Separate Financial Statements

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the business year ended on December 31, 2020
in accordance with the International Financial Reporting Standards
as adopted by the EU

Independent Auditor's Report

ALTEO Consolidated Financial Statements

Management Report and Analysis

Issue date of Independent Auditor's Report:
26th March, 2021
Approval date of the Board of Directors within the competence of the General Meeting: 19th April, 2021

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Independent Auditor's Report

to the Shareholders of ALTEO Nyrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ALTEO Nyrt. (the „Company") for the year 2020 which comprise the statement of financial position as at December 31, 2020 – which shows an equal amount of total assets and total liabilities of **HUF 27 632 775 thousands** –, and the related statement of recognized income, statement of other comprehensive income (which shows a net profit for the year of **HUF 266 918 thousands**), statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ALTEO Nyrt. as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: "the Accounting Act") relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for the opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other issues

The Company's financial statements for 2019 were audited by an other auditor, who issued an unqualified audit opinion in the auditor's report dated on 26 March 2020.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Valuation of long-term investments in subsidiaries Refer to Notes V.11. in the financial statements	
The Company owns several subsidiaries and presents investments in a value of Thousand HUF 10,496,007 in the balance sheet under the category of Long-term investments in subsidiaries. As required by the applicable accounting standards, the management prepares regularly (at least annually) impairment tests to assess whether there is need for recording impairment on investments. The Company has valued its investments based on the future expected cash flows and the shareholders' equity values of the subsidiaries. The impairment test is dependent on certain assumptions, which bear uncertainty, thus the value of investments may change in parallel with the change of influencing factors.	Our audit procedures regarding the valuation of long-term investments were as follows. We have checked current year's additions and disposals of long-term investments by reconciling them to the relating supporting documents. In course of our audit procedures relating to the valuation of investments we have assessed the management's valuation and compared the data and methodology used to the audited financial data of the subsidiaries as well as to available relevant external information. We have checked the appropriateness of the value of subsidiaries estimated by the management by critically challenging the reasonableness and validity of the calculation method and the key assumptions used. In course of our audit we have analysed the future projected cash flows used in the model to determine whether they are reasonable and supportable for estimating expected future performance of the investment. We have compared the projected cash flows and growth rates to historical performance to evaluate the accuracy of management's projections. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition Refer to Notes V.1. in the financial statements	
Revenue is an important measure used to evaluate the performance of the Company. As a consequence, it needs to be ensured that the revenue in the financial statements is real, accurate and refers to the current year. Revenue from sales transactions is recognized as of the performance date based on the terms of the delivery contracts. In case of energy industry projects the Company applies percentage of completion method for the recognition of revenues. In this case the recorded revenues correspond to the actual stage of completion; the presented profit or loss is in line with the actual percentage of completion.	Our audit work supporting the revenue recognition included the following substantive audit procedures. Existence and accuracy of sales revenue have been tested on a sample basis and the items selected have been reconciled to turnover confirmation letters as well as source documents (invoice, contract, certificate of performance). We have tested regarding the last revenue invoices before and the first ones after the balance sheet date of 31 December 2020 whether they were recorded in the correct period (accuracy of prepaid or deferred income). Also, we have tested the credit notes issued after the above balance sheet date in order to ensure that they did not refer to sales revenue recognized in the financial year of 2020. With regards to the energy industry project contracts we have reviewed the accuracy and existence of the revenue recognition based on the stage of completion accounting. We have tested manual journal entries regarding revenues in order to identify unusual items outside of the normal course of business and reviewed the audit evidences supporting the items selected. We have applied analytical review procedures as well for analysing sales turnover. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Other information

Other information comprises the information included in the business report of ALTEO Nyrt. for 2020, which we obtained prior to the date of this auditor's report, and the integrated report, which is expected to be made available to us after that date. Management is responsible for the other information and for the preparation of the business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the other information is materially misstated we are required to report this fact and the nature of the misstatement.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the business report also include reviewing the business report to assess whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the business report.

In our opinion, the business report of ALTEO Nyrt. for 2020 corresponds to the financial statements of ALTEO Nyrt. for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided. As there is no other regulation prescribing further requirements for the Company's business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the business report therefore we have nothing to report in this respect.

When we read the sections of the annual report which had not yet been made available to us at the date of this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

The auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of ALTEO Nyrt. by the General Meeting of Shareholders on 30 April 2020 and our engagement has been lasting since our appointment without interruption.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of ALTEO Nyrt., which we issued on 26 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the ALTEO Nyrt. and its controlled undertakings and which have not been disclosed in the financial statements or in the business report.

The engagement partners on the audit resulting in this independent auditor’s report are the signatories of the report.

Budapest, 26 March 2021

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

András Schillinger
Director

Péter Kékesi
Certified Auditor
Chamber registration No.:
007128

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

Separate Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the fiscal year ended on December 31, 2020
in accordance with the International Financial Reporting Standards
as adopted by the EU

Table of Contents

The financial statements consist of 85 pages.

Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Asset Retirement Obligation
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary
BoD	Board of Directors
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate – BUBOR
Capital Market Act	Act CXX of 2001 on the Capital Market
CDO	Chief Decision Officer
CGU	Cash-generating Unit
Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization (typically: impairment)
Electricity Act	Act LXXXVI of 2007 – on electricity;
EPS	Earnings per Share
EUA	European Emission Allowances
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office)
HTM	Financial instruments held to maturity
HUDEX	Hungarian Derivative Energy Exchange. HUDEX was founded by HUPX Zrt. in order to comply with the new legal provision that the derivatives of gas and electricity traded on the HUPX and CEEGEX futures platforms are to be considered as financial assets.
HUPX	Electricity market organized by the power exchange - a trading system facilitating regional electricity trade operated by the organized electric power licensee (HUPX Zrt)
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
KÁT	Electric power offtake system based on the provisions of the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII.23.) on the mandatory reception and reception price of electricity produced from renewable energy sources or waste and cogenerated electricity
KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
METÁR	obligatory system of taking over heat energy and electricity generated out of renewable and alternative sources
O&M	Operation and Maintenance contract
PM	Ministry of Finances
SB	Supervisory Board

I Numeric reports of the Financial Statements

ALTEO Nyrt.
Statement of income
and statement of other comprehensive income
Period: 1/1/2020-12/31/2020

(Negative values are denoted by parentheses.)	**Note**	**2020 12 months data in HUF thousand**	**2019 12 months data in HUF thousand**
Revenues	**1.**	**13 725 724**	**10 103 159**
Material expenses*	2.	(8 912 854)	(6 177 439)
Personnel expenses**	3.	(3 767 469)	(3 058 849)
Depreciation and amortization	4.	(352 643)	(232 565)
Capitalized own production***	5.	96 033	94 372
Other revenues, expenses, net	6.	(74 689)	(204 057)
Operating profit or loss		**714 102**	**524 621**
			-
Income from financial transactions	7.	437 920	278 314
Expenses from financial transactions	7.	(701 877)	(456 012)
Profit or loss on financial transactions (-)	7.	(263 957)	(177 698)
Profit or loss before taxes		**450 145**	**346 923**
Income taxes	8.	(183 227)	(172 360)
Net profit or loss		**266 918**	**174 563**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position*

Other comprehensive income

Data in HUF thousand (Negative values are denoted by parentheses.)	**Note**	**2020 12 months**	**2019 12 months**
Other comprehensive income (after income tax)	**21.**	-	**-**
Other comprehensive income from cash flow hedges	21.	-	-
Reclassification of other comprehensive income from cash flow hedges into profit/loss	21.	-	-
Comprehensive income		**266 918**	**174 563**

