

This Information Memorandum was prepared in relation to the private placement of the bonds to be issued by ALTEO Nyrt.

INFORMATION MEMORANDUM



for the private placement of the bond designated as ALTEO 2022/II, to be issued by
ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság, as Issuer

Distributing and Paying Bank: OTP Bank Nyrt.

29 May 2019

This information memorandum (hereinafter: “**Information Memorandum**”) was prepared in relation to the private placement of the bonds to be issued by ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1131 Budapest, Babér u. 1–5.; company registration number: 01-10-045985; hereinafter: “**Issuer**”).

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1 RISK FACTORS

1.1 Risks Specific to the Market and the Industry

1.1.1 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 ALTEO Group activities.

1.1.2 Risks stemming from the legal system

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

1.1.3 Energy market regulation

The operation and profitability of 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 legislation, authority and court practice, Hungarian and international process, trade and operational regulations, as well as other applicable regulations relating to electricity generation and the electricity trade, the utilization of renewable energy sources, to energy and heat produced in cogeneration power plants, to district heat generation and district heating services, the natural gas trade, as well as to allowance allocation and trade. In 2018, the European Union drafted new energy-related legal regulations under the title "Clean Energy For All Europeans", some of which have already been adopted and published, while some other are still in the legislative process.

Changes in these regulations and the transposition of the EU regulatory framework may have a significant impact on the operation, profitability, market position and competitiveness of ALTEO Group.

1.1.4 Environmental legislation

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

1.1.5 Regulated prices

The various affiliates of the ALTEO Group engage in activity whose price is determined or capped through legislation or regulation by some authority (including in particular the HEA, ministries and municipal governments). These prices, set out in legal regulations or set by an authority, furthermore, 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.

1.1.6 CO₂ emission allocation system and CO₂ prices

The third EU ETS trading period (2013–2020) began on 1 January 2013. During this period, emitters—subject to certain exceptions—are and will be able to acquire emission allowances solely at auctions or through secondary commercial channels. In the period between 2013 and 2020, specific power plants in the ALTEO Group are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the preliminary national implementing measure published by the Ministry of National Development and approved by the European Commission.

Changes in the allocation system, the allocation rules or the price of the emission allowances could have a considerable impact on the operating costs and economic results of the ALTEO Group.

1.1.7 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, as well as those for investment projects and operation, moreover on any future changes in government grants.

The Commission Guidelines on State Aid for Environmental Protection and Energy set up a new framework of EU requirements to be met by any government grant provided to the energy sector and to be applied in Hungary too. Furthermore, the EU adopted the RED2 Directive in December 2018, and the Member States, including Hungary, will have to transpose it by June 30, 2021.

In recent years, the 'KÁT' (i.e. mandatory electricity off-take) system has undergone changes that also affected the operating model. 'METÁR' (i.e. the support system for renewables), which embodies a comprehensive recast of the KÁT regime, became effective on 1 January 2017 (some of its elements on 21 October 2017). 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. Hungarian legal regulations aimed at transposing the RED2 Directive have not yet been created, furthermore, no tender subject to the METÁR system has yet been announced, so whatever potential impact those might have on the Company's sales revenue and profitability is as yet unknown.

1.1.8 Taxation

The current taxation, contributions and duties payment regulations applicable to 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 ALTEO Group's sales revenue and profitability alike.

1.1.9 Changes in technology

Technological innovations can significantly improve the efficiency of the energy industry, especially in the area of renewable energy production. Technological development can not only reshape the technologies ALTEO Group uses, but, in some cases, might even completely eliminate their use. If ALTEO Group has no

appropriate experience with or cannot access (on account of patent protection or due to other grounds) solutions and technologies that become prominent, this may lead to a loss of ALTEO Group's market share and a decrease in its revenues and profitability. There is no way to guarantee that ALTEO Group will always be in a position to choose and procure, then operate—in a most profitable way—the most efficient technology.

1.1.10 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 ALTEO Group's various markets or may start competing with 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 ALTEO Group's services or increase the Group's costs, which may have an adverse effect on ALTEO Group's bottom line, as measured on a consolidated basis. That notwithstanding, ALTEO Group's competitive position has improved significantly with the acquisition and integration of the Sinergy Group, due to the substantial professional experience and background it represents in terms of the preparation, implementation, as well as the operation and maintenance of power-engineering projects.

1.1.11 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 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.

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

Some of ALTEO Group's loans were drawn down in a foreign currency or against a *multi-currency* facility. A significant part of the loans is organically covered through sales revenue realized in foreign currencies, however, any change in FX-rates that are unfavorable for ALTEO Group could have a negative effect on repayment installments and interest relating to the various credit facilities, which could consequently have a negative impact on ALTEO Group's profitability, as well.

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

1.1.12 Foreign exchange rate changes

A significant part of ALTEO Group's sales revenue is generated in HUF, but there are numerous items on the expenditure side which are not covered with FX-revenue,

are to be settled in FX or are subject to foreign exchange rates (including, among others, electricity purchase prices and the price of natural gas procurement). As a consequence, any change in foreign exchange rates that is unfavorable for ALTEO Group might have a negative effect on the business activity and profitability of ALTEO Group.

1.1.13 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. New developments in economic processes and changes in supply-demand relations may have a negative effect on ALTEO Group's profitability under certain circumstances.

1.1.14 Risk of changing natural gas, electricity and heat energy price margins

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

1.1.15 Risks related to the United Kingdom leaving the European Union (Brexit):

ALTEO Group does not have any direct customers or suppliers in the United Kingdom for its revenue-generating activities or services that affect its operation. However, Brexit may affect those markets where ALTEO Group is also active, and so it may have an indirect impact on ALTEO Group's operations and profitability. The management of ALTEO Group is not in a position to assess the risks from the potential outcomes of Brexit in the entire supply chain, or the risks indirectly affecting the Issuer.

1.2 Risks specific to ALTEO Group

1.2.1 Risks of growth

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. 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.

1.2.2 Risks stemming from acquisitions, buying out projects and companies

ALTEO Group wishes to implement its business plans partially via acquisition of already existing energy projects and/or buying out companies. Although acquisition targets always undergo detailed screening before the transaction, we cannot exclude the possibility of such financial, legal or technical events occurring in relation to an

acquired project or company that may have an adverse effect on the business and profitability of ALTEO Group.

1.2.3 Risks related to power plant project development and green-field investment

In ALTEO Group's business plans, licensing and implementation of green-field energy investments plays an important role. Although 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, ALTEO Group strives to contract main and subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.

1.2.4 The risk of entering new geographical markets

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 ALTEO Group.

1.2.5 Large-scale, customized projects

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

1.2.6 Dependence on third-party suppliers

During the implementation of energy investments, 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. 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 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.

1.2.7 Buyer risk

A significant share of 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, ALTEO Group is exposed to non-payment risk. If an important buyer of ALTEO Group fails to pay or pays late, that might cause a significant loss to ALTEO Group.

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 shall be borne by the relevant Subsidiary.

1.2.8 Energy trade risks

Changes in the demand on electricity and natural gas markets may have a profound influence on the revenues, profitability and strategic expansion plans of 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 mistake or incorrect data service may lead to inappropriate procurement strategy, where a subsequent correction can cause losses to the ALTEO Group.

In order to provide flexible services to meet consumer needs, the Company does not provide cover for the full contracted amount, hence, open positions remain, and their closing takes place primarily on the cash (spot) market. Prices on the spot markets cannot be planned in advance, any unfavorable developments for the Company may have adverse effects on the profitability of the ALTEO Group.

Commitment of natural gas and electricity volumes increasingly tends to take place on high-liquidity commodity exchanges. Given that large volume transactions occur each day, the prices of these goods change on a daily basis. Day-by-day price movements, sometimes with significant changes, may represent a risk in the case of longer-term consumer proposals. Even though ALTEO Group performs its trading activities with great caution, an eventual mistaken transaction may have a significant negative effect on the profitability of ALTEO Group.

1.2.9 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.

1.2.10 Operating risks

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

- (a) costs of general and unexpected maintenance or renewals;
- (b) unplanned outage or shutdown due to malfunction of the equipment;
- (c) natural disasters (fire, flood, earthquake, storm and other natural disasters);
- (d) change in operative parameters;
- (e) change in operating costs;
- (f) eventual errors during operations; and

(g) dependence on third-party operators.

The energy producer companies of ALTEO Group have in place “*all risk*” type property insurance policies for machinery breakdown and outage, as well certain natural disasters. These provide cover for damages traceable to such causes and also apply to liability insurance policies as well, where a cover is provided for third-party damages caused by energy production 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.

1.2.11 Fuel risk

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

For ALTEO Group’s power plants burning hydrocarbons, the key types of fuel (primarily natural gas) are procured from third-party suppliers. The natural gas transport agreements made by 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 ALTEO Group are also in line with the practices used by the entire industry and these include an offtake (a.k.a. “*take-or-pay*”) obligation, for the respective period, with a certain tolerance band. In the case of a significant drop in natural gas consumption it is not excluded that ALTEO Group may have a major penalty obligation because of the gas not taken over.

1.2.12 Key licenses and qualifications

For performing their activities, members of the ALTEO Group need several permissions (such as small power plant consolidated permit, KÁT permit, as well as environmental and water rights licenses). If these certificates, qualifications and licenses are revoked or not extended, the business of ALTEO Group would be profoundly limited. Therefore, this could have a significant negative impact on the Group’s profitability.

1.2.13 Authority risk

In addition to the tax authority, several other authorities (such as the Central Bank of Hungary and HEA) are entitled to check the proper functioning of the rules at ALTEO Group. ALTEO Group does everything that can reasonably be expected of it to ensure the compliance of its operation with the requirements set out in legal regulations or specified by the authorities. Nevertheless, the possibility that future inspections by the authorities will make statements leading to substantial expenses for ALTEO Group, or that the determining authorities will impose certain sanctions (such as penalty, suspension of their operation or withdrawal of the license required for the operation) on some companies of the ALTEO Group cannot be excluded.

1.2.14 The risk of not fulfilling the obligations associated with operating its own balancing group

As part of its electricity trading activity, ALTEO Energiakereskedő operates a balancing group of its own, an accounting organization with the membership of electricity users and electricity producers in contractual relationship with ALTEO

Energiakereskedő, and performs its related tasks specified in legislation and in the electricity supply regulations. ALTEO Energiakereskedő itself has all licenses, financial securities, assets and resources required for operating the balancing group, but in the case of a malfunctioning or a shortage, ALTEO Energiakereskedő may not be able to perform its duties as the entity responsible for the balancing group, therefore, it would have to bear all relevant damages and fines.

ALTEO Energiakereskedő is 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 ALTEO Energiakereskedő 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 may be the result thereof.

1.2.15 Risks arising from operating the Control Center

The revenues of the Control Center greatly depend on the success rate of the bids it submits to the calls to bid MAVIR periodically announces for the provision of system services. If the Control Center is disqualified from bidding for reserve capacities within the scope of system level services or cannot win such bids due to a change in the regulatory environment, that might have a significant influence the profitability of ALTEO Group's energy production business line.

1.2.16 Options to purchase certain means of production

Third parties have options to purchase certain means of production of 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.

On the basis of the investment and long-term heat supply contracts concluded between the Subsidiaries holding the heat power plants of Kazincbarcika, Ózd and Tiszaújváros and the local municipalities, the municipalities are entitled to buy those heat power plants upon the expiry of such contracts, at the value specified in the accounting records. If these contracts are not extended, the Kazincbarcika and Tiszaújváros contracts expire in 2022, the Ózd contract in 2020.

MOM-Park MFC Kft has options to purchase the Energy Centre established and owned by Sinergy Kft that ensures the primary energy supply of the MOM Park building complex, for a purchase price calculated according to the methodology specified in the contract.

On the basis of a purchase option contract between TVK Nyrt. (today's name: MOL Petrochemicals Co. Ltd.) and Sinergy, on the Tisza-WTP business share, MOL Petrochemicals Co. Ltd. is entitled to purchase, until the day of June 30, 2027 at the latest, the Tisza-WTP business share at a price calculated according to the methodology specified in the contract

On the basis of a heat supply and capacity utilization contract concluded between BC-Therm and BorsodChem Zrt, BorsodChem Zrt is obliged to purchase from Sinergy the BC-Therm business share, at book value, upon expiry of the contract (expected by December 31, 2020).

On the basis of a long term contract concluded between Zugló-Therm and FŐTÁV Zrt on purchasing and selling thermal energy, upon expiry of that contract (expected

by May 31, 2030), FŐTÁV Zrt is entitled to buy the gas engine block heat power plant established by Zugló-Therm for the sum of EUR 1.

1.2.17 The risk of key managers and/or employees leaving the Company

The performance and success of ALTEO Group greatly depends on the experience and availability of its managers and key employees. If managers or key employees left the Company, that may have a negative impact on ALTEO Group's operation and profitability.

1.2.18 Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, ALTEO Group uses in part bonds - issued by ALTEO either to a closed, limited group of buyers or to be publicly traded - to fund its financing needs. On the day of the present Information Memorandum, ALTEO Group holds a bond inventory with a face value of HUF 3,725 million, from which a bond portfolio with a face value of HUF 925 million will mature in 2019.

Negative changes and risks in the business prospects of 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 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 ALTEO Group.

1.2.19 Business relationships associated with the Owners' Group

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

1.2.20 The risk of being categorized as an actual company group

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.

1.2.21 Taxation

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. NAV performed a comprehensive tax audit of the Company for the year 2017.

In certain acquisition contracts, the parties to the contract acting as sellers to 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 getting into ALTEO Group. Nevertheless, there is no guarantee that any claims for reimbursement by the seller will be fully enforceable against the sellers.

- 1.2.22 Any discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)

The Company and its Subsidiaries prepare individual reports in line with HAS for each financial year. However, beginning with the financial year of 2010, the Company prepares a consolidated report according to the IFRS standards. Furthermore, since 2017, the Company has been obliged to prepare even its individual report in line with the IFRS standards. Certain data elements and results of the reports prepared in line with HAS may be different from those used in IFRS.

- 1.2.23 The risk of introducing and using new power plant technologies

In accordance with its business plans, ALTEO Group may introduce into the portfolio certain technologies that were not included in their power plant portfolio until now. Although 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 ALTEO Group.

- 1.2.24 Dependence on weather

Part of ALTEO Group's energy production capacities (e.g. the wind turbines) and the energy demand of certain buyers (e.g. heat demands) depend on the weather, therefore, changes in the weather may significantly impact the profitability of 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 weather-dependent energy production the Company relies on meteorological forecasts to estimate the quantity of energy to be produced. If the weather is not as predicted, the amount of energy produced may change as compared to the plans, which may cause a loss for ALTEO Group.

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.

- 1.2.25 Information technology systems

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

- 1.2.26 Environmental risks

During their activities ALTEO Group's companies use materials and apply technologies that could be harmful to the environment if used inappropriately, not

complying with legislation or with the relevant permissions. 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. It may occur that ALTEO Group's insurance policies do not provide cover or sufficient cover for damages and costs originating from such events.

1.2.27 Political risks

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 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. Risks of this type could be present primarily in the case of the Sopron Power Plant, Kazinc-Therm, Tisza-Therm, the Ózd Power Plant and Zugló-Therm, which have district heating production activities too.

1.3 Risks related to Bonds or investments in Bonds

1.3.1 Changes in legislation

The Hungarian law effective at any time has governing effect for the Bonds. In accordance with this, it cannot be excluded that, after closing this Information Memorandum, a legislative change that may affect the Bonds will happen.

1.3.2 Regulation of investments in Bonds

Some Investors may pursue their investment activities in line with specific laws and other requirements, and these activities of theirs are controlled and supervised by the relevant authorities. The Investor should consult his own legal adviser and he should make sure that the investments in the Bonds are in compliance with the laws and other requirements related to the activities in question.

1.3.3 Changes in the rules on taxation

The laws on the taxation of the income generated by the Bonds effective at the time of this Info Memo may change in the future.

1.3.4 The Bonds are not secured by assets

The Bonds are not secured by assets, this is why the Investor may lose the invested value fully or partly in the case of the Issuer's potential insolvency.

1.3.5 Lack of liquidity and secondary markets

The market of Hungarian corporate bonds, especially the OTC market, is characterized by the lack of liquidity, this is why the liquidity risk of the Bonds is much higher than that of the government securities. This means that the Investor may only be able to sell his Bond with an exchange loss before the Bond matures.

1.3.6 Shifting of market yields

The market rates of the Bonds are dependent on various factors. The unfavorable evolution of market rates may incur a risk for the Investor, as the rate of the Bonds

will fall if there is a general increase in the market yields. Thus, if the Investor does not hold the Bonds until maturity, it is possible that he will realize a loss in such a case.

1.3.7 Foreign exchange risks

If the Investor represents his investments in a foreign currency that is different from the currency of the Bonds, he may even book an exchange loss. This is explained by that, if the currency in which the Investor represents his investments is appreciated against the currency of the Bond, the yield that can be realized on the Bonds in the Investor's currency will decrease, and so will the value of the principal amount of the Bonds expressed in the Investor's currency, and the market value of the Bonds expressed in the Investor's currency will also go down.

1.3.8 Lack of assets securitization

The protection provided by the National Deposit Insurance Fund (or another insurer like the Investor Protection Fund) does not extend to Bonds, this is why no third party warranty may be expected in the case of a potential default of the Issuer with regard to the Bonds.

1.3.9 Risk of subscription procedure

Arising from the rules governing the subscription procedure, the issue of the Bonds may fail in the case of under-subscription, while in the case of over-subscription, there will be no guarantee for the complete acceptance of the amount of Bonds intended to be subscribed to.

2 LIABLE PERSONS - LIABILITY STATEMENT

Undersigned **ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság** (registered address: H-1131 Budapest, Babér u. 1-5.; company registration number: 01-10-045985; (“**the Company**”), in our capacity to represent the person liable for the information specified in the Information Memorandum, hereby declare the following:

During the compilation of this Info Memo, the Company endeavored, with due care and diligence, to ensure that this Information Memorandum contain all the data on the Company's market, economic, financial and legal situation, the expected development thereof, as well as those which are required for the Investor's informed assessment of the rights associated with the Bonds, in compliance with the relevant statutory requirements.

To the best of the Company's knowledge, the data, data groups, statements, and analyses contained in this Information Memorandum are truthful, and allow the Investor's informed assessment of the Company's market, economic, financial and legal situation, the expected development thereof, as well as the rights associated with the Bonds. To the best of the Company's knowledge, this Information Memorandum does not contain any misleading data or any grouping or analysis, based on which incorrect conclusions could be made, and it is not withholding any fact that could jeopardize the Investor's informed assessment of the market, economic, financial and legal situation of the Company and the expected development thereof, as well as the rights associated with the Bonds.

In accordance with the above, the undersigned representatives of the Company declare, on behalf of the Company, that this Information Memorandum contains truthful data and statements, and it is not withholding any fact or information that bears significance with regard to the assessment of the Bonds or the Company's situation.

Date: Budapest, May 29, 2019

**ALTEO Energiaszolgáltató Nyilvánosan
Működő Részvénytársaság**

Name: Attila László Chikán, Jr.
Position: CEO

**ALTEO Energiaszolgáltató Nyilvánosan
Működő Részvénytársaság**

Name: Domonkos Kovács
Position: Deputy CEO, M&A and Capital
Markets

3 REGISTERED AUDITORS

3.1 The Company's auditor

Currently, the auditor of the Company is Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság (registered office: H-1068 Budapest, Dózsa György út 84/C.; company registration number: Cg. 01-09-071057, registry number in the Hungarian Chamber of Auditors: 000083). The auditor personally responsible for auditing the Company is Dr. Attila Hruby.

The mandate of the auditor is from April 26, 2019 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2019 but to May 31, 2020 the latest.

Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság and Dr. Attila Hruby are members of the Hungarian Chamber of Auditors.

3.2 Changes in the auditor

The appointed auditor of the Company from July 17, 2009 was UNIKONTO Számvitelkutatási Korlátolt Felelősségű Társaság (registered office: H-1092 Budapest, Fővám tér 8. III.em.333.3; company registration number: Cg.01-09-073167; registry number in the Hungarian Chamber of Auditors: 001724), the mandate of which for a definite period ended when the engagement period was over. The auditor personally responsible for auditing the Company for the business year 2009 was Dr. Csaba Adorján. UNIKONTO Számvitelkutatási Korlátolt Felelősségű Társaság and Dr. Csaba Adorján are members of the Hungarian Chamber of Auditors.

With regard to the business years 2011-2014, BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: H-1103 Budapest, Kőér utca 2/A., "C" épület; company registration number: Cg. 01-09-867785; registry number in the Hungarian Chamber of Auditors: 002387), and auditor personally responsible for auditing the Company Zsuzsanna Jasper were entrusted with auditing the Company as follows:

- (i) with regard to the business year 2011, the mandate of the auditor was from April 30, 2011 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2011, i.e. April 27, 2012;
- (ii) with regard to the business year 2012, the mandate of the auditor was from April 28, 2012 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2012, i.e. April 29, 2013;
- (iii) with regard to the business year 2013, the mandate of the auditor was from April 29, 2013 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2013, i.e. April 16, 2014;
- (iv) with regard to the business year 2014, the mandate of the auditor was from April 16, 2014 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2014, i.e. April 24, 2015.

With regard to the business year 2015, the mandate of Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság and auditor personally responsible for auditing the Company Dr. Attila Hruby was from April 24, 2015 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2015 but to May 31, 2016 the latest.

This Information Memorandum was prepared in relation to the private placement of the bonds to be issued by ALTEO Nyrt.

With regard to the business year 2016, the mandate of Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság and auditor personally responsible for auditing the Company Dr. Attila Hruby was from April 19, 2016 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2016 but to May 31, 2017 the latest.

With regard to the business year 2017, the mandate of Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság and auditor personally responsible for auditing the Company Dr. Attila Hruby was from April 24, 2017 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2017 but to May 31, 2018 the latest.

With regard to the business year 2018, the mandate of Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság and auditor personally responsible for auditing the Company Dr. Attila Hruby was from April 20, 2018 to the date of the adoption of the general meeting decision approving the financial statements of the business year ending on December 31, 2018 but to May 31, 2019 the latest.

4 THE BONDS AND THE PRIVATE PLACEMENT

4.1 Bond Terms

The Issuer of the Bond:	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (the „Company”)
The Bond’s name:	ALTEO 2022/II
The ISIN code of the Bond	HU0000359005
Total face value issued ():	up to HUF 1,686,990,000, that is, one billion six hundred eighty six million and nine hundred ninety thousand Hungarian forints
Face value of the Bond:	The face value of 1 Bond is HUF 10,000, i.e. ten thousand forints
The number of the Bonds:	168,699 bonds
Type of the Bond:	Registered, dematerialized bond
Date of the issue/ placing on the market	June 7, 2019
The Bond’s term:	June 7, 2019 – June 7, 2022
Maturity date of the Bond:	June 7, 2022.
Redemption:	<p>Lump sum, on the day of the maturity, payable on the day of June 7, 2022 The principal will be paid on the due date or, if it is not a banking Workday, on the following banking Workday, by bank transfer to the bank account specified by the Investor or the respective bondholder.</p> <p>In the Bond Terms, a Workday means a day which is both:</p> <ul style="list-style-type: none">(i) a day when commercial banks perform payment operations and are open for general business in Budapest; and(ii) a day when KELER performs money transfers and securities transfers.
Interest-bearing:	Zero coupon bond, pays face value upon maturity.
Responsibility:	For carrying out the obligations based on the bond, the Issuer is liable with its assets. There is no statute of limitations for claims based on the bond.
Transferability of the shares:	The Bond is freely transferable.

The rights associated with the Bond:	The Company's obligations originating from the Bonds shall be satisfied according to the priority order of the claims qualified as "other receivables", as established in Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings, Section 57 (1) f).
Commitments ensuring the repayment of the bond amount and the payment of interests:	For carrying out the obligations based on the Bond, the Company assumes liability and provides a guarantee with all its assets and future profits.
The Issuer's resolution on the approval of the Bond's issue:	Resolution of the Board of Directors 1/2019 (V. 29.).
Purpose of the Bond's issue:	The primary goal of the Bond's issue is the refinancing of the Issuer's bonds "ALTEO 2019/I" expiring in the year 2019. A portion of the funds raised by the Company from the issue of the Bonds will be used for the repurchase of the "ALTEO 2019/I" bonds (ISIN identifier HU0000355144), on the day of the private placement of the Bonds. In addition, the funds raised will be used partially for the purpose of financing investments into energy projects, as well as corporate financing purposes.
Provisions regarding redemption:	The Bond cannot be redeemed prior to maturity.
Provisions regarding repurchase:	After the placement of the Bonds, the Issuer is entitled to buy Bonds. Decision on any cancellation or deletion of the repurchased Bonds is made by the Issuer, in its own competence.
Special provisions:	None.
Governing law:	Hungarian law

4.2 Main terms and conditions of private placement:

Type of placing on the market:	The Bond is placed on the market via private placement, under Section 14 of the Capital Market Act.
Name and address of the Distributing and Paying Bank:	OTP Bank Nyrt. 1051 Budapest, Nádor u. 16.
The issue/ placement price of the Bonds:	88.9158 per cent of the face value (rounded to four decimals)
Subscription period:	On the day of June 6, 2019, the period from 09:00 AM to 12:00 AM.

Place and method of subscription:	OTP Bank Nyrt., as Distributor Treasury Back Office Department H-1131 Budapest, Babér utca 9. email: TreasuryBackOfficeSec@otpbank.hu
Conditions of the subscriptions:	<ul style="list-style-type: none">(i) A subscription proposal is a subscription sheet, completed and officially signed, as specified in the Information Memorandum (a form, see Annex 2 of the Information Memorandum) personally or in an electronic format, in the form of an electronic document provided with qualified electronic signature, during the Subscription period, at the location of the Subscription.(ii) Taking account of the dematerialized form, a subscription proposal can be accepted only from a person who already concluded a contract for the management of a securities account and provided on the subscription sheet the identification data of the account keeper and the number of the securities account.(iii) A subscription is valid only if the related consideration to be paid was transferred simultaneously with the submission of the subscription sheet, as described in point (i) above, but not later than 10:00 AM on the day of June 7, 2019, with a cash transfer, and credited to the segregated deposit account 11794008-24019583, managed by OTP Bank Nyrt., as specified in the Information Memorandum.
Number of the segregated deposit account for subscriptions:	The number of the segregated deposit account of the Issuer, managed by the Distributor: 11794008-24019583
Undersubscription/oversubscription :	The Issuer may accept subscriptions with amounts lower than the designated Total Face Value and oversubscriptions, by a decision made in its own competence.
Allocation:	<i>In the case of an oversubscription</i> , the Issuer may decide about the full or partial acceptance of the subscriptions. If the Issuer does not accept the subscriptions in full, then an allocation process shall take place, based on the principle of proportionality of the subscriptions,
The crediting of the Bonds:	The Bonds are credited, subsequent to their origination, to the securities account indicated by the Bond Subscriber on the subscription sheet, on the day of the issue.

The planned scope of bond investors:	The Bonds are offered directly to a resident qualified investor, according to the qualification in Section 5 paragraph (1) point 92 of the Capital Market Act. Potential Bond Subscribers are contacted directly by the Issuer, for the purpose of a subscription proposal.
Reporting obligation:	The Issuer shall report, in accordance with Section 17 (1) of the Capital Market Act, the Private Placement to the Central Bank of Hungary within 15 days from the closing of the placement procedure. The Issuer shall disclose, in accordance with the Decree no. 24/2008 (VIII. 15.) PM, the fact of the private placement of the Bond, to comply with the respective provisions of the Capital Market Act.
Stock exchange listing, market making:	<p>The Issuer shall initiate, within 90 days at the latest from the crediting of the Bonds, the listing of the Bonds on the Budapest Stock Exchange.</p> <p>The Issuer and the Distributor have the intention to agree, subsequent to the listing of the Bonds on the BSE, about a bilateral market making activity (market making), with the Distributor, as market maker in respect of the Bonds, during their term of maturity, subject to conditions recorded in a separate agreement.</p>
Special provisions:	None.
Governing law:	Hungarian law

4.3 Information for the investors:

The Issuer discloses its notices regarding regulated information on its website www.alteo.hu, on the website of the BSE <http://bet.hu> and on the <https://kozzetetelek.mnb.hu/> website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant legislation, the notices of the Issuer are also published in the Company Gazette.

Besides the above, the Issuer also sends all the information that is subject to regular and extraordinary information obligation to the editorial office of a communication medium with a website, 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.

In connection with the Bond, the Issuer sends to the Investors, by way of electronic messages, notifications and documents to the email address indicated by the Investors on the subscription sheet. Any notification or document sent, given or forwarded by the Issuer to the Investors in relation to the Bond shall be:

- a) deemed delivered, if no automatic reply was received regarding the failure of the message delivery.

5 KEY FINANCIAL INFORMATION

It is recommended that the key financial information in the present chapter of the Information Memorandum shall be considered together with a 19 on the financial reports and the notes thereto, as well as to 0, “Risk Factors” of the Information Memorandum, on the risk factors. Furthermore, the present chapter shall be interpreted together with the information in 7, “Overview of the Company’s Business Activity” of the Information Memorandum.

The Company would like to point out that Information Memorandum Chapter 7, “Overview of the Company’s Business Activity”, and this section contains certain figures reflecting different accounting methodologies, which is why certain figures in Information Memorandum Chapter 7, “Overview of the Company’s Business Activity” do not correspond fully to one another.

The key financial information of the Company’s annual reports, according to the IFRSs, audited, consolidated, restated for the year 2017 and audited, consolidated for the year 2018 are as follows.

5.1 Statement of profit or loss

Consolidated profit and loss statement				
	12/31/2018	12/31/2017	Change	Change
<i>data in HUF million</i>	Audited	Audited (restated)	HUF million over previous year	% over previous year
Revenues	18,686	18,389	297	2%
Material-type expenditures	-14,264	-14,606	342	-2%
Personnel expenditures	-2,507	-2,154	-353	16%
Depreciation and amortization	-730	-572	-158	28%
Other income and expenses, net	-147	305	-452	N/A
Operating profit or loss	1,038	1,362	-324	-24%
Net finance income	-232	-329	97	-29%
Profit or loss before taxes	806	1,033	-227	-22%
Income tax expenditure	-276	-118	-158	134%
Net profit	530	915	-385	-42%
<i>Of which, to owners of parent company</i>	<i>511</i>	<i>913</i>	<i>-402</i>	<i>-44%</i>
<i>Of which, to minority shareholders</i>	<i>19</i>	<i>2</i>	<i>17</i>	<i>850%</i>
Basic EPS (HUF/share)	32.72	58.38	-25.66	-44%
Diluted EPS (HUF/share)	31.17	55.64	-24.47	-44%
EBITDA*	1,801	1,935	-134	-7%

Revenues of ALTEO Group amounted to HUF 18.7 bn in 2018, i.e. 2% higher than in the same period of 2017. The primary reason for revenue increase was market acquisition in the energy retail segment, as well as an increase in the average selling prices as compared to 2017. This was somewhat mitigated by the implementation focus of the Energy Enterprises and Services segment, and that three wind energy plants operating within the compulsory feed-in tariff system reached the maximum allowed production volume by the end of H1 2018, which means that since that time they have been selling their output at market price, resulting in lower sales revenue.

