out and validation of the periodic measurements by independent laboratories has been ensured.	yes
The activities are governed by the Industrial Emissions Directive (IED) and the relevant Best Available Techniques Reference Documents (BREFs).	yes

2.4 Water and marine resources

Description of the processes to identify and assess material water-related impacts, risks and opportunities

[E3-IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E3 IRO-1.

Policies related to water and marine resources

[E3-1 9]

ALTEO Group's power plants use a significant amount of water in their operation, so monitoring water consumption is a priority for the Company, taking into account the impact of climate change and production activities on water resources. To this end, in 2023, the Company completed a water-focused risk assessment, which examines the risks associated with flooding, available water quantity, changes in water quality, the status of ecosystem services, changes in extreme rainfall days, expected changes in rainfall, changes in dry period lengths, climatic water balance and groundwater levels for all Company sites. Risk-related preparatory measures have been identified for sites where this is necessary. ALTEO Group is committed to complying with legal regulations and having environmental management systems in place, paying particular attention to the protection of water resources and the minimization of environmental pollution.

ALTEO Group has strict regulations in place to protect against the possibility of soil or groundwater pollution in the event of a malfunction. As required by law, sites and facilities with installed combustion equipment with a rated thermal input of more than 50 MW capacity have a plant water quality damage elimination plan in place, which is regularly reviewed in accordance with regulations. As part of the HSE approach, emphasis is placed on the potential risks associated with the storage of hazardous substances and on adequate preparation for such risks. A good example of this is the fuel oil stored in double-walled tanks at the MOL Petrochemicals and BorsodChem power plants, and the monitoring well system which are not owned by ALTEO, but are related to the power plants operated by it. The purpose of maintaining monitoring wells is to track and monitor any contamination that may occur with groundwater flow in cooperation with the owner of the equipment. We work with accredited laboratories to monitor groundwater quality at the regular intervals required by the permits.

ALTEO Group does not have any sites located in areas subject to significant water stress.

Our Company strives to reduce water consumption and protect water resources in line with the UN Sustainable Development Goals. [E3-1 12] Our interactions with water, our water use in our operations, sustainable water procurement and our expectations for the quality of water and wastewater used and discharged are defined by our Integrated Management Policy and the relevant permits for the consumption and discharge points concerned. Our priority is to reduce our water consumption in order to use water in a sustainable manner. [E3-1 14] Given the operation sites and activities of ALTEO Group, as well as its supply chain, we do not see the need to adopt policies or practices for sustainable oceans and seas, and therefore have not done so. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

Actions and resources related to water and marine resources

[E3-2]

Industrial water use in ALTEO Group power plants

The power plants included in ALTEO Group's portfolio primarily use industrial water, and the largest water user of the Group is Tisza-WTP Water Treatment Plant, which produces the desalinated water necessary for MOL Petrochemicals and the TVK Power Plant. The water treatment plant used more than 3.6 million cubic meters of industrial water in 2024. The water treatment plant takes water from the River Tisza and recirculating water condensate from various areas of use at MOL Petrochemicals as the starting point and uses a process equipment involving an ultrafiltration apparatus, reverse osmosis and a mixed bed ion exchange method to produce desalinated water. Subsurface water consumption occurs only in Győr and Sopron.

Water use in heating power plants

In addition to industrial water consumption, our heating power plants typically use water to replace water circulating in district heating systems and to serve the heating needs of Heineken in Sopron. In this case, a targeted investment has led to a reduction in the amount of water used. The amount of supplementary water greatly depends on the state of repair an urban district heating system is in. ALTEO Group has no direct insight nor any opportunity for intervention in that regard. In order to comply with contractual terms, i.e. to deliver district heating services, we always have to adapt to actual demand.

Tap water and recycled water use

We use piped drinking water to meet the social needs of the power plants and sites. In addition, we attach particular importance to the demonstration of the quantity of recycled water and the effectiveness of tasks related to wastewater management. At the Tisza-WTP Water Treatment Plant and in Sopron, we use water recycling, whereby we purify and desalinate condensate water from other industrial companies and recycle it, thus reducing fresh water consumption. The volume and quality of the discharged wastewater (pH, conductivity, temperature) are continuously monitored according to our self-monitoring plan, and the most important water chemistry properties (chemical and biological oxygen demand, pH, conductivity, total phosphorus, nitrogen and total dissolved solids) are measured quarterly through accredited laboratory testing. Wastewater generated is always discharged into the municipal sewer network at the sites.

Water saving measures

The fact that the waste processing technologies used during the operation of FE-GROUP require no water as the water-cooled systems have been replaced by air-cooled ones, and also that the PET chips washing plant was closed down, can be considered measures implemented to avoid water use. If our waste management operation were to require water consumption and emission in the future, we shall monitor and document water consumption and water quality on a daily basis, as before, during the operation of the facility concerned.

Actions related to the reclaiming and reuse of water

The development of Heineken's condensate water system has increased the volume of water recycled from our power plant by approximately 2,800 m^3 per year. As a result of our investment, the water plant on our site was renewed in 2022. In the course of the development, we installed a filter on the well water pipeline, which significantly reduced the amount of water used for washing and de-sludging. As a result of the upgrade of our reverse osmosis water treatment system, we are able to produce water with lower conductivity, reducing the regeneration of the desalination system from 3-4 times a year to an average of 2 times a year, which has significantly decreased the chemical demand of the system in addition to the use of raw water.

Stakeholder involvement was not required for actions and resources related to water policies.

Targets related to water and marine resources

[E3-3]

ALTEO Group has no activities in areas exposed to water-related risks. The organization does not take ecological thresholds into consideration. The targets of the organization are voluntary commitments.

The water-related target of ALTEO Group was to carry out a water-related risk analysis, which has been completed by 2024. Water will also be considered an environmental element and a material topic in the development of the Group's ESG strategy for 2025.

Water consumption

[E3-4]

The water use of the power plants owned by ALTEO Group has been reduced slightly in 2024.

The activities of ALTEO Group include water-intensive production methods (hydropower plants, water treatment plants). The associated water consumption is presented below. With regard to the significant impacts, risks and opportunities of ALTEO Group related to water, the fact that the portfolio includes hydropower plants is not negligible contextual information. Power production by hydropower plants may be at risk due to the loss or depletion of water resources. For the data presented, we have indicated whether they are measured, calculated or estimated.

WATER USE (MEASURED QUANTITIES) [m^3]

	2024
Owned Power Plants	111,560
Water treatment site	3,645,236
Office	742

Maintenace Sites	158
FE-GROUP	290
Operated Power Plants	2,554,203

WATER RECYCLED AND REUSED (MEASURED QUANTITIES) [m^3]

	2024
Sopron	23,729
Tisza-WTP Water treatment plant	692,483
Total	**716,212**

The volume of water recycled and reused by ALTEO Group was 716,212 m^3. Recycled water technology is only used at our Sopron power plant and the Tisza-WTP Water Treatment Plant. The change in the amount of water stored is not a material water-related impact for ALTEO Group. ALTEO Group has no activities in areas exposed to water-related risks.

In 2024, the water intensity ratio of ALTEO Group was 0.0068 1,000 m^3/mHUF, which shows how many 1,000 m^3 of water the Company used for every million HUF (mHUF) of revenue generated.

2.5 Biodiversity and ecosystems

Description of the processes to identify and assess material pollution-related impacts, risks, dependencies and opportunities related to biodiversity and ecosystems

[E4 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E4 IRO-1.