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

ALTEO Nyrt.
Statement of financial position
for December 31, 2020

Assets

(Negative values are denoted by parentheses.)	Note	12/31/2020 HUF thousand	12/31/2019 HUF thousand
Non-current assets		**18 868 492**	**17 375 644**
Property, plant and equipment	9.	902 154	994 897
Other non-production plant and equipment	9.	81 251	55 422
Other intangible assets	9.	176 524	153 545
R&D	9.	332 880	353 097
Rights of use	9.	228 884	131 874
Deferred tax assets	12.	-	-
Long-term loans given	10.	6 650 692	12 728 952
Lease assets - due in more than 1 year	13.	-	104 376
Long-term share in subsidiary	11.	10 496 007	2 853 383
Long-term participation in associate	11.	100	100
Current assets and assets held for sale		**8 764 283**	**7 634 177**
Inventories	14.	402 818	251 222
Trade receivables	15.	2 745 795	3 315 563
Part of lease asset liabilities due within the year	13.	128 949	131 926
Other short-term receivables and accruals	16.	2 408 162	1 599 126
Cash and cash equivalents	18.	3 078 559	2 336 340
Income tax receivables	16.	-	-
TOTAL ASSETS		**27 632 775**	**25 009 821**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position*

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2020

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	12/31/2020 HUF thousand	12/31/2019 HUF thousand
Equity		**8 510 896**	**8 151 120**
Issued capital	19.	232 972	232 948
Share premium	19.	5 221 391	5 092 255
Retained earnings	19.	3 390 685	3 123 766
Share-based payments reserve	22.	62 819	68 398
Transactions with owners	20.	(396 971)	(366 247)
Long-term liabilities		**15 816 688**	**11 842 230**
Long-term loans and borrowings	26.	-	2 500
Debts on the issue of bonds	25.	14 889 000	10 909 019
Deferred tax liabilities	12.	47 838	44 414
Provisions	24.	15 500	15 500
Deferred income	28.	397 240	446 310
Lease liabilities - long	27.	147 099	79 937
Other long-term liabilities	26.	320 011	344 550
Short-term liabilities		**3 305 191**	**5 016 471**
Short-term loans and borrowings	26.	-	-
Short-term bond payables	25.	68 926	2 215 114
Advances received	32.	46 500	497 963
Trade payables	30.	613 493	372 736
Lease liabilities - short	27.	88 759	54 296
Other short-term liabilities and accruals	31.	2 407 298	1 874 679
Income tax liabilities	33.	80 215	1 683
TOTAL EQUITY and LIABILITIES		**27 632 775**	**25 009 821**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position*

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

ALTEO Nyrt.
Statement of Changes in Equity
for the period ended on December 31, 2020

Data in HUF thousand	Issued capital	Share premium	Retained earnings	Share-based payments reserve	Transactions with owners	Cash flow hedge reserve	Total equity
2019.01.01	**195 314**	**3 116 887**	**3 184 617**	**92 690**	**(360 120)**	**-**	**6 229 388**
Implementation of employee share ownership program (2018 benefits)	166	8 784		(8 950)			-
Private placement	37 313	1 954 303					1 991 616
Purchase of own shares	(114)				(6 127)		(6 241)
Dividend payment			(250 068)				(250 068)
Employee Share Ownership Program implementation	269	9 944					10 213
Employee Share Ownership Program lapse		2 338	14 654	(16 992)			-
Share-based benefits				1 650			1 650
Comprehensive income in the period			174 563				174 563
2019.12.31	**232 948**	**5 092 255**	**3 123 766**	**68 398**	**(366 247)**	**-**	**8 151 120**
Implementation of employee share award program	24	1 626		(1 650)			-
Purchase of own shares	(452)			(3 929)	(30 724)		(35 105)
Exercise of Employee Share Ownership Program	452	20 638	1				21 091
Employee Share Ownership Program implementation							-
Share-based benefits		106 872					106 872
Comprehensive income in the period			266 918				266 918
2020.12.31	**232 972**	**5 221 391**	**3 390 685**	**62 819**	**(396 971)**	**-**	**8 510 896**

The Equity correlation table required as part of Section 114/B of the Accounting Act is presented in Note 23.

The notes constitute an integral part of the financial statements.

ALTEO Nyrt.
Statement of Cash Flows
Period: 1/1/2020-12/31/2020

	Note	12/31/2020 HUF thousand	12/31/2019 HUF thousand
Profit or loss before taxes		**450 145**	**346 923**
Interest income and interest expenses, net	7.	163 784	90 921
Dividend received	7.	(8 560)	-
Unrealized exchange rate differences	7.	(2 387)	-
Depreciation	4.	352 643	232 565
Scrapping of production and other machinery	9.	35 279	
Recognition of impairment	6.	272 027	128 921
Provisions recognized and released	6.	-	-
Changes in deferred income	28.	(49 070)	446 310
Exchange rate effect of other comprehensive income	19.	-	(1)
Share-based payment cost	19.	(5 579)	(24 292)
Changes in deferred tax	31.	3 424	19 602
Profit or loss on derecognizing fixed assets	6.	508	558
Net cash-flow of business activity without change in current assets		***1 212 214***	***1 241 507***
Change in inventories	14.	(172 357)	(104 272)
Change in trade receivables, other receivables, accrued income and deferred charges	15.	(1 765 880)	(301 651)
Change in other financial assets	16.	107 353	282 306
Change in trade payables, other liabilities, accrued expenses and deferred income	30.	801 908	(786 154)
Change in advances received	32.	(451 463)	133 233
Change in net current assets		***(1 480 439)***	***(776 538)***
Operating cash flow before taxes		**(268 225)**	**182 016**
Income taxes		*(183 227)*	*(172 360)*
Cash generated / (used) in operating activity		**(451 452)**	**9 656**
Interests received on deposits and investments	7.	401 323	192 031
Purchase of production and other machinery, and intangible assets	9.	(330 502)	(581 796)
Investment in acquiring businesses (net of cash)	11.	(5 142 889)	(9 000)
Revenue from the sale of production and other machinery, and intangible assets	7.	209	1
Long-term loans given - disbursement	10.	(1 274 615)	(15 466 605)
Long-term loans given - repayment	10.	6 017 760	5 442 473
Cash generated / (used) in investment activities		**(328 715)**	**(10 422 896)**
Interest paid	7.	(369 188)	(282 952)
Long term loans borrowed and bonds issued	25.	3 904 710	10 661 668
Long term loans and bonds repaid	26.	(2 152 500)	(1 013 426)
Change in leases		0	
Capital increase/decrease	9.	129 160	2 013 003
Effect of the merger by absorption on capital		-	-
Other transactions with owners	20.	(30 724)	(6 127)
Dividend received	7.	8 560	
Dividend payment	7.	-	(250 069)
Cash generated / (used) in financing activities		**1 490 018**	**11 405 049**
Changes in cash and cash equivalents		**709 851**	**991 809**
Opening cash and cash equivalents	18.	2 336 340	1 344 530
Cash exchange gains/losses	7.	2 387	1
Closing cash and cash equivalents	18.	**3 048 578**	**2 336 340**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position*

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

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

II.1 Statement of IFRS compliance

ALTEO Energiaszolgáltató Nyrt. (the "Company") declares that its separate Financial Statements for the year 2020 were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation of the Company as an issuer, as well as of its profit and loss. Furthermore, the Company declares that its separate Financial Statements for the year 2020 provide a true and fair view of the situation, development and performance of the issuer, outlining main risks and uncertainties.

II.2 Introduction to ALTEO Nyrt.

ALTEO Nyrt. is a Hungarian-owned energy service and trading company with a modern outlook. The scope of our business activity covers renewable and natural gas energy production, energy trade and bespoke energy services and development for companies. We provide our customers with a reliable and environmentally responsible energy supply based on the sustainable use of renewable energy.

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

The shares of the company, admitted to the Budapest Stock Exchange in 2010, have been listed on the Equities Prime Market of the BSE since 2018, but ALTEO is a member of the Hungarian stock exchange through its corporate bonds as well.

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

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

In 2020 the Company continued with its investment and acquisition activities. As a result, another 15 MW was added to the renewables power plant portfolio through the acquisition of a wind farm, and the 18 MW capacity expansion project related to the natural gas power plants controlled by the control center was also commissioned.

Under the Bond Funding for Growth Scheme of the Central Bank of Hungary, a successful bond issue of HUF 3.8 billion (Alteo NKP1/2031) was implemented in October 2020. Through this, the Group increased the maturity of its debt portfolio, which is aligned to the payback period typical in the energy sector.

II.3 Basic information of ALTEO Nyrt.

The Company was founded on April 28, 2008 as a private limited company for an indefinite period of time. The legal form was changed to public limited company as of September 6, 2010 and the company was listed on the Budapest Stock Exchange.