The change in material-type expenses was not significant, as a result of two conflicting effects. Due to the larger market share of the Energy Retail segment the value of the procured electricity also increased, which has been mitigated by the fees paid to non-third-parties as a result of the consolidation of Zugló-Therm.

The significant difference to the previous year in Other income and expenses is primarily due to three items. In the same period of 2017, provisions of HUF 330 million set aside for onerous

contracts were released. The price of CO₂ quotas that power plants are required to buy has increased considerably (HUF -325 million), and ALTEO Group has come to an agreement on a retrospective settlement related to a long-term contract (HUF +264 million).

The improvement in net financial results was primarily a consequence of the foreign exchange rate difference realized on leasing receivables, and other transactions invoiced in a foreign currency, as well as the non-realized exchange rate gain caused by revaluations at the end of the period. On the whole, the net financial loss reduced by 30%, as compared to the same period of the previous year.

In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of ALTEO Group is EBITDA (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed), that is, EBITDA was 7% lower than in the year 2018 as compared to the year 2017, that is, an amount of HUF 1,801 m, against the amount of HUF 1,935 m presented for the year 2017.

5.2 Statement of financial position

Consolidated balance sheet				
	12/31/2018	12/31/2017	Change	Change
<i>data in HUF million</i>	Audited	Audited (restated)	HUF million	%
Non-current assets	13,716	7,546	6,170	82%
Current assets	9,143	9,106	37	0%
<i>of which financial assets</i>	<i>2,561</i>	<i>2,826</i>	<i>- 265</i>	<i>-9%</i>
TOTAL ASSETS	22,859	16,652	6,207	37%
Equity	5,145	5,119	26	1%
Long-term liabilities	9,130	6,255	2,875	46%
<i>of which credit, loans, bonds, leasing</i>	<i>8,173</i>	<i>5,382</i>	<i>2,791</i>	<i>52%</i>
Short-term liabilities	8,584	5,278	3,306	63%
<i>of which credit, loans, bonds, leasing</i>	<i>1,597</i>	<i>547</i>	<i>1,050</i>	<i>192%</i>
SHAREHOLDERS' EQUITY and LIABILITIES TOTAL	22,859	16,652	6,207	37%

On December 31, 2018, the stock of **Non-Current Assets** exceeded by 82%, or HUF 6,170K, the respective value presented as at December 31, 2017. The reason is that the capital intensive phase of investments and capital expenditures continued in 2018. The total joint investment size (own funds plus project loans) of the investment and capital expenditure projects begun in 2017 that in certain cases have already been completed or are ongoing exceeds HUF 11 billion.

The stock of **Current Assets** remained basically unchanged in 2018.

The reason for an increase of 1% in **Shareholders' Equity** was the excess of profits for the period over the reduction from dividend payments and the repurchase of shares.

Liabilities increased substantially, as the first scheduled bank loan amounts have been drawn down on the new projects, and company's bank loan related to the acquisition of Zugló-Therm Kft was stated in the books of ALTEO Group, as a result of which the loan portfolio of ALTEO GROUP increased. The increase in short-term loans is primarily the result of the reclassification of bonds maturing in 2019 (HUF 982 million). Another reason for the increase in liabilities is the total of invoices related to the projects and due after the current period.

6 THE COMPANY

6.1 General information

The Company's name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company's abbreviated name	ALTEO Nyrt.
The Company's registered office	H-1131 Budapest, Babér u. 1-5.
The Company's telephone number	+36 1 236 8050
The Company's place of registration	Hungary
Date of registration	April 28, 2008
Company registration number	Cg. 01-10-045985
Term of the Company's operation	indefinite
The Company's legal form	public limited company
Law governing the Company's operation	Hungarian
The Company's share capital	HUF 242,328,425
Date of the effective Articles of Association	May 13, 2019
The Company's core activity	Engineering activities and related technical consultancy
Business year	same as the calendar year
Place of publication of notices	The Company discloses its notices regarding regulated information on its website www.alteo.hu , on the website of BSE http://bet.hu and on the https://kozvetetelek.mnb.hu/ website operated by the Central Bank of Hungary (MNB); furthermore, if specifically required by the relevant legislation, the notices of the Company are also published in the Company Gazette.

Besides the above, the Company as the Issuer also sends all the information that is subject to regular and extraordinary information obligation to the editorial office of a communication medium with a website, 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.

6.2 The Company's history and development, key events in the evolution of the Company's business activities

6.2.1 The beginnings (2008-2010)

The Company was founded by private investors in 2008, which served its ever increasing clientele using electrical energy by the creation and continuous extension of a manufacturer's portfolio of high efficiency relying on cogeneration and renewable sources of energy.

2008

- (a) The Company was established with an issued capital of HUF 50 million on March 19, 2008, with electricity production specified as its core activity.
- (b) The Company obtained assets of HUF 9 million required for launching its electricity trading activity, furthermore, it obtained an electricity trading license from MEKH (HEA, i.e. the Hungarian Energy and Public Utility Regulatory Authority).
- (c) The Company established ALTEO-Depónia and ALTEO-Agria with a total capital investment of HUF 1 million.

2009

- (a) On January 1, 2009, the Company launched its electricity trading activity.
- (b) The Company obtained control in the company called HIDROGÁZ, which is involved in the energetical utilization of waste gas dissolved in thermal waters. Through this, and in addition to the expertise and regional relations, HIDROGÁZ enlarged the portfolio of the ALTEO Group with its Tiszaföldvár- and Kisújszállás-based small gas engine power plants that utilize waste gas.
- (c) The Company started the acquisition due diligence of the Győr- and Sopron-based thermal power stations operated by E.ON Energiatermelő Kft in the summer of 2009. The two thermal power stations demerged from E.ON Energiatermelő Kft as Győr Power Plant and Sopron Power Plant through company law transformation, and these two companies were acquired by the two special purpose vehicles owned by the Company on December 31, 2009.
- (d) The Company founded ALTEO-Arrabona and ALTEO-Sopron, then increased the capital of the two companies by a total of HUF 439 million, in order to acquire the Győr and Sopron power plants.
- (e) The Company performed a capital raise of HUF 54.9 million in ALTEO-Agria and a capital increase of HUF 66.3 million in ALTEO-Hidrogáz. The amount of the capital raise was used by ALTEO-Agria for a gas engine development at Agria Park, while ALTEO-Hidrogáz used the respective amount for preparing a Nádudvar-based thermal methane project.

2010

- (a) The Company further extended its power plant portfolio utilizing renewable energy sources through the acquisition of CIVIS and EXIM, which are both involved in the energetic utilization of landfill gas in the landfill areas of

Nyíregyháza and Debrecen. The value of the transactions was of the magnitude of HUF 175 million.

- (b) ALTEO-Agria established a small power plant at the Eger-based AGRIA Park through a green field investment of a magnitude of HUF 180 million, which started its operation in the 3rd quarter of 2010.
- (c) The Company performed a capital raise of HUF 90 million in HIDROGÁZ. HIDROGÁZ used the amount from the capital increase for settling its capital structure and repaying the shareholder's loans.
- (d) The Company performed a capital raise of HUF 183 million in HIDROGÁZ.
- (e) Through ALTEO-Depónia, the Company increased the capital of CIVIS by HUF 28 million, and raised the capital of EXIM by HUF 16 million. The sums received from the capital raise were used by CIVIS and EXIM for the development of their pump networks and topping up their security accounts.
- (f) The Majority Owner performed a capital increase of HUF 317 million in the Company, which was used by the Company for increasing the capital of the individual Subsidiaries in 2010, as mentioned above.

6.2.2 Diversification of activities (2011-2014)

From 2011 onwards, the Company further increased its electricity production capacities by power plants using weather-dependent renewable sources of energy, and it also improved the efficiency of the existing natural gas-fueled power plants by investments in modernization. Furthermore, the Company added energy services to its activities, and made preparations for commencing the trade in natural gas.

2011

- (a) Through an acquisition of HUF 1 million, the Company acquired ALTE-A, which is involved in providing energy services.
- (b) The Company performed a capital increase of HUF 55 million at the Győr Power Plant. Győr Power Plant, using the amount received from the capital increase, among others, made investments into the improvement of efficiency and the increase of capacities, in a total magnitude of HUF 490 million. Győr Power Plant funded these developments not only from the capital increase but also, from its own resources and a development loan.
- (c) The Company performed a capital increase of HUF 40.42 million at CIVIS, aimed at settling the capital structure of CIVIS.
- (d) The Company performed a capital increase of HUF 67.73 million at ALTEO-Agria, which was used by ALTEO-Agria for the repayment of the shareholder's loans taken out during the development effort.
- (e) The Company established the company called ALTEO Energiakereskedő with a capital investment of HUF 25 million.
- (f) The Company performed a capital increase in the context of issuing shares, as part of which the Majority Owner provided the Company with a capital amount of HUF 85 million, in order to finance the developments of the Subsidiaries.

- (g) The Company decided to perform an IPO of the bonds in 2011, with a view to extending its business activities. The Company issued bonds of a total value of HUF 571,040,000 on the basis of the bond program.

2012

- (a) In January 2012, the Company issued non-interest-bearing zero coupon bonds in the context of a private placement, under the name "ALTEO 2014/i.", outside the 2011 bond program, in a total value of HUF 500 million.
- (b) ALTEO Energiakereskedő received a natural gas trading license from HEA. (ALTEO Energiakereskedő is expected to begin its retail activities aimed at serving the users in the gas year beginning on October 1, 2016.)
- (c) The Company bought up WINDEO and VENTEO, which both operate wind turbines, from Raiffeisen Energiaszolgáltató Kft. The Company financed this acquisition of a magnitude of HUF 3 billion partly from its own resources, and partly from a bank loan.
- (d) The Company performed a capital increase of HUF 106.55 million at WINDEO, aimed at financing the transaction costs (for example, one-time bank charges) incurred during the acquisition.
- (e) The Company performed a capital increase of HUF 25 million at EXIM, and a capital raise of HUF 16 million at CIVIS, the aim of which was to finance the drilling of new gas pumps.
- (f) On October 3, 2012, the Company performed a capital increase in the form of issuing shares, as part of which the Majority Owner provided the Company with a capital amount of HUF 310 million, in order to ensure future growth.

2013

- (a) The Company established ALTSOLAR with an equity of HUF 5 million.
- (b) The Company established SUNTEO with an equity of HUF 5 million.
- (c) The Company acquired E-WIND, i.e. the company operating the wind turbine under the legal title of sale and purchase. The value of the transaction was of the magnitude of HUF 600 million.
- (d) The Company performed a capital increase of HUF 20 million at CIVIS, aimed at settling the capital structure of CIVIS.
- (e) The issued capital of the Győr Power Plant was decreased by the Company from HUF 85 million to HUF 68,310,000. As a result of the capital reduction, the Győr Power Plant decreased its equity by some HUF 178 million and settled this amount with the Company.

2014

The Company performed both private placement and public offering of bonds as follows:

- (a) ALTEO 2017/I: zero coupon bonds issued by private placement, with a maturity of 3 years, total face value: HUF 623,880,000, issue value: 80.1438% of the face value; not listed. ISIN code: HU0000353933;
- (b) ALTEO 2017/II: bonds issued by public offering, with an annual fixed interest rate of 6.50%, with a maturity of 3 years and 2 months, maturity: total face value: HUF 1,483,690,000; listed ISIN code: HU0000354956;
- (c) ALTEO 2017/III: bonds issued by private placement, with an annual fixed interest rate of 6.50%, with a maturity of 3 years and 4 months, total face value: HUF 500,000,000; not listed ISIN code: HU0000355326; and
- (d) ALTEO 2019/I: zero coupon bonds issued by private placement, with a maturity of 5 years, total face value: HUF 925,000,000, issue value: 69.6421% of the face value; not listed. ISIN code: HU0000355144.

The goal of raising capital through the issuance of bonds was primarily to optimize the capital structure of the Company and in harmony with this, to partially finance the investment goals of the upcoming period, supplementing the funding by the owner and the bank, and to refinance the earlier issued bonds.

6.2.3 Dynamic increase, the acquisition of Sinergy (from 2015)

In 2015, the Company's competitive position in the markets of the ALTEO Group improved significantly with the acquisition and integration of the Sinergy Group, due to the substantial professional experience and background it represents in terms of the preparation, implementation, as well as the operation and maintenance of power-engineering projects. As a result of the integration, a group of companies was established which can provide complex energy services to the clients with unique efficiency, in the whole range of the energy production and energy trading market, from planning through production and operation, to selling energy.

2015

- (a) On May 4, 2015, the Company closed the acquisition process related to buying the business shares representing 100% of the share capital of Sinergy, which began on December 3, 2014, and it became the only member of Sinergy. The value of the transaction was of the magnitude of HUF 900 million.

Through buying Sinergy, the Company acquired indirect participation in the following subsidiaries of Sinergy too:

- (i) Balassagyarmati Biogáz Erőmű Korlátolt Felelősségű Társaság (100%)
- (ii) BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság (100%)
- (iii) Kazinc-BioEnergy Korlátolt Felelősségű Társaság (100%)
- (iv) Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság (100%)

- (v) Ózdi Erőmű Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság (100%)
- (vi) Sinergy Energiakereskedő Korlátolt Felelősségű Társaság (100%)
- (vii) Tisza-BioEnergy Korlátolt Felelősségű Társaság (100%)
- (viii) Tisza-BioTerm Korlátolt Felelősségű Társaság (60%)
- (ix) Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság (100%)
- (x) Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság (100%)
- (xi) Zugló-Therm Energiaszolgáltató Korlátolt Felelősségű Társaság (49%).

The investments of Sinergy were mostly realized through the above-mentioned subsidiaries (special purpose vehicles). From the facilities built during the investment projects, the Subsidiaries directly owned by Sinergy sell electricity and heat energy and in some cases, they provide their own assets to the clients for an availability fee. The facilities are run by Sinergy. The investments realized by the subsidiaries of Sinergy are shown in the table below:

Investment	Investor	Year of investment
MOM Park, Budapest	Sinergy	2000
Tiszaújváros Heating Power Plant, Tiszaújváros	Tisza-Therm	2002
Kazinccarcika Heating Power Plant, Kazinccarcika	Kazinc-Therm	2002
TVK Water Treatment Plant, Tiszaújváros	Tisza-WTP	2003
Füredi út Heat Power Plant, Budapest	Zugló-Therm	2005
Ózd Power Plant, Ózd	Ózd Power Plant	2005
BORSODCHEM Steam Boiler, Kazinccarcika	BC-Therm	2009
Biomass boiler, Tiszaújváros	Tisza BioTerm (KEOP, i.e. Environment and Energy Operational Program) support: HUF 65 million)	2012
Felsődobsza hydropower plant reconstruction, Felsődobsza	Sinergy (KEOP, i.e. Environment and Energy Operational Program) support: HUF 376 million)	2013

The electricity production units participating in the production of district heat were removed from the KÁT (system of obligatory takeover) system in 2011. In order to ensure efficient energy sales, Sinergy developed a control center, then it founded the company Sinergy Energiakereskedő in 2013, for pursuing electricity trading activities. The Control Center had been providing system-level services to MAVIR since January 2013, after accreditation.

Sinergy and its subsidiaries also operate and maintain power engineering facilities owned by other entities, and they also provide power engineering business and other types of energy services.

- (b) In order to ensure the owner's control of the management of Sinergy, on May 18, 2015, the Company sold a business share representing 12% of the issued capital of Sinergy to the executive director of Sinergy Mr. András Papp, furthermore, the Company sold a business share representing 8% of the issued capital of Sinergy to the financial director of Sinergy Mr. András Kósa. As a result of this transaction, the Company's participation in Sinergy decreased to 80%.
- (c) On November 12, 2015, based on the relevant proposal by the executive director, as well as the interim statement of financial position and auditor's report, Sinergy decided to pay a dividend advance of HUF 590,105,000, of which the members received amounts proportionate to their business shares.

2016

- (a) With its Resolution No. 1/2016 (III.3.), based on an authorization granted by Resolution No. 3/2015 (XI. 10.) of the General Meeting, the Board of Directors of the Company launched the process of increasing the share capital of the Company, by adding new ordinary shares in a private placement. As a result of the capital raise, the Company's participation in Sinergy grew to 100% again, as the nominal value of the 73,158 shares issued by the Company during the capital increase was provided by non-financial contribution, the subject of which were the following:
 - (i) the business share representing 12% the issued capital of Sinergy, i.e. the face value of 204,900,000 owned by Mr. András Papp. The value of the business share was defined in an amount of HUF 166,801,000, in consideration of which the Company delivered 43,895 Shares; and
 - (ii) the business share representing 8% the issued capital of Sinergy, i.e. the face value of 136,600,000 owned by Mr. András Kósa. The value of the business share was defined in an amount of HUF 111,199,400, in consideration of which the Company delivered 29,263 Shares.
- (b) In order to comply with the statutory change regarding the NOx emissions of the natural gas-fueled boiler owned by BC-Therm, BC-Therm transformed the burner of the natural gas-fueled boiler in 2016. The budget of the investment was HUF 47,000,000.
- (c) In order to comply with the Energy Efficiency Act, in 2016, the Company introduced the ISO 50001 assurance. The planned cost of the assurance was HUF 7,000,000.
- (d) On December 1, 2015, Sinergy adopted a decision on the reduction of the ordinary capital of the Ózd Power Plant from HUF 147,465,000 to HUF 117,359,000, with a view to the settlement of losses, which was registered by the Court of Registry to the Company Register on May 12, 2016.
- (e) On June 1, 2016, Sinergy adopted a decision on the reduction of the ordinary capital of Tisza-WTP Kft from HUF 364,000,000 to HUF 290,000,000, with a

view to disinvestment, which was registered by the Court of Registry to the Company Register on September 29, 2016.

- (f) On August 1, 2016, Sinergy adopted a decision on the reduction of the ordinary capital of BC-Therm from HUF 663,000,000 to HUF 543,000,000, with a view to the settlement of losses, which was registered by the Court of Registry to the Company Register on November 15, 2016.
- (g) FŐGÁZ Rt and Sinergy adopted a decision on the reduction of the ordinary capital of Zugló-Therm from HUF 902,000,000 to HUF 73,000,000, with a view to the settlement of losses, which was registered by the Court of Registry to the Company Register on August 4, 2016.
- (h) In order to promote a more efficient operation of accounting, financial, controlling, logistical and investment activities, as well as to simplify the information flow within the Company, the SAP Business One invoicing and corporate management system was implemented at the ALTEO Group on June 30, 2016. The budget of the investment was HUF 53,453,000.
- (i) A management system aimed at handling the procurement process of the Group, as well as the elaboration of a uniform document management system was implemented at the ALTEO Group in July 2016. The budget of the investment was HUF 12,000,000.
- (j) Through the public offering and private placement of 299,992 newly issued ordinary shares, the Company performed a successful capital raise of a total value of HUF 1,388,962,960 in order to finance its planned developments, to further strengthen the structure of its statement of financial position, as well as to increase the level of its capital supply.

2017

- (a) On January 10, 2017 the Company issued dematerialized non-interest bearing zero coupon bonds with a maturity of 5 years by private placement under the designation ALTEO 2022/I. The face value of the bonds is HUF 10,000, while the total face value of the issue is HUF 650,000,000; the issue value is 76.6963% of the par value. The bonds were not introduced by the Company to a regulated market.
- (b) The Company entered into a sales agreement with a view to buying the ownership rights of the business shares representing the entire amount of the issued capital of HUF 3 million of Domaszék.
- (c) ALTSOLAR undertook a new, nearly HUF 300 million investment project to build a small power plant with a nominal capacity of 499 kW to use the landfill gas released at the waste treatment and landfill site in Debrecen. The project was implemented based on the example of the landfill gas-fueled power plant operating at the Debrecen landfill site, which had been successfully run by CIVIS since 2010, and based on the operational experience to date, and also, based on the plans of the company running the landfill. The small power plant started its commercial operation on August 1, 2017, it has been working smoothly since then and it sells electricity at a subsidized price in KÁT's balance group. In addition to the Nyíregyháza and the other Debrecen power plant, the new power plant is the ALTEO Group's third landfill gas plant which reduces

greenhouse gas emissions by an equivalent of 15,000 tons of CO₂ during its operation by converting it into valuable electricity.

- (d) The Company issued 215,000 fixed interest rate dematerialized registered Bonds of HUF 10,000 face value under the designation ALTEO 2020/I on March 30, 2017, in the form of a private placement. During the transaction, the investors swapped as many as 97,229 of the ALTEO 2017/II bonds that had been issued earlier by the Company. The Bonds were issued and the Bonds were credited on the securities accounts of the investors, thus the bond debt maturing in 2017 decreased to HUF 1,011.4 million.
- (e) In line with and authorized by General Meeting resolutions No. 5/2015 (XI.10.), 6/2015 (XI.10.), 7/2015 (XI.10.) and 12/2016 (IV.19.), the Company's Board of Directors decided to set up the MRP (Employee Share Ownership Program) organization and defined the remuneration policy of the MRP organization in its resolutions No. 5/2016 (IX.07.) and 3/2016 (XII.13.). Through its court order No. 11.Pk.60.801/2016/2, the Metropolitan Court of Budapest registered ALTEO's MRP organization under the name of ALTEO Employee Share Ownership Program Organization on February 3, 2017. See more details on the MRP Organization in Section 13.3 of this Information Memorandum.
- (f) In view of the fact that, according to the amendments of Act CXX of 2001 on the Capital Market and the related legal regulations, companies listed on the stock exchange are no longer required to prepare interim management reports, and no such reporting obligation is required by the Rules of Listing and Continued Trading of Budapest Stock Exchange Ltd. either, the Company's Board of Directors passed a resolution on March 31, 2017 on discontinuing its practice of preparing and publishing interim management reports on a quarterly basis. At the same time, the Company switched to publishing interim reports on a semi-annual basis and also introduced flash reports as a new reporting and investor information item designed to evaluate the Company's performance in the second half of the relevant year and in the entire year, to be published by the last day of February of the year following the subject year, in addition to the reports on the first half of the year, which had been applied to date.
- (g) On April 24, 2017, the General Meeting of the Company, simultaneously to approving the financial statements of the Company for the financial year 2016, decided to pay an amount of HUF 254,006,610 as dividends, which is equivalent to a gross dividend of HUF 130 per share, not including the Company's own shares.
- (h) The Company listed on the Stock Exchange 215,000 fixed interest rate dematerialized registered Bonds of HUF 10,000 face value under the designation ALTEO 2020/I on June 7, 2017, in the form of a private placement.
- (i) The Company, with a view to modernization, as well as increasing efficiency and the security of supply, implemented a development project of the value of some HUF 236 million at the Sopron Power Plant, in the framework of which a new steam boiler with a capacity of 10MW was established. As a result of the development effort, the efficiency of the power plant improved significantly, which reduced the emission of CO₂ and other harmful substances, as well as the fuel costs incurred by heat production. The boiler began its commercial operations in late 2017.

- (j) On February 15, 2017, Sinergy Kft submitted a tender application entitled “System-level integration and an innovative application model of an electricity storage architecture” for the “Supporting R&D&I activities of companies - CORPORATE R&D&I_16” (Vállalatok K+F+I tevékenységének támogatása - VÁLLALATI KFI_16”) program announced by the National Research, Development and Innovation Office (hereinafter referred to as: the **NRDI Office**). According to the decision of the NRDI Office adopted on June 8, 2017, Sinergy was awarded a grant of HUF 499,992,750. The goal of the program is to create an intelligent system of uniquely high diversity in Hungary, with the extension and development of the control center managing the cogenerated heat- and energy-producing small power plants of the ALTEO Group and the integration of the joined facilities such as wind turbines and the electricity storage architecture, which, besides using the production and market synergies, will also exert an overall positive effect on the Hungarian electricity system.
- (k) On July 13, 2017, Sinergy adopted a decision on the reduction of the ordinary capital of Tisza-WTP from HUF 290,000,000 to HUF 191,265,000, with a view to increasing the other elements of the equity and the retained earnings, which was registered by the Court of Registry to the Company Register on October 31, 2017.
- (l) The Company's Board of Directors approved of the resumption of the acquisition of Domaszék at its meeting held in early August 2017. At the above-mentioned meeting, the Board of Directors approved of the business conditions of some further projects using solar energy, with a total capacity of 81.1 MW, furthermore, approved the conditions of the acquisition of an already operating wind turbine of a capacity of 2 MW.
- (m) On August 7, 2017, Sinergy adopted a decision on the reduction of the ordinary capital of BC-Therm from HUF 543,000,000 to HUF 423,000,000, with a view to disinvestment, which was registered by the Court of Registry to the Company Register on November 16, 2017.
- (n) On August 7, 2017, Sinergy decided to reduce the ordinary capital of the Ózd Power Plant from HUF 117,359,000 to HUF 3,000,000, with a view to the settlement of losses. HEA approved of the reduction of the ordinary capital, with regard to the operating license of the Ózd Power Plant for district heat production, thus this change was registered in the Company Register on January 24, 2018, after two disclosures.
- (o) The Company's bonds under the designation ALTEO 2017/II, with the ISIN identification number HU0000354956, which were issued with an annual fixed interest rate of 6.50%, in a total face value of 1,483,690,000 on June 18, 2014, were cancelled due to maturity on August 18, 2017. The Company fulfilled all of its obligations towards the bond holders, it repaid the entire amount of the principal of the bonds, paid the due interest rates in full, and took care of the cancellation of the bonds with KELER (the Central Treasury Private Limited Company).
- (p) The Company published its 2016 sustainability report on October 4, 2017.
- (q) The Company's Board of Directors informed the General Meeting of the transformation of the company structure of the ALTEO Group and the planned steps and process thereof at the extraordinary general meeting held on November 8, 2017. The General Meeting acknowledged the information.

- (r) On November 8, 2017, the Company decided to transform its 2,050,150, series "A" ordinary shares with a face value of HUF 100 each, into 16,401,200 ordinary shares with a face value of HUF 12.5 each by reducing the face value to one eighth of the original value. The modification of the face value and number of the series "A" ordinary shares did not affect the amount of the Company's share capital and the other rights related to the shares, the total face value of the series "A" shares remained unchanged. The General Meeting authorized the Board of Directors to define the tasks related to the transformation of the series "A" ordinary shares as above in its own competence. The Company's Board of Directors defined the value date of the company event as December 8, 2017 based on the authorization of the General Meeting, after coordination with the Budapest Stock Exchange and KELER. The company event took place according to the planned timing.
- (s) The Company - as buyer - concluded a business share sales agreement for the transfer of the ownership to the Company of business shares representing the entire issued capital of Monsolar and IT-Solar worth HUF 3,000,000 each. By signing the business share sales agreement, the ownership of the business shares of the companies was conferred upon the Company on November 6, 2017, however, a warranty type put option was established for the Company on the business shares, according to which, in case that such a condition stipulated in the contract on the transaction is fulfilled, becoming aware of which the Company does not wish to resume the project, the Company's put option will be opened to the sellers with regard to the business shares of the companies.

Monsolar and IT-Solar were founded by private individual investors for the purpose of implementing the Monor solar power plant development project with a total capacity of nearly 4 MW. As a result of the Company's obtaining ownership, this investment was realized by the Company through the special purpose vehicles.

- (t) ALTEO Energiakereskedő obtained a license for operating as an electricity trader through HEA resolution No. 5416/2017, which was related to the first step in the structural reorganization program presented at the Company's extraordinary general meeting held on November 8, 2017. After obtaining this license and under the contract for the transfer of business line concluded by the Company and ALTEO Energiakereskedő in November 2017, the Company successfully transferred its electricity trading operations - including in particular the related user portfolio and wholesale contracts - to ALTEO Energiakereskedő Zrt with January 1, 2018 as the reporting date.
- (u) Based on the above-mentioned August decision adopted by the Board of Directors, the Company – as buyer- concluded a business share sales agreement for the transfer of the ownership of business interests of 3,000,000, representing the entire issued capital of Domaszék, to the Company; additionally, the so-called closing conditions specified in the contract were also met, so the ownership of the business interests of Domaszék was transferred to the Company on December 4, 2017. Domaszék was established by the EOGEN Group, with a view to realizing the development of the Domaszék-based 2 MW solar power plant. The solar power plant, which has a total capacity of nearly 2 MW, consists of eight units, each implemented using a 495 kW crystalline silicon solar module, and it was built in the periphery of Domaszék, near Szeged, in the summer of 2017. Domaszék has the licenses required for operation. The electricity produced by the solar power plant will be sold through the KÁT system for 25 years, based on the HEA license.

- (v) Soproni Erőmű and HEINEKEN HUNGÁRIA SÖRGYÁRAK ZÁRTKÖRŰEN MŰKÖDŐ Részvénytársaság (registered office: 9400 Sopron, Vándor S. út 1.; company registration number: Cg.08-10-001541; hereinafter referred to as: "HEINEKEN") extended the long-term contract concluded between the parties on October 4, 2012, expiring on December 31, 2017, on the heat supply provided for the Sopron beer factory of HEINEKEN with another 8 years. In accordance with the newly signed contract the Sopron power plant satisfies all the steam and hot water needs of the Sopron beer factory of HEINEKEN until 31 December 2025.