Transition plan and consideration of biodiversity and ecosystems in strategy and business model

[E4-1]

The protection of biodiversity and ecosystems is a key element of ALTEO Group's strategy, as our energy production services are closely linked to climate change and the change in environmental factors. We are aware that our activities can have a significant impact on the environment, so our aim is to minimize these impacts while promoting the transition to green energy.

We have identified environmental impacts both across the value chain and in our own operations.

Our Company is actively working on a comprehensive strategy that focuses on the long-term sustainability of biodiversity and ecosystems. Although a detailed robustness analysis is still underway, we have already identified the risks and opportunities that could affect biodiversity and ecosystems as a result of our activities. Based on these analyses, we will be refining our strategy to be in line with local, national and global public policy objectives.

Our energy production activities are highly dependent on natural resources. The operation of our wind turbines and solar power plants is highly dependent on the temporal and spatial changes of wind and solar radiation, while in the case of our natural gas-based power plants, sustainable extraction and availability of resources is critical. The flow of water from freshwater sources, precipitation and natural sources is a key ecological service for the operation of our hydropower plants.

Our aim is to reduce our environmental footprint, increase the share of our power plants using renewable energy sources and promote the transition to green energy. The steps of our strategy and our results to date are described in detail in Section E4-3.

Protecting biodiversity and ecosystems is of strategic importance for us, as it helps us to reduce our exposure to various environmental risks and to contribute to achieving the global sustainability goals.

Policies related to biodiversity and ecosystems

[E4-2]

The development of our corporate policy on biodiversity and ecosystems was not possible in the past, but is currently underway and is expected to be completed and published in 2025.

Targets related to biodiversity and ecosystems

[E4-4]

Our priority is to further strengthen and expand our sustainability measures in the future. We place great emphasis on ensuring that our production processes respect biodiversity and adhere to the principles of sustainability. We are looking for new opportunities to further reduce environmental loads, whether it’s the impact of power plants on habitat conditions, the impact of wind farms on birds and bats, or ethical ways of sourcing raw materials. We are also constantly developing and refining our technology to enable us and our partners to produce more efficiently and in more environmentally-friendly fashion. Our aim is to ensure that all our activities serve long-term sustainability, allowing us to contribute to the preservation of natural resources.

Biodiversity targets are set during the development of the biodiversity strategy.

Impact metrics related to biodiversity and ecosystems change

[E4-5]

Our activities do not have a major direct negative impact on the state of species. Of all the power plants owned or operated by ALTEO Group, only the Gibárt Hydropower Plant is located in a Natura 2000 Special Area of Conservation and Special Protection Area classified under the Birds Directive, which is also considered an ecological corridor. None of our other sites are located in or directly border protected areas or areas of high biodiversity value. We ensure that the operation of the Gibárt Hydropower Plant does not have a significant impact on the conservation status of species and habitats in the area by complying with the requirements and conservation measures set out in the power plant permit.

2.6 Resource use and circular economy

[E5 IRO-1]

Information on the disclosure requirement is presented in detail in Chapter IRO-1, under disclosure E5 IRO-1.

[E5-5]

The waste management and circular economy strategy, and the associated policies and targets, actions and resources, required by the ESRS reporting standards have not yet been finalized. Nevertheless, the development of these areas is a priority for the Company, and we are committed to developing the appropriate strategy and targets in the near future.

VOLUME OF WASTE GENERATED BY ALTEO GROUP ACTIVITIES [t]

	2024
ALTEO	2,437
FE-GROUP	7
Total	2,444

Waste management activities for FE-GROUP

[FEGR-1] FE-GROUP’s waste management activities have a number of impacts. Activities promoting the circular economy include the collection and processing of electric and electronic waste, as well as the appropriate pre-treatment of packaging waste (paper, plastic, wood, metal, glass) and their transformation into secondary raw materials. Furthermore, the collection and environmentally friendly pre-treatment of hazardous wastes also has a positive impact on the environment.

However, negative impacts may also arise, such as the possibility of pollution during the transport and storage of wastes since the possibility of environmental pollution arises during transport and storage involved in waste management. Those negative impacts relate primarily to the processes of transport, storage, material handling and processing.

On the whole, the waste management activities of FE-GROUP have a positive effect by facilitating the greatest possible ratio of collection of waste and its preparation for recovery while also reckoning with, and striving to minimize, negative impacts. Those effects are directly related to the waste managed or generated by the Company during its operations.

In order to minimize negative effects, we collect all oily/acidic liquid wastes (hazardous waste) in salvage structures, removed annually. Measures regarding the management of liquid waste include their removal as required, but at least annually.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [t]

	2024
Recycling	-
Reuse	-
Incineration	-
Landfilling	0
Other	0

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [t]

	2024
Recycling	7
Reuse	-
Incineration	-
Landfilling	-
Other	-

Waste management within ALTEO Group, not including FE-GROUP

[ALTEO-1]

The activities of ALTEO Group typically generate various types of non-hazardous industrial and municipal solid waste, municipal wastewater, waste from construction and demolition works and hazardous waste. The company is committed to minimizing its environmental impact, and as such reducing waste is a priority. Our approach to waste management is also based on our Integrated Management Policy and the requirements set out in the operating and environmental permits for the various facilities. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

We strictly comply with legislation on the handling and storage of waste on our sites. All waste is stored in separate collection points according to type and characteristics. We keep track of the quantities of waste generated, collected and disposed of, and regularly monitor the data thereon. We keep detailed records of the waste we dispose of, including delivery notes for hazardous waste and invoices for non-hazardous waste. Oil and liquid fuel waste is the largest waste stream, but there are also significant amounts of absorbents, spill control agents and filters. Waste containing batteries, accumulators and PCBs is minimal or non-existent. The quantities of hazardous and non-hazardous waste are recorded in the official waste declarations on the basis of the delivery notes.

[E5-2] [E5-3]

As set out in our sustainability ambitions, waste reduction is one of our priorities. In relation to this goal, we have highlighted the development of paperless office processes and increasing the recycling rate of operational waste. We agree to develop a waste management and circular economy strategy and related policies in line with the development of the business. The resulting company guidelines contribute to a strategic approach to circular economy.

In 2024, most of the hazardous waste generated by the operations of ALTEO Group were re-used, while the next most used treatment method was incineration. We aim to increase the recycling rate of operational waste to over 50% by 2030. Most hazardous waste is disposed of through trade, collection and pre-treatment.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO GROUP [t], NOT INCLUDING FE-GROUP

	2024
Recycling	11
Reuse	46
Incineration	24
Landfilling	11
Other	8

For non-hazardous waste emitted by ALTEO Group, landfilling continued to be the primary disposal option in 2024.

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO GROUP [t], NOT INCLUDING FE-GROUP

	2024
Recycling	-
Incineration	1
Landfilling	2,336
Other	-

3 SOCIETY

3.1 Own workforce

Policies related to own workforce

[S1-1]

ALTEO Group is committed to comprehensively addressing the material impacts, risks and opportunities concerning its employees. ISO 45001, the Occupational Health and Safety Management System (OHSMS) and the Code of Ethics also apply to our employees. The prohibition of discrimination and the promotion of diversity are among the main values of ALTEO Group. ALTEO Group's internal policies prescribe respect for the human rights of its own workforce, cooperation with its workforce, and measures to ensure and enable the correction of human rights impacts. In addition to statutory requirements, these internal policies are also in line with external guidelines, such as the BSE Corporate Governance Recommendations, the International Human Rights Code, the European Convention on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Global Compact. However, it is important to specify the topics that are not covered by our internal policies. These include topics related to human trafficking, forced labor and child labor, or the admission of own workers at risk of vulnerability. This is because these factors do not pose a significant risk in the Company's current area of operations. For more information, see Chapter 4.1 *Integrated Management System* and *HSE (Health, Safety and Environment)*.