Basic information of ALTEO Nyrt.	
The Company's name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company's abbreviated name	ALTEO Nyrt.
Registered office and center of operations of the Company	H-1131 Budapest, Babér u. 1-5.
The Company's telephone number	+36 1 236 8050
The Company's central electronic mailing address	info@alteo.hu
The Company's web address:	www.alteo.hu
The Company's place of registration, date of registration:	Budapest April 28, 2008
Company registration number	Cg.01-10-045985
The Company's tax number:	14292615-2-41
The Company's EU VAT number:	HU14292615
The Company's statistical code:	14292615-7112-114-01
Term of the Company's operation	indefinite
The Company's legal form	public limited company
Registered core activity of the Company	Engineering activities and related technical consultancy (Hungarian NACE 7112'08)
Governing law	Hungarian
The Company's share capital	HUF 242,328,425
Date of the effective Articles of Association	September 2, 2019

Ownership structure of the Company

The majority shareholder of the Company is Wallis Asset Management Zártkörűen Működő Részvénytársaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529). The Company's ultimate parent company as at December 31, 2020 was WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-09-925865). The shareholders of this entity are all private individuals. Ownership structure of ALTEO Nyrt. based on the share register as at December 31, 2020:

Present shareholders of the Company based on the share register on 12/31/2020	Face value (HUF thousand)		Ownership ratio (%)	
	2020	2019	2020	2019
Wallis Asset Management Zrt. and its subsidiaries	154 789	154 789	63,88%	63,88%
Members of the Board of Directors, the Supervisory Board and the Executive Board*	7 716	7 553	3,18%	3,12%
Own shares**	9 357	9 380	3,86%	3,87%
Free float	70 466	70 606	29,08%	29,13%
TOTAL	**242 328**	**242 328**	**100,00%**	**100,00%**

* Including the property of direct relatives and controlled companies as well
** Excluded from the face value in circulation

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2020 (on December 30) was HUF 930, which is 10% higher than the same value in the last year (HUF 844). In the course of the year 2,094,315 shares were exchanged at the BSE, in the value of HUF 1,688 million.

Scopes of consolidation

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

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

II.4 The basis for preparation of the financial statements

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

These Financial Statements were prepared in accordance with Act C of 2000 on Accounting ("Accounting Act") as currently in force. In accordance with the Accounting Act's rules for the preparation of IFRS financial statements, the International Financial Reporting Standard ("IFRS") established by the International Accounting Standards Board ("IASB"), as endorsed by the European Union, applies. Where an IFRS does not provide detailed guidelines for certain rules but the Accounting Act has such rules, the provisions of the Accounting Act shall be applied.

Besides the above the Company prepared the financial statements considering the provisions of Decree no. 24/2008 (VIII.15.) of the Minister of Finance on the detailed regulations on information obligation in connection with the securities trade on the stock exchange.

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

Going concern requirement

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

Critical accounting assumptions and estimates

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

Preparation, approval and publication of the financial statements

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

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

The Company's places of disclosure

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

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

The person commissioned to control and lead the auditing tasks is Anita Magdolna Lénárt (registration number: 186427).

II.5 Key elements of the accounting policy

Presentation of the separate financial statements

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

- separate statement of financial position;
- separate statement of income;
- separate statement of other comprehensive income;
- separate statement of changes in equity;
- separate statement of cash flows;

- notes to the separate financial statements.

The Company has decided to present the separate statement of income and other comprehensive income in separate statements.

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

Currency of presentation of the financial statements

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

Currency	12/31/2020	2020 average	12/31/2019	2019 average
euro (EUR)	365.13	351.17	330.52	325.35

Significant decisions regarding presentation

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

The financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening figures of the statement of financial position for the comparative period are also presented.

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

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

The Company's management established the following segments:

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

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

Changes in comparative data

The previous IFRS financial statement of the Company was drawn up for the fiscal year of 2019. The financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening carrying values for the comparative period are also presented by the Company.

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

(Negative values are denoted by parentheses.)	Note	2020 12 months data in HUF thousand	2019 12 months restated value	Reclassification	2019 12 months disclosed value
Revenues	**1.**	**13 725 724**	**10 103 159**	**-**	**10 103 159**
Material expenses*	2.	(8 912 854)	(6 177 439)	(28 730)	(6 148 709)
Personnel expenses**	3.	(3 767 469)	(3 058 849)	(65 642)	(2 993 207)
Depreciation and amortization	4.	(352 643)	(232 565)	-	(232 565)
Capitalized own production***	5.	96 033	94 372	94 372	-
Other revenues, expenses, net	6.	(74 689)	(204 057)	-	(204 057)
		714 102	**524 621**	**-**	**524 621**
					-
Income from financial transactions	7.	437 920	278 314	-	278 314
Expenses from financial transactions	7.	(701 877)	(456 012)	-	(456 012)
Profit or loss on financial transactions (-)	7.	(263 957)	(177 698)	-	(177 698)
Profit or loss before taxes		**450 145**	**346 923**	**-**	**346 923**
Income taxes	8.	(183 227)	(172 360)	-	(172 360)
Net profit or loss		**266 918**	**174 563**	**-**	**174 563**

The references in the Notes refer to Chapter V of the financial statement

The capitalized value of projects implemented relying on the internal resources of the Company are recognized in capitalized own production. In 2019 and 2020 the costs of two major projects were recognized here; these are expected to start generating revenues in 2021.

Accounting policies related to the separate statement of income

Revenues

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

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

According to the IFRS 15 standard, revenue elements shall be accounted for in accordance with the termination of performance obligations. Performance obligations shall be considered as terminated when an entity transfers the control over the goods or services to the buyer. Revenues must be accounted for when the Company realized them - that is, if the Company contractually performed towards its customers and the financial settlement of the claim (the realization of the economic advantage in connection with the transaction by the company) is likely, and the amount of that and the related costs can be adequately (reliably) measured.
The Company does not recognize items collected on behalf of other entities to be recharged later as part of revenue because the Company has no control over these items. The Company identified the following as such items:

Name	Content of item
Products, services acquired for third parties in agent status and forwarded in unchanged form	If forwarding a given procurement (service or product) is done in the same form in unchanged amount by the Company and no practical risk arises on the part of the Company in connection with this, then reselling is done in an “agency structure” and the item is no part of the revenue.
Value added tax	Value added tax within the meaning of Act CXXVII of 2007.

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

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

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

In the case of general construction-installation contracts, revenues are accounted for depending on the stage of completion of the project in question. The determination of the stage of completion shall be performed proportionately to the ratio of any actually occurred costs to the total planned costs. If, in the case of the project as a whole, a loss may be expected, that expected loss must be accounted for immediately.

The Company performs individual assessments and investigations of its buyers’ contracts. Due to the individual character of the contracts, the portfolio method is not applicable, either to the contract portfolio or any part thereof.

Wherever a contract or a contractual element contains a significant financing element which is more favorable than the market practice, with the deferral of payment exceeding one year, then that financial component must be recognized separately. In such cases, only the present value of the invoiced consideration can be accounted for as revenue. The Company found that its contracts do not contain such an element.

Contractual assets

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

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

Expenses related to operation

Non-finance expenses are to be classified as follows:

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

Other revenues and expenses

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

Finance income and expenses

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

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

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

Dividend income and interest income are recognized as finance income. Interest income shall be accounted for on a pro rata temporis basis. Dividend income must be recorded if a final decision on dividend payment has been made by the entity disbursing such dividend. Interest expenses are calculated using the effective interest rate method and are classified as financial expenses. Exchange differences on foreign currency items (if not a part of other comprehensive income under IAS 21 - The Effects of Changes in Foreign Exchange Rates) are recognized by the Company in finance income. The Company shows finance income in its statement of profit or loss and other comprehensive income after offsetting.

Income taxes

The following are recognized as income tax:

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

In 2019, the Company ceased to be subject to income tax on energy suppliers.

Consolidated (Presentation of net balances)

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

Discontinued activities

According to the provisions of the standard, the Company recognizes its discontinuing operations separately, if they are significant. It does not qualify as a discontinuing operation if the legal form of a given activity gets changed but the underlying economic content does not change significantly. It is no longer presented separately for 2020 and 2019.