2018

- (a) Sinergy Kft - as buyer - concluded a business share sales agreement with NKM Földgázszolgáltató Zrt (registered office: 1081 Budapest, II. János Pál pápa tér 20., company registration number: Cg. 01-10-042416) - as seller - for the purchase of the business share constituting 51% of the equity capital of Zugló-Therm Kft with a nominal value of HUF 37,230,000, on January 29, 2018. Before signing the contract, the Company already had 49% indirect control in Zugló-Therm Kft., and the daily operation of Zugló-Therm Kft's thermal power plant with 18 MW electrical and 17 MW heat capacity located on Füredi utca in Zugló, Budapest, was also carried out by ALTEO Group. The unit is a member of ALTEO Group's Control Center. The transaction was closed on March 19, 2018, once both the Hungarian Competition Authority and HEA had granted their respective permits necessary for completing the transaction.
- (b) On February 19, 2018, there were changes in the senior management of the Company. On this day, Zoltán Bodnár joined the company's management team as Chief Financial Officer, and is now responsible for the financial, controlling and accounting operation of the entire group and the areas of IT and office management. At the same time as the arrival of the new CFO, ALTEO Group's former M&A and Capital Markets Director Domonkos Kovács was also appointed to the position of Deputy CEO and will also be responsible for the operation of these areas in the future.
- (c) On February 27, 2018, Tisza Bio Energy Kft repaid the tender advance of HUF 221 million borrowed in connection with the planned Tiszaújváros biomass power plant because it no longer considered that the project would be profitable in the current market environment and legislation background.
- (d) In view of the above, in February 2018, the Company's Board of Directors passed a resolution on preparing and publishing presentations for investors on the first and third quarters of each business year with sufficient detail to enable comparison against year-on-year data and against the figures included in annual and semi-annual reports, and to enable investors to gain insight into events, changes and tendencies that occurred in the relevant period. In addition, the Company continues to prepare and publish flash reports - along with semi-annual interim reports - as set out in its communication dated March 31, 2017.

Furthermore, the Company's Board of Directors also decided - in accordance with the rules of the Budapest Stock Exchange related to premium category shares - that following 2018 it would publish the Company's corporate events calendar with the schedule for all major corporate events and announcements by no later than January 1 of each business year.

- (e) The Company - as buyer - concluded a business share purchase contract for the transfer of the ownership of a business share representing the entire issued capital of Péberény in the amount of HUF 100,000,000, to the Company. With the so-called closing conditions specified in the business share purchase contract fulfilled, the ownership of Péberény Kft's business share was transferred to the Company on March 13, 2018. Through Péberény Kft, the Company is implementing a small solar plant project with a nominal capacity of 6.9 MW on the outskirts of Balatonberény, on the 12.4 ha industrial property owned by Péberény Kft. Péberény Kft has obtained all necessary permits for the construction of the solar power plant. The solar power plant is expected to start commercial operation in the first half of 2019. Afterwards, the produced electricity will be sold through the KÁT system for 25 years based on the license issued by HEA.
- (f) On March 22, 2018, Sinergy adopted a decision on the reduction of the ordinary capital of BC-Therm from HUF 423,000,000 to HUF 304,000,000, with a view to disinvestment, which was registered by the Court of Registry to the Company Register on July 25, 2018.
- (g) On March 22, 2018, Sinergy adopted a decision on the reduction of the ordinary capital of Tisza-WTP Kft from HUF 191,265,000 to HUF 95,265,000, with a view to disinvestment, which was registered by the Court of Registry to the Company Register on July 25, 2018.
- (h) On March 22, 2018, the Company decided to pay dividends of HUF 1,000,000,000 with regard to Sinergy, simultaneously to the approval of the 2017 financial statements of Sinergy.
- (i) The General Meeting has given its consent to the assets and activities demerging from Sinergy Kft to merge into the Company with effect from September 30, 2018 (the legal effects of merger set in on October 1, 2018) and, at the same time, by granting the submission with the proposed content, approved the appointment of UNIKONTO Számvitelkutatási Kft (H-1092 Budapest, Fővám tér 8. III/317.3, Hungary; tax number: 10491252-2-43) as the auditing company and Dr. Csaba Adorján as the auditor personally responsible to act as the auditors checking the draft statement of assets and liabilities as well as draft property inventories in relation to the absorption-type demerger as regards both the Company and Sinergy Kft. Furthermore, the General Meeting approved the transformation plan along with the Deed of Absorption-type Demerger constituting a part thereof, decided that the Company's statement of financial position for 2017 can be used as the Company's pre-merger draft statement of assets and liabilities and draft property inventories, and approved the Company's post-merger (opening) draft statement of assets and liabilities and draft property inventories as at September 30, 2018. Furthermore, the General Meeting authorized the Company's Board of Directors to pass the member's resolutions regarding the absorption-type demerger of Sinergy Kft on behalf of the Company, and to sign the Deed of Absorption-type Demerger in the Company's name.
- (j) On April 20, 2018, the General Meeting of the Company, simultaneously to approving the financial statements of the Company for the financial year 2017, decided to pay an amount of HUF 250,098,816 as dividends, which is equivalent to a gross dividend of HUF 16 per share, not including the Company's own shares.

- (k) The Group's management decided to found a new limited liability company named ALTEO Deutschland GmbH, with its registered seat in Germany, operating with a 100% ownership stake of the Company and an issued capital of EUR 25,000. ALTEO Deutschland GmbH was founded to enable the Company to start its business operation also in Germany, with an initial focus on identifying potential clients.
- (l) Controlling Director András Kósa left the Company on May 11, 2018, and Péter Kaderják - in light of his appointment to undersecretary - resigned his seat on the Board of Directors on July 3, 2018.
- (m) The Company as a buyer entered into a business share sale agreement for the transfer of the ownership of the business interests representing the entire issued capital of True Energy and F.SZ. ENERGIA, in the amount of HUF 3,000,000 each, to the Company; additionally, the so-called closing conditions specified in the contract were also met, so the ownership of the business interests of the companies were transferred to the Company on July 20, 2018. Through the special purpose vehicles, the Company is implementing a small solar power plant project on the outskirts of Nagykovács, with a total capacity of nearly 7 MW produced by 14 (7 for each company) solar panels, each with a nominal electrical capacity of 495 kW. The companies have obtained all necessary permits for the implementation of the solar power plant project. The solar power plants are expected to start commercial operation in the first half of 2019. Afterwards, the produced electricity will be sold through the KÁT system for 25 years based on the license issued by HEA.
- (n) In 2018, the Company launched its employee share award program. The aim of the share award program is to recognize outstanding performance and loyalty of employees by awarding shares. The CEO of the Company is authorized to designate the award recipients and beneficiaries in various categories, based on recommendations by management.

In order to acquire the shares providing the coverage for this share award program, the Company announced a share repurchase program for 2018. The Company published the details of the program on June 15, 2018. Eventually, the Company's Board of Directors prolonged the Program until March 14, 2019. Under the Program, ALTEO Group acquired a total number of 14,818 shares by March 14, 2019. Mandated by the Company's Board of Directors, the CEO selected the employees to be recognized by the Company as part of the Program in December 2018. As a result, in January and February 2019 the Company granted 13,298 shares to the employees who have become eligible for them based on the Company's recognition system and the CEO's decision.
- (o) The Company adopted a decision on June 22, 2018 on increasing the equity capital of ALTEO-Depónia Kft to HUF 4,000,000.
- (p) In order to clean up its portfolio, the Company sold EXIM, the operator of its biogas power plant in Nyíregyháza, on August 15, 2018, which was removed from the state-supported KÁT system with effect from June 30, 2018.
- (q) In relation to the absorption-type demerger operation from Sinergy to ALTEO decided by the Company's General Meeting of April 20, 2018, the Company has obtained the approval of HEA with respect to every licensee subsidiary, and also, on June 26, 2018, the Company decided on the absorption-type merger of CIVIS-BIOGÁZ and ALTSOLAR ALTEO into Depónia and VENTEO

WINDEO, respectively. The mergers by absorption were scheduled to take place on September 30, 2018, and their legal effects were determined to set in with effect from October 1, 2018.

- (r) The battery storage facility constructed using grant funds awarded to Sinergy Kft for its tender application entitled “System-level integration and an innovative application model of an electricity storage architecture” and submitted for the “Supporting R&D&I activities of companies - CORPORATE R&D&I_16” (Vállalatok K+F+I tevékenységének támogatása - VÁLLALATI KFI_16”) program announced by the NRDI Office started its pilot operation in August 2018.
- (s) At the Company’s request and based on Resolution No. 265/2018 of the Budapest Stock Exchange CEO, the equities of the Company were promoted to the Equities Prime Market, effective from September 12, 2018.
- (t) Within the framework of the Company’s corporate restructuring project, in line with the resolution of the General Meeting dated April 20, 2018, as well as the Company’s resolutions on the mergers by absorption passed on June 26, 2018, the assets of Sinergy Kft specified in its deed of absorption-type demerger (thus in particular the workforce and subsidiaries of Sinergy Kft, and the contracts and liabilities apart from those relating to MOM Park and the Gibárt and Felsődobsza hydropower plants) merged into the Company, CIVIS-BIOGÁZ Kft and ALTSOLAR Kft merged into ALTEO-Depónia Kft. and VENDEO merged into WINDEO. Based on the above, ALTEO-Depónia Kft became the sole subsidiary of the Company as regards the Debrecen landfill gas power plants, while WINDEO Kft became the project company owning the wind turbines in Ács, Pápakovácsi and Jánossomorja. In view of the merger by absorption, the issued capital of ALTEO-Depónia Kft was raised to HUF 7,000,000. The organizational structure that developed on the basis of the corporate law events is described in Section 8.1 of this Information Memorandum.
- (u) As result of the total HUF 1.7 billion investment by Monsolar Kft and IT-Solar Kft, the construction of the nearly 4 MW Monor-based solar power plant was successfully completed and commissioned. The solar power plant project consists of eight power plant units (four for each company) with a capacity of 499 kW each, assembled from Hanwha Type Q.Plus 285Wp solar panels. The implementation of the project started with on-site work in May 2018 and finished on November 23, 2018, when the plant was successfully commissioned. The new solar power plant has been selling electricity in the KÁT balancing group since December 1, 2018 and will continue to do so for 25 years.
- (v) The Ministry of Finance Deputy State Secretariat for the Implementation of Economic Development Programs awarded Sinergy Kft with a non-reimbursable grant in the amount of nearly HUF 228 million and a reimbursable grant (loan) in an amount of nearly HUF 250 million for the grant application submitted by the company in response to the call for tender “Business RDI combined with loan” (Vállalatok K+F+I tevékenységének támogatása kombinált hiteltermék keretében) (code number: GINOP-2.1.2-8.1.4-16). 50 percent of the grant amount becomes available as advance money following the conclusion of the grant agreement and the relevant loan agreement. The remaining funds can be drawn down in ex-post financing. If the above requirements are met, the Company can start a new R&D project aimed at

integrating the power storage facility equipped with battery cells of different specifications into the electrical power system.

2019

- (a) At the beginning of 2019, ALTEO Group launched its Waste Management Division within the Energy Production and Energy Services Business Line, which became the third profit center in addition to the Energy Production, Operation and Maintenance, and the Project Development divisions. This change had no effect on the other business line of ALTEO Group, the Energy Trading Business Line. The purpose of founding this new division was to further strengthen the Group's presence on the waste utilization market for energy purposes.
- (b) Zugló-Therm Kft. and Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság (registered office: H-1116 Budapest, Kalotaszeg u. 31; company registration number: Cg. 01-10-042582; hereinafter: **"FŐTÁV"**) extended their long-term contract signed on May 21, 2004, in effect until May 31, 2020 on purchasing and selling thermal energy, as well as other contracts related thereto. Pursuant to the newly signed contracts - in accordance with the terms and conditions therein - Zugló-Therm will provide FŐTÁV with thermal energy until the day of May 31, 2030.
- (c) With its Resolution No. 1/2019 (III. 12.), based on an authorization granted by Resolution No. 3/2015 (XI. 10.) of the General Meeting, the Board of Directors of the Company launched the process of increasing the share capital of the Company, by adding new shares (hereinafter: **"New Shares"**) in a private placement (hereinafter: **"Private Placement"**). On the basis of the preliminary statements of commitment, the Board of Directors under Resolution No. 1-2/2019 (III. 21.) made decisions regarding the allocation of the shares: it excluded the shareholders' subscription rights and any preferential rights for the New Shares; taking account of the preliminary statements of commitment for the acceptance of the New Shares submitted during the sale (book-building), the issue price of the New Shares was set at HUF 670.00 (that is, six hundred and seventy forints); an oversubscription was accepted up to a total value of HUF 1,999,999,580 (that is, one billion nine hundred ninety-nine million nine hundred ninety-nine thousand five hundred and eighty forints) for the issue, and so, the decision was made to issue a total of 2,985,074 units of New Shares; the Board designated from among the investors who had submitted their preliminary statement of commitment according to Section 3:296 (3) of the Civil Code to qualify for participation in the Private Placement, and established the number of the New Shares available to them; furthermore, specified the details for the submission of the final statement of commitment, as well as the deadline for the payment of the capital contribution. With its Resolutions No. 3-4/2019 (III. 21.), the Board of Directors also decided about an amendment in the Articles of Association, subject to the success of the capital increase. Each of the investors designated by the Board of Directors to receive the New Shares complied with their obligation undertaken and paid the total consideration for the 2,985,074 units of New Shares issued in the course of the Private Placement as required. By the same, the transaction aimed at the issue of 2,985,074 units of shares was completed, and all conditions were met for increasing the share capital of the Company, as registered in the Company register, to HUF 242,328,425 (that is, two hundred forty-two million three hundred twenty-eight thousand four hundred and twenty-five forints) at face value. The New Shares were first traded at the BSE on April 5, 2019.

- (d) The Company's consolidated enterprise, SUNTEO Kft - as buyer - concluded a business share purchase contract with Raiffeisen Energiaszolgáltató Korlátolt Felelősségű Társaság (registered office: H-1158 Budapest, Késmárk utca 11-13.; company registration number: 01-09-876219) - as seller - for the transfer of the ownership of a business share representing the entire issued capital (HUF 8,100,000) of EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-1158 Budapest, Késmárk utca 11-13; company registration number: 01-09-921340; hereinafter: "**EURO GREEN ENERGY**") to SUNTEO. Signing the business share purchase contract represents the first step of the transaction. With the fulfillment of the detailed conditions stipulated in the business share sales agreement, the ownership rights of EURO GREEN ENERGY were conferred to SUNTEO on May 28, 2019.

EURO GREEN ENERGY owns and operates a wind farm near Bőny consisting of 13 wind turbines and providing an electrical capacity of 25 MW. The electricity produced at this wind farm is sold through the mandatory offtake system (KÁT).

- (e) On April 26, 2019, the General Meeting of the Company, simultaneously to approving the financial statements of the Company for the financial year 2018, decided to pay an amount of HUF 254,006,610 as dividends, which is equivalent to a gross dividend of HUF 16 per share, not including the Company's own shares, as well as the shares issued on March 25, 2019, where the payment of dividends is not allowed under Section 3:298(3) of the Civil Code.
- (f) On May 21, 2019, the Company adopted a decision on the reduction of the ordinary capital of Tisza-WTP Kft from HUF 95,265,000 to HUF 3,000,000, with a view to disinvestment. On the date of this Information Memorandum, there is a disclosure procedure in progress.
- (g) On May 21, 2019, the Company adopted a decision on the reduction of the ordinary capital of BC-Therm from HUF 304,000,000 to HUF 181,000,000, with a view to disinvestment. On the date of this Information Memorandum, there is a disclosure procedure in progress.
- (h) In relation to the transaction aimed at acquiring the business share of EURO GREEN ENERGY, SUNTEO Kft – under an arrangement favorable for the Company – pays part of the purchase price through deferred payment, which does not affect the transfer of EURO GREEN ENERGY's business share to SUNTEO Kft. In order to ensure fulfillment of this payment, the Company has issued a bill of exchange with a value of HUF 700,000,000 (that is seven hundred million Hungarian forints) to Raiffeisen Energiaszolgáltató Kft, as beneficiary, and provided it to the company on May 28, 2019, i.e. at the same time as closing the transaction. The due date of the bill of exchange is January 10, 2020.

6.3 Investments

The Company has no other investments besides the Subsidiaries. The investments of the Company in Subsidiaries and the important investments and developments of the Subsidiaries are described in the above Section 6.2. See the general information on the Subsidiaries in Section 8.3 of this Information Memorandum. The information on the projects of the ALTEO Group under preparation is in Section 7.4 below.

This Information Memorandum was prepared in relation to the private placement of the bonds to be issued by ALTEO Nyrt.

The Company has no such future investments for which Board of Directors has already undertaken an obligation.

7 OVERVIEW OF THE COMPANY'S BUSINESS ACTIVITY

This section includes the Company's strategy, the business activities that the Company and the Subsidiaries actually pursue, and information referring to projects that are in the preparation stage.

In its business policy, ALTEO Group uses the expression renewable energy to denote all energy generated from renewable energy sources or waste, and, accordingly, it likewise does so in this Information Memorandum.

The Company would like to point out that Information Memorandum Section 5 "Key Financial Information", and this section contains certain figures reflecting different accounting methodologies, which is why certain figures in Information Memorandum Section 5 "Key Financial Information", and in this section do not fully correspond to one another.

7.1 The Company's Mission

The Company is a complex integrated power engineering services provider that helps its customers achieve their competitiveness and sustainability-related goals by providing safe, environmentally-friendly and affordable energy-supply solutions.

The Company delivers state-of-the-art energy-supply solutions to its consumers using technologies whose environmental burden is minimal, and are based on the cost-efficient utilization of renewable energy sources and the efficiency benefits of heat and electricity cogenerating power-plant process technology, all the while focusing on the security of supply, high quality of services and affordable pricing.

7.2 The Company's Strategy

The strategic goal of the Company is to become a definitive power engineering services provider that offers sustainable energy supply for its consumers, as well as satisfactory returns for its shareholders and financing partners through the optimized use of energy trading, decentralized energy generation and power engineering services.

In pursuing this strategy, the Company:

- (a) Is seeking to build a power-generation portfolio that includes units installed close to consumers and built around the utilization of alternative and renewable energy sources, as well as hydrocarbon-fired cogeneration systems, and
- (b) Is building a consumer-oriented and flexible energy-trading business line which significantly enhances the Company's profitability in addition to complementing its energy-generation portfolio, furthermore
- (c) Provides power-engineering services to support its consumers in their development, operation and maintenance of efficient energy-supply systems, as well as its consumers' energy management, with an eye to also allowing them to minimize the environmental impact and energy costs of their operations, maintain or increase their security of supply, moreover to ensure their optimal leveraging of cost-efficient renewable energy sources.

The ALTEO Group operates mainly in Hungary, but the Company intends to also extend its activities to other countries, primarily the Member States of the European Union. The Company's primary business partners include major corporates, small and medium-sized enterprises and business-to-business consumers.

7.3 The Company's Key Areas of Operation

ALTEO Group's activities can be grouped into five key segments:

- (a) Market-based energy production (sold outside the KÁT regime)
 - (i) Thermal power production
 - (ii) Electricity generation
 - (iii) Delivering ancillary services (Control Center)
- (b) Renewables-based electricity generation sold in the scope of the KÁT regime
- (c) Energy trading
 - (i) electricity trading
 - (ii) Natural gas trading
 - (iii) Balancing-group services
- (d) Energy and power engineering services
 - (i) Operation and maintenance of power plants and power engineering installations
 - (ii) Energy and power engineering services
 - (iii) Other services
- (e) Other – Central costs

This Section 7.3 includes a separate inset highlighting the profit and loss accounts, for ALTEO Group and broken down per the various segments designated above, concerning Year 2017 and 2018 audited data.

Executive Profit and Loss Statement Broken down by Segments

The following profit and loss statement provides a summary illustration of the financial details for the Company's segments. In preparing these accounts, the Company made the following assumptions and took the steps below:

- (1) In the report, revenues and expenditure was assigned to the ALTEO Group segments.
- (2) The Company did not split central costs (typically including salaries, rent and expert fees), and these appear on the Other segment lines.
- (3) The report presents each segment as profit centers, i.e. both revenue and expenditure is carried at the respective actual values appearing in the given segment. Intra-segment transactions were eliminated from the figures below, but inter-segment items that remained within ALTEO Group were not. Items that were eliminated among segments appear on specific lines in the Elimination segment.

ALTEO GROUP EXECUTIVE STATEMENT – FINANCIAL STATEMENTS (IFRS)

12/31/2018	12/31/2017	12/31/2017	Change	Change
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<i>figures in HUF million</i>	audited	Comparison	audited	% Year-on- Year	HUF million Year-on- Year
Thermal power and electricity generation (outside the KÁT regime)	10,231	9,589	9,558	7%	642
Production of electricity (subject to the KÁT regime)	627	838	838	-25%	-211
Energy and power engineering services	7,582	6,216	6,216	22%	1,365
Retail energy trade	6,943	5,121	5,121	36%	1,823
Other	347	346	377	0%	1
Elimination among segments	-7,044	-3,720	-3,720		
Sales revenue	18,686	18,389	18,389	2%	296
Thermal power and electricity generation (outside the KÁT regime)	-9,153	-8,443	-8,480	8%	-709
Production of electricity (subject to the KÁT regime)	-194	-280	-294	-31%	86
Energy and power engineering services	-6,325	-5,050	-4,970	25%	-1,275
Retail energy trade	-6,661	-5,262	-5,298	27%	-1,399
Other	-1,356	-1,094	-1,235	24%	-263
Elimination among segments	6,803	3,675	3,686		
Operating costs	-16,885	-16,453	-16,591	3%	-432
Thermal power and electricity generation (outside the KÁT regime)	1,078	1,146	1,077	-6%	-68
Production of electricity (subject to the KÁT regime)	433	558	544	-22%	-125
Energy and power engineering services	1,257	1,167	1,246	8%	91
Retail energy trade	283	-141	-178	-301%	423
Other	-1,009	-748	-858	35%	-261
Elimination among segments	-240	-45	-34		-195
EBITDA	1,801	1,936	1,799	-7%	-136

About methodological changes:

* In Year 2018, ALTEO Group's management decided to recognize Local Business Tax and the Innovation Contribution on the Taxes line instead of Other expenditures, thus aligning to the IFRS reports of listed Hungarian companies. For the sake of comparability, ALTEO Group also did that reclassification regarding the above periods.

** If, for presentation purposes, the reclassification of an item to a different segment becomes necessary in order to better describe the profitability of a segment, then ALTEO Group will adjust the previous year's figures so that comparability can be achieved.

7.3.1 Market-based energy production (sold outside the KÁT regime)

In the scope of their operations, the Subsidiaries generate electric and thermal power using primary energy sources, typically natural gas. The Subsidiaries feed the electricity they generate to the nationwide power grid or the consumer grid, and use direct pipelines to deliver the heat they produce to their partners, typically district heating utilities or industrial consumers. Sinergy Energiakereskedő acts as a Control Center combining ALTEO Group's various power generation capacities to provide ancillary services to MAVIR (see the last subtitle in this section for details).

The Subsidiaries sell the electricity they feed to the grid to electricity traders, MAVIR or their own consumers. Sales are realized on the basis of direct commercial agreements, in the framework of the organized electricity market (HUPX) or on MAVIR's ancillary services market. Electricity generated to the consumer grid is sold directly to consumers, based on commercial agreements.

Some of the heat that is produced is sold by the Subsidiaries, as district heat production licensees, to district heating utilities. The Subsidiaries sell the rest of the heat they produce directly to industrial and commercial consumers on the basis of long-term agreements.

ALTEO Group's various power plants (Győr Power Plant, Sopron Power Plant, Kazincbarcika Power Plant, Tiszaújváros Heating Power Plant, Zugló Power Plant) participate in the EU-ETS allowance trading scheme and also receive emission unit allocations. As part of its power generation activity, ALTEO Group purchases allowances in a quantity required for the operation of the power plants, and sells the same if it turns out to have any surplus.

Győr Power Plant (Győri Erőmű)

ALTEO Group purchased the Győr Power Plant from E.ON Hungária Zrt. at the end of 2009. The power plant's current capacity is 3MW of electricity, generated with state-of-the-art gas engines, and 24MW of thermal power. The power plant is operated by ALTEO's team of specialists. The power plant engages in industrial heat supply for plants in the vicinity, and district heat production for the local district heating utility. Audi Hungária Motor Kft. is the biggest of the Győr Power Plant's customers, and the thermal capacity provision and heat supply agreement concluded with it will be effective until 30 June 2021. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center.

Kazincbarcika Power and Heating Plant (Kazinc-Therm)

The Kazincbarcika Power and Heating Plant cogenerates heat and electric power, and was implemented as a greenfield investment project with three gas engines and three hot water boilers installed. The power plant is owned and operated by Kazinc-Therm, which sells heat solely to the local district heating utility at the price under the Price Decree, based on an agreement subject to a 20-year term, slated to expire in 2022. Upon the expiry of the agreement, the town's district heating utility will have the right to purchase Kazinc-Therm's assets at their book value net of taxes. The heating power plant's installed electricity generation capacity is 9.6MW, its installed thermal capacity is 58.2MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center. The power plant is operated by ALTEO's team of specialists.

Ózd Power Plant (Ózdi Erőmű)

The heating power plant in Ózd is owned by the Ózd Power Plant, and cogenerates thermal and electric power. The Ózd heating power plant sells heat to the local district heating utility at the price under the Price Decree in the scope of an agreement subject to a 15-year term, slated to expire at the end of 2020. Upon the expiry of the agreement, the town's district heating utility will have the right to purchase the Ózd Power Plant's assets at their book value net of taxes. The power plant's installed electricity generation capacity is 4.8MW, its installed thermal capacity is 4.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center. The power plant is operated by ALTEO's team of specialists.

Sopron Power Plant (Soproni Erőmű)

ALTEO Group purchased the Sopron Power Plant from E.ON Hungária Zrt. at the end of 2009. The generation array currently comprises three steam boilers, one hot water boiler and a gas engine. The power plant's current capacity is 6MW of electricity and 38MW of thermal power. The boilers can be operated with both gas

and fuel oil. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center. The power plant is operated by ALTEO's team of specialists.

As a district heating utility, the Sopron Power Plant used to supply residential consumers directly as well, but it terminated this activity, and accordingly, in its Decision no. 5052/2016, HEA revoked Sopron Power Plant's district heating utility license at the power plant's request, effectively as of 31 December 2016.

The power plant currently supplies heat to neighboring plants and the local district heating utility. Sopron Power Plant entered into an agreement lasting through 31 December 2025 with its largest customer, HEINEKEN Hungária Sörgyárak Zrt. in 2017, and thus secured a stable thermal power market until 2025.

In Year 2017, ALTEO Group began the comprehensive conversion and retrofit of the power plant by installing a state-of-the-art new steam boiler with 10MW of output. During Year 2018, ALTEO Group completed an additional significant energy-efficiency and modernization project at the Sopron Power Plant. Overhaul work included the steam and hot water distribution systems, the water treatment facility, as well as the electric and control engineering systems.

Tiszaújváros Power and Heating Plant (Tisza-Therm)

The Tiszaújváros Power and Heating Plant cogenerates thermal and electric power, and sells heat to the local district heating utility at the price under the Price Decree, based on an agreement subject to a 20-year term, slated to expire in 2022. The power plant is owned by Tisza-Therm, however, upon the expiry of the agreement the town's district heating utility will have the option to purchase Tisza-Therm's assets at their book value net of taxes. The power plant's installed electricity generation capacity is 6.4MW, its installed thermal capacity is 42.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center. The power plant is operated by ALTEO's team of specialists.

Agria Park small-scale power plant (ALTEO-Agria)

Established in the Agria Park shopping center in the town of Eger, this small-scale cogeneration power plant runs a gas engine with an electrical and thermal capacity of 1MW and 1.3MW respectively, and serves to meet a part of the electricity demand during the shopping center's business hours, and on the other hand, covers some of the shopping center's hot water and heating energy demand during the winter. The power plant is owned by ALTEO-Agria, and operated by ALTEO's specialists.

Zugló Power Plant (Zugló-Therm)

The tender announced by FŐTÁV Zrt. in 2003 for the expansion of its Budapest, Fűredi utca heating plant with a gas-engine block thermal power plant was awarded to the consortium comprising FÓGÁZ Zrt. and Sinergy. Zugló-Therm, which was established for the project and owns the block thermal power plant, was transferred to Sinergy's 100% ownership from March 2018, and has been 100% owned and operated by the Company from 1 October 2018. In October 2018, Zugló-Therm and FŐTÁV Zrt. began negotiations in the matter of extending the long-term heat sale and heat purchase agreement that will expire in 2020. Following successful negotiations, the parties extended their agreement for an additional 10 years, and

Zugló-Therm will thus keep supplying heat to FŐTÁV Zrt. until 31 May 2030. The block thermal power plant currently provides thermal energy to the district heating utility subject to the fees specified in the Price Decree. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Control Center.

Power Storage Facility (ALTEO)

In August 2018, normal operations commenced at the battery power storage facility constructed using grant funds awarded to Sinergy for its tender application titled "System-level integration and innovative application model for an electricity storage architecture"—which it submitted in the scope of the "Supporting R&D&I Activities of Companies - CORPORATE RDI_16" program announced by NRD—whose total cost came to HUF 1.1 billion overall, with the Company awarded support of HUF 500 million. In addition to participating in frequency regulation for the electricity system, the purpose of the energy storage facility—innovative in both design and implementation with a focus on 21st century technical solutions—is to promote the market-based integration of renewable energy sources, particularly weather-dependent wind and solar power plants.

MOM Park (Sinergy)

Sinergy implemented the energy center that provides primary energy for the MOM Park building complex (MOM Park shopping mall, offices and condominiums) in the scope of its own investment project. Sinergy currently uses the energy center to provide MOM Park's full cooling, heating and electricity supply in the in the scope of an energy supply agreement effective until 31 December 2019. MOM Park Shopping Mall's current owner, OTP Ingatlankezelő Alap holds the right to purchase the energy center owned by Sinergy.

Kisújszállás Small-Scale Power Plant (HIDROGÁZ, ALTEO-Hidrogáz)

Established for the purpose of hydrogas utilization, HIDROGÁZ employs special technology for using methane dissolved in thermal water, called associated waste gas, rising to the surface from thermal water wells to generate electricity and thermal energy. The block heating plant in Kisújszállás has an electric and thermal energy capacity of 143kW and 192kW respectively, and provides discount-rate heat supply for public institutions in Kisújszállás over a heat pipeline in the framework of a long-term cooperation agreement. Electricity generated at the Kisújszállás power plant is currently sold to ALTEO Group's commercial segment at market prices.

Pápakovácsi, Ács and Jánosomorja Wind Farms (WINDEO)

ALTEO acquired WINDEO, which owns and operates the Ács and Pápakovácsi wind farms, from Raiffeisen Energiaszolgáltató Kft. in May 2012. The wind farms have a capacity of 2MW each, and sold generated electric power to MAVIR under the KÁT regime until September 2017 and April 2018, as by then, they each reached their total authorized generation volumes. After that, the wind farms were successfully integrated with the Control Center and are now generating for the free market, and having regard to that, revenues and expenditure from these wind farms are recognized in this segment since the scope of mandatory off-take (KÁT) has expired. The wind farms are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.