Code of Ethics

To ensure compliance, we maintain a Code of Ethics that defines ALTEO Group's key ethical principles and guidelines, prescribes compliance with the law and ethical business operation. Our suppliers, subcontractors, contracted, sponsored and supported partners and other stakeholders are also expected to act in accordance with the Code of Ethics in the course of their activities. The implementation of the guidelines is monitored by ALTEO Group's Compliance Department, which regularly reports its observations to the dedicated Supervisory Board. The Director of Ethics, Compliance and Control is responsible for ensuring compliance with the guidelines set out in the Code. They put forward their proposals to the Compliance Committee and the CEO for approval. Our ethics management system is reviewed by an independent third party every three years. The expectations and interests of internal and external stakeholders are taken into account in the development of the Code of Ethics. The latest version of the Code of Ethics is available on the Intranet and the company website.

Occupational accident prevention and management system

Our Group has made the health and safety of employees a priority area, and has its own initiatives and objectives in place in addition to legal compliance. In 2020, we transitioned to the ISO 45001 Occupational Health and Safety Management System (OHSMS), which applies to everyone working for ALTEO Nyrt., including external contractors working on the sites (581 people in total).

Communication and method of implementation of the guidelines

ALTEO Group employees are regularly informed through internal communication channels. The various open door policies, staff meetings and forums, site visits, internal mailing system, Intranet and online ALTEO Academy ensure a free flow of information. We take particular care to ensure that information reaches employees in a timely and appropriate form, so that they are informed of all changes in the Company's operations.

Our Intranet platform provides excellent opportunities for effective communication with our colleagues, and it facilitates our administrative processes: in addition to keeping our staff informed of major events inside and outside the Company, it also allows for the management of HR documentation, and assists our colleagues in the field in monitoring statuses.

If there is any suspicion of non-compliant activity or abuse (incident), it can be reported through the whistleblowing channel which has been in place since 2016. This service is also available to employees and business partners, through an online reporting system, via email or by telephone, if there is a suspicion of abuse that breaches the Code of Ethics. The implementation of and compliance with these guidelines is monitored by our Compliance Department and reported to the Supervisory Board. ALTEO Group's Director of Ethics, Compliance and Control is responsible for the whole process.

Remuneration Policy

The adopted remuneration policies aim to establish a system that is in line with ALTEO Group's business and HR strategy, supports the Company's performance and enhances shareholder value. These policies offer a long-term incentive program for employees and senior managers, taking into account the long-term interests and corporate values of the Group.

The Remuneration Policy applies to all Directors who are members of ALTEO Group's Board of Directors and Supervisory Board pursuant to Section 2(2) of Act LXVII of 2019, as well as to senior officers holding the positions of CEO and Deputy CEO who are not members of the aforementioned bodies.

The draft policy is prepared by the Board of Directors and submitted to the General Meeting for approval. It is reviewed at least every three years and amendments are proposed as necessary. If the General Meeting rejects the proposed amendments, the revised version of the Renumeration Policy is submitted to the General Meeting for approval. The CEO is responsible for implementation and for regularly reporting to the Board of Directors. The Company publishes the remuneration of Directors and the report on the implementation of the policy annually. The policy must be applied subject to the provisions of the Labor Code and the Accounting Act. When drawing up and reviewing the policy, the views and votes of shareholders and the role of the General Meeting, the Board of Directors and the Supervisory Board are taken into consideration. Following the resolution of the General Meeting, the Company makes the Remuneration Report publicly available on its website at least for a period of ten years. ALTEO Group's remuneration policy ensures a transparent and fair remuneration system that contributes to the achievement of the Company's long-term objectives and to the enhancement of shareholder value.

HR Policy

Topics related to the HR policy provide an idea of the state of the Group's internal communication, the appropriate way of sharing information, and the emphasis the Company places on raising awareness and operating in a transparent and regulated manner.

The HR Policy applies to ALTEO Group (with the exception of FE-GROUP), and the HR organization is responsible for compliance therewith. Our HR function operates in accordance with the provisions of ALTEO Group's HR Policy in the areas of the settlement of benefits, selection and training. The Performance Assessment Bonus Scheme (PBS) and the Short-Term Incentive Scheme serve as the pillars of performance assessment.

The interests of our employees are taken into consideration. The HR Policy is one of the internal management documents of ALTEO Group and is accessible by all employees.

Processes for engaging with own employees and employee representatives about impacts

[S1-2]

ALTEO Group, not including FE-GROUP places great emphasis on close cooperation with its employees and their representatives, particularly in the area of improving health and safety at work. The Company applies the Occupational Health and Safety Management System (OHSMS) based on the requirements of the ISO 45001:2018 standard. We receive feedback from out staff through the Sustainability and HSE Culture surveys conducted every two years, and that also plays a key role in the development processes. The results are collected on a standardized interface and are evaluated subsequently. These surveys are administered in a completely anonymous manner and, as ALTEO Group operates in Hungary, there are no language or geographical barriers.

Other tools for creating a safe working environment include both near-miss accident reporting schemes and regular safety trainings. Our Intranet platform provides an efficient communication channel and helps employees receive regular, up-to-date information on changes and developments within the Company.

Formal representation of employees is provided by the Works Council which is regularly consulted by Strategic HR, the Deputy CEO for Communications and the Group CEO. Formal meetings are held twice a year and other informal meetings in between, up to several times a year. Our Group consults with employee representatives on all major decisions affecting our employees. In addition, a meeting between senior management and local employees, including a Q&A session, is also organized at least twice a year at our headquarters and at non-Budapest locations. Our employees also have the opportunity to complete a satisfaction survey every two years, which provides us with direct written feedback on a number of topics. The results of this feedback can be used for real action planning and for making changes. If an employee's contract is terminated, an exit interview is also conducted, where our employees can give feedback and share their thoughts, and their comments are fed back into our decision-making system. Apart from these measures or collaborations, ALTEO Group has no formal agreement with any employee representation body.

The events and activities organized by ALTEO Group are organized in the spirit of environmental awareness, always striving for carbon neutrality. To this end, we carry out calculations where, after quantifying the impacts, we promote countervailing actions to offset those impacts. In addition, our Group also emphasizes the importance of reducing carbon emissions in its communications, encouraging employees to take the appropriate preventive actions.

ALTEO Group has not yet established processes for engaging with employees to manage the impacts of the transition to greener and climate-neutral operations. However, in the future it will seek to expand employee initiatives in this area as well. We work with them to set individual development goals and organize individual trainings or group workshops to help them to develop their careers and improve their professional skills.

With gender equality and the importance of social justice in mind, ALTEO Group has a Female Managers' Club initiative in place that provides a platform for female managers to share their experience with others and support each other.

Processes to remediate negative impacts and channels for own employees to raise concerns

[S1-3]

ALTEO Group aims to identify and analyze the causes of all arising problems as efficiently as possible, and then to find solutions to prevent their future occurrence. To this end, we have various procedures in place to ensure corrective actions, including the operation of a whistleblowing line where suspected breaches of the Code of Ethics or misconduct are investigated under internal rules of procedure, while guaranteeing the protection of whistleblowers. This service has been operational since 2016 and is available to all employees and business partners. Suspicions of ethical misconduct can be reported online, via email or by phone.