Application and concept of EBITDA

Although the IFRS does not use the concept of EBITDA, the Company decided to use this often used indicator as well, considering that it is widely used in the industry and that, in the Company's opinion, recognizing this value is useful for users of the financial statements as it has information content.

The indicator is calculated as follows:

EBITDA =	Net profit or loss
	+ finance income
	+ income taxes
	+ depreciation and amortization

For discontinuing activities, if any, the net profit or loss containing the profit or loss of that activity must be modified by the following items.

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

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

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

EPS - earnings per share the shareholders are entitled to

When calculating earnings per share, the Company presents them in the consolidated financial statements based on the net profit or loss concerning the ALTEO Group. The EPS indicators of the individual IFRS report are presented in Section 23.

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

Property, plant and equipment

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

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

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

The Company estimates the ARO using a percentage coefficient between 0% and 10%. The Company used a discount rate of 8.57% for discounting in 2020. For the present PPE inventory, no ARO need to be recognized.

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

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

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

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

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

The following depreciation rates are used for assets:

Asset group	Extent of depreciation
Land	non-depreciable
Buildings	1–5%
Power plant equipment	1–20%
Non-production machinery	14–33%
Office equipment	14–50%

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

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

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

Intangible assets

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

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

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

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

Internally developed assets

The Company management considered the recognition of internally developed assets.

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

Leases

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

The Company applies the recognition exceptions provided by IFRS 16 for short-term leases and low value assets (below USD 5,000). No right-of-use asset is recognized for leases where the indefinite duration and the related contractual termination conditions, or the absence of a fixed fee element, do not permit such a determination.

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

For the initial recognition of a lease, in the case of establishment of the value of the right of use and the obligation, the existing comparative data of the ALTEO Group must be used when determining the market interest rate. If such data are not available, the statistics published by the Central Bank of Hungary shall be taken into account. The right-of-use asset is amortized taking into account the same useful life as the lease term.

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

Borrowing costs

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

An asset (project) can be considered as a qualifying asset as follows:

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

The classification is independent of the value of the asset.

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

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

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

Government grants

As a general rule, grants are recognized by the Company as income. Income is distributed over the periods for which it is granted. The part that cannot be credited to profit or loss is recognized in liabilities as deferred income. Items to be credited to profit or loss are deducted from the related expenses where possible.

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

In the case of asset-related grants, the revenue recognition period is during which the subsidized asset is used.

Grants may be accounted for if

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

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

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

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

Assets held for sale

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

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

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

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

Inventories

Inventories are stated in the financial statements at the lower of their cost or net realizable value. The Company determines the closing value of inventories based on their average cost and the value of inventories includes all costs which are required for the use of inventories in the intended manner and at the intended location.

Accounting for impairment losses other than financial instruments and identifying CGUs

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

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

If an asset is impaired, the appropriate value calculation needs to be performed, which allows the recoverable amount of the asset to be determined (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use.

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

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

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

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

Provisions

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

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

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

The following items are typically included in provisions:

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

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

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

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

No provisions may be recognized for:

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

Employee benefits

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

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

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

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

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

Financial instruments

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

Financial assets

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

Financial assets are classified by the Company as follows:

a) debt
b) equity instrument
c) derivative

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

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

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

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

c) derivatives include all instruments whose value is a function of a change in an underlying variable; their initial investment need is negligible and their settlement takes place in the future. In the case of the Company, these are typically derivative transactions, except where the rules on hedge accounting provide otherwise. If the Company concludes a transaction (such as forward foreign exchange contracts or interest rate swaps) which do not comply with the hedge accounting rules, these will be classified as FVTPL.

Financial liabilities must be classified into the following groups.

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

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

- trade payables;
- loan payables;

- bond payables;
- advances received from customers.

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

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

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

Items not resulting in interest expense or interest income

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

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

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

Items resulting in interest expense or interest income

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

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

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

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

Application of the expected credit loss (ECL) model

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

Hedge accounting

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

To qualify for hedge accounting, the relevant transaction must be formally designated and there must be evidence for hedge effectiveness.

Interest in other entities

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

Detailed information relating to subsidiaries are provided in the presentation of ALTEO.

The net assets (assets and liabilities) of the subsidiary are recognized by the parent company in their entirety. The part of the consolidated equity which is held after the acquisition and is attributable to the Group is recognized by the Group as equity attributable to the parent company. Non-controlling interests are recognized by the Group in proportion to net assets (at carrying amount) at each reporting date and are not re-measured at fair value at the end of each reporting period.

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

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

None of the Group members qualify as an investment entity.

The Company recognizes its controlled subsidiaries at cost.

Share-based payments

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

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

Current income tax expense and deferred taxes

The actual income tax expense for the current year is calculated by the Company in accordance with the applicable tax laws and is recognized in current liabilities (or current receivables, as the case may be). In addition, deferred taxes are also estimated and are shown in long-term liabilities or non-current assets. Deferred taxes are calculated using the balance sheet method, with the effects of subsequent changes in tax rates taken into account. Deferred tax assets are recognized only if it is certain that the item in question will be realized (reversed). Deferred taxes are determined using the tax rate effective at the expected date of reversal.

General accounting policies relating to the statement of cash flows

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

Equity

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

Name of capital element	Content of capital element
Issued capital	Number of issued shares times the face value. The face value of own shares bought back is deducted from the capital element

Name of capital element	Content of capital element
Share premium	The entirety of payments for the issued shares above their face value.
Retained earnings	The amount of the cumulated profit or loss not paid as dividend (that is, the aggregate profit or loss).
Share-based payments reserve	Reserves established based on the IFRS 2 standard.
Cash flow hedge reserve	Reserves established in accordance with the provisions of the IFRS9 standard, based on the value of the non-realized cash flow positions at the end of the period. Only the efficient part according to the documentation of the cash flow hedge transactions can be recognized as part of the reserves.
Transactions with owners	Value of transactions conducted with capital owners as such, presenting allocations for the owners (e.g. part of the shares bought back above face value) separately.

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

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

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

Name of element	Content
Equity	The amount of the equity according to the IFRSs, increased by the amount of the received additional monetary contribution recognized as liabilities according to the IFRSs, decreased by the amount of the paid additional monetary contributions recognized as assets according to the IFRSs, increased by the amount recognized as deferred income from the value of financial assets, assets received to be transferred into capital reserve according to legal regulations, decreased by the amount of the receivable recognized against shareholders due to capital increase qualifying as capital instrument.
Issued capital according to the IFRSs	The issued capital as determined by the articles of association if it qualifies as capital instrument.
Issued but yet unpaid capital	The amount not yet at the disposal of the business entity from the issued capital according to the IFRSs.
Capital reserve	The amount of all the elements of equity not belonging to the concepts of issued capital, the issued but unpaid capital, the retained earnings, the evaluation reserve, the profit after taxes or allocated reserve according to the IFRSs.

Name of element	Content
Retained earnings	The accumulated profit after taxes recognized in the annual report according to the IFRSs not yet paid to the shareholders, including amount accounted for the benefit or against the accumulated profit or loss according to the IFRSs; it cannot contain other comprehensive income according to the standard IAS 1 Presentation of Financial Statements with the exception of reclassification modifications. Amounts generated this way must be decreased by the amount of the paid additional monetary contribution recognized as asset according to the IFRSs and the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.
Evaluation reserve	The cumulated amount of the other comprehensive income in the comprehensive income statements according to the standard IAS1 Presentation of Financial Statement also including the other comprehensive income in the current year.
Profit or loss after taxes	The concept defined in Section 114/A (9) of the Accounting Act.
Allocated reserves	The amount of the received additional monetary contribution recognized as liability according to the IFRSs, increased by the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.

When preparing the final statement of assets and liabilities in the case of transformation, the Company settles negative capital elements from retained earnings during the settlement phase. However, these capital elements are only reclassified with a view to the final statement of assets and liabilities.