ALTEO acquired VENTEO, which owns and operates the Jánossomorja wind farm, from Raiffeisen Energiaszolgáltató Kft. in May 2012. VENTEO became a part of WINDEO through merger by acquisition, effective as of 1 October 2018. The wind farm has a nominal capacity of 1.8MW, and sold generated electric power to MAVIR under the KÁT regime until March 2017, as it reached its total authorized generation volume that month. After that, the wind farm was successfully integrated with the Control Center and is now generating for the free market, therefore its revenues and expenditure are recognized in this segment since the scope of mandatory off-take (KÁT) has expired. The wind farm is maintained by ALTEO and the Hungarian subsidiary of the wind farm OEM, VESTAS Hungary Kft.

Gibárt Hydropower Plant (Sinergy)

Sinergy leases the assets of the hydropower plant operating on the Hernád River from ÉMÁSZ Nyrt. Sinergy used to sell electric power generated through the hydropower plant's operation to MAVIR under the KÁT regime until August 2018, as it reached its total authorized generation volume that month. After that, the hydropower plant was successfully integrated with the Control Center and is now generating for the free market, therefore its revenues and expenditure are recognized in this segment since the scope of mandatory off-take (KÁT) has expired. The installed electricity generation capacity of the Gibárt hydropower plant is 0.49MW. The power plant is operated by ALTEO's own specialists.

Tiszaújváros Experimental Biomass Boiler (Tisza BioTerm)

The purpose of operating the 0.5MW capacity biomass-fired boiler operated by Tisza BioTerm is to develop biomass firing technology and to engage in technical/cost-efficiency studies related to biomass-based heat production. The experimental power plant sells heat produced by burning biomass to Tisza-Therm on the basis of a long-term heat purchase agreement. As part of this pilot operation, Tisza BioTerm also has agricultural entrepreneurs produce ligneous biomass.

Control Center (Sinergy Energiakereskedő)

ALTEO Group's electricity generation portfolio is made up of small-scale power plants, which it has organized into a system operations unit, referred to as a Control Center, for the sake of efficient interoperability. This harmonized operation makes it possible for our small-scale power plants to be combined under standard control as a stand-alone entity, and work as a major generator. Among others, this affords the opportunity for the electricity generation capacities of ALTEO Group that do not sell in the scope of the KÁT regime to appear on the system-level, i.e. ancillary services market.

Sinergy Energiakereskedő began its operation in 2014 as a Control Center, combining production from power plants belonging to the Sinergy Group to sell the same on the electricity market and the ancillary services market. Zugló-Therm, Kazinc-Therm, Tisza-Therm and the Ózd Power Plant joined the Control Center in 2014, with the Győr Power Plant and Sopron Power Plant following suit in 2015.

In part, the Control Center operates as a commercial, and in part as a generation regulator, controlling electricity generation at the power plants, disposing of the power plants' electricity generation capacities and orchestrating the sale of electricity generated by the power plants, as well as that of any available power generation capacities the power plants may have, doing so on the electricity market and the ancillary services market.

As part of its commercial operations, the Control Center plays an active role on the wholesale electricity market, moreover concludes hedging transactions that comply with the Company's risk management expectations.

Market-based energy production (outside the KÁT regime)

This segment has two core revenue streams. One is electricity generated by gas engines, while the other is thermal energy produced by gas engines and boilers. In the case of electric power, the segment takes quite a significant share of sale and purchase within the ALTEO Group, as can be seen in the summary profit and loss statement appearing in Section 7.3. The Energy Storage Facility and the Control Center also belong to this segment, since it primarily facilitates selling electricity that the power plant portfolio generates, and its stand-alone commercial activity is but marginal.

On the output side, the gas engines produce heat and electricity at the same time. Materials-related expenditure includes costs that can be unequivocally mapped to natural gas used, furthermore to operations, maintenance and generation, while Other expenditure includes CO₂-related expenditure.

HEAT AND ELECTRICITY PRODUCTION (outside the KÁT regime) SEGMENT – Executive financial statement

Heat and electricity production (market rate, outside the KÁT system)

<i>data in HUF million</i>	2018 Actual audited	2017 Actual comparative	2017 Actual audited	Change HUF million over previous year	Change % over previous year
Sales revenue	10,231	9,589	9,558	642	6%
Material-type expenditures	-8,697	-8,660	-8,660	-37	0%
Personnel expenditures	-30	-1	-1	-29	-97%
Other revenue/(expenditure)	-426	217	181	-643	-151%
EBITDA*	1,078	1,145	1,078	-67	-6%

HEAT AND ELECTRICITY PRODUCTION (outside the KÁT regime) SEGMENT – Physical indicators and specific revenues

	2018 Actual non-audited	2017 Actual non-audited	Change HUF million over previous year	Change % over previous year
Electricity sold MWh	260,414	276,671	-16,257	-6%
Specific revenue from electricity sold (per schedule) – HUF/GWh	13,759	13,268	491	4%
Heat energy sold (GJ)	1,130,779	1,035,748	95,031	8%
Specific revenue from heat energy – HUF/GJ	3,904	3,390	514	13

The growth of heat energy sales was caused by Zugló Therm having been included to the scope of consolidation from April 2018.

The large scale growth of specific heat energy revenue is the result of the increase of the regulated price.

7.3.2 Renewables-based energy production sold in the scope of the KÁT regime

In the scope of this activity, Subsidiaries generate electricity using renewable primary energy in their owned power plants, which they feed to the nationwide electricity grid. The Subsidiaries sell the electricity that is fed to the grid in the scope of the KÁT regime, to the KÁT balancing group operated by MAVIR, subject to a subsidized purchase price.

ALTEO Group's renewable energy portfolio includes weather-dependent wind farms, solar and hydropower plants and non-weather-dependent small-scale power plants that utilize renewable gas alike.

Wind Power

ALTEO Group purchased its following small-scale power plants utilizing wind energy in an already operational state: Three power plants in May 2012, and one in February 2013.

Pápakovácsi, Ács and Jánossomorja Wind Farms (WINDEO)

ALTEO acquired WINDEO, which owns and operates the Ács and Pápakovácsi wind farms, from Raiffeisen Energiaszolgáltató Kft. in May 2012. The wind farms have a capacity of 2MW each, and sold generated electric power to MAVIR under the KÁT regime until September 2017 and April 2018, as by then, they each reached their total authorized generation volumes. The wind farms were successfully integrated with the Control Center thereafter, and are now generating for the free market. The wind farms are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.

ALTEO acquired VENDEO, which owns and operates the Jánossomorja wind farm, from Raiffeisen Energiaszolgáltató Kft. in May 2012. VENDEO became a part of WINDEO through merger by acquisition, effective as of 1 October 2018. The wind farm has a nominal capacity of 1.8MW, and sold generated electric power to MAVIR under the KÁT regime until March 2017, as it reached its total authorized generation volume that month. The wind farm was successfully integrated with the Control Center thereafter, and is now generating for the free market. The wind farm is maintained by ALTEO and the Hungarian subsidiary of the wind farm OEM, VESTAS Hungary Kft.

Törökszentmiklós Wind Farm (e-Wind)

ALTEO acquired e-Wind, which owns and operates the Törökszentmiklós wind farm, in February 2013. The wind farm has a nominal capacity of 1.5MW, and sells generated electric power to MAVIR under the KÁT regime, and will do so until 30 June 2022 at the latest or until the total authorized generation volume is reached. On 10 May 2016, e-Wind applied for the extension of its KÁT License until 30 June 2022, because generation was suspended due to maintenance work at the power plant.

Hydro Power

Felsődobsza Hydropower Plant (Sinergy)

The relevant energy-generation assets and installations of this hydropower plant, operating on the Hernád River (including, among others, turbines and transformers) are owned by Sinergy, while Sinergy leases the property and the power plant's

sections classified as other water structures from ÉMÁSZ Nyrt. Sinergy sells electricity generated through the operation of the hydropower plant to MAVIR under the KÁT regime, and will do so until 31 July 2022 at the latest or until the total generation volume authorized under KÁT is reached. The installed electricity generation capacity of the Felsődobsza hydropower plant is 0.948MW. The power plant is operated by ALTEO's own specialists.

Gibárt Hydropower Plant (Sinergy)

Sinergy leases the assets of the hydropower plant operating on the Hernád River from ÉMÁSZ Nyrt. Sinergy used to sell electric power generated through the hydropower plant's operation to MAVIR under the KÁT regime until August 2018, as it reached its total authorized generation volume that month. After that, the hydropower plant will generate for the free market. The installed electricity generation capacity of the Gibárt hydropower plant is 0.49MW. The power plant is operated by ALTEO's own specialists.

Landfill Gas

Debrecen Small-Scale Power Plant (CIVIS)

ALTEO Group purchased this small-scale power plant in an already operational state in March 2010. The small-scale power plant has an installed electricity generation capacity of 639kW, and generates power from landfill gas produced at the waste disposal compound in Debrecen. The small-scale power plant sells generated electric power to MAVIR under the KÁT regime, and will do so until December 2019 at the latest or until the total authorized generation volume is reached, after which it will continue to produce for the free market.

Debrecen Small-Scale Power Plant (ALTSOLAR)

This small-scale power plant was built by ALTEO Group, and it began production in August 2018. The small-scale power plant has an installed electricity generation capacity of 499kW, and generates power from landfill gas produced at the waste disposal compound in Debrecen. The small-scale power plant sells generated electric power to MAVIR under the KÁT regime, and will do so until 30 June 2022 at the latest or until the total authorized generation volume is reached, after which it will continue to produce for the free market.

Solar Power

Domaszék Solar Power Plant (Domaszék)

ALTEO Group acquired the solar power plant in Domaszék, which was already operational at the time, in December 2017. The solar power plant sells electricity generated through its operation to MAVIR under the KÁT regime, and will do so until September 2042 at the latest or until the total generation volume authorized under KÁT is reached. The Domaszék solar power plant's installed electricity generation capacity is close to 2MW. The power plant is operated by ALTEO's own specialists.

Monor Solar Power Plant (IT-Solar és Monsolar)

ALTEO Group implemented this solar power plant in the scope of its own construction project, and it began generation in December 2018. The solar power

plant sells electricity generated through its operation to MAVIR under the KÁT regime, and will do so until December 2043 at the latest or until the total generation volume authorized under KÁT is reached. The solar power plant's installed electricity generation capacity is close to 4MW. The power plant is operated by ALTEO's own specialists.

Generated Electricity Sold Under the KÁT Regime

Electric power sold to MAVIR is the only revenue stream in this segment. Materials-related expenditure includes operation and maintenance costs.

ELECTRICITY GENERATION (UNDER THE KÁT REGIME) SEGMENT – Executive financial statement

Electricity generation (under the KÁT regime)					
	2018	2017	2017	Change HUF million	Change %
<i>data in HUF million</i>	Actual audited	Actual comparative	Actual audited	over previous year	over previous year
Sales revenue	627	838	838	-211	-34%
Material-type expenditures	-164	-221	-223	57	34%
Personnel expenditures	-73	-97	-97	24	34%
Other revenue/(expenditure)	43	38	26	5	11%
EBITDA*	433	558	544	-125	-29%

ELECTRICITY GENERATION (UNDER THE KÁT REGIME) SEGMENT – Physical indicators and specific revenue statement

	2018	2017	Change HUF million	Change %
	Actual non-audited	Actual non-audited	over previous year	over previous year
Electricity sold (MWh)	19,252	25,888	-6,636	-34%
Specific revenue – (HUF thousand)/MWh	32.4	32.4	0.0	0%

The drop in electricity sales was caused by the elimination of the previously mentioned wind and hydropower plants from KÁT.

7.3.3 Energy trading

Electricity trade and balancing group services (ALTEO Energiakereskedő)

ALTEO Group started its activities through the Company as an electricity trader and balancing group manager, on the day of January 1, 2009. During 2009 and 2010, it built up a stable, well-predictable consumer portfolio, consisting primarily of office buildings, shopping centers, industrial parks, as well as small- and medium-sized businesses (SME). By 2011, it held contracts with prime customers with a country-wide network, and at the same time, it managed to increase the number of SME customers, defined as the target market. Within the scope of the Company's electricity trading activity, electricity is sold exclusively on the free market. The Company's portfolio also includes users eligible for the provision of universal service on the free market, furthermore, since February 2012, the Company is entitled to supply retail consumers as well, but it does not deal with the supply of these consumers in detail.

Under the contract for the transfer of business line concluded by the Company and ALTEO Energiakereskedő in November 2017, the Company successfully transferred its electricity trading operations - including in particular the related user portfolio and wholesale contracts - to ALTEO Energiakereskedő with January 1, 2018 as the reporting date.

As a criterion for performing the above activity, ALTEO Energiakereskedő obtained an operating license from HEA, under Resolution no. 5416/2017, for trading in electricity and so, from the day of January 1, 2018, this activity is performed by ALTEO Energiakereskedő.

The main activity of ALTEO Energiakereskedő is to deal with direct sales to users, without the intermediation of another electricity trading company. ALTEO Energiakereskedő pursues to promote setting favorable prices tailored to consumption locations and consumer habits by providing targeted advice on energy efficiency. Its goal is flexible, in order to meet the different needs of the users, mainly based on one-year contractual and settlement schemes.

ALTEO Energiakereskedő does not deal with speculative trading, but due to the varying size of customer needs timewise, the company keeps a certain level of open positions. However, ALTEO Energiakereskedő strives to cover the demand generated by new contracts and new needs from the buyers. For that purpose, ALTEO Energiakereskedő concludes commercial agreements based on commercial, standardized samples (typically EFET), on the one hand, and it also buys electricity thru intermediaries, on the energy exchanges in Hungary (HUPX), in Leipzig (EEX), Prague (PXE) and Vienna (EXAA), on the other. ALTEO Energiakereskedő sells any superfluous electricity via wholesalers.

Natural gas trading (ALTEO Energiakereskedő)

ALTEO Energiakereskedő started its retail activities aimed at serving the users with natural gas, in the gas year beginning on October 1, 2016.

ENERGY RETAIL – Executive financial statement

Retail energy trade					
	2018	2017	2017	Change	Change
<i>data in HUF million</i>	Actual audited	Actual comparative	Actual audited	HUF million over previous year	% over previous year
Sales revenue	6,943	5,121	5,121	1,822	26%
Material-type expenditures	-6,626	-5,217	-5,217	-1,409	-21%
Personnel expenditures	-53	-47	-47	-6	-12%
Other revenue/(expenditure)	18	3	-34	15	83%
EBITDA*	283	-140	-177	423	150%

Profitability of the energy trading segment improved significantly from 2017 to 2018, given that in the base period, due to the extreme market environment resulting from extraordinary weather conditions, considerable one-off losses appeared. In order to avoid similar effects, ALTEO Group has since successfully changed its hedging policy.

ELECTRICITY RETAIL TRADE – Physical indicators and statement of specific revenue/expense

	2018	2017	Change	Change
	Actual non-audited	Actual non-audited	HUF million over previous year	% over previous year
Retail trade in electricity (MWh)	366,964	316,330	50,634	14%
Specific revenue – HUF/MWh	15,561	13,472	2,089	13
Specific expense – HUF/MWh	14,951	14,111	840	6%
Specific coverage – HUF/MWh	609	- 639	1,249	205%

NATURAL GAS RETAIL TRADE – Physical indicators and statement of specific revenue/expense

	2018	2017	Change	Change
	Actual non-audited	Actual non-audited	HUF million over previous year	% over previous year
Natural gas retail trade (MWh)	135,310	100,254	35,055	26%
Specific revenue – HUF/MWh	9,018	8,561	457	5%
Specific expense – HUF/MWh	7,941	7,080	861	11%
Specific coverage – HUF/MWh	1,078	1,482	-404	-38%

7.3.4 Energy and power engineering services

(a) Operation and maintenance of power plants and power engineering installations

ALTEO carries out operation and maintenance tasks (*O&M*) for certain energy facilities owned by third parties and of certain power plants owned by ALTEO Group under long-term contracts, providing qualified staff and the materials and tools required for operation and maintenance. As part of the operation activities, ALTEO carries out daily operation and business process tasks including the provision of fuel supply, preparation of production schedules, fulfilling regulatory reporting obligations, ensuring that all conditions for the operation and the safety of supply are met, and repair works requiring simpler jobs are done. Within the framework of maintenance activities ALTEO carries out the interventions typically required based on the number of hours operated, the replacement of parts as necessary, carrying out renewal jobs and repairing extraordinary malfunctions.

At present, ALTEO carries out the operating and maintenance tasks of the TVK power plant, the BorsodChem power plant, the BC-Therm boiler, the Water Preparation Plant built by Tisza-WTP, the biogas plant of Nagykörös, as well as the heat power plants, hydropower plants and solar power plants in its ownership

Facilities related to O&M tasks:

BorsodChem power plant

The BorsodChem power plant is owned by BC Erőmű Kft and it provides most of the energy needs of BorsodChem Zrt's steam requirements and most of its electricity needs. Within ALTEO Group, Sinergy participated in the development and implementation of that investment project and at present ALTEO carries out the operation and maintenance of the power plant, in the framework of a long-term contract.

TVK Power Plant

The TVK power plant is in the ownership of TVK Power Plant (a subsidiary of MOL Petrochemicals Co. Ltd.). The power plant established in 2001 with the participation of Sinergy, a member of the ALTEO Group, satisfies the entire steam demand of MOL Petrolkémia Zrt.'s technology, it satisfies its entire steam demand, supplies its heating system and meets a significant part of its electricity demand. In addition, it provides steam for MOL Nyrt's Tiszai Refinery plant. Sinergy participated in the implementation of that investment, as a technical and financial expert, and the ALTEO Group currently conducts the operation and maintenance of the power plant with its own staff on a long-term contract.

Nagykőrös Biogas power plant

Sinergy, a company belonging to ALTEO Group concluded a long-term, 14-years operation and maintenance contract with Energigas Kft on the day of December 12, 2015, for the purpose of operation and maintenance tasks of a biogas power plant in its ownership, with a capacity of 2 MW. Simultaneously with the conclusion of the operation and maintenance contract, the Company also obtained a 1% share in Energigas Kft. The power plant is now operated by ALTEO's team of specialists.

Own facilities

A significant portion of the power plants in the ownership of ALTEO Group the operation and partial maintenance works are carried out by ALTEO, on the basis of long-term contracts. The facilities involved are as follows: Győr power plant, Kazincbarcika power plant, Ózd power plant, Tiszaújváros power plant, Sopron power plant, Felsődobosza and Gibárt hydropower plant, Zugló power plant, Tisza-WTP water treatment plant, as well as the Monor and Domaszék solar power plants.

Other

The maintenance organization of the Energy Production Division also carries out maintenance jobs, in addition to works to be done in power plants owned by ALTEO Group, typically for other power plant companies. Within that, a multiple-year maintenance contract concluded with Budapesti Erőmű Zrt in 2015 deserves particular attention. In that framework, Budapest Power Plant Zrt carries out regular maintenance, in the engineering-electric-control system and repairs in the Kelenföld, Kispest and Újpest power plants. The contract was extended for another two years in January 2019, the expiry date is January 15, 2021. Priority partners of the Company also include Petrolszolg Karbantartó és Szolgáltató Kft. (*Maintenance and Service*) belonging to the MOL Group, and from 2017, the Company (Sinergy until October 1, 2018) provides maintenance works of rotary machines at the industrial site of MOL in Százhalombatta and Tiszaújváros, as well as LEGO Manufacturing Kft., with a factory in Nyíregyháza where regular maintenance and repair works are carried out on cooling towers, on the basis of individual assignments.

(b) Energy and power engineering services

ALTEO Group also offers its customers engineering, project development and project management services, as well as main contractor construction services related to energy investments and developments, under individual orders and contracts.

(c) Other services

In some cases, possibly related to other activities, the Subsidiaries implement energy assets for their customers and make these available to their customers in the framework of long-term contracts qualified as leases under the IFRS classification. After the expiry of this contractual period, the customer has the possibility to buy these assets. In each case, the operation and maintenance of the assets are performed by specialists of ALTEO, on the basis of a long-term contract.

Tisza-WTP

Tisza-WTP created in an area owned by MOL Petrochemicals Co. Ltd., a high-capacity water treatment plant, producing desalinated water for technology purposes for MOL Petrochemicals Co. Ltd. ALTEO supplies the total quantity of desalinated water for MOL Petrochemical Ltd. in the framework of a long-term contract. Due to the capacity increase investment implemented in 2018, the water treatment plant will be able to cover the increasing needs of the chemical company also in the future. The facility is operated and maintained by the ALTEO Group with its own staff. On the basis of a purchase option contract between MOL Petrolkémia Zrt and ALTEO, on the Tisza-WTP business share, MOL Petrolkémia Zrt is entitled to purchase, until the day of June 30, 2027 at the latest, the Tisza-WTP business share at a price calculated according to the methodology specified in the contract.

BC-Therm boiler (BC-Therm)

BC-Therm built a large-capacity boiler plant (110t/h) on the site of BorsodChem Zrt, servicing exclusively the steam demand of BorsodChem Zrt. The boiler plant is operated and maintained by ALTEO. On the basis of a heat supply and capacity utilization contract concluded between BC-Therm and BorsodChem Zrt, BorsodChem Zrt is obliged to purchase from ALTEO the BC-Therm business share, at book value, upon expiry of the contract (expected by December 31, 2020).

ALTE-A

ALTE-A implemented a portion of the medium-voltage system of Hegyvidék Shopping Center (transformer and medium-voltage distributor) and leases it to VPR Nonus Kft, the operator of the shopping center. The assets are operated and maintained by ALTEO.

Energy business and power engineering services

In this segment we show the revenues and expenses related to the operation and maintenance tasks (*O&M*) for certain energy facilities owned by third parties and of certain power plants owned by ALTEO Group, and we also show here the revenues (interests) due, based on leased assets. In the consolidation procedure, the revenues and expenses of ALTEO Group from the power plants in its ownership are eliminated. This is the segment where revenues and expenses of third parties and from within the ALTEO Group, related to engineering, project development and project management services, as well as main contractor construction services and implementation services related to energy investments and developments are presented. In the consolidation procedure, the Revenues and Expenses of implementation services within ALTEO Group are eliminated.

ENERGY BUSINESS AND SERVICES – Executive financial statement

Energy and power engineering services					
	2018	2017	2017	Change	Change
<i>data in HUF million</i>	Actual audited	Actual comparative	Actual audited	HUF million over previous year	% over previous year
Sales revenue	7,582	6,216	6,216	1,366	18%
Material-type expenditures	-4,926	-3,759	-3,735	-1,167	-24%
Personnel expenditures	-1,611	-1,345	-1,237	-266	-17%
Other revenue/(expenditure)	213	54	1	159	75%
EBITDA*	1,257	1,166	1,245	91	7%

7.3.5 Other segments

Other segments

We present among revenues the management and accounting fees paid by the Subsidiaries, to be eliminated in the consolidation procedure. Among material expenses, the most important items are rental fees, assignments of third-party experts and advisors, as well as IT costs.

OTHER SEGMENT – Executive financial statement

Other segments					
	2018	2017	2017	Change	Change
<i>data in HUF million</i>	Actual audited	Actual comparative	Actual audited	HUF million over previous year	% over previous year
Sales revenue	347	346	377	1	0%
Material-type expenditures	-545	-407	-431	-138	-25%
Personnel expenditures	-800	-681	-789	-119	-15%
Other revenue/(expenditure)	-10	-6	-15	-4	-42%
EBITDA*	-1,009	-748	-858	-261	-26%

7.4 Project under implementation and preparation

With contributions from its Subsidiaries, as per the present Information Memorandum, the Company is preparing the following project implementations. The outline below is for information purpose, as 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 the projects below.

7.4.1 Balatonberény solar power plant (Péberény)

There is progress in the implementation of the Balatonberény solar power plant construction, by ALTEO Group on its own. The solar power plant sells electricity generated through its operation for MAVIR under the KÁT regime, and will do so until May 31, 2044 at the latest or until the total generation volume authorized under KÁT is reached. The solar power plant's electricity-production capacity will be 6.9 MW, and the power plant will be operated by ALTEO's specialists.

7.4.2 Nagykőrös solar power plant

There is progress in the implementation of the Nagykőrös solar power plant construction, by ALTEO Group on its own. The solar power plant sells electricity generated through its operation for MAVIR under the KÁT regime, and will do so until June 30, 2044 at the latest or until the total generation volume authorized under KÁT is reached. The solar power plant's electricity-production capacity will be 7 MW, and the power plant will be operated by ALTEO's specialists.

7.4.3 Renovation of the Gibárt Hydropower Plant (Sinergy)

Sinergy plans a renovation of the Gibárt hydropower plant, similarly to the Felsődobosza hydropower plant's renovation, implemented in 2013. A full-scale renovation also means a significant increase in the hydropower plant's electricity generation, with installing turbines and auxiliary system in line with today's age. In 2018, Sinergy gained the right to produce electricity at the Gibárt power plant within the METÁR green premium support framework system (for a maximum period of 19 years and 7 months, i.e. until December 2039 at the latest according to the current schedule), with a complete renovation of the power plant.

7.5 The Company's most important markets

The most important markets of ALTEO Group are as follows:

- (a) Renewables-based electricity generation sold in the scope of the KÁT regime
- (b) Market-based energy production
 - (i) Heat energy production and district heat production
 - (ii) Electricity generation (outside the KÁT regime) and wholesale trade in electricity production
 - (iii) System-level services (submarket of regulatory reserve)
- (c) EnergyTrade
 - (i) Electricity trading
 - (A) Wholesale trade in electricity
 - (B) Retail trade in electricity
 - (ii) Natural gas retail trade and wholesale trade
- (d) Energy and power engineering services
 - (i) Operation and maintenance of power plants and power engineering installations
 - (ii) Energy and power engineering services
 - (iii) Other services

Regarding the most important markets of ALTEO Group, a separate inset shows the profit and loss accounts, broken down per segments indicated in point 7.3 above, in its most important markets are included in point 7.3, highlighting the financial years 2017 and 2018. On the most important markets of ALTEO Group the financial statement for the year 2018 by businesses

(activities) contains data of the audited annual report for the year 2018, with reference to the present Information Memorandum's Chapter 19 in the present Information Memorandum.

7.6 ALTEO Group's competitive situation

The present point of the Information Memorandum was compiled primarily based on data and information from MAVIR, HEA and the GVH website, as well as by using the Company's own sales data and estimates.

7.6.1 Renewables-based electricity generation sold in the scope of the KÁT regime

A large portion of the power plants using renewable energy sources sell the electricity produced in the KÁT system. The electricity sold in the KÁT system must be accepted by MAVIR, at the subsidized price determined in the KÁT regulation. As a consequence, in the case of electricity sold in the KÁT system, we cannot talk about a competitive situation, and the electricity sold in the KÁT system is not part of the wholesale electricity market.

In respect of the electricity sold in the KÁT system a competition is revealed by the access of the Company to the different, economically exploitable opportunities. In this respect, the Company is in competition with the other companies using renewable energy.

7.6.2 Market-based energy production

(a) Markets of heat energy production and district heat production

District heat is a license activity, where fees are determined by the Price Decree. As a consequence of the regulatory and natural characteristics, direct competition is not typical on these markets. The possibility of alternative heat supply may create a competitive situation (such as detachment from the district heat system, installation of individual heating systems) or the market may shrink due to the renovations of buildings and the related drop in demand for district heat. Due to the district heating prices and the favorable VAT on district heating, detachment from the district heat system is not typical, but due to the renovations the Company calculates with a narrowing of the district heating market.

The heat supply of industrial and commercial consumers takes place in the framework of individual heat supply contracts. In this case, the price of the heat provided and the price formulas are typically fixed in long-term agreements. A competitive situation may emerge from the opportunities of alternative or individual heat supply. It is increasingly frequent that the consumers carry out profitability checks of further possibilities, prior to the conclusion or extension of a long-term heat supply contract. In this field, ALTEO Group can maintain its competitiveness by way of applying permanent development efforts and by keeping heat production costs by low levels.

In recent years a drop could be observed in heat demand at consumers already having heat supply in place. The reasons are due to permanent upgrades of buildings and technologies, on the one hand, and an increasing energy awareness, on the other.

(b) Electricity production and the market of wholesale trade in electricity

According to the market definition of the Wholesale JPE Resolution, sales of the domestic electricity-production is part of the electricity-production wholesale market, covered in detail in point 7.6.3.

(c) The market of system-level services and its equalizing regulatory submarket

Based on a market analysis prepared on the markets of procured capacities and energy, the System-level JPE Resolution identified MVM Partner Zrt as a service provider with significant power on the market of procured reserves, for the purpose of equalizing regulation and provided for an obligation to make proposals, parallel to cost-based pricing.

On the customer side, MAVIR is in a monopolistic situation, due to the character of the product and legal regulations, because in Hungary, regulatory reserves must be ensured by MAVIR, as system operator. MAVIR issues tenders at determined intervals for the procurement of reserves required for equalizing regulation. The tendering is a public bid and it takes place according to the procedural rules established by HEA, the rules for concluding contracts and settlement under transparent rules, using sample contracts approved by HEA.

ALTEO Group participates in MAVIR's tenders, with its suitable production capacities and cooperation with other control centers, or as an independent Control Center. On these tenders of MAVIR, ALTEO Group competes with the other control centers and well controllable power plants with large production capacities.

7.6.3 Energy trading

(a) The market of wholesale trade in electricity

Definition of the electricity wholesale market and its characteristics

According to the Wholesale JPE Resolution, the product market of electricity wholesale in Hungary is the market where electricity trading is done, between producers, trade licensees and universal service providers selling with no mandatory reception. The geographical market of wholesale trade in electricity is the territory of Hungary.

The electricity wholesale market basically is a supply structure, with high level market concentration and unsatisfactory liquidity, on the basis of the Wholesale JPE Resolution.

In order to promote the efficiency of competition, HEA thought that a regulatory intervention was justified, and therefore, it identified MVM Partner Zrt as a player with substantial market power and ordered (among other provisions) to participate in public electricity auctions or to sell on the organized market.

The position of the Company on the electricity wholesale market

On the wholesale market of electricity, ALTEO Group is present as an electricity producer, on the one hand and via electricity trading activities, on the other.

The gas-fired cogeneration power plants of the Company, as well as the power plants using renewable energy, but not selling in the KÁT system, they sell the

produced electricity under market conditions, at prices established on those markets. A portion of the electricity producing capacities of ALTEO Group is able to produce modern equipment operating at high efficiency and to produce flexible electricity products, strengthening by the same the market position of ALTEO Group.

The vertical integration of ALTEO Group provides a possibility to optimize the trading portfolio.

On the electricity wholesale market, the Company has both long and short-term sales contracts with international and Hungarian partners, standardized (typically EFET-based), concluded on the basis of framework agreements. In addition, the Company has the opportunity to buy and sell on Hungarian and international exchanges. The Company does not deal in speculative electricity wholesale, on this market it strives to cover the demand generated by new contracts and new needs from the buyers, as soon as possible.