In 2024, we received 8 reports of suspected ethics misconduct and 6 reports of suspected abuse: in 3 cases no investigation was opened and 11 cases were investigated and corrective actions were taken. Our Group investigates all reports in line with our internal rules of procedure. We have introduced a Compliance adjustment in the performance assessment system to ensure that ethical standards are met. In 2023, ALTEO Group launched the Speak Up! program, which encourages employees to ask questions, give feedback or express concerns on specific issues without fear of negative consequences. We feel it to be of the utmost importance that whistleblowers are not retaliated against or discriminated, even if no unlawful conduct or infringement is identified after their whistleblowing.

Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

[S1-4]

ALTEO Group ensures equal treatment and equal conditions for all employees. Equal opportunities are an integral part of our corporate culture and are embedded in all our processes. Our Company has a strong Compliance function to ensure transparent, ethical and morally-compliant processes that support employees. To this end, we have a Compliance Committee, a Green Committee and a whistleblowing system in place.

We provide specific answers to all formal or informal inquiries that concern our employees, and these answers are tailored to the nature of the issue. After analyzing a detected anomaly, process-level or systemic changes are introduced and positive change can always be measured.

Risk management and accident prevention, not including FE-Group

ALTEO Group aims to identify risks accurately and minimize them so that the likelihood and severity of accidents can be reduced. To this end, we have put in place a number of measures in accordance with our Occupational Health and Safety Policy; training and information provided to managers ensures compliance with the instruction that they must immediately stop work if they detect a dangerous situation. In addition, hazardous situations or unsafe events and conditions are reported by employees as near-miss accidents and, if necessary, they also notify their direct superiors.

ALTEO Group's management is committed to minimizing the number of work accidents, and thus, in addition to keeping the number of serious/fatal work accidents at zero, this is also one of the objectives of the management. The opinion of employees is also important for our Group, and we conduct a Sustainability and HSE Culture Assessment every 2 years, involving our staff in the development process. This ensures the effectiveness of our measures and the improvement of our tools, processes and requirements.

The safety and wellbeing of our employees is of paramount importance to us. We constantly monitor accident and fatality statistics, which remain close to zero at all our sites. We place strong emphasis on training our staff in both mandatory and skill-building topics. We also pay particular attention to the quality of the office environment, like by creating social spaces .

Occupational health and safety

We monitor all our processes and listen to employee feedback using the "Plan, Do, Check, Act" (PDCA) cycle. In addition, we strive to maintain a balanced workflow, so depending on the job type, we also offer the possibility to work from home. We pay particular attention to the quality standards of our office buildings, which was also an important factor when we selected our new office building.

In relation to the Occupational Accident Prevention and Management System and the ISO 45001-compliant Occupational Health and Safety Management System (OHSMS), as part of our e-learning program launched on our Intranet in 2021, we train subcontractors working at our sites in key health and safety issues in Hungarian and English. In addition, for sites and projects, as a prerequisite of the work permit the HSE supervisor examination has to be passed. Thanks to these measures, our Group reached a milestone in 2023, by which time ALTEO Group had not had any work accidents resulting in working days lost for 4 years.

Targets related to managing material negative impacts, facilitating positive impacts, and managing material risks and opportunities

[S1-5]

Our employees perform physical work involving high safety risks, which is why protecting the health and safety of employees is a priority for ALTEO Group. As part of the Integrated Management Policy (IMS), our objective is to minimize the number of work accidents, to prevent fires and environmental pollution. To this end, we regularly review occupational risks and, where necessary, take measures to reduce them. Risk assessment and exposure assessment are carried out with the involvement of occupational safety and health specialists. All employees of the ALTEO Group (not including FE-Group) have an annual health check and are covered by Company Care health insurance.

Our Group sets targets and establishes programs, based on risk assessments, experience and analysis of work accidents, and monitor them through the IMS. Health and safety is managed as part of the IMS under the management of the Director of Sustainability and HSE, and the Site Manager at each site is responsible for ensuring appropriate working conditions.

Our key related targets are to maintain the lost time injuries per one million hours worked (LTIF) at zero and to achieve 0 LTIF for non-employees by 2025. Occupational health and safety is also a central theme in the development of our ESG strategy from 2025, and the following objectives will be defined therein.

To track performance against targets, the quality of the health service is continuously monitored, taking feedback from our staff into account. We monitor our results through regular walk-throughs and inspections. We organize several walkthroughs per year at each site, which also include multiple walkthroughs by senior management, one inspection involving the HSE area and two internal audits. Compliance with procedures and policies is also reviewed by external audits and regulatory inspections.

To identify lessons learned and improvements from performance against the targets, we prepare a report at the end of each year as part of the performance assessment process, identifying areas to improve, and then develop actions through an action planning process, which are put into practice during the year.

Workplace risk assessment and the definition of exposures is performed by qualified health and safety officers. The results of the assessment are aligned with the targets, the experience and the analyses of work accidents to get a comprehensive picture. We use the requirements of the ISO 45001:2018 standard to set targets and we use the “Plan, Do, Check, Act” (PDCA) cycle to ensure continuous development.

[MDR-T 81] In respect of employees, beyond the topics of health and safety, no other targets have been set concerning material risks, opportunities or impacts.

Characteristics of ALTEO Group employees

In order to comply with the ESRS reporting standard, the data tables in Chapter 12 present ALTEO Group with a view to social sustainability. Instead of using the term “site” under the ESRS standard, for the sake of clarity, we present the Group by “operation sites”, which shows the Group broken down into ALTEO and FE-GROUP. “ALTEO” is the part of ALTEO Group that includes the ALTEO Group, not including FE-GROUP, along with its subsidiaries and parent companies. FE-GROUP refers to the waste management company that has joined the Group in 2023. The separation was necessary because ALTEO Group’s power plants have only a small number of permanent employees, while the majority are administratively attached to the central headquarters. This breakdown ensures that the data points in the report meet the requirements of the standard and provide a realistic picture of the Company’s performance.

ESRS sustainability questions in the form of yes-no statements	
Stakeholders were involved in setting the targets.	yes
Own workforce or employee representatives are directly involved in monitoring the achievement of the targets.	yes
Own workforce or employee representatives are directly involved in identifying lessons learned or opportunities for development based on the Company’s performance.	yes

[S1-6]

At the end of 2024, the Group had 120 female and 393 male staff members, i.e. a total of 513 employees. The share of female workers is 23%.

The number of employees is only shown for Hungary, as the Group’s activities are limited to Hungary. All the operation sites are located in Hungary.

Number of employees [persons][23]

	2024
Total	513
ALTEO	409
FE-GROUP	104
Men	393
ALTEO	314
FE-GROUP	79
Women	120
ALTEO	95
FE-GROUP	25

In 2024, ALTEO Group employed only permanent contract staff, with zero temporary staff and zero on-call staff.

NUMBER OF EMPLOYEES PER OPERATION SITE BY TYPE OF WORKING TIME (FULL-TIME EMPLOYEES) [PEOPLE]

	2024
Total	502
ALTEO	399
FE-GROUP	103
Men	389
ALTEO	311
FE-GROUP	78
Women	113
ALTEO	88
FE-GROUP	25

NUMBER OF EMPLOYEES PER OPERATION SITE BY TYPE OF WORKING TIME (PART-TIME EMPLOYEES) [PEOPLE]

	2024
Total	11
ALTEO	10
FE-GROUP	1
Men	4
ALTEO	3
FE-GROUP	1
Women	7
ALTEO	7
FE-GROUP	0

[23] The number of employees and the number of permanent employees by contract type (S1-6 50b) are the same, thus we have included only one table.