Transformation under company law in subsidiaries

In the current period, the following transformations under company law were effected relating to the subsidiaries of the Company:

9/30/2020 – "Sunny mergers"

As the next step in the process to streamline the corporate structure of ALTEO Nyrt. as announced at the extraordinary General Meeting of November 8, 2017, the Company decided on the merger by absorption of its subsidiaries operating photovoltaic power plants. In the course of the merger

- IT-Solar Kft. merged into Monsolar Kft.
- the following companies were merged into Sunteo Kft.:
    - Péberény Ingatlanhasznosító Kft.
    - True Energy Kft.
    - F.SZ. Energia Kft.

The mergers by absorption were concluded on September 30, 2020.

12/31/2019 – "Mergers of gas engine and heating power plants"

On December 19, 2019 the Company Court registered, with effect as of January 1 2020, the merger by absorption of the following subsidiaries into Győri Erőmű Kft.:

- ALTEO-Agria Korlátolt Felelősségű Társaság
- Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
- Ózdi Erőmű Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság
- Soproni Erőmű Korlátolt Felelősségű Társaság

- Tisza-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
- Zugló-Therm Energiaszolgáltató Korlátolt Felelősségű Társaság

As of the date of legal succession, the company name of the legal successor Győri Erőmű Kft. changes to ALTEO-Therm Hő- és Villamosenergia-termelő Korlátolt Felelősségű Társaság.

Dividends

Dividend is paid on the Company's registered, dematerialized ordinary "A" series shares with a face value of HUF 12.5, recorded with the identifier HU0000155726ISIN – excluding the treasury shares held by the Group, as well as shares that do not entitle their holders to dividend pursuant to Section 3:298(3) of the Civil Code.

Other accounting policies

Transactions denominated in foreign currencies

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

The points to consider are as follows:

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

The above considerations are listed in order of importance.

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

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

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

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

Objectives of accounting system maintenance

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

Significance, faults and fault effects

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

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

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

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

II.6 Description of risks

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

A/ Macroeconomic and legal system related risk factors
B/ Risks Specific to the Market and the Industry
C/ Risks specific to the ALTEO Group

Risk ratings

type	number	Risk	2020	2019	change
A	1	Risks stemming from the legal system	high	high	none
A	2	Macroeconomic factors	medium	medium	none
A	3	Taxation	medium	medium	none
A	4	Risks related to the United Kingdom leaving the European Union (Brexit)	low	low	none
B	5	Energy market regulation	high	high	none
B	6	Regulated prices	high	high	none
B	7	Electricity balancing reserve capacity system risks	high	high	none
B	8	Government grants	high	high	none
B	9	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
B	10	Changes in technology	medium	medium	none
B	11	Competitive situation	medium	medium	none
B	12	Funding risk	medium	medium	none
B	13	Foreign exchange rate changes	low	low	none
B	14	Impact of international market developments on domestic trade	medium	medium	none
B	15	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
B	16	Environmental legislation	medium	medium	none
B	17	Risks related to the spread of COVID-19	high	high	none
C	18	Risks arising from operating the Control Center	high	high	none
C	19	Political risks	medium	high	yes
C	20	Dependence on weather	high	high	yes
C	21	Risks of growth	medium	medium	none
C	22	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
C	23	Risks related to power plant project development and green-field investment	medium	medium	none
C	24	Large-scale, customized projects	medium	medium	none
C	25	Energy trade risks	medium	medium	none
C	26	Operating risks	medium	medium	none
C	27	Fuel risk	medium	medium	none
C	28	Renewing and/or refinancing outstanding debts	medium	medium	none
C	29	Information technology systems	medium	medium	none
C	30	Wholesale partner risks	medium	medium	none
C	31	Dependence on third-party suppliers	medium	medium	none
C	32	Buyer risk	medium	medium	none
C	33	The risk of key managers and/or employees leaving the Company	medium	medium	none
C	34	The risk of introducing and using new power plant technologies	medium	medium	none
C	35	Authority risk	low	low	none
C	36	Key licenses and qualifications	low	low	none

continued from the previous page:					
type	number	Risk	2020	2019	change
C	37	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
C	38	Options to purchase certain means of production	low	low	none
C	39	Business relationships associated with the Owners' Group	low	low	none
C	40	The risk of being categorized as a de facto group of companies	low	low	none
C	41	Taxation	low	low	none
C	42	Environmental risks	low	low	none
C	43	Risk of bankruptcy and liquidation proceedings	low	low	none
C	44	Any discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)	low	low	yes
C	45	The risk of entering new geographical markets	low	low	none

Type of changes:

Change in classification on the value scale: Item 19

Updating and clarification of text and wording in Items 20 and 44

a. Macroeconomic and legal system related risk factors

1. Risks stemming from the legal system

The legal system can be considered relatively underdeveloped in Hungary and in certain other strategic target countries where ALTEO Nyrt. operates. According to conventional wisdom throughout these countries, 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.

2. Macroeconomic factors

ALTEO Nyrt'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 Nyrt. operations.

3. Taxation

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

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

ALTEO Nyrt. 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's subsidiary operates, thus it may have an indirect impact on the operations and profitability of ALTEO Nyrt. The management of ALTEO 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.

b. Risks specific to the market and the industry

1. Energy market regulation

The operation and profitability of the ALTEO Nyrt. 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 processes, trade and operational regulations, as well as other applicable regulations relating to electricity generation, electricity trade, the market of ancillary services in the electricity industry, the utilization of renewable energy sources, energy and heat produced in cogeneration power plants, district heat generation and district heating services, natural gas trade, as well as the allocation and trade of emission units. In 2018, the European Union adopted new energy-related legal regulations under the title "Clean Energy For All Europeans".
Changes in these regulations and the transposition of the EU regulatory framework may have a significant impact on the operation, profitability, market position and competitiveness of the ALTEO Group.

2. Regulated prices

The subsidiaries of ALTEO Nyrt. engage in activities whose price is determined or capped through legislation or regulation by some authority (including in particular the HEPURA, 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.

3. Electricity balancing reserve capacity system risks

In addition to the development of the price margin between electricity and heat energy, the financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the electricity markets for balancing reserve capacity and energy. If, for any reason, access to these markets becomes limited with respect to production units within the sphere of business interests of the subsidiaries of ALTEO Nyrt., including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of ALTEO Nyrt.

4. Government grants

The operation and profitability of ALTEO Nyrt. and its subsidiaries 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.

5. CO_2 emission market, CO_2 quota allocation system and CO_2 quota 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.

6. Changes in technology

Technological innovations can significantly improve the efficiency of the energy industry, especially in the area of renewable energy production. Technological development can not only reshape the technologies the ALTEO Group uses, but, in some cases, might even completely eliminate their use. If the 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 the 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.

7. Competitive situation

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

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

9. Foreign exchange rate changes

A significant part of ALTEO Nyrt.'s sales revenue is generated in HUF, but in its Subsidiaries 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 procurement price of natural gas). As a consequence, any change in foreign exchange rates that is unfavorable for the ALTEO Group might have a negative effect on the business activity and profitability of ALTEO Nyrt.

10. 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.

11. 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. Should this margin decrease significantly, this may have a negative impact on the business and profitability of the ALTEO Group.

12. Environmental legislation

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

13. Risks related to the spread of COVID-19

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

The personnel of ALTEO Nyrt. itself, as well as the workforce of its subcontractors and suppliers involved in specific ongoing projects may be affected by the spread of COVID-19 and the measures taken or to be taken in that context. Potential illnesses can have a negative impact on ALTEO Nyrt's workflows, the scheduling of ongoing projects, and can have adverse labor market consequences. The state of danger imposed in Hungary may have a negative impact on the profitability and liquidity on the clients and consumers of ALTEO Group and may also result in the decline of their demand for energy and willingness to invest, which may have a detrimental effect also on ALTEO Group's profit. ALTEO Group's management has taken the necessary measures to address the risks related to the protection of its employees' health and has set up a Pandemic Executive Board and adopted a Pandemic Plan. ALTEO Group's management continuously monitors events related to the COVID-19 virus and, if necessary, takes the necessary steps based on these.

c. Risks specific to ALTEO Nyrt. and its Subsidiaries

1. Risks arising from operating the Control Center

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

2. Political risks

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

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

3. Dependence on weather

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

In the case of weather-dependent energy production, the Company relies on meteorological forecasts to estimate the quantity of energy to be generated. 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 the ALTEO Group.