(b) The market of retail trade in electricity

Definition of the retail market of electric energy and its characteristics

According to the Retail JPE Resolution, the retail market of electric energy can be divided into the country-wide market of electricity sales for users not entitled to universal services, and into the market of selling electricity to users entitled to provide universal services on the market of electricity sales, in the service areas of certain universal service providers.

In the Retail JPE Resolution, HEA did not identify any player with significant market strength on the country-wide market of electricity sales for users not entitled to universal services. Furthermore, HEA established that there is no obstacle stemming from the market power of certain market players, which would undoubtedly lead to the conclusion that the retail market cannot move towards effective competition.

On the markets of electricity sales to entitled users, HEA identified the licensees holding a universal service provider permit as players with significant market strength in their universal service areas, and imposed obligations on universal service providers for transparency, as well as for liabilities relating to maximizing average specific margins.

The position of the Company on the electricity retail market

In 2018, according to the records on the HEA website, 163 companies had a Hungarian electricity trading license. Part of these are not active or only on the wholesale market, and on the retail market only 10-15 licensees perform actual activities.

One can state on the retail market as well that the vertical integration of ALTEO Group provides a possibility to optimize the trading portfolio. Primarily, the Company focuses on the supply of small and medium businesses and budgetary institutions, because on the basis of experiences in recent years this is the market segment where the Company can be competitive. At the same time, the Company's portfolio also includes users eligible for the provision of universal service on the free market, furthermore, since February 2012, the Company has a license to supply retail consumers as well, but it does not consider this market

as strategic. On the basis of a comparison of the Company's sales data with the table "2.6 Gross domestic product, domestic energy consumption and net electricity consumption" presented by MAVIR in the "Statistical data of the Hungarian electricity system for the year 2017", the Company's market share is approximately 0.8% in total electricity retail.

In line with the specificities of the electricity trade activities, on the retail market, the competitors of the Company are retailers, who are at the same time business partners of the Company on the wholesale market.

Even though the number of conscious consumers increased as a result of the market opening that started in 2003 and the competition among traders, good market opportunities exist for the users in merchant services, still undiscovered by traders with less market knowledge. As a result of the economic crisis, a significant temporary drop in consumption demand and increasing competition among traders were observed from 2009 onwards.

(c) The retail and wholesale markets of natural gas

In our understanding, the wholesale market for natural gas, according to the sales-based approach, means the resale of primary (producer or import) resources by merchants to universal service providers or other traders. Within that, separate submarkets exist for the resale of natural gas to universal service providers and for the resale of gas to other traders, outside the scope of universal services. On the wholesale market of natural gas, there are three-four large players and numerous smaller operators. From among the major players, in the Natural Gas Wholesale JPE Resolution, HEA identified Magyar Földgázkereskedő Zrt as a service provider with considerable market strength, but did not impose obligations in connection with that.

Basically, the retail market of natural gas can be divided into two submarkets: the universal service and the free market. ALTEO Group deals with gas retail activities exclusively in the free market segment. A further possible partition of the free market segment may be a classification by the size of users, and typically, separate submarkets exist for (i) buyers with meters above 500 m³/h, (ii) buyers with a meter between 500-100 m³/h, and (iii) buyers with meters below 100 m³/h.

In January 2019, according to the records on the HEA website, 46 companies were in possession of a Hungarian natural gas trading license (excluding the restricted license holders in natural gas). Part of these licensees are not active or only on the wholesale market.

HEA established in the Natural Gas Retail JPE Resolution that the competition is not efficient on any of the retail submarkets of natural gas, and identified as a service provider with significant market strength the following players: E.ON Energiaszolgáltató Kft, GDF Suez Energia Magyarország Zrt (the latter's free market portfolio was transferred to MET Magyarország Energiakereskedő Zrt in 2015), Fővárosi Gázművek Zrt and TIGÁZ Zrt (the latter's free market portfolio was transferred to Magyar Áramszolgáltató Kft, with effect from April 1, 2016). HEA imposed an obligation for these businesses to publish a sample proposal in respect of those users who are not retail customers and have meters within the consumption limits 20-100 m³/h.

ALTEO Energiakereskedő started its retail activities aimed at serving the users with natural gas, in the gas year beginning on October 1, 2016.

7.6.4 The market of operation and maintenance of power plants and power engineering installations

A large number of businesses is present on the market of the operation and maintenance of power engineering facilities. Within the total Hungarian electricity generation capacity, in terms of operation and maintenance, ALTEO Group has a market share of less than 1% based on the Company's estimates, and it is between 2% and 5% for the small power plants.

7.6.5 Energy and power engineering services

On the market of energy enterprises and engineering service, the priority target for ALTEO Group is a customer base consisting of medium and large-scale industrial companies, and within that, companies in chemical industry and food industry, where the safety of energy supply and energy efficiency is a priority.

A large number of enterprises is able to perform partial tasks on this market (for instance, energy audit, compilation of studies, project management, industry-specific planning, industry-specific constructions, maintenance of subassemblies). At the same time, there are few companies in Hungary that can provide these services in one, complex package and a system. Regarding such complex activities of the energy enterprises, ALTEO Group has two-three significant competitors in Hungary.

7.6.6 Other energy services

The other energy services provided by ALTEO Group may be highly manifold and are typically connected to other services (such as energy production, operation and maintenance) depending on the individual needs of the customers and accordingly, these cannot be classified as a market.

7.7 Environmental questions

Some of the environmental issues and the main risks relating to ALTEO Group's activities are detailed in point 1.2.26 of the Information Memorandum.

8 THE COMPANY'S ORGANIZATIONAL STRUCTURE

8.1 Presentation of ALTEO Group

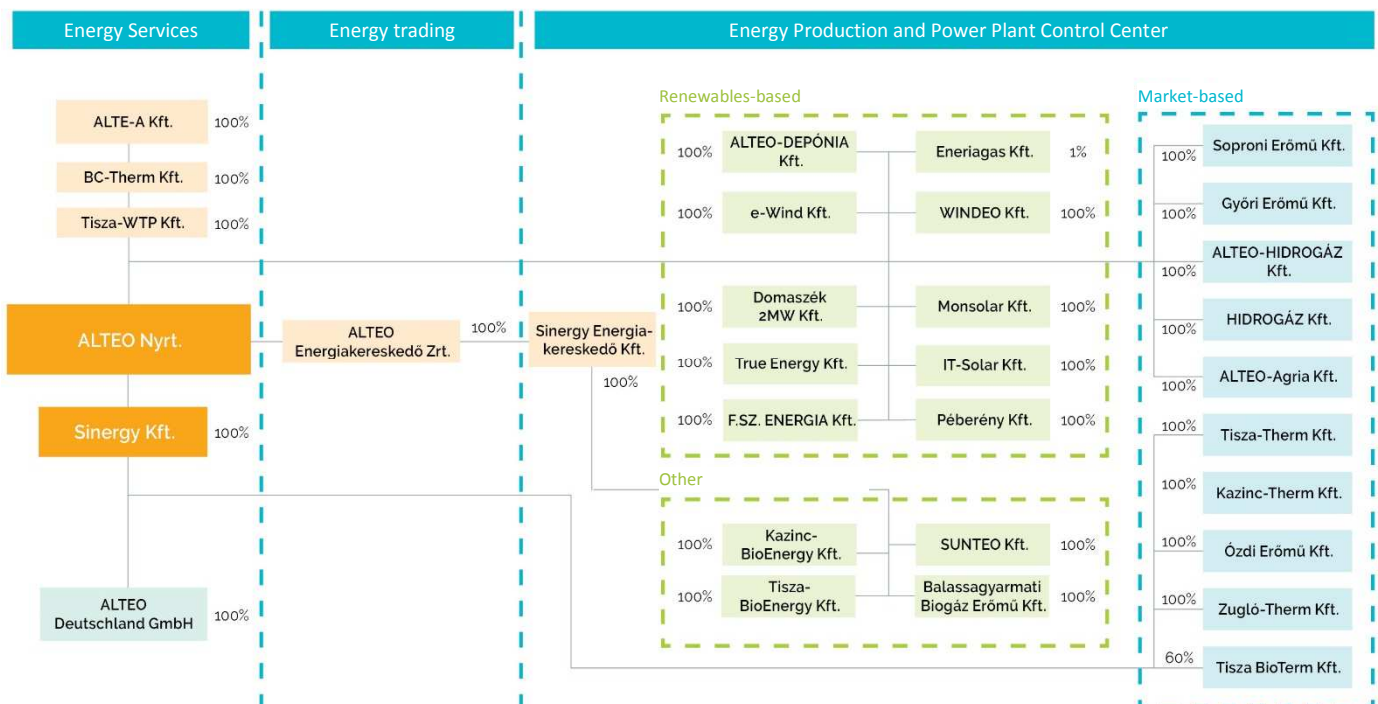
The Company and the Majority Owner (WALLIS ASSET MANAGEMENT Zrt.) are part of the Ownership Group (Wallis Group). The Majority Owner is one of the asset management companies of the Ownership Group. The first company of the Ownership Group was set up in 1990.

From among the most significant investments of the Majority Owner, WALLIS MOTOR PEST Kft, WALLIS MOTOR DUNA Kft, WALLIS Kerepesi Kft and WAE Kft Gépjármű Forgalmazási, WALLIS Autókölcsonzó Kft are active on the market of car rentals, whilst Autowallis Nyrt acquired by the Majority Owner in December 2018 deals with asset management.

From the firms belonging to the Ownership Group, WINGHOLDING Zrt represents the center of the real estate holding, the parent company of some project companies implementing real estate investments for trading and industrial purposes. Graboplast Zrt is a company dealing with the production of floorings and floor coverings, whilst the department stores of Praktiker Építési és Barkácsi Magyarországi Kft deals with retail sales in home improvement and DIY articles, country-wide.

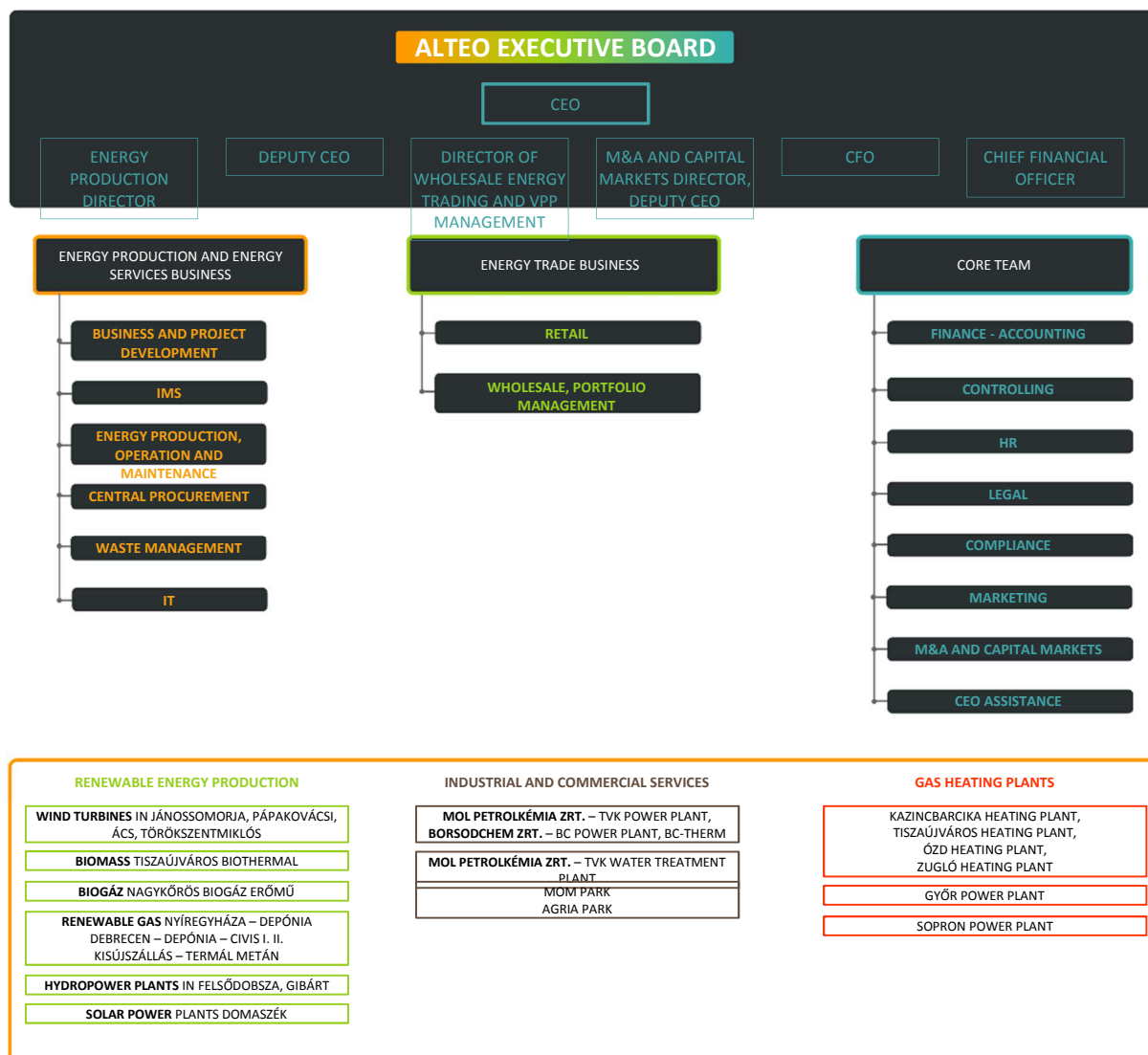
Within the Ownership Group, the Company is the member in charge of energy investments and the parent company of the energy project companies. In addition to these important subsidiaries listed, several other companies belong to the Ownership Group, but these are not significant in a comparison with the companies mentioned.

The figure below shows the organizational structure of ALTEO Group, as at the closing of the present Information Memorandum. Both the Company and the Subsidiaries are businesses registered in Hungary, with the exception of ALTEO Deutschland GmbH, which is a company registered in Germany.



8.2 Presentation of the Company's organizational structure

The figure below shows the organizational structure of the Company, as at the closing of the present Information Memorandum.



8.3 Presentation of the Subsidiaries

The Company has shares in the following Subsidiaries:

Company	Type of the share	Ownership share of the Issuer
ALTE-A	direct	100%
ALTEO-Agria	direct	100%
ALTEO-Depónia	direct	100%
ALTEO Energiakereskedő	direct	100%
ALTEO-Hidrogáz	direct	100%
Balassagyarmati Biogáz	direct	100%

Company	Type of the share	Ownership share of the Issuer
BC-Therm	direct	100%
Domaszék	direct	100%
e-Wind	direct	100%
EURO GREEN ENERGY	direct	100%
F.SZ. ENERGY	direct	100%
Győr Power Plant	direct	100%
HIDROGÁZ	direct	100%
IT-Solar	direct	100%
Kazinc-BioEnergy	direct	100%
Kazinc-Therm	direct	100%
Monsolar	direct	100%
Ózd Power Plant	direct	100%
Péberény	direct	100%
Sopron Power Plant	direct	100%
Sinergy	direct	100%
Sinergy Energiakereskedő	direct	100%
SUNTEO	direct	100%
Tisza-BioEnergy	direct	100%
Tisza BioTerm	direct	60%
Tisza-Therm	direct	100%
Tisza-WTP	direct	100%
True Energy	direct	100%
WINDEO	direct	100%
Zugló-Therm	direct	100%

The Company does not have ownership shares in other companies. Basic corporate information on shares can be found below.

ALTE-A

ALTE-A is in the exclusive ownership of the Company.

Company name	ALTE-A Korlátolt Felelősségű Társaság
Abbreviated name	ALTE-A Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	August 15, 2008
Company registration number	Cg. 01-09-901186

Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	asset management (holding)
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy services

ALTEO-Agria

ALTEO-Agria is in the exclusive ownership of the Company.

Company name	ALTEO-Agria Korlátolt Felelősségű Társaság
Abbreviated name	ALTEO-Agria Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	September 5, 2008
Company registration number	Cg. 01-09-904433
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (Agria Park small-scale power plant, Eger)

ALTEO-Depónia

ALTEO-Depónia is in the exclusive ownership of the Company.

Company name	ALTEO-Depónia Korlátolt Felelősségű Társaság
Abbreviated name	ALTEO-Depónia Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	October 7, 2008
Company registration number	Cg. 01-09-906261

Legal predecessor companies	CIVIS and ALTSOLAR merged with effect from October 1, 2018 (date of legal succession), with a merger by absorption into ALTEO-Depónia.
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 7,000,000
Date of the founding charter in effect	May 23, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (landfill gas, Debrecen)

ALTEO Energiakereskedő

ALTEO Energiakereskedő is in the exclusive ownership of the Company.

Company name	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság
Abbreviated name	ALTEO Energiakereskedő Zrt.
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	December 20, 2011
Company registration number	Cg. 01-10-047253
Term of its operation	indefinite
Legal form	private company limited by shares
Law governing its operation	Hungarian
Issued capital	HUF 7,500,000
Date of the founding charter in effect	April 4, 2019
Core business	gas trade
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	retail trade in electricity and natural gas

ALTEO-Hidrogáz

ALTEO-Hidrogáz is in the exclusive ownership of the Company.

Company name	ALTEO-Hidrogáz Korlátolt Felelősségű Társaság
Abbreviated name	ALTEO-Hidrogáz Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	May 26, 2009

Company registration number	Cg. 01-09-919643
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 5,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (hydrogas, Kisújszállás)

ALTSOLAR

ALSOLAR was in the exclusive ownership of the Company.

Company name	ALTSOLAR Korlátolt Felelősségű Társaság
Abbreviated name	ALTSOLAR Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	February 8, 2013
Company registration number	Cg. 01-09- 997686
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Legal successor companies (merger)	Merger by absorption into ALTEO-Depónia, with effect from October 1, 2018 (day of the legal succession).

Balassagyarmati Biogáz

Balassagyarmati Biogáz is in the exclusive ownership of the Company.

Company name	Balassagyarmati Biogáz Erőmű Korlátolt Felelősségű Társaság
Abbreviated name	Balassagyarmati Biogáz Erőmű Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	February 28, 2013
Company registration number	Cg. 01-09-998498
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000

Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette

BC-Therm

BC Therm is in the exclusive ownership of the Company.

Company name	BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	BC-Therm Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	October 25, 2007
Company registration number	Cg. 01-09-887812
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 304,000,000 (price to be reduced to HUF 181,000,000)
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas and hydrogen, Kazincbarcika)

CIVIS

CIVIS was in the exclusive ownership of ALTEO-Depónia.

Company name	CIVIS-BIOGÁZ Szolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	CIVIS-BIOGÁZ Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	September 20, 2005
Company registration number	Cg. 01-09-938515
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian

Legal successor companies (merger) Merger by absorption into ALTEO-Depónia, with effect from October 1, 2018 (day of the legal succession).

Domaszék

Domaszék is in the exclusive ownership of the Company.

Company name	Domaszék 2MW Naperómű Korlátolt Felelősségű Társaság
Abbreviated name	Domaszék 2MW Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	February 19, 2016
Company registration number	Cg. 01-09-278226
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (solar power plant, Domaszék)

EURO GREEN ENERGY

EURO GREEN ENERGY is in the exclusive ownership of the Company.

Company name	EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	EURO GREEN ENERGY Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	February 16, 2004
Company registration number	Cg. 01-09-921340
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 8,100,000
Date of the founding charter in effect	May 28, 2019
Core business	electricity production
Business year	same as the calendar year

Place of publication of notices	Company Gazette
Role within the Group	energy production (wind turbine, Bőny)

e-Wind

e-Wind is in the exclusive ownership of the Company.

Company name	e-Wind Szélenergetikai Korlátolt Felelősségű Társaság
Abbreviated name	e-Wind Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration, Date of registration	Hungary January 5, 2005
Company registration number	Cg. 01-09-733622
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 8,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (wind turbine, Törökszentmiklós)

F.SZ. ENERGY

F.SZ. ENERGIA is in the exclusive ownership of the Company.

Company name	F.SZ. ENERGIA Korlátolt Felelősségű Társaság
Abbreviated name	F.SZ. ENERGIA Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration, Date of registration	Hungary December 22, 2016
Company registration number	Cg. 01-09-328112
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette

Role within the Group	investment under construction, after implementation, production of electricity (solar power plant, Nagykőrös)
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Győr Power Plant

Győr Power Plant is in the exclusive ownership of the company.

Company name	Győri Erőmű Korlátolt Felelősségű Társaság
Abbreviated name	Győri Erőmű Kft
Registered office	9027 Győr, Kandó Kálmán u. 11-13. (lot #5788/4)
Place of registration, Date of registration	Hungary December 19, 2009
Company registration number	Cg. 08-09-019413
Legal predecessor companies	Győr Power Plant Kft was established by way of a demerger from E.ON Energiatermelő Kft, with effect from December 31, 2009. Győr Power Plant Kft became the general legal successor of ALTEO-Arrabona Kft, due to a company law merger, with effect from October 31, 2010.
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 68,310,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Győr)

HIDROGÁZ

HIDROGÁZ is in the exclusive ownership of the Company.

Company name	HIDROGÁZ Energiatermelő Korlátolt Felelősségű Társaság
Abbreviated name	HIDROGÁZ Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration, Date of registration	Hungary March 5, 2004
Company registration number	Cg. 01-09-863661
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian

Issued capital	HUF 20,400,000
Date of the founding charter in effect	April 4, 2019
Core business	Production of electricity
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (hydrogas, Kisújszállás)

IT-Solar

IT-Solar is in the exclusive ownership of the Company.

Company name	IT-Solar Korlátolt Felelősségű Társaság
Abbreviated name	IT-Solar Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	December 22, 2016
Company registration number	Cg. 01-09-291869
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	May 29, 2019
Core business	Production of electricity
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	electricity production (solar power plant, Monor)

Kazinc-BioEnergy

Kazinc-BioEnergy is in the exclusive ownership of the Company.

Company name	Kazinc-BioEnergy Korlátolt Felelősségű Társaság
Abbreviated name	Kazinc-BioEnergy Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	January 2, 2013
Company registration number	Cg. 01-09-996064
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019

Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette

Kazinc-Therm

Kazinc-Therm is in the exclusive ownership of the Company.

Company name	Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
Abbreviated name	Kazinc-Therm Kft
Registered office	H-3700 Kazincbarcika, Gorkij u 1, Hungary
Place of registration,	Hungary
Date of registration	November 12, 2001
Company registration number	Cg. 05-09-009234
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Kazincbarcika)

Monsolar

Monsolar is in the exclusive ownership of the Company.

Company name	Monsolar Korlátolt Felelősségű Társaság
Abbreviated name	Monsolar Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	December 23, 2016
Company registration number	Cg. 01-09-291864
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	May 29, 2019
Core business	Production of electricity
Business year	same as the calendar year

Place of publication of notices	Company Gazette
Role within the Group	electricity production (solar power plant, Monor)

Ózd Power Plant

Ózd Power Plant is in the exclusive ownership of the Company.

Company name	Ózdi Erőmű Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	Ózdi Erőmű Kft
Registered office	H-3700 Kazincbarcika, Gorkij u 1, Hungary
Place of registration,	Hungary
Date of registration	May 18, 2005
Company registration number	Cg. 05-09-012217
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Ózd)

Péberény

Péberény is in the exclusive ownership of the Company.

Company name	Péberény Ingatlanhasznosító Korlátolt Felelősségű Társaság
Abbreviated name	Péberény Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	May 5, 2014
Company registration number	Cg. 01-09-190766
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 100,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette

Role within the Group investment under construction, after implementation, production of electricity (solar power plant, Balatonberény)

Sinergy

Sinergy is in the exclusive ownership of the Company.

Company name	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Korlátolt Felelősségű Társaság
Abbreviated name	Sinergy Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration, Date of registration	Hungary June 15, 1999
Company registration number	Cg. 01-09-680396
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	May 20, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (water – Gibárt and Felsődobosza, natural gas – MOM Park, Budapest)
Legal successor companies (demerger)	Absorption-type demerger to ALTEO Nyrt., with effect from October 1, 2018.

Sinergy Energiakereskedő

Sinergy Energiakereskedő is in the exclusive ownership of the Company.

Company name	Sinergy Energiakereskedő Korlátolt Felelősségű Társaság
Abbreviated name	Sinergy Energiakereskedő Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration, Date of registration	Hungary September 18, 2013
Company registration number	Cg. 01-09-178667
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 100,000,000
Date of the founding charter in effect	April 4, 2019

Core business	electricity trading
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	Control Center

Sopron Power Plant

Sopron Power Plant is in the exclusive ownership of the Company.

Company name	Soproni Erőmű Korlátolt Felelősségű Társaság
Abbreviated name	Soproni Erőmű Kft
Registered office	9400 Sopron, Somfalvi u. 3. (lot #4303)
Place of registration,	Hungary
Date of registration	December 19, 2009
Company registration number	Cg. 08-09-019412
Legal predecessor companies	Sopron Power Plant was established by way of a demerger from E.ON Energiatermelő Kft, with effect from December 31, 2009. Sopron Power Plant Kft became the general legal successor of ALTEO-Sopron Kft, due to a company law merger, with effect from October 31, 2010.
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 30,100,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Sopron)

SUNTEO

SUNTEO is in the exclusive ownership of the Company.

Company name	SUNTEO Korlátolt Felelősségű Társaság
Abbreviated name	SUNTEO Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	February 8, 2013
Company registration number	Cg. 01-09- 997687
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian

Issued capital	HUF 3,000,000
Date of the founding charter in effect	May 23, 2019
Core business	electricity trading
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	a solar power plant project under preparation (Kecskemét)

Tisza-BioEnergy

Tisza-BioEnergy is in the exclusive ownership of the Company.

Company name	Tisza-BioEnergy Korlátolt Felelősségű Társaság
Abbreviated name	Tisza-BioEnergy Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	January 7, 2013
Company registration number	Cg. 01-09-996062
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette

Tisza BioTerm

The Company has a 60% ownership share in Tisza BioTerm.

Company name	Tisza-BioTerm Korlátolt Felelősségű Társaság
Abbreviated name	Tisza BioTerm Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	July 5, 2011.
Company registration number	Cg. 01-09-965041
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 65,500,000
Date of the founding charter in effect	April 4, 2019

Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (biomass, Tiszaújváros)

Tisza-Therm

Tisza-Therm is in the exclusive ownership of the company.

Company name	Tisza-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
Abbreviated name	Tisza-Therm Kft
Registered office	H-3580 Tiszaújváros, Tisza út 1/D
Place of registration,	Hungary
Date of registration	November 7, 2001
Company registration number	Cg. 05-09-009230
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Tiszaújváros)

Tisza-WTP

Tisza-WTP is in the exclusive ownership of the Company.

Company name	Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	Tisza-WTP Kft
Registered office	3580 Tiszaújváros, Ipartelep 2069/3.
Place of registration,	Hungary
Date of registration	October 15, 2002
Company registration number	Cg. 05-09-009864
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital (under registration)	HUF 95,265,000 (price to be reduced to HUF 3,000,000)
Date of the founding charter in effect	April 4, 2019

Core business	water collection, treatment and supply
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	other energy services (salt-free and demineralized water production for industrial purposes)

True-Energy

True Energy is in the exclusive ownership of the Company.

Company name	True Energy Korlátolt Felelősségű Társaság
Abbreviated name	True Energy Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	September 9, 2016
Company registration number	Cg. 01-09-328856
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 3,000,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	investment under construction, after implementation, production of electricity (solar power plant, Nagykőrös)

VENTEO

VENTEO is in the exclusive ownership of the Company.

Company name	VENTEO Korlátolt Felelősségű Társaság
Abbreviated name	VENTEO Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	May 31, 2005
Company registration number	Cg. 01-09-897425
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Legal successor companies (merger)	Merger by absorption into WINDEO Kft, with effect from October 1, 2018 (day of the legal succession).

WINDEO

WINDEO is in the exclusive ownership of the Company.

Company name	WINDEO Korlátolt Felelősségű Társaság
Abbreviated name	WINDEO Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	April 23, 2002
Company registration number	Cg. 01-09-899444
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 16,100,000
Date of the founding charter in effect	April 4, 2019
Core business	electricity production
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (wind turbine, Ács, Pápakovácsi and absorption of VENTEO Jánossomorja)

Zugló-Therm

Zugló-Therm is in the exclusive ownership of the company.

Company name	Zugló-Therm Energiaszolgáltató Korlátolt Felelősségű Társaság
Abbreviated name	Zugló-Therm Kft
Registered office	1131 Budapest, Babér utca 1-5.
Place of registration,	Hungary
Date of registration	September 5, 2003
Company registration number	Cg. 01-09-717404
Term of its operation	indefinite
Legal form	limited liability company
Law governing its operation	Hungarian
Issued capital	HUF 73,000,000
Date of the founding charter in effect	April 4, 2019
Core business	steam supply, air conditioning
Business year	same as the calendar year
Place of publication of notices	Company Gazette
Role within the Group	energy production (natural gas, Budapest)

9 RECENT TRENDS IN THE MARKETS OF THE ALTEO GROUP

The major recent and current trends affecting the Company and the Subsidiaries are described in Section 9 of this Information Memorandum. To the best of the Company's knowledge, no significant unfavorable changes for the Company's perspectives have taken place since the publication of the 2018 financial statements, besides those described in this section.

This subsection of the Information Memorandum was compiled based on public market data and information, primarily from the MAVIR, HEA and the Committee websites, as well as by using the Company's own estimates.

9.1 Renewables-based electricity generation sold in the scope of the KÁT regime

The role of renewable sources of energy in the energy mix

The utilization of renewable sources of energy is gaining ever increasing significance due to the growing environmental consciousness of society, the narrowing of the traditional energy sources, as well as the endeavors at ensuring a safe energy supply.

The support systems available in some countries largely contribute to the increasing use of renewable energy sources. However, the speedy development of technologies relying on renewable energy, along with the ever more expensive traditional energy carriers have led to a situation in which the renewable sources of energy are competitive with the traditional energy sources in some areas, and this tendency is likely to continue.

Objectives regarding renewable EU energy sources

One of the key elements of the EU's climate and energy policy is to increase the proportion of renewable energy sources. The goal of RED (Renewable Energy Directive) adopted in April 2009 is to ensure that 20% of the total energy consumption should come from renewable sources of energy in the member states of the EU by 2020.