STAFF TURNOVER

	2024
Total number of employees [person]	513
ALTEO	409
FE-GROUP	104
Number of employees leaving [people]	96
ALTEO	39
FE-GROUP	57
Staff turnover (ALTEO Group) [%]	19%
ALTEO	10%
FE-GROUP	55%

For the calculation of staff turnover, we used the total number of employees leaving as a percentage of the total number of employees. The data has been compiled using our internal human resources database and is presented as at the end of the year. The figures presented are the headcount figures as at the end of the reporting period.

ESRS sustainability questions in the form of yes-no statements	
The number of employees was reported using a different methodology.	no

Characteristics of non-employee workers within the undertaking’s own workforce

[S1-7]

In 2024, ALTEO Group employed 112 people under agency agreements. The two people at ALTEO Nyrt. were responsible for lifting equipment administration and technical support related to renewable energy production technologies and energy storage. The 110 non-employee workers at FE-GROUP are the temporary blue-collar workforce hired to carry out the operational activity.

There is no significant seasonality in the data.

NUMBER OF NON-EMPLOYEE WORKERS [PEOPLE]

	2024
Total	112
ALTEO	2
FE-GROUP	110

The data was compiled using our internal human resources database.

Collective bargaining coverage and social dialogue

[S1-8]

At FE-GROUP, the number of employees subject to collective bargaining agreements or social dialogue was zero, but since ALTEO Nyrt. has a Work Council it had 409 employees under social dialogue. The breakdown by countries is not relevant, as our Group operates only in Hungary.

ALTEO Group does not have any collective bargaining agreements in place and, therefore, no employees are subject to them. Working conditions are always determined in compliance with the applicable laws and, in the case of ALTEO, social dialogue is also conducted on other issues through consultations with the Works Council.

The total number of subcontractors employed by ALTEO Group was 581 subcontractors at 283 companies.

As in previous years, the number of subcontractors subject to collective bargaining agreements or social dialogue at ALTEO Group was zero in 2024.

NUMBER OF EMPLOYEES SUBJECT TO A COLLECTIVE BARGAINING AGREEMENT /SOCIAL DIALOGUE PER OPERATION SITE

	2024
Number of employees subject to a collective bargaining agreement /social dialogue [people]	409
ALTEO	409
FE-GROUP	0
Ratio (%)	80%
ALTEO	100%
FE-GROUP	0%

At present, ALTEO Group does not have an employee agreement in place that would allow employees to be represented by the European Works Council (EWC), the Societas Europaea (SE) Works Council or the Societas Cooperativa Europaea (SCE) Works Council.

Adequate wages

[S1-10]

All employees of ALTEO Group receive at least the minimum wage and the guaranteed minimum wage as defined by the applicable laws.

Social protection

[S1-11]

Employees of our Group can also benefit from a range of benefits affording them social protection, and all employees are entitled to these benefits, irrespective of their type of employment. The breakdown by countries is not relevant because we have sites only in Hungary

Loss of income due to illness

When an employee is on sick leave, the employer pays the sick benefit for the first 15 days of illness, and this sick benefit equals to 70% of the employee's salary. Employees who are incapable of working for a period longer than the 15 days, are entitled to sick pay provided by the State. This amount is a pre-defined percentage of the employee's income, financed by social security system.

In case of loss of income due to unemployment

Employees who become unemployed receive a job-seeker's benefit which is 60% of their previous earnings, up to a maximum of 100% of the minimum wage. The benefit is available for a maximum of 90 days.

In case of loss of income due to work-related injury and work-related disability

In the event of a workplace accident or occupational illness, the employee is entitled to accident pay of 100% of their earnings. If the injury or disability is permanent, a rehabilitation allowance may be payable, the amount of which varies depending on the remaining capacity for work.

In case of loss of income due to parental leave

- Baby-care allowance (CSED): Payable for 168 days after the birth of the child, and it equals to 70% of the mother's salary.
- Child-care benefit (GYED): Payable after CSED, until the child is 2 years old, once the employee is not eligible to CSED anymore, and it equals to 70% of the mother's salary, capped at 70% of twice the minimum wage.
- Child-care allowance (GYES): Payable after GYED, by subjective right until the child is 3 years old, once the employee is not eligible to GYED anymore and it is a fixed-amount benefit.

In case of loss of income due to retirement

The employee receives an old-age pension under the social security scheme, and in certain cases may also receive pension supplements, such as a widow's/widower's pension or early retirement benefit.

Health and safety metrics

[S1-14]

At ALTEO Group, we pay great attention to the principle of "Safety 1st", i.e. the importance of safe work and that of health protection. Our results reflect our long-standing commitment and development: We had no serious work-related accidents in 2024 either. This is particularly noteworthy as our staff is engaged in physical work that can pose a high safety risk.

Our goal is to prevent work accidents and provide preventive health services. We set annual targets and programs, based on risk assessments, experience and analysis of work-related accidents, and monitor these through the IMS. Results are monitored during walkthroughs and inspections.

We organize several walkthroughs per year at each site, which include multiple walkthroughs by senior management, one inspection involving the HSE area and two internal audits.

As part of our Integrated Management Policy (IMS), minimizing work accidents and preventing fires and environmental pollution are key objectives. Health and safety is managed as part of the IMS under the direction of the Director of Sustainability and HSE, and the Site Manager at each site is responsible for ensuring that working conditions are appropriate for health and safety.

The effectiveness of ALTEO Group's occupational safety and health preventive measures, as well as the preparedness and attention of our staff, is demonstrated by the fact that in 2024 there were no fatal work accidents involving either ALTEO Group employees or staff working at our sites or on our behalf.

In the year of the report, 80% of all ALTEO Group employees (513) were covered by a health and safety management system.

There is currently no health and safety management system available for FE-Group. As a result, none of the Company's 104 employees benefit from such a system.

PERSONS COVERED BY THE COMPANY'S HEALTH AND SAFETY MANAGEMENT SYSTEM

	2024
Total [persons]	513
ALTEO	409
FE-GROUP	0
Ratio [%]	80%
ALTEO	100%
FE-GROUP	0%

The number of ALTEO's non-employee workers was 2 in the year of the report, both of them were covered by the health and safety management system, thus their ratio is 100%. In the case of FE-Group, the number of non-employee workers was 110, with none covered by such a system.

In the year of the report, 2% (112 persons) of all of non-employee workers at ALTEO Group were covered by a health and safety management system.

NON-EMPLOYEES COVERED BY A HEALTH AND SAFETY MANAGEMENT SYSTEM

	2024
Total [persons]	2
ALTEO	2
FE-GROUP	0
Ratio [%]	2%
ALTEO	100%
FE-GROUP	0%

The Occupational Health and Safety Management System (OHSMS) in place at ALTEO Group covers all ALTEO Nyrt. employees, including own employees and external contractors working at sites (409 persons in total). In 2020, ALTEO Nyrt. migrated to the ISO 45001 occupational health and safety management system.

In 2024, the number of recordable work-related accidents was zero at ALTEO and 8 at FE-GROUP involving employed workers. This represents an improvement for both operation sites compared to the previous year, when 1 case was recorded for ALTEO Nyrt. and 9 for FE-GROUP. For non-employees, there were a total of 5 recordable work-related accidents, all of which occurred during work carried out at FE-GROUP. Relative to the total number of hours worked, this rate was 0.001%.

As before, ALTEO Group continues to be committed to the safety of its employees.