The weather affects the ability to honor heat supply contracts that have no heat volume commitment, given the heat purchase obligations. The actual weather, as compared to the forecasted trend, has an effect on the profitability of the Group. The actual value of heat transfer may in reality be different from the planned level; as a consequence, the fair value of the hedging instruments obtained in accordance with the hedging policy of the Group may need to be reclassified into profit or loss.

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.

4. Risks of growth

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

With contributions from its Subsidiaries, in accordance with the present Financial statements, the Company is currently preparing 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 Financial statements; furthermore, the implementation of other future projects may precede or substitute projects known as at the date of the present Financial statements.

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

5. Risks stemming from acquisitions, buying out projects and companies

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

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

In ALTEO Nyrt's business plans, licensing and implementation of green-field energy investments plays an important role. Although ALTEO Nyrt. 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 Nyrt. strives to contract main and subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.
Any of the potential risk events associated with green-field investments or development projects in power plants may result in stagnation of ALTEO Nyrt's growth or even operation at a loss.

7. 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.

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 the ALTEO Group.
During ALTEO Group's energy trading activities, portfolio planning is done on the basis of data service from consumers and the Group's calculations. A planning 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 hedging 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 the ALTEO Group performs its trading activities with great caution, an eventual mistaken transaction may have a significant negative effect on the profitability of the ALTEO Group.

9. 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:

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

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

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

10. Fuel risk

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

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

11. Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, the ALTEO Group uses in part bonds - issued by ALTEO either in a private or public offering - to fund its financing needs. On the date of these Financial statements, the ALTEO Group holds a bond portfolio with a face value of HUF 13,093.63 million.
Negative changes and risks in the business prospects of the ALTEO Group, in the general financing environment, in the interest environment or in the general capital market atmosphere may have a negative effect on the renewal of bond debt and the refinancing of the ALTEO Group's outstanding loans would be possible only with significantly worse conditions or it might even become impossible. These circumstances may have a negative effect on future financing and on the financial situation of the ALTEO Group.

12. Information technology systems

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

13. Wholesale partner risks

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

14. Dependence on third-party suppliers

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

15. Buyer risk

A significant share of the ALTEO Group's revenues comes from a small number of buyers making large purchases. Consequently, winning or losing a client contract may already make a big difference in terms of the Company's future revenues and profitability.
As a consequence of having significant buyers, the ALTEO Group is exposed to non-payment risk. If an important buyer of the ALTEO Group fails to pay or pays lately, that might cause a significant loss to the ALTEO Group.

The ALTEO Group has fixed-term contracts with its significant buyers, suppliers and financing partners. There is no guarantee that after the expiry of these contracts, the parties can reach an agreement regarding the extension of these contracts. Even fixed-term contracts offer no guarantee against their termination before the end of their specified term due to some unexpected or exceptional event.
ALTEO Group sells electricity and provides district heating services for certain public institution users. Upon request from such users, the relevant Subsidiary is obliged to provide an exemption from termination due to late payment (a moratorium), for a specified period, subject to the conditions laid down by law. Costs occurred due to the moratorium must be borne by the relevant Subsidiary.

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

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

17. The risk of introducing and using new power plant technologies

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

18. Authority risk

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

19. Key licenses and qualifications

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

20. 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.

21. Options to purchase certain means of production

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

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

Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business share, MOL Petrochemicals Co. Ltd. is entitled to purchase, until 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 the BC-Therm business share.

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

22. Business relationships associated with the Owners' Group

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

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

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.

24. Taxation

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. NAV performed a comprehensive tax audit at the Company for the year 2017. The audit findings did not result in any noteworthy changes in the tax positions of the Company, and the Company met all obligations imposed on it on the basis of those findings.
In certain acquisition contracts, the parties to the contract acting as sellers to the ALTEO Group accepted a full guarantee for the period of tax law limitation for the reimbursement of the tax debts of the target companies for the periods prior to their getting into the ALTEO Group. Nevertheless, there is no guarantee that any claims for reimbursement against the sellers may be fully enforceable, which may result in a loss for the ALTEO Group.

25. Environmental risks

During their activities the ALTEO Group's companies use materials and apply technologies that could be harmful to the environment if used inappropriately, not complying with 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. The ALTEO Group's insurance policies may not provide any cover or full cover for damages and costs resulting from such events, which may result in a loss for the ALTEO Group.

26. Risk of bankruptcy and liquidation proceedings

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

27. 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 fiscal year. Beginning with the fiscal year of 2010, the Company prepares a consolidated financial statement according to the IFRS standards in addition to the separate HAS report. Since 2017, the Company has prepared even its seperate financial statement in line with the IFRS standards. The reports of subsidiaries and of the Company prepared to the HAS requirements are different from the consolidated financial statement prepared in accordance with the IFRS's in terms of the valuation and presentation principles. Due to the differences in the accounting systems, the simple aggregation of the HAS separate financial statements and the IFRS consolidated financial statement have independent and separate information content.

28. The risk of entering new geographical markets

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

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

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

New accounting policies as of 1 January 2020

The following standards and interpretations (and their respective amendments) became effective during the 2020 fiscal year.

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

New and amended standards - to be applied for the business years starting on January 1, 2020 or thereafter:	IASB publication	Effective date	EU endorsement	ALTEO Group
Amendments to the 'Framework for the Preparation and Presentation of Financial Statements' (issued on March 29, 2018, effective for the business years starting on January 1, 2020 or thereafter, the amendments have been endorsed by the EU).	2018.03.29	2020.01.01	2019.11.29	none
Definition of Business - Amendment to IFRS 3 (issued on October 22, 2018, effective for acquisitions implemented in the business years starting on January 1, 2020 or thereafter, the amendments have been endorsed by the EU).	2018.10.22	2020.01.01	2020.04.21	none
Definition of Material - Amendment to IAS 1 and IAS 8 (issued on October 31, 2018, effective for the business years starting on January 1, 2020 or thereafter, the amendments have been endorsed by the EU).	2018.10.31	2020.01.01	2019.11.29	The Company has retained the concept of "material" as previously applied. No change relative to former practices
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on September 26, 2019, effective for the business years starting on January 1, 2020 or thereafter, the amendments have been endorsed by the EU).	2019.09.26	2020.01.01	2020.01.15	none
Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases (issued on May 28, 2020, effective for the business years starting on January 1, 2020 or thereafter, the amendment has been endorsed by the EU). The extension of the time period provides additional relief.	2020.05.28	2020.06.01	2020.10.09	none

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

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

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

Application for subsequent business years:	IASB publication	Effective date	EU endorsement	ALTEO Group
Reference to the 'Framework for the Preparation and Presentation of Financial Statements' - Amendment to IFRS 3 Business Combinations (issued on May 14, 2020, effective for the business years starting on January 1, 2022 or thereafter, the amendments have been endorsed by the EU).	2020.05.14	2022.01.01	H2/2021	there will be no effect
Proceeds before Intended Use - Amendment to IAS 16 (issued on May 14, 2020, effective for the business years starting on January 1, 2022 or thereafter, the amendments have been endorsed by the EU)	2020.05.14	2022.01.01	H2/2021	there will be no effect
Onerous Contracts: Cost of Fulfilling a Contract - Amendments to IAS 37 (issued on May 14, 2020, effective for the business years starting on January 1, 2022 or thereafter, the amendments have been endorsed by the EU)	2020.05.14	2022.01.01	H2/2021	there will be no effect
Annual Improvements to IFRS Standards - 2018–2020 (issued on May 14, 2020, the amendments have been endorsed by the EU).	2020.05.14	2022.01.01	H2/2021	there will be no effect
Extension of the Temporary Exemption from Applying IFRS 9 - Amendment to IFRS 4 (issued on June 25, 2020, effective for business years starting on January 1, 2021 or thereafter, the amendments have been endorsed by the EU).	2020.06.25	2021.01.01	2020.12.16	there will be no effect
Interest Rate Benchmark Reform, Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on August 27, 2020, effective for the business years starting on January 1, 2021 or thereafter, the amendments have been endorsed by the EU).	2020.08.27	2021.01.01	2021.01.13	there will be no effect

New and amended standards and interpretations issued by IASB and not adopted yet by the EU

Application for subsequent business years:	IASB publication	Effective date	EU endorsement	ALTEO Group
IFRS 17 Insurance Contracts (issued on May 18, 2017, not yet endorsed by the EU)	2017.05.18	2023.01.01	-	there will be no effect
Classification of Liabilities as Current or Non-current - Amendment to IAS 1 (issued on January 23, 2020, effective for the business years starting on January 1, 2023 or thereafter, the amendments have not been endorsed by the EU).	2020.01.23	2023.01.01	-	there will be no effect

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

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

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

Changes in accounting estimates is done by assessing the modification of the carrying amount of an asset or liability or the amount of the periodical use of the asset, performed based on the evaluation of the present situation of the assets and liabilities and the related expected future profits and commitments. Changes in accounting estimates are caused by new information or new developments, so, accordingly, these do not qualify as corrections. It is not necessary to change the modification of the data of the comparative period if the accounting estimates change.