In 2018, the European Union drafted new power engineering legal regulations under the title "Clean Energy for All Europeans", which already reckons with a minimum 32% rate of renewable energy sources on the EU level by 2030, and not with the earlier 27% rate accepted in 2014. Furthermore, the EU partially adopted the law package in late 2018, and as a part of this, the Member States, including Hungary, will have to transpose the RED2 Directive into their respective national laws by June 30, 2021. Some of the key objectives of this directive include creating an investment environment which is reliable in the long term, and to accelerate the licensing procedures of the renewable energy projects; boosting competition in the renewable energy sector and promoting market integration; speeding up the introduction of the production of renewable energy in the heating/cooling sector; and promoting innovative, novel solutions.

Hungary's strategy on renewable energy

According to RED, Hungary has to increase the rate of its energy coming from renewable sources within its gross energy consumption from the 4.3% in 2005 to 13% by 2020.

The National Action Plan (NAP) drafted by the Hungarian government based on RED in December 2010 set the achievement of 14.65% by 2020, which exceeds the mandatory minimum target. In NAP, it is stated that the increased utilization of renewable energy sources is of major significance and the development of green economy is one of the breakout points for the Hungarian economy.

The National Assembly approved the National Energy Strategy 2030 for Hungary on October 3, 2011, the key elements of which include, among others, the increase of renewable and low CO₂ emission energy production, as well as waste utilization for power engineering purposes.

In 2017, 16.4% of the electric energy produced in Hungary was generated by coal and oil power plants, 19.4% was produced by natural gas power plants, 51.6% was provided by the Paks nuclear power plant, 8.2% by power plants fueled by renewable energy sources, 1.6% by waste, while 2.8% by some other sources of energy. The number and capacity of power plants operated by using renewable sources of energy are rather low in Hungary, as compared to the EU average.

In 2018, the Hungarian Government set it as a goal that it would elaborate a new National Energy Strategy by September 1, 2019, in harmony with the National Climate Change Strategy (NÉS-2) for the period between 2018 and 2030 and giving an outlook for the period until 2050 as well, and Hungary's international commitments, with special regard to the program entitled EU Clean Energy for All Europeans and the Paris Agreement. At the same time, the Government approved Hungary's commitment to a utilization rate of 20% regarding renewable sources of energy towards the European Commission by 2030.

Despite the fact that in 2010, the proportion of renewable energy in the generation of energy was in harmony with the rate that Hungary committed to at the time of its joining the European Union (EU), and the minimum member state commitment under RED was also fulfilled, this rate will definitely have to be increased significantly for the realization of the new policy and strategy goals and commitments.

In Hungary, the state provides support for the generation of electricity by using renewable energy sources and waste through two systems that work simultaneously in a transitional period: (i) in the KÁT system, those producers who obtained eligibility prior to January 1, 2017, or those who have already submitted such an application, may take part, and (ii) the METÁR system, in which those power plants which applied for support after January 1, 2017, or those which take part in the tendering procedure and use renewable sources of energy, may participate.

The KÁT regime

Originally, the KÁT regime was built on the mandatory offtake of electricity generated from a renewable source of energy or waste; however, since April 1, 2016, the entire amount of electricity subject to mandatory offtake has been sold through HUPX. Thus, those entities responsible for the balancing group who are obliged for the offtake do not actually accept any electricity any more but they contribute to supporting renewable electricity production in the form of the so-called KÁT premium (KÁT instrument). The KÁT producers conclude a contract on their balancing group membership with MAVIR, the entity that accepts KÁT energy also sells the MAVIR and KÁT amounts through HUPX, and the allocation of the payment of the KÁT instruments by the balancing group owners is also performed by MAVIR.

It was possible to apply for participation in the KÁT system before January 1, 2017 the latest, and applications that were received after this date may only receive state support from the METÁR system. In late 2016, i.e. directly before the METÁR system started operating, a high number of KÁT participation applications were submitted to HEA, mostly for solar panel power plants.

The entitled parties may transfer from the KÁT regime to the METÁR system at any time, however, from there, they cannot return to the KÁT system.

METÁR:

The concept of the re-regulation of the KÁT system was published by the Ministry of National Development in September 2011, under the name of "mandatory offtake system for heat and electricity produced from renewable and alternative energy sources". It was only in March 2016 that the concept developed into a specific proposed regulation, then after administrative coordination, the fundamental statutory framework of METÁR (the METÁR Amendment and the METÁR Decree) was announced in June 2016. According to the new METÁR Amendment, METÁR took effect on January 1, 2017, and as a result of the statutory changes in October and November 2017, it was extended and modified according to the new METÁR Decree. METÁR as a government grant system was approved by the European Commission on July 11, 2017 and it was also established by the latter that it was compatible with the internal market on the basis of the Commission Guidelines on the State Aids for Power Engineering.

After METÁR had taken effect, the newly established producers of renewable electricity can only receive government grants in the frameworks of METÁR. METÁR does not affect the KÁT eligibility that was obtained before its taking effect, so the KÁT system will work until the last effective contract runs out. Pursuant to the relevant provision of the METÁR Decree, the KÁT producers are eligible according to their choice, or if a KÁT producer wishes to sell electricity on a producer's basis as well, then they will be obliged to transfer to the METÁR system, from which it is not possible to return to the KÁT regime.

METÁR has introduced several types of grants, depending on the size and technology of the power plant:

- (i) METÁR-KÁT: under 0.5 MW: Newly built power plant units with an electric capacity below 0.5 MW (except for wind energy) and demonstration projects that are also granted investment aid may apply for the (mandatory) offtake of the electricity that they produce in practically the same way as under the KÁT regime.
- (ii) Green Premium I under 1 MW: HEA may be requested to define the period of the grant, without a specific tendering procedure, in the case of newly built power plant units with an electric capacity under 1 MW (except for wind energy), and demonstration projects;
- (iii) Green Premium II with a capacity of 1 MW and higher: it is only possible to win grants in the framework of a tendering procedure for the electricity produced in the following types of power plant units: (i) a power plant with a minimum electric capacity of 1 MW, or (ii) wind turbine, furthermore, (iii) a power plant unit already running, one which has undergone major modernization or development. The volumes that are distributable through the tender are stipulated by a ministerial decree on the frame conditions of operating METÁR, in an annual breakdown, for five-year intervals, which volumes will be revised each year. No METÁR tender was invited in 2017-18.
- (iv) Brown Premium: it is those already working power plant units that may be eligible for the brown premium which use biomass or biogas, where eligibility is defined for 5 years by HEA, at the request of the producer.

The highest extent of annual grant distributable in the framework of the above forms of METÁR aids is regulated by a ministerial decree.

9.2 Market-based energy production (sold outside the KÁT regime)

In line with the endeavor to reduce CO₂ emission and increase energy efficiency, the small power plants that are close to the consumers, that work with high efficiency, and are cogenerated, i.e. produce both electricity and heat are gaining increasing significance within

energy production. The environmental advantage of cogenerated energy production lies in that it is capable of transforming primary energy into electricity and heat at the same time more efficiently than if the same amount of energy were generated by distinct electricity and heat production equipment. Placement near the consumer, on the other hand, allows the considerable reduction of transportation losses. Through this, cogenerated small power plants make a significant contribution to the reduction of CO₂ and the increase of energy efficiency.

In harmony with this, the support to be provided to high efficiency cogenerated energy production is mentioned as one of the key goals of the Energy Efficiency Directive, among others. The Energy Efficiency Directive obliges the EU member states to perform the comprehensive assessment of the feasibility potentials of high efficiency cogenerated energy production and efficient district heating / district cooling, which assessment has to be updated every five years, at the request of the Commission. Furthermore, the Energy Efficiency Directive encourages the EU member states to pursue local and regional policies that reckon with the potentials in the application of the systems using high efficiency cogenerated energy production.

Hungary supported the spreading of cogenerated power plants that produce both electricity and heat through the KÁT mechanism until June 30, 2011. It was due to this favorable regulation that the number and proportion of cogenerated small power plants grew dynamically in the national energy production until mid-2011. The majority of cogenerated small power plants were located relatively close to the users of district heat, at the sites of the district heat producers and other users of district heat.

Cogenerated small power plants are often competitive without any grants as well, against the large power plants that use traditional fuel, primarily in cases where flexible energy production is required, and also, in a cogenerated form at the Control Center, in the market of system-level services. See the details on the operation of the Control Center in Section 9.2.3 of this Information Memorandum.

In parallel with the increase in the number of power plants relying on weather-dependent renewable sources of energy, there seems to be a growing demand for flexible energy production and energy storage solutions that can be operated efficiently. In this field, the ALTEO Group has valuable assets, knowledge and experience through its gas engines and Control Center.

The EU regulatory package called Clean Energy for All Europeans will also affect the electricity production sector. The package aims to introduce a novel type of electricity market model, which, among other changes, restricts the producer's grants provided through capacity mechanisms and removes the grants provided to power plants with an emission value of 550g CO₂ per kWh or higher, promotes the active involvement of consumers and users in production, as well as the market competition in electricity and cross-border trading in such a way that it will promote energy safety, create new jobs, and encourage investments. The law package entitled Clean Energy for All Europeans was partially approved and announced in late 2018 (at the same time, defining the transposition deadlines for the member states, depending on the individual laws, for 2020-21), and partially it is still going through the legislative process.

9.2.1 Heat energy production and district heat production

Heat energy producers supply heat to industrial users in the framework of individual heat supply agreements. In this case, the price of the heat provided and the price formulas are the subject of agreements between the parties.

The district heat producers sell the heat energy, which they generate in boilers and to an increasing extent, in cogenerated heat and electricity producing equipment (gas engines), to the district heat suppliers at an established price. The district heat

suppliers, on the other hand, supply the heat energy obtained in such a way or produced by themselves at established prices as well, to the users entitled to receive household and district heat supply. The prices of district heat are defined by the minister in charge of energy affairs, in a decree, based on a proposal from HEA. From January 1, 2013, the highest price of district heat supply was defined in a value 10% lower than the service fee applied on November 1, 2012.

Some district heat suppliers are eligible for a grant of district heat supply with effect from October 1, 2011 based on the Grant Decree, with regard to the amount of district heat and cogenerated heat supply provided to household consumers, and some other separately treated institutions are also eligible for a grant in district heat supply, with regard to the amount of the heat produced by cogeneration for the performance of their public duties. The district heat supply grant is paid to the debit of the transformation fee of the cogenerated production structure, which was included in the Electricity Act by Act LIX of 2011.

Natural gas (75-80%) plays a key role in the fuel utilization of district heat supply.

According to the data provided by HEA, the number of settlements supplied with district heat is nearly one hundred, while the number of affected households exceeds six hundred and fifty thousand. It can be observed that with the increase in the number of users, there are more and more consumer substations as well, due to the expansion of the markets and the regular modernization efforts.

In recent years a drop could be observed in heat demand at consumers already having heat supply in place, which can on the one hand be put down to the regular building modernization efforts, while on the other hand, to the significant increase in the energy consciousness of the users.

9.2.2 Energy production sold outside the KÁT regime

On the sales aspects of the electricity production market, see Section 9.3.1 below on wholesale electricity markets.

The majority of the power plants of the ALTEO Group which do not sell electricity through the KÁT regime are natural gas-fueled gas engine power plants, this is why the changes in the market rate of natural gas, which depends on the price formulae defined in the individual natural gas purchase agreements, exert a significant effect on the competitiveness of such power plants.

9.2.3 Control Center and system-level services

MAVIR, as a system controller, commits reserve production capacities with a view to the settlement and regulation of the momentary difference between the production and consumption of electricity and utilizes them as needed. With regard to the capacities required for satisfying the regulatory needs, MAVIR invites tenders from time to time, where the producers, individually or jointly, especially in the case of producers with lower capacity, make bids through a regulatory center, appearing as a so-called control center. A control center is a production organization concept for the generation of electricity during which the small power plants constitute a system management unit; thus they can operate as a large producer that can be treated as an independent entity.

MAVIR pays a capacity charge for availability, and an energy fee for the actually used electricity, regulated downwards or upwards, to the power plants involved in regulation, as well as to the Control Center.

The coverage of the costs of the electricity used by MAVIR for regulatory purposes is partly provided by the system utilization fees, partly by the fee of the balancing energy collected from the balancing groups led by the traders, furthermore, by the regulatory surcharge fees that sanction the changes in the producers' schedules.

MAVIR is in a monopolistic position on the customer's side, the tendering is a public bid that takes place according to the procedural rules established by HEA, contracts are concluded and settlement takes place under transparent rules, using sample contracts approved by HEA.

9.3 Electricity trading

In harmony with the directives of the European Union, the market of electricity trading, including the sale of the electricity producers' own output, is fully free-market in Hungary, and from January 1, 2008, practically every domestic user can freely choose their own electricity trader. The EU regulatory package called Clean Energy for All Europeans is expected to supplement and modify the rules of electricity trading as well, with a view to promoting electricity market competition and cross-border trading; however, the respective EU laws have only been partially adopted and announced, and some are still going through the legislative process.

In 2018, according to the records on the HEA website, 163 companies had a Hungarian electricity trading license. Some of these are not active, or are only active on the wholesale market, and on the retail market, only 10-15 licensees perform actual activities.

The Company has a diversified producer's portfolio. This vertical integration provides a possibility for the ALTEO Group to optimize the trading portfolio. The Company is active in the wholesale and retail market segments.

9.3.1 Electricity production and wholesale trade

The electricity producers of the ALTEO Group sell the electricity that they generate in the framework of individual contracts, directly to the users, or to the Control Center.

On the electricity wholesale market, the Company has both long- and short-term electricity sales contracts with international and Hungarian partners, concluded on the basis of framework agreements.

In addition, the Company has the opportunity to buy and sell on Hungarian and international exchanges. The Hungarian power exchange (HUPX) started its operation with day-ahead products in July 2010, besides which, from July 2011, it also became possible to trade in monthly, quarterly and annual string and peak time long-term products. The HUPX intraday market was launched on March 9, 2016. With the extended product structure, the Company's wholesale opportunities increased further. The transparency and liquidity of wholesale markets may be increased by the fact that since 2012, there has been a market coupling of the Czech, Slovakian and Hungarian day-ahead electricity markets. Romania also joined the coupled electricity market in 2013, and the preparation for extending this coupling to the Polish market also began. Such a demonstration of market integration is a great stride forward in developing an internal European electricity market.

The REMIT Regulation and the related Hungarian laws may increase the transparency of electricity wholesale, by this also strengthening the integrity of the energy markets in the EU. However, the REMIT Regulation and the related

Hungarian laws put a considerable administrative burden on the Company, furthermore, the yet immature Hungarian practices may carry risks.

9.3.2 Retail trade

Some of the electricity users are eligible for universal services and they can enter the competitive market or use universal services, according to their own choice. Those users who are not eligible for universal services may only buy electricity in the competitive market, including the organized markets.

Within the scope of the Company's electricity retail activity, electricity is sold exclusively on the free market. The Company's portfolio also includes non-household users eligible for the provision of universal services on the free market; furthermore, since February 2012, the Company is entitled to supply retail consumers in the free market as well, but it does not deal with the supply of these consumers in detail.

The market is characterized by total supply-based frame agreements entered into with the users, in the context of which only the contracted merchant is entitled to supply the users in the contract period.

Even though the number of conscious consumers increased as a result of the market opening and the competition among traders, good market opportunities still exist for the users with little experience in merchant services, still undiscovered by traders with less market knowledge. As a result of the economic crisis, a significant temporary drop in consumption demand and increasing competition among traders were observed from 2009 onwards.

9.3.3 Balancing group services

The aging of the Hungarian power plants, as well as the probably rising electricity consumption in the long run justify that besides the large developments, the smaller natural gas-based energy production units and those that are removed from the KÁT regime after the mandatory setoff expires should not drop out of the market only because they do not receive the KÁT grants any longer. A possible way to integrate those small capacity production units which are in such a situation is to join them to a balancing group that is operated professionally, that has a reasonably sophisticated portfolio with regard to producers' and consumers' capacities, and one that has good wholesale relations, or to ensure their unified market appearance as a regulatory center through a Control Center mentioned in Section 9.2.3 above.

A balancing group service does not mean integration on the level of a Control Center, the owner of the balancing group providing the service accepts the electricity produced by the individual producers in its own balancing group and sells it in an optimized form in line with the current market needs. One of the advantages of this scheme is that the service makes it easier for the small producers otherwise unable to enter the market as independent sellers to enter the market, furthermore, it allows them to sell the electricity that they have produced as a product.

Both of the above solutions may be favorable for the power plants with gas engines and those which are removed from the system of mandatory offset and which produce renewable energy. In Hungary, the capacity of the small power plants potentially affected by the balancing group schemes can be estimated at several hundred megawatts.

9.4 Natural gas retail activities

ALTEO Energiakereskedő started its retail activities aimed at serving the users with natural gas, in the gas year beginning on October 1, 2016.

In harmony with the directives of the European Union, similarly to the market of electricity trading, the market of natural gas trading is fully liberalized in Hungary, and every domestic user can freely choose their own natural gas trader.

In January 2019, according to the records on the HEA website, 46 companies were in possession of a Hungarian natural gas trading license (excluding the restricted license holders in natural gas) but it is only a small part of these companies that are genuinely active in the retail segment.

ALTEO Energiakereskedő is primarily planning to build and then extend its natural gas retail activities by relying on its electricity trading clients.

9.5 Trading in emission units

In order to help the member states fulfill their commitments undertaken in the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC), the EU, or then the European Community established the Community emissions trading system for greenhouse gas emission units (ETS) by the ETS Directive in 2003. ETS is built on the obligation of the individual facilities to deliver an annual amount of emission units corresponding to their greenhouse gas emissions to the member state in which they operate and thus, trading in the unused units becomes possible (cap and trade principle).

In order to promote the appropriate operation of ETS, from June 20, 2012, each EU member state introduced a uniform EU emission unit turnover system.

In the current, third trading period (2013-2020), emitters—subject to certain exceptions—are and will be able to acquire emission allowances solely at auctions or through secondary commercial channels. The Greenhouse Gas Act, in line with the ETS Directive, only allows a narrow scope of exceptions. District heating and high-efficiency cogenerated energy production are provided free of charge allocation with regard to the heat production or cooling services provided for satisfying demands and in an economically justified way. Furthermore, some electricity producers are provided derogation allocation at an established rate to an extent defined in a specific government decree.

In the period between 2013 and 2020, specific power plants in the ALTEO Group (BC-Therm, the Győr Power Plant, the Sopron Power Plant, Kazinc-Therm, the Ózd Power Plant, Tisza-Therm and Zugló-Therm) are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the preliminary national implementing measure published by the Ministry of National Development and approved by the European Commission.

9.6 Operation and maintenance of power plants and power engineering installations

The operation and maintenance of power plants and power engineering installations require special expertise and an appropriately qualified and experienced labor force. For reasons of economies of scale, supply and operational security, power plants with a size exceeding that of small power plants (those with a nominal capacity over 50 MW) typically use their own employees for the operational tasks. The maintenance tasks related to the key equipment are often performed by the manufacturer or the specialist company accredited by the manufacturer.

However, there is an increasing need for the clients to use comprehensive operational and maintenance services from a company that can understand and coordinate the ever more sophisticated power engineering systems in the most efficient possible way, even in such a way that already the planning and establishment phases are completed by the future operating and maintenance company. Such a complex solution may help the clients in reducing their energy demands, and thus, in achieving their respective energy efficiency goals, and ultimately, to the improvement of their competitiveness.

9.7 Energy and power engineering services

The objective of the Energy Efficiency Directive was to update the EU legal framework for energy efficiency, opening a wider space for the solutions and developments supporting a more efficient utilization of energy. The Energy Efficiency Directive mentions it as one of its key goals that the achievement of its objective concerning the reduction of the consumption of primary energy set by the Council of Europe for 2020 be encouraged. One of the tools of realizing this objective is to perform the comprehensive assessment of the feasibility potentials of high efficiency cogenerated energy production and efficient district heating / district cooling, which assessment has to be updated every five years, at the request of the Commission. Furthermore, the Energy Efficiency Directive encourages the EU member states to pursue local and regional policies that reckon with the potentials in the application of the systems using high efficiency cogenerated energy production.

The provisions of the Energy Efficiency Directive had to be transposed into the individual legal systems of the members states by June 5, 2014. In Hungary, the transposing law is the Energy Efficiency Act, which, in harmony with the Energy Efficiency Directive, encourages energy consciousness, and in order to realize this goal, it introduced, among others, the system of mandatory power engineering audits. Pursuant to the Energy Efficiency Act, large companies are obliged to conduct a power engineering audit every four years, from which obligation they can be exempted if they run an energy management system certified by an accredited certification body in line with the EN ISO 50001 standard.

Among others, making power engineering audits mandatory, the increasing prices of energy, as well as the rising climate consciousness of society encourage consumers to be energy conscious and use services and realize developments that promote the efficient use of energy, which allows the development of the energy business and engineering services sector.

Besides the energy efficiency developments, those that aim to ensure the energy supply of the new or expanding industrial facilities also offer substantial business potentials for the energy business and engineering services sector.

The ALTEO Group, by relying on the energy sector knowledge and experience of its expert staff, is able to satisfy the changing and novel needs of energy users.

10 PROFIT FORECASTS OR ESTIMATES

The Issuer does not publish any profit forecasts or estimates in this Information Memorandum.

11 GOVERNING, CONTROLLING AND SUPERVISORY BODIES

11.1 Corporate Governance

11.1.1 Board of Directors

Name	Position	Start of membership in the Board of Directors	Termination of membership in the Board of Directors	Period served as a member of the Board of Directors
Attila László Chikán	Member of the Board of Directors, CEO	March 19, 2008	April 30, 2020	approximately 11 years
Domonkos Kovács	member of the board of directors	May 1, 2011	April 30, 2020	approximately 8 years
Zsolt Müllner	member of the board of directors	January 27, 2015	April 30, 2020	approximately 4 years
Gyula Zoltán Mező	Chairman of the Board of Directors	November 10, 2015	April 30, 2020	approximately 3.5 years
András Papp	member of the board of directors	April 19, 2016	April 30, 2020	approximately 3 years
Ferenc Karvalits	member of the board of directors	April 19, 2016	April 30, 2020	approximately 3 years

Attila László Chikán, has been the CEO since the foundation of the Company in 2008. Prior to that, he worked as a financial and investment analyst, holding different positions. He received his degrees from the University of Economics of Budapest (now Corvinus University of Budapest) and the College of Foreign Trade (now a part of Budapest Business School). The CEO, who is active in issues on sustainability, is the president of the Business Council for Sustainable Development of Hungary and has also been the chairman of the Supervisory Board of AutoWallis Nyrt. since December 2018.

Domonkos Kovács has more than 20 years of experience in investment analysis, acquisition and capital markets. He graduated from the Faculty of Finance of the University of Economics of Budapest (now Corvinus University of Budapest) in 1993. After graduation he worked for 7 years in the Corporate Finance Department of CAIB Értékpapír Rt. where he was involved in many IPO and acquisition advisory projects. From 1997, he was the Director of the Corporate Finance Department at CAIB. He was the Investment Analysis Director of the Majority Owner from 2000 and then became Group Controlling Director of the Majority Owner's group 2005. He was Director for Valuation & Modelling at the Financial Advisory Department of Deloitte Zrt. between April 2008 and March 2011. From March 2011 he was the Investment Director of the Company and an executive officer also responsible for the project management of the capital market transactions of the Company. On February 19, 2018 he became the Deputy CEO of the Company performing the duties of the capital market and M&A Director of the Company in that position.

Zsolt Müllner graduated at the Budapest University of Economics as an economist. He joined the Wallis Group as head of the BMW Import Guards in 1994. Then he worked as the CEO of the Vehicle Trade Division of the Wallis Group for five years. He is a Member of the Board of

Directors of Wallis Asset Management Zrt. and became the CEO of the holding Centre of the Wallis Group in 2007 and has served in that position since then. He held the Director's position in the Company from its foundation to July 17, 2009 and became a Member of the Board of Directors again on January 27, 2015. Among the Members of the Majority Owner's Group at the moment he is the Managing Director of MILTON Holding Kft., a Member of the Board of Directors of MILTON Finanszírozási Zrt., VENTURIO Zrt., PERION Zrt., WING Zrt., WINGHOLDING Zrt. and Graboplast Zrt. and the Chairman of the Board of Directors of AutoWallis Nyrt.

Apart from the position held at the Company, **Gyula Zoltán Mező** is at present a Member of the Board of Directors of Graboplast Zrt. and FoxPost Zrt., Managing Director of WALLIS Portfolió Kft., DAYTON-Invest Kft., DAKRON-Invest Kft. and 1995 MELA Kft., Manager of WALLIS ASSET MANAGEMENT Zrt. and a Member and Managing Director of XTC Kft. Over the past 10 years he has served as Finance Director of WALLIS ASSET MANAGEMENT Zrt. and over the past 5 years held the functions of the Asset Management Director of VENTURIO Kockázati Tőkealap-kezelő Zrt. and PERION Kockázati Tőkealap-kezelő Zrt. Previously, he had served as Finance Director at Citibank for eight years. He has a diploma in electrical engineering and engineering economics.

András Papp graduated at the Engineering Faculty of Budapest Technical University in 1994 and has been working in energetics since 1999. Between 1999 and 2001 he was project manager of Sinergy Kft. In 2001 he joined Kraftszer Kft. involved in energy and building engineering projects as well as building operation as the Chief Engineer, then became a Business Director in 2003. Following the split of the company he was the Managing Director of Kraftszer Épületgépészeti Kft. from 2008 to 2010. In 2011 he was a Founding Member of Penta Industry Kft., in which he was a partner and Managing Director until 2012. From 2012 he was Managing Director of Sinergy Kft., then owned by the ELMŰ-ÉMÁSZ Group. Besides the managing director's position, he was also the Chairman of the Supervisory Board of BC Erőmű Kft. and TVK-Erőmű Kft. He was the founder and head of the ELMŰ-ÉMÁSZ EnHome Division and was also in charge of the RWE Central and Eastern European B2C Renewable Energy Competence Centre. Following the acquisition of the Sinergy Group by the Company, he kept the Managing Director's position at Sinergy and also held the position of Deputy CEO at the Company, being in charge of the ALTEO Group Energy Production and Energy Supply Division. Since April 2016 he has been Professional Vice President of the Hungarian Cogenerated Energy Association, which is the interest representation organization of the Hungarian cogeneration companies. Apart from the position held at the Company and the Subsidiaries, he is a Member and Managing Director of SUNSET Ingtatlan Kft., which is engaged in the utilization of properties.

Ferenc Karvalits became a banker in 1990. from 1996 he was the Head of the Banking Department of the Central Bank of Hungary and moving on to hold the positions of Managing Director and a Member of the Board between 1998 and 2001. After that, he became Deputy CEO at Wallis Zrt. until 2002. Between 2002 and 2005, he was a Member of the Board of Directors there, while holding the position of co-CEO at CIB Bank. In April 2005, he became a Member of the Board of Directors of FHB Bank and then Chairman of the Bank in September. Between 2007 and 2013 he was the Deputy Governor of the Central Bank of Hungary and the Member of the Monetary Council. From 2013 he took part in the activities of Venturio Kockázati Tőkealap-kezelő Zrt and then of PERION Kockázati Tőkealap-kezelő Zrt. as and advisor. At the moment he is Member of the Board of Directors of both companies. At the moment he is a Member of the Board of Directors of Bubbles International Zrt. and MAVEN SEVEN Solutions Zrt. and is a Member of Savoir Faire Kft.

The business contact details of the Members of the Board of Directors are the same as the contact details of the Company.

11.1.2 Supervisory Board

Name	Position	Start of membership in the Supervisory Board	Termination of membership in the Supervisory Board	Period served as a member of the Supervisory Board
István Bakács	Chairman of the Supervisory Board	August 31, 2010	April 30, 2020	approximately 8.5 years
Dr. János Lukács	Member of the Supervisory Board	August 31, 2010	April 30, 2020	approximately 8.5 years
Dr. István Borbíró	Member of the Supervisory Board	August 31, 2010	April 30, 2020	approximately 8.5 years
Péter Jancsó	Member of the Supervisory Board	August 31, 2010	April 30, 2020	approximately 8.5 years
Noah M. Steinberg	Member of the Supervisory Board	April 24, 2017	April 30, 2020	approximately 2 years

István Bakács, chairman of the Company's Supervisory Board. Currently advisor to the President-CEO of MVM Zrt. Senior manager of ACCENTURE Kft. between 2011 and 2014. Previously he was a Member of the Board of Directors of E.ON Hungária Zrt., entitled to use the title of Deputy CEO, between 2001-2010. In this position, he was responsible for the management of the energy production, trading and sales areas. From 1994, he was Director for Development at Magyar Villamos Művek Zrt., and a member of that company's Board of Directors entitled to use the title of CEO between 1998 and 2000. He was chairman of the Board of Directors of Paksi Atomerőmű Rt. between 1992-1994, and of Tiszai Erőmű Rt. between 1994-1996. He held various executive positions at Paksi Atomerőmű and Erőmű Beruházási Vállalat from 1977 to 1989. He has a qualification in Engineering and Physics, having earned his degree at the Moscow University of Energy Technology in 1974. István Bakács has held various management positions in a number of companies attached to the E.ON Group over the past ten years. He served on the Supervisory Board of E.ON Déldunántúli Áramhálózati Zrt., E.ON Északdunántúli Áramhálózati Zrt., E.ON Középdunántúli Gázhálózati Zrt., E.ON Déldunántúli Gázhálózati Zrt. and E.ON Ügyfélszolgálati Kft. until early 2012, and was a member of the Board of Directors of Magyar Gázipari Egyesülés until the end of 2011. He was a member of MVM Zrt.'s Board of Directors between 2015-2018. Currently, he is a member of the Board of Directors of ELEKTRO-SOL GLOBAL Zrt., a shareholder and managing director of CADENZIA Kft. He is the chair of EURELECTRIC's Hungarian Division and a member of the Board of Directors of EURELECTRIC (Brussels). He has been carrying out professional and social activities as chairman of the Hungarian Scientific Society of Energy Management since 2001.

Prof. Dr. János Lukács, CSc in Economics, Director of the Institute of Finance, Accounting and Business Law of Corvinus University of Budapest, Head of the Department of Financial Accounting. He received his economist/teaching degree from the legal successor of this institution in 1983. He is a certified auditor and tax advisor. Chairman of the Chamber of

Hungarian Auditors. Mr. Lukács is chairman of the Supervisory Board of Széchenyi Kockázati Tőkealap-kezelő Zrt. and of Student Szolgáltató Diákszövetkezet, and a member of the Supervisory Board of Városi Alapkezelő Zrt. He chaired MOL Nyrt.'s Supervisory Board between 1999 and 2002. Currently, he is a shareholder and managing director of Contó & Controll Könyvvizsgáló Kft. and Audit Network Hungary Kft., and a limited partner in Levender Bt.