NUMBER AND RATE OF RECORDABLE WORK-RELATED ACCIDENTS

Employed workers	2024
Total [persons]	8
ALTEO	0
FE-GROUP	8
Total hours worked [hours]	850,249
ALTEO	682,574
FE-GROUP	167,676
Ratio [%]	0.001%
ALTEO	0.0000%
FE-GROUP	0.0048%

At ALTEO Group, we regularly review the risks of occupational diseases and take measures to mitigate these where necessary. All employees have an annual health check-up. The quality of service is constantly monitored and feedback from our staff is taken into account. The results are positive: no occupational illnesses have been reported in the past 6 years, which shows the effectiveness and efficiency of the measures.

NUMBER OF CASES OF RECORDABLE WORK-RELATED ILL HEALTH

	2024
Total	0
ALTEO	0
FE-GROUP	0

At our Group, the total number of days our employees lost due to work-related illnesses or injuries resulting from work-related accidents and death resulting from illnesses was 549 days.

The number of fatalities due to work-related injuries and illnesses among own workforce was 0.

The number of fatalities due to work-related injuries and illnesses of other workers at Company sites was 0.

DAYS LOST

	2024
Total number of days lost [days]	549
ALTEO	0
FE-GROUP	549

Work-life balance metrics

[S1-15]

At ALTEO Group, eligibility for family-related leave is determined subject to the laws of Hungary.

In 2024, 6% of employees were entitled to take family-related leave.

The ratio of employees entitled to take family-related leave was 42% for men and 71% for women.

PERCENTAGE OF EMPLOYEES ENTITLED TO TAKE FAMILY-RELATED LEAVE [%]

	2024
Ratio (%)	6.0%
ALTEO	7.6%
FE-GROUP	0.0%

PERCENTAGE OF ENTITLED EMPLOYEES WHO TOOK FAMILY-RELATED LEAVE [%]

	2024
Ratio	48.4%
ALTEO	48.4%
FE-GROUP	0%
Men	41.7%
ALTEO	41.7%
FE-GROUP	0%
Women	71.4%
ALTEO	71.4%
FE-GROUP	0%

Incidents, complaints and severe human rights impacts

[S1-17]

As in previous years, there were no reports of events at ALTEO Group that would qualify as discrimination. The number of complaints, cases of discrimination, severe human rights incidents involving own workforce was 0.

In light of this, there were no fines, penalties or compensation imposed.

INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS	2024
Number of complaints submitted	
Total	0
ALTEO	0
FE-GROUP	0

The number of incidents, complaints and severe human rights incidents are recorded and managed by the Ethics, Compliance and Control Department. The related data report has been produced on the basis of the internal database.

ESRS sustainability questions in the form of yes-no statements	BP-1
There have been no severe human rights incidents involving own workforce.	no

4 CORPORATE GOVERNANCE

4.1 Business conduct

Presentation of processes to identify and assess material impacts, risks and opportunities

[G1 IRO-1]

Information on the disclosure requirement is presented in Chapter IRO-1.

Corporate culture and business conduct policies, and corporate culture

[G1-1] ALTEO Group's corporate culture is deeply rooted in the Code of Ethics, which is described in detail in Chapter S1. The management conducts regular discussions on the aspects of corporate culture, with particular attention to ethical standards, the quality of the working environment, employee rights and sustainability. These issues are regularly communicated to internal and external partners to ensure that these issues become an integral part of the corporate culture. As far as ethics and compliance are concerned, the management monitors the Company's operations, in particular as it relates to the Code of Ethics, data protection, information security and workplace safety, and intervenes as necessary. In addition, the management organizes regular trainings and workshops for employees for personal and professional development. Specific incentive measures by the Company to encourage and promote a corporate culture include flexible working hours, the possibility of working from home, an annual training plan and various training opportunities, a humane approach to dismissals, support for former employees, investigation of Code of Ethics incidents and taking necessary action, and the introduction of a whistleblowing line to report misconduct and abuse. Through our Whistleblowing Line, both internal and external stakeholders can report suspected non-compliance or abuse.

Our Group uses its Compliance Management System (CMS) to report unlawful conduct and to identify concerns about conduct that is contrary to the Code of Ethics or internal rules, and detailed information on the policy is provided in Chapter S1. We have also introduced a Compliance adjustment in the performance appraisal system to ensure that ethical standards are met.

Our Company has anti-corruption policies in place in line with the United Nations Convention against Corruption.

[G1-3] Materials on ethics and business conduct are included in our annual training program in order to ensure that employees are familiar with the Code of Ethics. All employees of ALTEO Group (not including FE-Group) are required to pass a bi-annual mandatory online training and exam, and we have mandatory online ethics trainings and exams for all new hires. The curriculum of the latter covers the chapters of the Code of Ethics step by step in the form of a presentation, and employees take an exam on the Code of Ethics.

However, it is each and every employee is personally responsible for knowing and applying the Code of Ethics that governs the business conduct of ALTEO Group.

Integrated Management System

The Integrated Management Policy is the fundamental document of the system, in which the Company's management commits itself to providing quality services, ensuring safe work environment, energy efficiency, the protection of environment, and sustainability. It applies to all ALTEO Group activities (with the exception of FE-Group), including the entire value chain of the energy industry. ALTEO Group's management is responsible for the implementation of the policy.

The quality of our services is of utmost importance, and we strive to deliver beyond the expectations of our clients. In addition to our primary business interests, we pay great attention to ensuring a healthy and safe working environment while minimizing the environmental impact of our activities. We are committed to adhering to the principles of precaution, responsible thinking, and prevention, and firmly believe in the importance of social responsibility, thus contributing to sustainable development. All of the above is implemented through our Integrated Management System (IMS), which is a system integrating four international standards:

ISO 9001:2015 Quality Management System (QMS)	ISO 14001:2015 Environment Management System (EMS)	ISO 45001:2018 Occupational health and safety management system (OHSMS)	ISO 50001:2018 Energy Management System (EnMS)

For ISO 45001 and ISO 50001, we successfully adopted the new 2018 standards in 2020. Our certifications are available on our website. The integrated operation of these systems enables the ALTEO Group to operate at the highest international standards at all times. This also ensures compliance with current legislation and stakeholder expectations. In 2023, we successfully introduced and had certified the ISO 27001:2022 Information Security Management Systems for support processes, whose supervisory audit was successfully completed in 2024.

Sustainable procurement policy

The Sustainable Procurement Policy of the ALTEO Group (not including FE-Group) sets out the environmental, social and economic criteria that the Company applies in its procurements. The policy aims to promote sustainability, uphold fair labor practices and ensure ethical behavior and transparency in the supply chain. The document applies to the entire supplier network of ALTEO Group, including subcontractors and related partners. In this context, the Sustainable Procurement Policy is supervised and implemented by ALTEO Group's Director of Procurement and Facilities Management.

The management of ALTEO Group is responsible for the development and implementation of the policy, which includes the involvement of stakeholders, including suppliers, employees and customers, and taking their needs into account. Regular training and development ensure that everyone is aware of the importance of sustainability. ALTEO Group requires its suppliers to comply with the guidelines of the Code of Ethics, ensure a safe and healthy working environment, promote diversity and inclusion, and minimize their environmental impact.

ALTEO Group is highly committed to sustainability, continuously striving for innovation and the use of best practices. To this end, the Company regularly reviews its policy to ensure that it always reflects the latest regulations and stakeholder expectations.