The management of the Company must review the accounting estimates of the following areas at least annually:

- estimates concerning the depreciation of the intangible assets (e.g.: useful life),
- estimates concerning the depreciation of the fixed assets (e.g.: useful life),
- estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions),
- estimates concerning the evaluation of inventories and receivables,
- estimates concerning fair value,
- accounting for project revenues,
- estimates concerning R&D assets,
- estimates concerning conditional purchase price.

The following might indicate the review of accounting estimates:

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

The useful lives and residual values of fixed assets and the related decommissioning liability can be determined using estimates. Due to the high value of fixed assets, even slight changes in such estimates can have a considerable effect.

Deferred tax assets were recorded due to considerable deferred losses and are expected to be recovered according to the Company’s plans; however, changes in the legal environment may result in a significant change in the value of such assets.

The interest rate used for discounting could not be determined using actual market data; instead, the Group was forced to employ alternative methods.

The management’s judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.

Whether the assets and know-how created under the R&D project can be utilized is highly dependent on the market and regulatory environment.

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

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

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

Certain subsidiaries of the Company are involved in the district heating production business. This business has been consistently making a loss for an extended period of time.

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

The operation and profitability of the Company and its subsidiaries depends on the government regulation of the market, especially on the taxation policy adopted by the state.

V Statements of profit or loss and of financial position

Allocation of the Company's statement of profit or loss to segments has been performed. Presentation of the profit by segments is included in Note 34.

1. Revenue

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

The Company uses the amounts invoiced when recognizing revenue (with the exception of accruals and deferrals). Generally, the nature of the Company's services does not require other types of adjustments. In the case of the energy industry projects, the recognized revenue was determined taking account of the stage of completion. The Company leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes then as items decreasing expenses.

Lease income on subsidiaries recognized under leases according to IFRS16 rules are recognized as revenues. Apart from the energy storage unit, the Company does not keep any separate assets for leasing purposes, nor does it lease its own assets. The Company does not sublease its leased assets.

The Company did not have royalty or dividend which should have been presented as revenue; its revenue is only from domestic sales.

The breakdown of revenue by activities is as follows:

Revenues	2020 12 months data in HUF thousand	2019 12 months data in HUF thousand
Operation	7 859 016	4 723 820
Project development	5 640 887	5 135 948
Accounting fees	58 415	57 744
Income from lease	21 969	38 323
Operating lease	144 000	144 000
Other	1 437	3 325
Total	**13 725 724**	**10 103 159**

2. *Material expenses*

Material expenses*	2020 12 months data in HUF thousand	2019 12 months data in HUF thousand
Operation, maintenance and project development	(8 031 316)	(5 297 886)
Expert fees (accounting, auditing, consultancy)	(307 777)	(330 409)
Rent /office, car, other devices, IT/	(261 051)	(212 707)
Marketing, education, further training costs	(61 789)	(99 412)
Fuel	(61 007)	(66 668)
Bank expenses, insurance	(78 013)	(61 704)
Office maintenance exp. /operation, telephone, materials/	(52 456)	(55 787)
Membership fees, duties	(3 644)	(5 053)
Other costs	(55 801)	(47 813)
Total	**(8 912 854)**	**(6 177 439)**

' The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position*

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

In 2020, the Company recognized HUF 9,110 thousand as cost of auditing.

The Company uses the benefits as per IFRS16 in force in the current year and recognizes the following items as lease payments: the central offices, the car leases maturing within one year and the lease of certain IT equipment of small value. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses.

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Real estate rent	(115 263)	(68 254)
Vehicle rental	(49 476)	(59 528)
Site premises rent	(35 488)	(34 320)
Workwear rent	(33 788)	(29 057)
IT equipment rental fee	(7 715)	(7 504)
Rental fee of machinery, equipment	(9 547)	(6 312)
Rental fee of data lines	-	(1 335)
Other rental fees	(9 774)	(6 397)
Total	**(261 051)**	**(212 707)**

3. Personnel expenses

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Wages*	(2 813 246)	(2 263 317)
Other personnel expenses*	(395 444)	(279 299)
Costs of share-based benefits	(7 297)	(1 650)
Contributions*	(551 482)	(514 583)
Total	**(3 767 469)**	**(3 058 849)**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position.*

The increase in personnel expenses was caused by the significant expansion of the workforce and the related wage bill.

Average statistical headcount	2020	2019
ALTEO Nyrt.	260	231

ALTEO developed an equity settled share-based incentive scheme for some ALTEO employees in which these employees will become entitled to ALTEO Nyrt.'s shares within the framework of ESOP, provided that certain requirements are met. The fair value of the options granted was calculated using option pricing models. The value of the options were not remeasured later. ALTEO Nyrt. does not provide cash benefits with respect to this scheme. Disclosures concerning the ESOP organization (remuneration policy, etc.) are available on the website of the Company among disclosures. Under the option program, the options were earned in August 2017. The options are presented in section 22.

In the current year, the Company distributed shares to the value of HUF 7,297 thousand to the employees who were entitled to these on the basis of the Company's recognition plan. In connection with the shares granted, the transfer of the shares started on January 30, 2021.

4. Depreciation and amortization

Depreciation and amortization	2020 12 months data in HUF thousand	2019 12 months data in HUF thousand
Depreciation and amortization	(352 643)	(232 565)

5. Capitalized own production

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Capitalized value of assets produced by the Company, wages*	76 578	65 642
Other own production - services used*	19 455	28 730
Total	**96 033**	**94 372**

** The adjustments to the lines indicated relative to the comparative period are presented in the section on profit or loss and financial position.*

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

6. Other revenues, expenses, net

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

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Sale/scrapping of fixed and intangible assets	(26 611)	(524)
Fines, compensation, default interest received	12 697	11 813
Impairment, receivable released	(118 071)	(195 425)
Taxes and other payment obligations	(86)	(51 117)
Revaluation of conditional purchase price	-	-
Other settlements	57 382	31 195
Total	**(74 689)**	**(204 057)**

Taxes among other items are not income taxes. These mainly contain deductions imposed by municipalities (vehicle tax), taxes to be credited to other expenses (environmental product tax) and other fees.

The value of scrapping recognized in Fixed assets and Intangible assets increased significantly. That is because assets shown among rights of use under IFRS16 included vehicles used under operating lease contracts that were returned before the end of the lease term and thus were de-recognized in long-term lease liabilities as well.

Other items include expenses and incomes that cannot be categorized, like support, partner and tax current account settlements, rounding differences.

7. Financial expenses, net

Finance income consists of the following items:

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Interests paid/payable	(484 362)	(282 952)
Received/receivable interest	320 578	192 031
Net interest expenses	**(163 784)**	**(90 921)**
Dividend received	8 560	21 000
Impairments	(153 957)	(59 435)
Foreign exchange difference	45 116	(53 711)
Other financial settlements	108	5 369
Total	**(263 957)**	**(177 698)**

The Company is entitled to dividend after its shares in its subsidiaries. In 2020 dividends received included HUF 8,560 thousand received from Alte-A Kft.

Within finance income and expenses, the main component in translation gains and losses was the exchange loss realized on items recognized in euros. The Company did not enter into cash flow hedges in 2020.