Dr. István Borbíró is an attorney-at-law, and has been a member of Jutasi és Társai Ügyvédi Iroda since 1993. He earned his degree at the Faculty of Law of ELTE University in 1983, where he also taught at the department of public administration law. He has remarkable knowledge and experience in business law authorization procedures related to project development. He is currently a shareholder in C. Consulting Kft. and Belvárosi Sarokház Kft.

Péter Jancsó has been President-CEO of Graboplast Zrt. ever since the setting up of the joint stock company, and is a member of the Board of Directors of majority shareholder WAM Zrt. and GRABO-HOLDING Zrt. He also holds a participation in and is a managing director of PZP Invest Kft. He is a shareholder in Club Carat Kft. Beforehand, he was a member of the Board of Directors of Wallis Zrt. between 2003-2010, chairman of the Board of Directors of Masterfil between 1990-1995, a member of the Supervisory Board of ÁPV Rt. between 1995-1998, chairman of the Board of Directors of Rába Nyrt. between 1998-2005, and chairman of the Chamber of Industry of Győr-Moson-Sopron County between 1998-2002. In addition, he serves and served on various social and advisory bodies. He has earned several awards in recognition of his achievements. He graduated from the Budapest University of Technology.

Noah M. Steinberg is currently a member of the Board of Directors of WINGHOLDING Ingatlanfejlesztő és Beruházó Zártkörűen Működő Részvénytársaság (since October 29, 2009); managing director and shareholder of GOLUX-Invest Vagyonkezelő Korlátolt Felelősség Társaság (since October 15, 2009); managing director of MEVINVEST Vagyonkezelő Korlátolt Felelősségű Társaság (since May 27, 2015), managing director of MOM-MANAGEMENT Korlátolt Felelősségű Társaság (since November 12, 2015), managing director of MOM-Park MFC Ingatlanforgalmazó és Beruházó Korlátolt Felelősségű Társaság (since July 31, 2015); member of the Board of Directors of STRABAG Property and Facility Services Zártkörűen Működő Részvénytársaság (since March 14, 2014); managing director of TSZ PORTFOLIO Ingatlanfejlesztő és Beruházó Korlátolt Felelősségű Társaság (since April 28, 2015); managing director of WEBC Ingatlan Beruházó Korlátolt Felelősségű Társaság (since July 31, 2015); member of the Board of Directors of WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (since February 1, 2010); managing director of WINERSZ-ING Korlátolt Felelősségű Társaság (since January 4, 2016); member of the Board of Directors of WING Ingatlanfejlesztő és Beruházó Zártkörűen Működő Részvénytársaság (since May 4, 2005); CEO of WINGEUROPE Ingatlanfejlesztő és Beruházó Zártkörűen Működő Részvénytársaság (since October 30, 2009); managing director of WINGLINE Vagyonkezelő Korlátolt Felelősségű Társaság (since April 21, 2015); CEO of WINGPROP Ingatlanfejlesztő és Beruházó Zártkörűen Működő Részvénytársaság (since October 30, 2009); managing director of WINTSZ Vagyonkezelő Korlátolt Felelősségű Társaság (since April 25, 2015), member of the Supervisory Board of GRABOPLAST Padlógyártó Zártkörűen Működő Részvénytársaság (since December 31, 2012), managing director of BULWIN Ingatlanberuházó Kft. (since April 25, 2017), and CEO of WING IHC Zrt. (since April 21, 2017). Over the past five years, he has been a member of the Supervisory Board of MARKET Építő Zrt. (until November 21, 2014), and of MARKET International Zrt. (until November 10, 2014). Mr. Steinberg is a U.S. national who has been working in Hungary since 1990. He graduated from the Woodrow Wilson School of Public and International Affairs of Princeton University (BA) and the Diplomatic Academy of Vienna (MA). He speaks English, Hungarian, French, German and Spanish.

The business contact details of the Supervisory Board members are the same as the Company's contact details.

11.1.3 Top management

Name	Position	Start of top management position	End of top management position	Time spent in top management
Attila László Chikán	Member of the Board of Directors, CEO	March 19, 2008	Indefinite	approximately 11 years
András Papp	Deputy CEO	June 1, 2015.	Indefinite	approximately 3.5 years
Domonkos Kovács	Deputy CEO, Director for M&A and Capital Markets	May 1, 2011	Indefinite	approximately 7.5 years
Sándor Bodó	Director for Finance	December 1, 2014.	Indefinite	approximately 4 years
Péter Luczay	Director for Wholesale and Regulations Centre Management	March 8, 2017	Indefinite	approximately 2 years
Viktor Varga	energy production director	January 1, 2018	Indefinite	approximately 1 year
Zoltán Bodnár	CFO	February 19, 2018	Indefinite	approximately 1 year

The curricula vitae of the CEO, the General Deputy of the CEO and the Deputy CEO for M&A and Capital Markets can be found in Section 11.1.1 above.

Sándor Bodó worked for Deloitte Könyvvizsgáló és Tanácsadó Kft. as an auditor between 2000 and 2007, then went on to work for the Greenergy Group, as the head of accounting and later on as Chief Finance Officer from 2007 to 2011. He worked as the Director of Finance of the VPP Energy Group from 2011 until the end of 2014. He was a member of the Board of Directors of VPP ENERGY Zrt. until October 2014. He is also a qualified auditor and tax advisor. He graduated from the Faculty of Finance of Tessedik Sámuel College (now a part of Szent István University).

Péter Luczay is the Company's Director for the Wholesale and Regulation Center. He is not a shareholder or executive officer in any company other than the Company and the Subsidiaries. He received his MSc in Engineering and MA in Engineering Economics from the University of Miskolc and his MBA from the Budapest University of Technology and Economics. He also holds qualifications as a Project Management Professional (PMP)® and in D.P.H. and Risk Management (The Oxford Princeton Programme). He gained fifteen years of experience in business development and designing, building and operating energy systems while working for various companies and pursuing activities involving several countries.

Viktor Varga is the Company's Director for Energy Production. In addition to his positions held with the Company and the Subsidiaries, he is a shareholder and managing director of SUNSET Ingatlan Kft. He started his career in the chemical industry, after which he amassed

considerable experience in the fields of commissioning, operation and maintenance of power plants. He earned his technical degree at the Electric Engineering Faculty of Kandó Kálmán Technical College, his MBA at the Budapest University of Technology and Economics, and his degree as energy management specialist at Corvinus University.

Zoltán Bodnár has been working for the ALTEO Group since February 2018, as the head of the business and finance area, in the position of Deputy CEO for Finance. In addition to his position held with the Company, he is the unlimited partner and partner authorized for business management of FRADEK Oktató és Szolgáltató Betéti Társaság. He has widespread experience gained in an international corporate setting. He has been a member of UPC's management team since 2009, having filled top finance management positions in Hungary between 2009 and 2014, and then at the company's Warsaw headquarters from 2014, and has worked in similar management positions for companies such as AstraZeneca Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság, Diageo and Dréher Sörgyárak.

The business contact details of members of the top management are the same as the Company's contact details.

11.1.4 Audit Committee

Name	Position	Start date of Audit Committee membership	End date of Audit Committee membership	Period spent on the Audit Committee
István Bakács	Chair of the Audit Committee	August 31, 2010	April 30, 2020	approximately 8.5 years
Dr. János Lukács	Audit Committee member	August 31, 2010	April 30, 2020	approximately 8.5 years
Dr. István Borbíró	Audit Committee member	August 31, 2010	April 30, 2020	approximately 8.5 years

The curricula vitae of members of the Company's Audit Committee can be found in Section 11.1.2 of this Information Memorandum.

11.2 Conflict of interest between administrative, management and supervisory bodies and executive employees

To the best of the Company's knowledge, there is no conflict of interest between the tasks performed by the persons mentioned in Section 11.1 above, the private interests and other tasks of those persons.

The Company has not concluded any agreement or covenant with its major Shareholders, clients, suppliers or other persons based on which the persons mentioned in Section 11.1 above were elected or appointed for their positions held with the Company.

Members of the Board of Directors, and the persons identified as top management members in Section 11.1.3 above agreed not to sell Shares for one year after 20 October 2016, with the proviso that this restriction does not preclude the sale of Shares by the members of the Board of Directors and the persons identified as top management members in Section 11.1.3 above to the affiliates and employees of the Shareholder Group (including the Company and the Company's employees) without limitation, provided that the persons acquiring the Shares agree

to resell the Shares only in compliance with the above restrictions until the deadline set out above expires.

12 BOARD AND COMMITTEE MEMBERSHIP PRACTICE

12.1 Audit Committee

The Audit Committee consists of three members, who are elected by the General Meeting from the independent members of the Supervisory Board. When this Information Memorandum is closed, the members of the Audit Committee are István Bakács, Dr János Lukács and Dr István Borbíró. The curricula vitae of the members of the Audit Committee and the term of their mandates are included in Sections 11.1.2 and 11.1.4 of this Information Memorandum.

The Audit Committee has the right to request information from members of the Board of Directors or senior executives of the Company. When requested, the respective parties are obliged to provide written answers within 8 working days.

The Audit Committee assists the Supervisory Board in monitoring the financial reporting system, appointing a permanent auditor and cooperating with the permanent auditor. While performing its duties, the Audit Committee:

- (a) Gives an opinion on the financial statements prepared in accordance with the Accounting Act.
- (b) Follows up the audit of the financial statements prepared in accordance with the Accounting Act.
- (c) Is responsible for the process of selecting the audit firm specified in Article 16 of the 537/2014 EU Regulation and makes a proposal (recommendation) for the audit firm, the auditor and their remuneration.
- (d) Prepares the contract to be concluded with the auditor.
- (e) Monitors the enforcement of the professional requirements with respect to the auditor and the requirements related to conflict of interest, performs all tasks of cooperation with the auditor and, when required, makes a proposal to the Supervisory Board to take measures.
- (f) Reviews and monitors the independence of the auditor and of the audit firm.
- (g) Authorizes the non-audit services, other than the non-audit services, prohibited and mentioned in Article 5(1) and (2) of the 537/2014 EU Regulation having assessed and examined their independence and threats on independence as well as the applied precautionary measures. The Audit Committee has the right to grant prior approval to assignments from the Company management to the Company auditor for non-audit services of specific types and below a specific threshold with subsequent or simultaneous notification to the Company auditor and the Audit Committee.
- (h) If necessary, it issues some guidance when, opting for the choice permitted under Article 5(3) of the 537/2014 EU Regulation, Hungary permits certain prohibited non-audit services in accordance with the requirements laid down in the Regulation.
- (i) It discusses with the group auditor the factors imposing any threat to independence. When the group auditor informs the Audit Committee that the total fee revenue of the auditor is higher than 15% of the group auditor's revenue for three (3) years. If that happens, the Audit Committee shall consider whether or not to employ another company to perform a quality control assessment of the audit. In such a case the Audit Committee may extend the mandate of the auditor for no more than two (2) years.

- (j) It monitors the financial reporting process.
- (k) The Committee also assesses the operation of the financial reporting system and makes proposals for the necessary measures.
- (l) It supports the Supervisory Board in order to facilitate the appropriate control over the financial reporting system.
- (m) It monitors the efficiency of the internal control and risk management system.

The Audit Committee establishes its own rules of procedure.

12.2 Internal control system

The internal control system consists of management and in-process controls, regular monitoring of the corporate targets and the continuous identification, analysis and management of the business, financial, technical, commercial, legal and other risks that influence the targets.

The Company's controlling system is centralized, covers all subsidiaries of the Company and is supervised by the CFO of the company. In respect of the various Subsidiaries, the controlling activity monitors and tracks progress against targets, on the basis of the expectations of individual plans annually updated by the Board of Directors.

The controlling organization continuously monitors and tracks the changes and risk factors against the plans, and draws up a report on them for management each month. Jointly with the management, the CEO determines the necessary steps in line with the objectives set by the Board of Directors.

Within the scope of the Company's risk assessment activities, the functions (business, financial, technical, commercial, legal and compliance functions) supervised by members of management work together and assess types of risk based on written reports prepared by each function and presented to the entire management on a weekly basis and identify the steps needed to manage risks. These organizational units report directly to the CEO.

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 capital and financial investments, the proposal already includes the management of expected risks.

The organizational units specializing in energy trading act in accordance with their own risk management policies. The ALTEO Group places particular emphasis on mitigating its market risks. The objective of risk management is at all times to establish economically sustainable operation through the mitigation of the effects of market uncertainties on company profit, and to ensure stable and predictable cash-flow. Market risks resulting from the volatility of natural gas and electricity prices is typically mitigated through natural gas and electricity hedging transactions. The ALTEO group's market risk management is essentially divided into four segments: (i) market-priced heat energy production and sales, (ii) regulated-price heat energy production and sales, (iii) cogenerated heat and electricity production (iv) electricity and gas retail trade. The market risk management of the ALTEO Group may be divided into two terms: (1) short and medium term risk management (the heat sales unit price may be defined exactly) and medium term risk management (the heat sales unit price may not be defined exactly). Market exposures are mitigated through the hedging of basic products synchronous with the ALTEO Group's physical market exposures with derivative instruments quoted on various financial and physical markets. The forum for managing the above-mentioned risks is the Risk

Management Committee, whose members are the Financial Director, the Director of Wholesale Energy Trading and the CEO.

As a result of the acquisition of the Sinergy Group, the size of the ALTEO group increased significantly and its business operation became more complex. Based on these changes in the second half of 2015 the ALTEO Group issued its compliance program.

In the course of the development of the compliance program, the management assigned Compliance its place in the corporate structure, determined its scope of competence and its responsibilities, the Compliance Committee was set up, the risk map of the ALTEO Group was drawn up on the basis of executive self-assessments, the regulation of and rules of procedure for compliance audits (conflict of interest, business partner due diligence, ethics and compliance audits) were developed, and the first Code of Ethics constituting a key component of the compliance program was also created.

The implementation of the compliance program, pursuant to a mandate from the CEO, is the responsibility of the compliance manager. The compliance manager is responsible for ensuring compliance with applicable laws, internal policies and the Code of Ethics, for identifying any unethical or unlawful non-compliance or non-compliance involving excessive business or work safety risks, breaches and violations of rights, for assigning responsibilities, initiating corrective measures and following up on actions taken by business areas.

12.3 Declaration on the corporate governance practice

On April 26, 2019 the Company published at its places of disclosure a report approved by the General Meeting on the deviations with which it applied the Responsible Corporate Governance Recommendations of the BSE.

13 OWNERSHIP STRUCTURE OF THE COMPANY

13.1 Parties holding a capital share or voting right

The Majority Shareholder holds 63.88% of the shares of the Company, while the parties indicated in Section 13.3 below holds 7.36% of the Shares.

Ownership structure	Ownership ratio based on the Shares
Majority Shareholder	63.88%
Free float	32.14%
Own shares	3.98%
Total:	100.00%

As far as the Company is aware, the Company itself (in view of the own shares) and the Majority Shareholder hold 5% or a greater share in the Company.

13.2 Different voting rights of the shareholders

No share classes with different voting rights attached to the Shares were issued, i.e., there are no different voting rights attached to the Shares.

13.3 Share ownership and options

The table below contains the Shares held by the members of the Board of Directors and the Supervisory Board (also including former members) and by the top managers of the Company and the ALTEO Group according to the Share register of April 24, 2019.

Shareholder	Position of the shareholder in the ALTEO Group	Number of shares ¹
Attila László Chikán	Member of the Board of Directors (ALTEO Nyrt.)	107,964
Domonkos Kovács	Member of the Board of Directors (ALTEO Nyrt.)	42,288
Gyula Zoltán Mező	Member of the Board of Directors (ALTEO Nyrt.)	40,000
Gábor Vitán	Member of the Supervisory Board until 24.04.2015 (ALTEO Nyrt.)	46,192
Péter Kaderják	Member of the Board of Directors until July 3, 2018 (ALTEO Nyrt.)	15,192
Péter Jancsó	Member of the Supervisory Board (ALTEO Nyrt.)	1,600
Gergely Kis	Executive employee (ALTEO Nyrt.)	12,166
Zsolt Müllner	Member of the Board of Directors (ALTEO Nyrt.)	409,600
Dr. Bea Emőke Lakatos-Fodor	Member of the Board of Directors until 30.11.2014 (ALTEO Nyrt.)	28,652
Dr. Zoltán Pataki	Chief legal counsel ALTEO Nyrt.	3,500
Sándor Bodó	Executive employee (ALTEO Nyrt.)	4,360
András Papp	Member of the Board of Directors (ALTEO Nyrt.)	351,160

¹ The number of shares indicated in the table refers to the number decided on 8 November 2017 (division by 8).

In its Resolution 5/2015. (XI. 10.), the General Meeting set up a stock option program for Attila László Chikán and Domonkos Kovács out of the members of the Board of Directors, and for executive officer Sándor Bodó, in the framework of which it granted an option for purchasing 43,310 Shares for Attila László Chikán, 24,063 Shares for Domonkos Kovács, and 16,844 Shares for Sándor Bodó. Furthermore, the General Meeting determined the principles and framework of the stock option program as an incentive system. Based on this, the option may be exercised in installments as well. The Company may grant the option without consideration to the persons granted the option. The stock option will be exercised on a net basis, meaning that the Company will take care of paying the burdens specified in legislation. The condition for exercising the option is that the Company should implement a public offering, or public offers be made for its Shares. The persons concerned may exercise their option at a purchase price of HUF 3,800² per Share over a period of five years calculated from the day the publicly offered Shares are introduced in the regulated market or the day the public offering procedure is concluded. The option will become ineffective when that period expires. The holders of the option named above may not sell the Shares thus acquired at a price lower than the price of the Shares produced in the framework of the first public offering after the execution of the agreement establishing the option at which they are introduced to the stock exchange, or the average price that develops in the course of the public offering procedure. The General Meeting authorized the Board of Directors to record the other conditions of the stock option program.

In its Resolution no. 6/2015 (XI. 10.), the General Meeting authorized CEO Attila László Chikán, the member of the Board of Directors exercising employer's rights within the Company, to grant an option for 12,032 Shares to the executive or non-executive employees of the Company or its affiliated companies with the same conditions as those set out in Resolution no. 5/2015. (XI. 10.), and to select the beneficiary employees in his discretion.

By Resolution no. 7/2015. (XI. 10.), the General Meeting enabled persons participating in the stock option program to receive financial aid from the Company or its affiliated company for acquiring the Shares issued by the Company.

In its Resolution no. 12/2016. (IV. 19.), the General Meeting amended the General Meeting Resolutions no. 5/2015 and 6/2015 (IX. 10.) to the extent that based on their choice, participants of the stock option program may exercise their rights related to the acquisition of Shares with the participation of an ESOP organization in the framework of an employee share ownership program under Act XLIV of 1992 on Employee Share Option Programs as well.

Based on this authorization, the Board of Directors decided to set up an ESOP organization and determined the ESOP organization's remuneration policy in its Decisions no. 5/2016 (IX. 7.) and 3/2016 (XII. 13.). In its decision no. 11.Pk.60.801/2016/2, the Metropolitan Tribunal registered ALTEO's ESOP organization under the name 'ALTEO Employee Share Ownership Program Organization'.

The Company's General Meeting and CEO Attila László Chikán appointed the following employees to participate in the stock option program in directive no. 1/2016 (IX. 10.):

²The HUF 3,800 purchase price reflects the situation prior to December 8, 2017. After December 8, 2017, the option holders may exercise the option for a price of HUF 475.

Name of the employee	Grounds for authorization	Employee position	Number of Shares available under the option (pcs) ³	Number of Shares available under the option (pcs) ⁴
Attila László Chikán	General Meeting Resolution no. 5/2015 (IX. 10.)	Member of the Board of Directors (ALTEO Nyrt.)	43,314	346,512
Domonkos Kovács	General Meeting Resolution no. 5/2015 (IX. 10.)	Member of the Board of Directors (ALTEO Nyrt.)	24,063	192,504
Gergely Kis	CEO Directive no. 1/2016 (IX. 25.)	Executive employee (ALTEO Nyrt.)	1,516	12,128
Péter Luczay	CEO Directive no. 1/2016 (IX. 25.)	Executive officer (Sinergy Kft.)	3,000	24,000
László Molnár	CEO Directive no. 1/2016 (IX. 25.)	Executive officer (Sinergy Kft.)	3,000	24,000
Viktor Varga	CEO Directive no. 1/2016 (IX. 25.)	Executive officer (Sinergy Kft.)	3,000	24,000
Dr. Zoltán Pataki	CEO Directive no. 1/2016 (IX. 25.)	Employee (ALTEO Nyrt.)	1,516	12,128
Sándor Bodó	General Meeting Resolution no. 5/2015 (IX. 10.)	Executive employee (ALTEO Nyrt.)	16,844	134,754

The stock option due to the beneficiary employees may be exercised if the Company's consolidated sales revenue in the first half of 2017 exceeds the consolidated sales revenue achieved in the first half of the business year (i.e. 2015) preceding the effective date of the remuneration policy (December 14, 2016), implying that the Company shows an improvement in economic performance. In assessing the Company's business performance, the consolidated sales revenue figures of the six-month report for the first half of financial year 2015 and the first half of financial year 2017 published at the places where the Company releases its official publications shall be taken as the basis.

The starting date for exercising the stock option due to the employees concerned is the date when the six-month report for the first half of 2017 is published, and the ending date will be November 7, 2021.

The shares available for employees by exercising the stock option are altogether 770,024 dematerialized series 'A' ALTEO ordinary shares, having a face value of HUF 12.5, registered under ISIN number HU0000155726, owned or to be acquired by the Company, the price of which will be HUF 475.

Shares may not be sold at a price of less than HUF 579⁵ per share by either the ESOP organization or the employees. A further restriction is that Sándor Bodó, Domonkos Kovács and Attila László Chikán may not sell Shares up until 20 October 2017, with the proviso that

³The number of shares shown in the table is the number of shares prior to the share split (into eight) decided on November 8, 2017.

⁴ The number of shares indicated in the table refers to the number decided on 8 November 2017 (division by 8).

⁵The amount specified indicates the price after the share split (into eight) decided on November 8, 2017.

this restriction does not preclude the sale of Shares by them to the affiliates and employees of the Shareholder Group without limitation, provided that the persons acquiring the Shares agree to resell the Shares only in compliance with the above restrictions until the deadline set out above expires.

The Company disclosed the remuneration policy of the ALTEO Employee Share Ownership Program Organization at the places where it releases its official publications.

13.4 Presentation of the persons exercising indirect or direct ownership or control rights over the Company

The persons specified in Section 13.3 above dispose over 5.45% of the Shares. 3.98% of the Shares are held by the Company (treasury shares), 26.69% are held by other investors, and the remainder (63.88%) of the Shares issued by the Company are held exclusively by the Majority Shareholder.

The majority shareholder of the Majority Shareholder is WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (registered office: H-1055 Budapest, Honvéd u. 20.; company registration number: Cg. 01-09-925865), the sole owner of which is the Ultimate Private Individual Shareholder.

13.5 Agreements leading to the modification of control over the Company

Based on the agreements concluded between the Majority Shareholder and other shareholders, the Majority Shareholder holds 63.88% of the votes that may be cast based on Shares.

In order to finance their activities, certain members of the ALTEO Group concluded financing agreements with Hungarian financial institutions, in connection with which they granted security in the manner customary in such cases. The summary table set out in Section 16.3 below contains information on the pledges and options granted for security purposes concerning the capital (business share) of certain members of the ALTEO Group.

In addition to the collateral agreements listed in Section 16.3, an option agreement for the business share of Tisza-WTP was concluded between TVK Nyrt. (by its current name: MOL Petrochemicals Co. Ltd.) and Sinergy. Under this agreement, MOL Petrochemicals Co. Ltd. may purchase Tisza-WTP's business share against the purchase price calculated by the method specified in the agreement by unilateral statement no later than by June 30, 2027.

Under the heat supply and capacity commitment agreement concluded between BC-Therm and BorsodChem Zrt., BorsodChem Zrt. shall purchase BC-Therm's business share from the Company at carrying value upon the expiry of the agreement (expected to be on December 31, 2020).

On the basis of a long term contract concluded between Zugló-Therm and FŐTÁV Zrt on purchasing and selling thermal energy, upon expiry of that contract (expected by May 31, 2030), FŐTÁV Zrt is entitled to buy the gas engine block heat power plant established by Zugló-Therm for the sum of EUR 1.

As far as the Company is aware, by the time this Information Memorandum is closed no agreement other than the one indicated above was concluded the implementation of which may lead to the alteration of the control over the Company at any time in the future.

14 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

The Company and its Subsidiaries prepare individual reports in line with HAS for each financial year. However, beginning with the financial year of 2010, the Company prepares a consolidated report according to the IFRS standards. Furthermore, since 2017, the Company will be obliged to prepare even its individual report in line with the IFRS standards. Certain data elements and results of the reports prepared in line with HAS may be different from those used in IFRS.

The latest financial information concerning the Issuer's assets and liabilities, financial position and profits or loss are included in the Issuer's audited consolidated annual reports for 2017 and 2018, prepared in accordance with the IFRS. This financial information is included in this Information Memorandum with references made in Chapter 19 of the present Information Memorandum.

The latest disclosed financial information is included in the Issuer's audited annual report for 2018, prepared according to the IFRS. No major changes have occurred in the financial and trade positions of the ALTEO Group since the disclosure of its audited annual report for 2018, prepared according to the IFRS.

The present chapter of the Information Memorandum shall be interpreted together with the financial reports integrated with reference according to 19 and the notes thereto, as well as with the risk factors presented in 0 "Risk Factors". Furthermore, the present chapter shall be interpreted together with the information in 7, "Overview of the Company's Business Activity" of the Information Memorandum.

15 ADMINISTRATIVE, COURT AND ARBITRATION COURT PROCEDURES

15.1 Court, arbitration and administrative proceedings launched by the ALTEO Group

Sinergy Energiakereskedő received a letter from VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 01-10-048666) in the beginning of 2018; in this letter the sender assumed - based on information of unclear origin - that the control center of Sinergy Energiakereskedő performs its activity 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 the number E031332. In its letter, VPP Magyarország Zrt. initiated negotiations to clarify the situation and envisaged filing a lawsuit should such negotiations remain unsuccessful. Sinergy Energiakereskedő reviewed the patent and the related claim, involving the professionals developing the system and a renowned patent agent with expertise in the technology involved. Based on the reviews it can be stated with certainty that the system operating the control center of Sinergy Energiakereskedő is not and never was covered by patent protection, since a significant part of the characteristics of the claims related to the patent of VPP Magyarország Zrt. is not realized in the course of the operation of the system used by Sinergy Energiakereskedő Kft. After the analysis and based on its findings, Sinergy Energiakereskedő explicitly and completely denied the claim of VPP Magyarország Zrt.

On March 14, 2018, Sinergy Energiakereskedő requested the Hungarian Intellectual Property Office to establish that the six control procedures in total it uses in the course of operating the Control Center are not in violation of the patent “Decentralized energy production system, control tool and procedure, controlling the energy production of the system” registered for VPP Magyarország Zrt. as holder under number E031332. Sinergy Energiakereskedő initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. In the opinion of the Company, the above procedure will not have a significant impact on the financial standing or the profitability of the ALTEO Group.

At the time of closing of this Information Memorandum the Company is not aware of any further proceedings initiated against any member of the ALTEO Group that could have a significant effect on the financial position or profitability of the ALTEO Group.

15.2 Court, arbitration and administrative proceedings to be launched by the ALTEO Group

At the time of closing of this Information Memorandum the Company is not aware of any further proceedings to be initiated by any member of the ALTEO Group that could have a significant effect on the financial position or profitability of the ALTEO Group.

15.3 Court, arbitration and administrative proceedings launched against the ALTEO Group

At the time of closing of this Information Memorandum the Company is not aware of any further proceedings initiated against any member of the ALTEO Group that could have a significant effect on the financial position or profitability of the ALTEO Group.

15.4 Court, arbitration and administrative proceedings potentially launched against the ALTEO Group

At the time of closing of this Information Memorandum the Company is not aware of any further proceedings potentially initiated against any member of the ALTEO Group that could have a significant effect on the financial position or profitability of the ALTEO Group.

16 ADDITIONAL INFORMATION

16.1 Share capital

19,386,274 registered, dematerialized ordinary shares of series “A”, with a face value of HUF 12.5 each. The issue price of all Shares has been paid.

16.2 The Issuer’s charter

The Issuer’s Charter, as well as the Rules of Procedure of the Board of Directors, of the Supervisory Board and the Rules of Procedure of the Audit Committee can be consulted on the webpage of the Issuer (www.alteo.hu).

The objectives of the Issuer were not recorded in the Issuer’s Charter. Company data of the Issuer, its strategy and scope of its activities can be found in point 6.1 in the presentation of the basic company information, as well as in points 7.2 and 7.3 of the present Information Memorandum.

16.3 Some information related to the financing of ALTEO Group’s members

The table below summarizes the outstanding project loans of ALTEO Group as at the day of the present Information Memorandum:

	Frequency of repayments	Amounts paid	DNEM	Starting date	Nominal liabilities (as at the day of the Information Memorandum)	DNEM	Maturity date
“ALTEO 2019/I” bond (HUF)	end of maturity	644,189,425	HUF	7/18/2014	925,000,000	HUF	7/17/2019
“ALTEO 2020/I” bond (HUF)	end of maturity	2,150,000,000	HUF	3/30/2017	2,150,000,000	HUF	9/30/2020
“ALTEO 2022/I” bond (HUF)	end of maturity	498,525,950	HUF	1/10/2017	650,000,000	HUF	1/10/2022
ALTEO – bill of exchange	end of maturity	700,000,000	HUF	5/28/2019	700,000,000	HUF	1/10/2020
ALTEO-Agria asset lease	monthly	245,184	EUR	12/23/2011	71,719	EUR	12/01/2021
ALTEO-Depónia Kft	quarterly	1,297,069	EUR	4/1/2010	16,622,782	HUF	9/2/2019
ALTEO-Depónia Kft	quarterly	184,442,422	HUF	11/15/2017	127,742,422	HUF	11/15/2022
Domaszék	quarterly	601,000,000	HUF	9/28/2018	594,400,000	HUF	6/30/2033
e-Wind	quarterly	542,830,000	HUF	2/27/2013	341,668,377	HUF	11/30/2026
e-Wind	quarterly	52,300,000	HUF	6/12/2015	34,495,744	HUF	11/30/2026
F.SZ. ENERGY	quarterly	1,454,250,000	HUF	3/14/2019	1,092,010,702	HUF	10/2/2034 ⁶
IT-Solar	six-monthly	663,440,065	HUF	9/5/2018	663,440,065	HUF	6/30/2033
Monsolar	six-monthly	663,440,065	HUF	9/5/2018	663,440,065	HUF	6/30/2033
Péberény	quarterly	1,309,468,894	HUF	12/18/2018	1,416,616,115	HUF	9/30/2034 ⁷
Sopron Power Plant	quarterly	500,000,000	HUF	12/7/2018	468,719,942	HUF	9/30/2025
Sunteo Kft	quarterly	5,195,000,000	HUF	5/28/2019	5,195,000,000	HUF	30/09/2026
True Energy	quarterly	1,454,250,000	HUF	3/14/2019	1,116,565,690	HUF	10/2/2034 ⁸

⁶ The indicated date is the expected maturity date. However, this date depends on the starting date of the operation period, but this information is not available as at the date of the Information Memorandum.