Measures related to corporate culture and business conduct

Corruption and bribery

[G1-3] [G1-4]

To prepare the Compliance Risk Map, and to eliminate the possibility of corruption, fraud and abuse, the ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings in November of each year since 2015. The questionnaire shows the extent managers are aware of risks in the areas under review compared with the identified and actual risks of the Group, thus ensuring regulatory compliance and reducing risks from the value chain. In addition to the existing five business areas, we have carried out a risk analysis of three additional business areas (Legal, IT, M&A) in 2024.

In addition, our Group has an anti-corruption program to ensure fair, compliant and transparent business operation. For this reason, based on the Code of Ethics:

- the Company established strict rules on conflict of interest,
- it is prohibited to grant or receive undue benefits,
- small gifts and business invitations can be accepted only on certain conditions,
- activities and positions that are particularly vulnerable to potential bribery are closely monitored to prevent bribery,
- we conduct due diligence checks on our business partners,
- 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.

ALTEO Group focuses the recruitment of new employees which is an HR-related area that is most exposed to the risk of corruption, and therefore receives special attention, as the risk of corruption within the Company can increase in case of conflicts of interest. To remedy this, all new employees are required to sign a conflict of interest declaration as part of the onboarding process, in accordance with our internal rules. The declarations are reviewed and, if necessary, the employee is consulted on the elimination of the conflict of interest or the conditions for authorization. In the event of new contractual relationships, transactions or other forms of value transfer, affected employees must specifically declare that there is no business or personal involvement with respect to the transaction.

When conducting due diligence for business partners, our Group seeks to act with the utmost care, and to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure.

Despite the precautions taken, there were two cases of suspected corruption reported in 2024, one resulting in the dismissal of a staff member and one resulting in the termination of a relationship with a business partner.

In 2024, the number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws were 0.

Whistleblowing Hotline

The Company has been operating a whistleblowing hotline since 2016. Both employees and business partners can report suspected Code of Ethics violations in the Company's operations through an online reporting system, via email or by telephone. Reports are always investigated in accordance with our internal rules of procedure. Our Group places particular emphasis on ensuring that whistleblowers do not suffer any form of retaliation or discrimination, even if after a bona fide report no illegal or inappropriate practices are identified.

In accordance with ALTEO Group's Compliance Policy, the Ethics, Compliance and Control Department sends a confirmation to the whistleblower within seven days of receipt of a written report made in the internal whistleblowing system. In the confirmation, the Director of Ethics, Compliance and Control informs the whistleblower about the procedural and data processing rules under the Whistleblower Protection Act. The report must be investigated within thirty days, but this period may be extended in justified cases after informing the whistleblower. Even in such cases, the investigation cannot exceed three months.

The Director of Ethics, Compliance and Control also informs the whistleblower, orally or in writing, of whether or not the report is being investigated, and the reasons for possible non-investigation, the outcome of the investigation and the action taken or planned to be taken. The person concerned by the report is informed in detail about the report and the processing of personal data at the start of the investigation.

To encourage employees at ALTEO Group to speak up, we launched the Speak Up! program in 2023. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences. We consulted with staff about what they would consider important to say and do on this issue. The program for the next 2-3 years has been set up accordingly.

We also ensure that actions violating our Code of Ethics are reported and appropriately investigated. The Compliance Management System (CMS)[24] is designed to ensure compliance with laws, internal rules and the Group's Code of Ethics in respect of the entire Group. 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 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).

We are committed to operating ethically and transparently, which is why the compliance system at ALTEO Group is of paramount importance in the life of the Company. The Ethics, Compliance and Control Organization reports directly to the CEO. It informs the Company's Compliance Committee and Supervisory Board about its activities and work plan, and any issues identified.

Investigation mechanism

The Ethics, Compliance and Control department of ALTEO Group is responsible for investigating ethical issues brought to its attention and reports received through the whistleblowing line; it also makes recommendations for necessary measures and monitors implementation.

Compliance risk map

To prepare its Compliance Risk Map, ALTEO Group completes a Compliance RISK questionnaire, and analyzes the findings every year. More information on the process is shared in disclosures G1-3 and G1-4 of the report.

The questionnaire covers topics concerning the following five main business areas:

BUSINESS AREA	TOPICS
1 CORPORATE GOVERNANCE	The questions on corporate governance provide answers on how the Company's management manages risks, what tools, internal rules and organizational structures are used to fight corruption, fraud and insider trading. How it protects business information and how much emphasis it attaches to maintaining the Company's reputation in its marketing strategy and in its external and internal communications
2 HR POLICY	Topics related to HR policy provide an idea of the adequacy of the Company's internal communication, the sharing of internal information, and the emphasis the Company places on raising awareness and operating in a transparent and regulated manner.
3 FINANCE – ACCOUNTING	It determines how the Company regulates the payment and reviewing of invoices, and the emphasis it places on ensuring that payments are always made in a controlled, approved and properly documented manner.

[24] For more information, please visit the website: https://alteo.hu/sustainability/responsible-corporate-governance/ethics-compliance-and-control/?lang=en

4 PUBLICITY / PROVISION OF INFORMATION	As regards publicity, risks related to the regularity of cooperation with business partners, the publicity of the conditions imposed by the Company (service related expectations), the appropriateness of the selection process used for contracts, the definition of professional competence criteria, can be assessed.
5 PROCUREMENT	The risk map of the procurement area determines the transparency of the procurement processes, the regularity and controlled nature of the tendering process, and the appropriateness of the pre-qualification criteria used.

Health, safety and environment (HSE)

We put great emphasis on the environmental and safety performance of our sites. Our excellent environmental performance means that we comply with domestic and EU requirements, at the same time as minimizing the environmental impact of the energy we generate. In terms of workplace safety, we achieved outstanding results in the Hungarian energy production sector, with no serious work accidents at our sites. We will continue to focus on continuously enhancing our environmental and safety performance to ensure the basic conditions for sustainable operation.

The core value of the ALTEO Group (not including FE-Group) is safety. Health and safety activities are managed in alignment with the Integrated Management System and sustainability considerations. Site managers are responsible for ensuring safe working environment at their site. We aim to handle HSE-related tasks in a single, systemic approach, to minimize risks, and to implement cost-effective measures, while complying with current laws. The prevention of work accidents, increased exposures and occupational diseases and fires is of crucial importance, and requires close cooperation in the area of occupational health and safety.

Our fundamental goal is to prevent work accidents and provide preventive occupational health services. We have an Occupational Health and Safety Committee set up, which participates in occupational health and safety activities at ALTEO Group, and is involved in the preparation of decisions that may affect the health and safety of employees. This also ensures that employees are involved in the development of the corporate HSE strategy. Special attention is paid to the health and safety of all those working at our sites, and everyone is expected to adhere to our common principles.

ALTEO Group considers HSE requirements as its corporate policy, and the purpose of the requirements is to determine the material and personal HSE conditions of work, prepare a risk assessment, determine the necessary personal protective equipment, prepare and enforce a health and safety plan. These regulations apply to all work carried out by ALTEO Group, with the exception of greenfield work, where the Contractor is responsible for authorizing the work once the work site is handed over to it. In order to comply with the regulations, a valid contract, a Supervisor Certificate and the completion of the E-learning material prepared by ALTEO Nyrt. are required.

The HSE organization is responsible for compliance with the regulations. The standards applied include the 14001:2015 Environment Management System, and the ISO 45001:2018 Occupational health and safety management system The HSE requirements serve to protect the health and safety of employees. We organize several management walk-throughs and HSE inspections, and also two internal audits each year. Compliance with policies is also reviewed in external audits and regulatory inspections.

Participants are required to complete a knowledge assessment test after HSE training sessions, and prior to the annually recurring trainings, the curriculum is updated and supplemented in line with internal and legislative changes. HSE training is available for all employees; while non-ALTEO Group employees are provided with contractor supervisor HSE training.

Risk management

Risks and opportunities associated with climate change

Having recognized the potential risks associated with climate change, which may have significant impact on its business activities in terms of demand for energy and opportunities for energy production, ALTEO Group prepared a scenario analysis in 2022 based on a TCFD (Task Force on Climate-related Financial Disclosures) approach to identify risks and opportunities arising in the context of climate change. This was the basis for a more comprehensive and informed assessment of climate-related operational risks and opportunities.

Risks were identified using a risk assessment methodology applied by ALTEO Group, in which the impact and probability of relevant risks actually occurring was evaluated on a scale of 1 to 3 (1–low, 2–medium, 3–high) by the Company's key sustainability, risk management, legal and commercial specialists, with the involvement of external experts. A similar approach was applied to the assessment of the options. The workshops looked at three time horizons: short-term (up until 2025), medium-term (up until 2030) and long-term (up until 2050). The scenario analysis was evaluated and approved by ALTEO Group Green Committee on October 26, 2022.

The two climate scenarios examined by ALTEO Group:

1.5 °C Scenario[25] Transition risks and market opportunities dominate	4 °C Scenario[26] Physical impacts dominate
Globally coordinated efforts to reduce emissions to net zero by 2050	Emission reduction policies are limited to current policies
Aggressive regulation restricting the extraction and use of fossil fuels.	Continued use of fossil fuels and energy-intensive activities
Transition to a sustainable and less resource-intensive lifestyle	Unsustainable, energy-intensive consumption patterns
Rapid decline in the cost of key technologies such as hydrogen and photovoltaics	More visible physical effects of climate change

These results were entered into the Company's risk records, and are continuously monitored and managed in accordance with the Group's risk management strategy and risk management process.

Management of relationships with suppliers

[G1-2]

ALTEO Group only works with suppliers who comply with the applicable legal and ethical standards for business. Accordingly, we pre-qualify our suppliers for all new contracts and re-evaluate our existing suppliers every three years. The suppliers above a certain value threshold are subject to further compliance checks. When entering into a relationship with suppliers, our Group seeks to involve a wide range of local entrepreneurs (those registered in the region) and businesses while keeping cost-effectiveness in mind, thereby helping to spread the economic benefits of its operations in its immediate environment.

When conducting due diligence for business partners, the Company seeks to act with the utmost care, and to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken. In addition, we expect our suppliers, subcontractors and other partners to familiarize themselves with our Code of Ethics and act in accordance with its contents.

We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure.

Payment practices

[G1-6]

ALTEO Group does not currently have a documented governance document or policy on the prevention of late payments, however, this process is a fundamental and important part of our daily practice. These documents will be replaced and aligned with our overall governance systems and policies in the coming period.

In 2024, ALTEO Group, not including FE-GROUP, settled invoices from suppliers within an average of 4 days of the due date, while FE-GROUP settled invoices in an average of 1 day.

AVERAGE TIME (DAYS) NEEDED FOR INVOICE SETTLEMENT, PER OPERATION SITE

	2024
ALTEO	4
FE-GROUP	1

When defining the payment due dates for the various supplier categories, we have not broken down the data into foreign and domestic suppliers, given that the volume of foreign invoices is negligible compared to the total number of invoices. For this reason, we have made the categorization according to standard payment due dates. On the basis of the above, "Contracted suppliers II" had the highest percentage of payments made by the due date (in their case a 60-day payment date), at 93.26%.

[25] Based on the Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 2.6 and SS1, and Nationally Determined Contributions (NDC) submitted by the European Union.

[26] Based on the IPCC scenarios: RCP 8.5 and SSP5.

PAYMENT DUE DATES FOR THE VARIOUS SUPPLIER CATEGORIES [DAYS]

Supplier category	Payment due dates (days)	Ratio of payments meeting the payment due date
Ad hoc suppliers	8 days	53.41%
Framework agreement suppliers	15 days	74.14%
Contracted suppliers I	30 days	85.24%
Contracted suppliers II	60 days	93.26%

The principle used to define supplier categories was the length of the standard payment date. The principle of the breakdown is ~1 week, ~2 weeks, ~1 month, ~2 months. This way, we identified the 4 groups shown in the table, which were named according to the nature of their contracts.

As in previous years, there were no legal proceedings concerning late payments at any of our sites in 2024.

[IRO-2]

17. LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION[27]

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				x
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II"		Non-material.
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex I		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Non-material.

[27] In accordance with the ESRS standard, this table shows where the data points from other EU legislation listed in Appendix B of ESRS 2 can be found in the sustainability statement. However, ALTEO Group is not subject to the laws referred to, i.e. the Company is not subject to the European Climate Law, the EU Climate Transition Benchmarks Regulation, the regulation on sustainability-related disclosure in the financial services sector (SFDR) or the disclosure requirements under Pillar 3 of the EBA.

[28] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation)

[29] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance) (Capital Requirements Regulation – "CRR") (OJ L 176, 6/27/2013, p. 1).

[30] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 6/29/2016, p. 1).

[31] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (European Climate Law) (OJ L 243, 7/9/2021, p. 1).

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2	x
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1) (d) to (g), and Article 12(2).		Not relevant
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate Change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		x
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex I				Page X
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex I				x
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex I				x
ESRS E1-6 Scope 1, 2, 3 gross and total GHG emissions Section 44	Indicators number 1 and 2 Table #1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		x
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate Change transition risk: Alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		x
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Non-material.
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk			x
ESRS E1-9. Breakdown of the carrying amount of its real estate assets by energy efficiency classes paragraph 67 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2: Banking book – Climate Change transition risk: Loans collateralized by immovable property - Energy efficiency of the collateral			Non-material.
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		x
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex I Indicator number 2 Table #2 of Annex I Indicator number 1 Table #2 of Annex I Indicator number 3 Table #2 of Annex I				x
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				x
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex I				x
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Non-material.
ESRS E3-4 Total recycled and reused water paragraph 28(c)	Indicator number 6.2 Table #2 of Annex I				x
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				x
ESRS 2 – IRO 1 – E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				x
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I				Non-material.
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I				Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex I				Non-material.
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I				x
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I				x
ESRS 2 – SBM3 – S1 Risk of incidents of forced labor paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				x
ESRS 2 – SBM3 – S1 Risk of incidents of child labor paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				x
ESRS S1-1 Human rights policy commitments Paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				x
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				x
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				x
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				x
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				x
ESRS S1-16 Unadjusted gender pay gap paragraph 97	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		x
ESRS S1-16 Excessive CEO pay ratio paragraph 97	Indicator number 8 Table #3 of Annex I				x
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				x
ESRS S1-17. Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		x
ESRS 2 – SBM3 – S2 Significant risk of child labor or forced labor in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Non-material.
ESRS S2-1 Human rights policy commitments Section 17	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.

Disclosure requirement and related datapoint	SFDR reference[28]	Pillar 3 reference[29]	Benchmark Regulation reference[30]	EU Climate Law reference[31]	Page number
ESRS S2-1 Policies related to value chain workers Section 18	Indicator number 11 and n. 4 Table #3 of Annex I				Non-material.
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Non-material.
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organization Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Non-material.
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines Section 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Non-material.
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Non-material.
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines Section 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Non-material.
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I				Non-material.
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I				x
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I				x
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		106
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex I				106

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