⁷ The indicated date is the expected maturity date. However, this date depends on the starting date of the operation period, but this information is not available as at the date of the Information Memorandum.

⁸ The indicated date is the expected maturity date. However, this date depends on the starting date of the operation period, but this information is not available as at the date of the Information Memorandum.

WINDEO	quarterly	7,504,935	EUR	5/24/2012	1,179,867,536	HUF	10/2/2023
Zugló-Therm ⁹	quarterly	430,708,933	HUF	3/31/2018	88,246,367	HUF	6/15/2019

The table below summarizes the outstanding overdraft loans of ALTEO Group as at the day of the present Information Memorandum:

	Loan facility ¹⁰	DNEM	Maturity date
Sopron Power Plant	100,000,000	HUF	11/7/2019
ALTEO	1,100,000,000	HUF	10/4/2019
ALTEO Energiakereskedő	550,000,000	HUF	12/31/2019

In connection with the loan and credit agreements concluded for the purpose of financing their activities, the members of ALTEO Group provided the securities listed below

Company	Designation of the collateral
ALTEO	owner's comfort letter lease fees as sureties, placed by ALTEO-Agria and in connection with certain further payment or capital increase obligations, owner's comfort letter regarding certain payment obligations of E-WIND, general mortgage on a business share of ALTEO on its business share in e-Wind for certain payments obligations of e-Wind, a lien on a business share by ALTEO on its business share in E-WIND for certain payment obligations, a lien on a business share and purchase option by ALTEO on its business share in WINDEO for certain payment obligations of WINDEO, joint and several guarantee for certain payment obligations of WINDEO, mortgage lien on receivables and on bank accounts
ALTEO-Agria	allocation of certain lease fees as sureties
ALTEO-Depónia	purchase option and mortgage lien on movable property, mortgage lien on receivables, mortgage lien on a business share, surety contract on deposits.
ALTEO Energiakereskedő	a lien on claim, surety and lien on bank accounts
e-Wind	lien on receivables, collateral mortgage on property, purchase and preemptive rights with regard to wind turbine and certain equipment, surety, an assignment by way of security on certain receivables
Sopron Power Plant	a lien attached to a business share, a mortgage on real properties, movable properties, a lien on property, a surety and lien on bank accounts, an assignment by way of security and pledges on certain receivables
WINDEO	general lien on property, general mortgage lien and purchase right on real property, general mortgage lien on rights and receivables, general mortgage lien on movables, security on bank account, an assignment by way of security on certain receivables
Zugló-Therm	mortgage lien on real property, mortgage lien on movable property, an assignment by way of security on certain receivables, lien on bank account, lien on assets
Monsolar	mortgage on a business share, mortgage on real property, as well as prohibition of alienation and encumbrance, mortgage on movable

⁹The day of getting into ALTEO Group

¹⁰ Taking account of the loan, the amount of the nominal obligation keeps changing, and so, a certain status does not provide an objective image.

Company	Designation of the collateral
	property, mortgage on receivables, surety and mortgage on bank accounts
IT Solar	mortgage on a business share, mortgage on real property, as well as prohibition of alienation and encumbrance, mortgage on movable property, mortgage on receivables, surety and mortgage on bank accounts
Péberény	purchase option and mortgage on a business share, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on receivables, surety and lien on bank accounts
Domaszék	mortgage on a business share, mortgage on real property, mortgage on movable property, lien on receivables, surety and lien on bank accounts
F.SZ. ENERGY	purchase option and mortgage on a business share, purchase option and mortgage on movable property, a lien on receivables, surety and lien on bank accounts
True Energy	purchase option and mortgage on a business share, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on receivables, surety and lien on bank accounts

16.4 Credit risk rating

The Issuer and the Bonds do not have a credit risk rating.

16.5 Further additional information

In the Information Memorandum where the data were presented we used rounded numbers, on the basis of the general rules for rounding. As a result, there may be differences between the total amount in some rows and the total value of the summary rows.

17 RELEVANT AGREEMENTS

The Company has no knowledge of any substantial contract concluded outside the scope of the general business activity on which basis any member of ALTEO Group would have a liability or an entitlement according to which this fact might have an impact from the point of view of the Company's ability to perform its obligations in respect of the Bonds towards the Investors.

18 THIRD-PARTY INFORMATION, EXPERT STATEMENT AND CONFLICT OF INTEREST STATEMENT

The Information Memorandum does not contain any statement or report of persons contributing in the quality of experts.

During the preparation of the Information Memorandum, exclusively information obtained from the Subsidiaries, the Majority Owner or third parties explicitly indicated in the Information Memorandum was built in. Such information originating from these persons was used accurately and from the information received, no facts were omitted that might lead to inaccuracy or make the information received misleading.

Information originating from third persons were not prepared explicitly for the Issuer, and the Issuer did not confirm or control their contents.

19 DOCUMENTS TO BE VIEWED OR AVAILABLE WITH A REFERENCE, IN BUILT-IN FORMAT

On the Company's website www.alteo.hu the documents (or copies of the documents) can be viewed in the following electronic format:

- (a) [the Company's Charter](#);
- (b) [the Rules of Procedure of the Board of Directors](#);
- (c) [the Rules of Procedure of the Supervisory Board](#);
- (d) [the Rules of Procedure of the Audit Committee](#);
- (e) [The individual, audited, HAS-based reports for the financial years 2010-2017, individual, audited, IFRS-based report of the Company for the financial year 2018, the audited, IFRS-based consolidated report for the financial years 2010-2018](#);
- (f) [The individual, audited, HAS-based reports for the financial years 2013-2016, from among the Company's Subsidiaries, BC-BC-Therm, CIVIS, E-WIND, EXIM, Győr Power Plant, Kazinc-Therm, Ózd Power Plant, Sopron Power Plant, Sinergy, Sinergy Energiakereskedő, Tisza-Therm, Tisza-WTP, VENTEO and VINDEO](#);
- (g) [Annual reports of the Company's Board of Directors for the financial years 2010-2016](#);
- (h) [information compiled by the Company, consisting of a summary approved by PSZÁF with its Resolution KE-III-401/2010 dated October 6, 2010, a registration document and a list of securities](#);
- (i) [a consolidated prospectus approved by PSZÁF with its Resolution KE-III-320/2011 dated June 28, 2011, relating to the bond issue scheme designated as "ALTEO bond scheme for the years 2011-2012"](#);
- (j) [addition No. 1 prepared by the Company to the consolidated prospectus on the bond issue scheme designated as "ALTEO bond scheme for the years 2011-2012" and approved by PSZÁF with its Resolution KE-III-50057/2011 dated November 9, 2011](#);
- (k) [a consolidated prospectus approved by the Central Bank of Hungary with its Resolution H-KE-III-372/2014 dated May 13, 2014, relating to the bond issue scheme designated as "ALTEO bond scheme for the years 2014-2015"](#);
- (l) [addition No. 1 to the consolidated prospectus prepared by the Company on the bond issue scheme designated as "ALTEO bond scheme for the years 2014-2015", approved by the Central Bank of Hungary with its Resolution H-KE-III-387/2014 dated May 29, 2014](#);
- (m) [a consolidated prospectus approved by Central Bank of Hungary with its Resolution H-KE-III-541/2016 dated June 28, 2016](#);
- (n) [addition No. 1 to the consolidated prospectus prepared by the Company and approved by the Central Bank of Hungary with its Resolution H-KE-III-669/2016 dated September 14, 2016](#);
- (o) [addition No. 1 to the consolidated prospectus prepared by the Company and approved by the Central Bank of Hungary with its Resolution H-KE-III-679/2016 dated September 20, 2016](#);

- (p) [consolidated prospectus prepared by the Company and approved by the Central Bank of Hungary with its Resolution •/2017 dated May 29, 2017;](#)
- (q) [Investor Presentation prepared by the Company on the first quarter of 2019](#)

20 RELEVANT INFORMATION

20.1 Interests of natural persons and legal personalities affected by the issue

To the Issuer's knowledge no such interest exists.

20.2 Reasons for the offer and the use of the proceeds

The primary goal of the Bond's issue is the refinancing of the Issuer's bonds maturing in the year 2019 and, by the same, the optimization of the Issuer's capital structure and the maintenance of a safe, diversified financing structure.

20.3 The planned financial cover for obligations based on the bond

The planned financial cover for the payment obligations based on the Bond is provided by the permanent free cash flow generated by the Issuer and available at all times. Furthermore, depending on the Issuer's strategic and growth goals, the Issuer may refinance the payment obligations based on the Bonds prior to their maturity, at the latest.

21 DEFINITIONS

The terms used with capital initials in this Information Memorandum but not separately defined in the text shall have the meaning set out below.

VAT	value added tax in conformity with Act CXXVII of 2007 on Value Added Tax;
Statutes	the Statutes of the Company dated May 13, 2019, in a consolidated structure with amendments;
ALTE-A	ALTE-A Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-901186);
ALTEO-Agria	ALTEO-Agria Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-904433);
ALTEO-Arrabona	ALTEO-Arrabona Vagyonkezelő Korlátolt Felelősségű Társaság, formerly a 100% property of the Issuer, which was merged into Győri Erőmű as of October 31, 2010;
ALTEO Group	the Issuer and the Subsidiaries together;
ALTEO-Depónia	ALTEO-Depónia Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-906261);
ALTEO Energiakereskedő	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-10-047253);
ALTEO-Hidrogáz	ALTEO-Hidrogáz Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-919643);
ALTEO-Sopron	ALTEO-Sopron Vagyonkezelő Korlátolt Felelősségű Társaság, formerly a 100% property of the Issuer, which was merged into Soproni Erőmű as of October 31, 2010;
ALTSOLAR	ALTSOLAR Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-997686), which was merged into ALTEO-Depónia as of October 1, 2018;
Price Decree	Decree of the Minister of National Development no. 50/2011 (XI. 30.) NFM determining the price of distance heating sold to distance heating suppliers, and the fee for distance heating supply for household users and institutions handled separately;
Act on the Rules of Taxation	Act XCII of 2003 on the Rules of Taxation;

Audit Committee	the Issuer's Audit Committee;
Audit Committee Procedure	procedures of the Issuer's Audit Committee effective from March 24, 2017;
BSE or Budapest Stock Exchange	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (registered office: H-1054 Budapest, Szabadság tér 7., Platina Tower, Building I., 4th floor; company registration number: Cg. 01-10-044764);
Balassagyarmati Biogáz	Balassagyarmati Biogáz Erőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-998498);
BC-Therm	BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-887812);
Investor	the person who actually purchases the Bonds;
European Commission	the European Commission, the executive body of the European Union;
CIVIS	CIVIS-BIOGÁZ Szolgáltató Korlátolt Felelősségű Társaság, 100% of which was formerly owned by ALTEO-Depónia (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-938515), which was merged into ALTEO-Depónia as of October 1, 2018;
Clean Energy For All Europeans	revision of the EU's energy policy framework, which entails eight pieces of legislation and/or draft legislation including the RED2 Directive (see: https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans)
Domaszék	Domaszék 2MW Naperőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-278226);
EFET	European Federation of Energy Traders;
EURO GREEN ENERGY	EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-921340);
Commission Guidelines on State Aid for Energy	Guidelines of the European Commission 2014/C 200/01 on State aid for environmental protection and energy 2014-2020;

Energy Efficiency Directive	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC;
Energy Efficiency Act	Act LVII of 2015 on Energy Efficiency;
ETS	The European Union's trading system for emission units (<i>EU Emissions Trading Scheme</i>);
ETS Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC;
EU ETS	The European Union's trading system for emission permits (<i>EU Emissions Trading Scheme</i>);
e-Wind	e-Wind Szélenergetikai Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-733622);
EXIM	EXIM-INVEST BIOGÁZ Ipari és Szolgáltató Korlátolt Felelősségű Társaság, 100% of which was formerly owned by ALTEO-Depónia (registered office prior to sale: H-1131 Budapest, Babér utca 1-5.; company registration number prior to sale: Cg. 01-09-938516), which was sold on August 15, 2018;
Supervisory Board	the Issuer's Supervisory Board;
Supervisory Board Procedures	procedures of the Issuer's Supervisory Board effective from March 26, 2010;
Distributor	OTP Bank Nyrt. (registered office: H-1051 Budapest, Nádor utca 16.; company registration number: Cg. 01-10-041585);
Natural Gas Retail SMP Resolution	Resolution no. 358/2010 of the HEA dated May 28, 2010, on a market analysis and investigation of significant market power in the markets of natural gas retail trade and identifying licensees with significant market powers based on the market analysis conducted, and imposing obligations on them;
Natural Gas Wholesale SMP Resolution	Resolution no. 112/2010 of the HEA dated March 1, 2010, on a market analysis and investigation of significant market power in the natural gas wholesale market;
HUF or forint	the Hungarian forint, the legal tender of Hungary;
F.SZ ENERGIA	F.SZ ENERGIA Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-328112);

Gas Supply Act	Act XL of 2008 on Natural Gas Supply;
Implementing Decree for the Gas Supply Act	Government Decree no. 19/2009 (I. 30.) on the implementation of the Gas Supply Act;
Győr Power Plant	Győri Erőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-9027 Győr, Kandó Kálmán utca 11-13.; company registration number: Cg. 08-09-019413);
HIDROGÁZ	HIDROGÁZ Energiatermelő Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-863661);
HUPX	the organized Hungarian electricity market operated by HUPX Zrt.;
IFRS	International Financial Reporting Standards;
Board of Directors	the Issuer's Board of Directors;
Board Procedures	procedures of the Issuer's Board of Directors effective from September 14, 2010;
IT-Solar	IT-Solar Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-291869);
KÁT	the electricity taking-over system based on the rules set out in the Electricity Act, the Implementing Decree for the Electricity Act and Government Decree no. 389/2007 (XII. 23.) on the obligatory dispatch and purchase of electricity generated from waste or from renewable energy sources and co-generated electricity;
Information Memorandum	this Hungarian language document prepared in conformity with Section 8(1) of the Bond Decree for the purpose of the Private Placement of Bonds;
Subscription List	a statement made by the Investor in the form set out in Annex no. 2 to this Information Memorandum, assuming an obligation to subscribe to the Bonds;
KÁT Decree	Government Decree no. 389/2007 (XII. 23.) on the obligatory dispatch and purchase of electricity generated from waste or from renewable energy sources and co-generated electricity (repealed as of February 1, 2014);
Kazinc-BioEnergy	Kazinc-BioEnergy Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-996064);

Kazinc-Therm	Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 05-09-009234);
KELER	KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (registered office: H-1074 Budapest, Rákóczi út 70-72.; company registration number: Cg. 01-10-042346);
Issuer or Company	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-10-045985);
Retail SMP Decision	Decision no. 114/2009 of the HEA dated in April 2009, imposing obligations on licensees identified as having significant market power based on the market analysis conducted in electricity retail markets;
Bonds	registered dematerialized securities embodying the Issuer's liability (credit relationship) with a face value of HUF 10,000 to be issued in the framework of the Private Offering, named ALTEO 2022/II;
Bond Decree	Government Decree no. 285/2001 (XII. 26.) (or any other piece of legislation amending or replacing it);
General Meeting	the Issuer's General Meeting;
Subsidiaries or Subsidiary	all or any of the following companies owned by the Company: ALTE-A; ALTEO-Agria; ALTEO-Depónia; ALTEO Energiakereskedő; ALTEO-Hidrogáz; Balassagyarmati Biogáz; BC-Therm; Domaszék; EURO GREEN ENERGY; e-Wind; F.SZ. ENERGIA; Győri Erőmű; HIDROGÁZ; IT-Solar; Kazinc-BioEnergy; Kazinc-Therm; Monsolar; Ózdi Erőmű; Péberény; Sinergy; Sinergy Energiakereskedő; Soproni Erőmű; SUNTEO; Tisza-BioEnergy; Tisza BioTerm; Tisza-Therm;

	Tisza-WTP; True Energy; WINDEO; and Zugló-Therm;
MAVIR	a MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság (registered office: H-1031 Budapest, Anikó utca 4.; company registration number: Cg. 01-10-044470);
HEA	the Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
METÁR	obligatory system of taking over thermal energy and electricity generated out of renewable and alternative sources;
METÁR Amendment	Act LXXXVI of 2007 on Electricity, and Act LXXXII of 2016 amending Act XXIX of 2011 Amending Legislation on Energy;
METÁR Decree	Government Decree no. 165/2016 (VI. 23.) on the subsidies for the obligatory dispatch and premium type purchase of electricity generated from renewable sources;
Monsolar	Monsolar Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-291864);
HNB	the Hungarian National Bank;
Amendment Act	Act XXIX of 2011 Amending Legislation on Energy;
HAS	the Hungarian Accounting Standards;
Wholesale SMP Resolution	Decision no. 747/2011 of the HEA dated in October 14, 2011, imposing obligations on licensees having significant market power based on the market analysis conducted in electricity wholesale markets;
NTCA	the National Tax and Customs Authority;
National Action Plan	Hungary's action plan for the utilization of renewable energy on the development of the consumption of renewable sources up to 2020, Ministry of National Development, December 2010;
National Climate Change Strategy	Hungary's second National Climate Change Strategy for 2018 to 2030 offering an outlook up to 2050, adopted by the Parliament in Parliament Decision no. 23/2018 (X. 31.) OGY;
Ózd Power Plant	Ózdi Erőmű Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-3700 Kazincbarcika, Gorkij utca 1.; company registration number: Cg. 05-09-012217);

Paris Agreement	the international agreement adopted in the framework of the 21st conference of conference of the States Parties to the United Nations Framework Convention on Climate Change held in Paris between November 30 and December 11, 2015, ratified by the European Union on October 5, 2016;
Péberény	Péberény Ingatlanhasznosító Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-190766);
HFSA	the Hungarian Financial Supervisory Authority;
Civil Code	Act V of 2013 on the Civil Code;
RED Directive	Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC;
RED2 Directive	Directive (EU) 2018/2001 of the European Parliament and of the Council of December 11, 2018 on the promotion of the use of energy from renewable sources;
REMIT Regulation	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of October 25, 2011 on wholesale energy market integrity and transparency;
Grid SMP Resolution	Resolution no. 727/2008 of the HEA dated June 30, 2008, identifying licensees with significant market powers in the markets of capacities and energy purchased in order to provide system level services, and imposing obligations on them;
Old KÁT Allocation Decree	Decree of the Minister for National Development no. 63/2013 (X. 29.) NFM on the method of distribution of electricity subject to obligatory dispatch by the transmission system operator and of determining the prices that may be applied in distribution;
Shares or Share	all or any of the series 'A' registered dematerialized ordinary shares issued by the Issuer at any time, each with a face value of HUF 12.5 (both in the ALTEO and the ALTEO/NODIV series);
Sinergy	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-680396);

Sinergy Group	Sinergy and the following Subsidiaries directly owned by Sinergy up until October 1, 2018 together: Balassagyarmati Biogáz; BC-Therm; Kazinc-BioEnergy; Kazinc-Therm; Ózdi Erőmű; Sinergy Energiakereskedő; Tisza-BioEnergy; Tisza BioTerm; Tisza-Therm; Tisza-WTP; and Zugló-Therm;
Sinergy Energiakereskedő	Sinergy Energiakereskedő Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-178667);
Sopron Power Plant	Soproni Erőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: 9400 Sopron, Somfalvi u. 3.; company registration number: Cg. 08-09-019412);
SUNTEO	SUNTEO Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-997687);
Control Center	Sinergy Energiakereskedő's activity, in the framework of which it organizes certain electricity generator units of the ALTEO Group in a system operation unit;
Accounting Act	Act C of 2000 on Accounting;
Subsidy Decree	Decree of the Minister of National Development no. 51/2011 (XI. 30.) NFM on distance heating service subsidies;
Tisza-BioEnergy	Tisza-BioEnergy Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-996062);
Tisza BioTerm	Tisza-BioTerm Korlátolt Felelősségű Társaság, 60% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-965041);
Tisza-Therm	Tisza-Therm Fűtőerőmű Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-3580 Tiszaújváros, Tisza út 1/D.; company registration number: Cg. 05-09-009230);
Tisza-WTP	Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-3580 Tiszaújváros, Ipartelep 2069/3.; company registration number: Cg. 05-09-009864);

Majority Shareholder	WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (registered office: 1055 Budapest, Honvéd u. 20.; company registration number: Cg. 01-10-046529);
Capital Markets Act	Act CXX of 2001 on Capital Markets;
True Energy	True Energy Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-328856);
Distance Heating Act	Act XVIII of 2005 on Distance Heating;
Shareholder Group	the aggregate of business companies controlled directly or indirectly, via another company, by the Ultimate Private Individual Shareholder, whether independently or jointly, in which respect control shall mean exercising more than 50% of voting rights in the main bodies of the business companies, and the right to appoint the majority of executive officers and members of the Supervisory Board;
New KÁT Allocation Decree	Decree of the Minister of National Development no. 63/2016 (XII. 28.) NFM laying down the detailed rules for determining the extent and payment of liquid assets required for financing the operating subsidy for energy generated out of renewable resources and waste;
Recent METÁR Amendment	Government Decree no. 393/2016 (XII. 5.) amending certain Government Decrees on energy efficiency and operating subsidies for electricity generated out of renewable sources;
New METÁR Decree	Government Decree no. 299/2017 (X. 17.) on the subsidies for the obligatory dispatch and premium type purchase of electricity generated from renewable sources;
Greenhouse Gas Act	Act XV of 2005 on the Trading in Emission Allowances of Greenhouse Gases;
Ultimate Private Individual Shareholder	Tibor Veres;
VENTEO	VENTEO Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-897425), which was merged into WINDEO as of October 1, 2018;
Electricity Act	Act LXXXVI of 2007 on Electricity;
Implementing Decree for the Electricity Act	Government Decree no. 273/2007 (X. 19.) on the implementation of the Electricity Act;
WINDEO	WINDEO Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-899444);

**Management Profit
and Loss Statement**

statements produced for the company management that are not strictly in keeping with the statements produced in conformity with IFRS/Hungarian Accounting Act;

Zugló-Therm

Zugló-Therm Korlátolt Felelősségű Társaság, 100% of which is owned by the Issuer (registered office: H-1131 Budapest, Babér utca 1-5.; company registration number: Cg. 01-09-717404);

Private Offering

sale of the Bonds in the framework of a private offering procedure under the Capital Markets Act.

ANNEX 1

Sample of the text of the Bond

Document on the dematerialized bond

1. Data on the issuer:

Full name:	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
Short name:	ALTEO Nyrt.
Address:	Hungary, H-1131 Budapest, Babér u. 1-5.
Company registration number:	Cg. 01-10-045985
Tax number:	14292615-2-41
Amount of share capital:	HUF 235 012 625.00
Data of the Document's signatory:	
the name of the first signatory:	Attila László Chikán
basis for the right of representation (position)	CEO
name of the second signatory	Domonkos Kovács
basis for the right of representation (position)	Deputy CEO, M&A and capital markets

2. Data related to the tranche:

Date of the decision on the issue of a tranche:	May 29, 2019
Decision on the issue of a tranche	Resolution of the Board of Directors 1/2019 (V. 29.)
Tranche number:	1
Face value items in the tranche:	168,699
Total face value of the tranche:	HUF 1 686 990 000
Value date related to the tranche:	June 7, 2019.
Total issues to date, face value items	0

3. Data on the series as a whole:

Designation of the series:	ALTEO 2022/II
Letter and code of the series:	ALTEO22II
ISIN identifier:	HU0000359005
Type of series:	registered
Face value and currency:	HUF 10,000
Face value items in series, total	[*] number
Total face value of the series:	[*] HUF
Place of the issue:	Hungary
Placing on the market:	Hungary
Method of placing on the market	private
Date of the Issue (the value date of the first issue):	June 7, 2019
Maturity date:	June 7, 2022.
Bond term:	June 7, 2019 – June 7, 2022
Interest-bearing:	Zero coupon bond, pays face value upon maturity

Redemption (repayment) dates and the face value of the related current capital value:

Lump sum, on the day of the maturity, payable on the day of June 7, 2022. The principal will be paid on the due date or, if it is not a banking Workday, on the following banking Workday, by bank transfer to the bank account specified by the Investor or the respective bondholder.

In the Bond Terms, a **Workday** means a day which is both:

- (i) a day when commercial banks perform payment operations and are open for general business in Budapest; and
- (ii) a day when KELER performs money transfers and securities transfers.

Terms of redemption (repayment):

The redemption due is paid to the bondholder qualifying as a bondholder on the reporting date of a given maturity.

Description of transfer arrangement related to the series:

There are no transfer limitations regarding the series .

Commitments ensuring the repayment of the bond amount and the payment of interests:

For carrying out the obligations based on the bond, the Issuer assumes liability and provides a guarantee with all its assets and future profits.

Purpose of the Bond's issue:

The primary goal of the Bond's issue is the refinancing of the Issuer's bonds "ALTEO 2019/I" expiring in the year 2019. A portion of the funds raised by the Company from the issue of the Bonds will be used for the repurchase of the "ALTEO 2019/I" bonds (ISIN identifier HU0000355144), on the day of the private placement of the Bonds. In addition, the funds raised will be used partially for the purpose of financing investments into energy projects, as well as corporate financing purposes.

4. Further information to be indicated by the Issuer on the deed:

The present Deed does not qualify as a security.

Place where the Deed is produced: Budapest

Date when the Deed was produced: 2019. [*]

on behalf of ALTEO Nyrt.

Attila Chikán, Jr.
Member of the Board of Directors

Domonkos Kovács
Member of the Board of Directors

ANNEX 2:

Specimen of the subscription sheet¹¹

prepared in relation to the private placement of the bonds to be issued by ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1131 Budapest, Babér u. 1–5.; company registration number: 01-10-045985; hereinafter: “**Issuer**”), with the designation ALTEO 2022/II, to the total face value of maximum HUF 1,689,430,000, with the maturity date set on June 7, 2022, the ISIN identifier HU0000359005, registered, zero coupon bonds (“**Bonds**”).

The terms displayed with capital letters on the present subscription sheet shall have the same meaning as the terms used in the Information Memorandum (hereinafter: “**Information Memorandum**”) prepared on May 29, 2019, except if from the context a different conclusion follows or a special reference was made about any different interpretation. In respect of the present subscription sheet, the provisions of the Information Memorandum are applicable appropriately.

Subscription day:	On June 6, 2019, from 09:00 AM to 12:00 AM;
Place of subscription:	OTP Bank Nyrt, as Distributor, Treasury Back Office Department H-1131 Budapest, Babér utca 9. Email address: treasurybackofficesec@otpbank.hu
Name of the investor who is a bond subscriber (Bond Subscriber):	
Registered office:	
Classification:	resident legal person
Company registration number	
Tax number:	
Bank account number, account manager of the Bond Subscriber:	
Securities account number, account manager of the Bond Subscriber:	
Name, ID number of a representative/ proxy	
Address / registered office of the representative/ proxy:	
Telephone number:	
Email address:	
Private placement price of the Bonds (price to the Bond’s face value):	88.9158 per cent
Number of the subscribed bonds: bonds, that is Bonds with a basic denomination of HUF 10,000 HUF / bond
Consideration for the subscribed bonds: HUF, i.e.forints

¹¹ Please print in block letters.

By signing the present subscription sheet, the Bond Subscriber takes an irrevocable commitment to acquire the ownership of the number of Bonds specified as above, in accordance with the provisions included in the Information Memorandum.

By signing the present subscription sheet, the Bond Subscriber takes knowledge that the acceptance of the present subscription can be accepted partially (up to a determined amount) and this subscription is valid only if the related consideration to be paid was transferred simultaneously with the submission of the subscription sheet, but not later than 10:00 AM on the day of June 7, 2019, with a cash transfer, and credited to the segregated deposit account 11794008-24019583, managed by OTP Bank Nyrt., as specified in the Information Memorandum.

By signing the present subscription sheet, the Bond Subscriber takes knowledge that making acquaintance with the Information Memorandum is not his/her/its task and it is his/her/its responsibility, furthermore also declares that the proposal under the subscription sheet was made in the knowledge of the contents of the Information Memorandum, and exclusively based on his/her/its decision, furthermore, subsequent to the submission of the subscription sheet in line with the provisions of the Information Memorandum cannot be withdrawn.

By signing the present subscription sheet, the Bond Subscriber takes knowledge that in connection with the subscription of the Bond, the Issuer, the Bond, the contents of the Information Memorandum OTP Bank Nyrt, as Distributor has no responsibility at all. In the case of any claim for compensation, the Bond Subscriber is entitled to act solely and exclusively against the Issuer.

Data of the Bond Subscriber indicated in the present subscription sheet shall be certified, in the case of a subscription personally with an original copy of the specimen signature or a sample signature, furthermore, by presenting their official identity card, presented to the Distributor.

By signing the present subscription sheet, the Bond Subscriber declares and warrants that there is no restriction in the applicable law, by a authority / court order, or in the distribution documentation, under which the securities could not be acquired and held, and the Bond Subscriber has all the necessary legal and regulatory rights to act or has the power of attorney necessary for the acquisition and possession of the security in question.

The Bond Subscriber declares to be a qualified investor under Act CXXXVIII of 2007 on Investment Undertakings and Commodities Exchange Operators, as well as under the provisions of the MiFID Directive.

By signing the present subscription sheet, the Bond Subscriber agrees to transfer the data included in the present subscription sheet/ the personal data to OTP Bank Nyrt, the Issuer or the affiliated companies for the purpose of using these data in connection with the private placement of the Bonds, for the implementation of the tasks and obligations specified in the Capital Market Act. The Bond Subscriber declares that the representative or proxy indicated on the present subscription sheet received appropriate information on the transfer of the data, is entitled to transfer those data and takes knowledge that if such information was not provided, the Bond Subscriber bears responsibility to OTP Bank Nyrt.

The Bond Subscriber declares that the data submitted in the present declaration are accurate, furthermore, takes knowledge that if inaccurate data were submitted, that statement may be null and void.

Date: Budapest, on the day of June 6, 2019.

Dated:, (year) (month) (day)

.....

(official signature)