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

8. Income tax expenses

The Company pays tax under Hungarian tax law. In the Hungarian tax system, such tax expenses for the entity included corporate tax, the innovation contribution and the local business tax. The breakdown of tax expenses is as follows:

Name	Year ending on 12/31/2020	Year ending on 12/31/2019
Actual corporate tax	(21 337)	(9 092)
Other income taxes (local business	(158 466)	(143 666)
Deferred tax expenses	(3 425)	(19 602)
Total	**(183 227)**	**(172 360)**

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

The tax authorities conducted no reviews at the Company in 2020.

The amount of deferred taxes disclosed in the statement of financial position is included in Note 12.

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

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

Deduction	Year ending on 12/31/2020	Year ending on 12/31/2019
Profit or loss before taxes	450 145	346 923
Theoretical tax (9%)	40 513	31 223
Explanation:		
Current tax	21 337	30 442
Tax for discontinued activities	-	-
Timing differences (deferred tax)	3 425	19 602
Permanent differences and unrecognized tax assets	15 752	(18 821)
Amount of theoretical tax (corporate tax)	**40 513**	**31 223**

Permanent differences include, for example, the Company's dividend income, which is a factor decreasing the tax base, and all expenses not recognized by the Corporate Tax Act.

9. *Fixed assets and intangible assets*

The changes in assets are detailed in the following table:

Gross value	Property, plant and equipment	Other PPE	Other intangible assets	R+D Assets	Rights of use	Total
January 1, 2019	**1 025 926**	**51 069**	**135 197**	**243 563**	**81 646**	**1 537 401**
Acquisition/put to use	125 423	51 285	99 787	118 704	104 951	500 150
Scrapping/sale		(9 432)	(959)			(10 391)
Reclassification						-
December 31, 2019	**1 151 349**	**92 922**	**234 025**	**362 267**	**186 597**	**2 027 160**
January 1, 2020	**1 151 349**	**92 922**	**234 025**	**362 267**	**186 597**	**2 027 160**
Acquisition/put to use	62 854	62 629	84 204	16 165	194 348	420 200
Decrease IFRS 16						-
Investment	1 050					1 050
Sale		(1 126)				(1 126)
Scrapping	(25 064)	(32 217)	(32 114)		(52 780)	(142 175)
Reclassification to inventories	-	-				-
December 31, 2020	**1 190 189**	**122 208**	**286 115**	**378 432**	**328 165**	**2 305 109**

Accumulated depreciation	Property, plant and equipment	Other PPE	Other intangible assets	R+D Assets	Rights of use	Total
January 1, 2019	**34 504**	**32 099**	**48 990**	**-**	**-**	**115 593**
Derecognition due to scrapping/sale		(8 874)	(959)			(9 833)
Derecognition due to reclassification						-
Impairment						-
Depreciation and amortization	121 948	14 275	32 449	9 170	54 723	232 565
December 31, 2019	**156 452**	**37 500**	**80 480**	**9 170**	**54 723**	**338 325**
De-recognition, sale		(334)				(334)
De-recognition, scrapping	(9 510)	(29 405)	(24 400)		(43 903)	(107 218)
Increase through acquisition						-
De-recognition due to reclassification	(138)	138				-
Depreciation and amortization	141 231	33 058	53 511	36 382	88 461	352 643
December 31, 2020	**288 035**	**40 957**	**109 591**	**45 552**	**99 281**	**583 416**

Net amount	Property, plant and equipment	Other PPE	Other intangible assets	R+D Assets	Rights of use	Total
12.31.2018	**991 422**	**18 970**	**86 207**	**243 563**		**1 340 162**
12.31.2019	**994 897**	**55 422**	**153 545**	**353 097**	**131 874**	**1 688 834**
12.31.2020	**902 154**	**81 251**	**176 524**	**332 880**	**228 884**	**1 721 693**

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

Between July 1, 2017 and June 30, 2019, co-funded by the National Research Development and Innovation Fund, the Company successfully produced an R&D know-how asset as a result of its R&D activity in connection with the integration of small heat and electricity cogeneration plants and weather-dependent electricity generators, electricity-based heat energy production units and a battery electricity storage facility belonging to the existing control center. In the opinion of the Company's management, the research activity aimed at generating other intangible assets meets the IAS 38 recognition criteria and the know-how created as a result of the activity generates revenue. Costs incurred in the course of the development project are recognized among intangible assets.

At the end of 2019 the Company participated in another R&D tender; in this context, it pursued such activities using its internal resources. With regard to this R&D project, the Company proposes internal utilization and expects future inbound cash flows to be generated.

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

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

As at December 31, 2020 the Company had no asset to be considered as a qualifying asset, so no borrowing costs had to be capitalized; and there is no asset that is subject to a lien under a loan agreement. The Company does not possess assets which are expected to cause environmental damage that the Company would be required to neutralize.

Apart from the energy storage unit, the Company does not keep any separate assets for leasing purposes, nor does it lease its own assets.

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

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

The management of the Company performs the necessary tests for CGUs as at each reporting date to determine whether the recognized value can be considered recoverable. In the current year, the tests performed showed the Group's assets to be recoverable so it is not necessary to recognize impairment.

10. Long-term loans given

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

Subsidiary	1.1.2020	Increase	Decrease	Impairment	Transformation*	12.31.2020	1.1.2021
Alte Go Kft.	-	42 452	-	-	-	**42 452**	**42 452**
Alteo Deutschland GmbH	-	-	-		-	**-**	**-**
ALTEO Energiakereskedő Zrt.	250 000	-	(250 000)	-	-	**-**	**-**
ALTEO-DEPÓNIA Kft.	215 687	-	(49 687)	-	-	**166 000**	**166 000**
Alteo-Therm Kft.	19 500	-	(19 500)	-	-	**-**	**-**
Domaszék Kft.	44 970	-	(22 678)	-	-	**22 292**	**22 292**
Energigas Kft.	142 579	12 487	-	(155 066)	-	**-**	**-**
Euro-Green Energy Kft.	3 863 786	-	(1 163 786)	-	-	**2 700 000**	**2 700 000**
e-WIND Kft.	58 886	1 000	-	-	-	**59 886**	**59 886**
F.SZ. Energia Kft.*	370 577	-	-	-	(370 577)	**-**	**-**
IT Solar Kft.*	226 500	-	(10 706)	-	(215 794)	**-**	**-**
Monosolar Kft.	226 500	-	(11 006)	-	215 794	**431 288**	**431 288**
Pannon Szélerőmű Kft.	-	1 017 178	-	-	-	**1 017 178**	**1 017 178**
Tisza-BioTerm Kft.	-	1 500	-	-	-	**1 500**	**1 500**
Péberény Kft.*	409 300	-	-	-	(409 300)	**-**	**-**
Sinergy Energiaszolgáltató Kft.	-	200 000	-	-	-	**200 000**	**200 000**
Sinergy Energiakereskedő Kft.	1 250 000	-	(1 250 000)	-	-	**-**	**-**
SUNTEO Kft.	3 019 564	-	(3 090 397)	-	1 161 250	**1 090 417**	**1 090 417**
True Energy Kft.*	381 373	-	-	-	(381 373)	**-**	**-**
WINDEO Kft.	1 010 000	-	(150 000)	-	-	**860 000**	**860 000**
Loans given - total principal	**11 489 222**	**1 274 617**	**(6 017 760)**	**(155 066)**	**-**	**6 591 013**	**6 591 013**
Interests on loans given to associates and affiliated companies	132 172	-	(85 281)	-	-	**46 891**	**46 891**
Employer loans to employees	21 000	2 036	-	-	-	**23 036**	**23 036**
Application of the ECL model	(13 545)	3 297	-	-	-	**(10 248)**	**(10 248)**
Loans given total	**11 628 849**	**1 279 950**	**- 6 103 041**	**- 155 066**	**-**	**6 650 692**	**6 650 692**

*Merger by absorption 10/1/2020

The Company adjusted the interest rates of loans given to those of the sources of funding.

Based on the assessment of the management of the Company, the 100% of the loan given to Energigas Kft. has been impaired. The recoverable values of loans given are shown in the statement of financial position.

Transformations:

- The merger by absorption of the Company's solar power plant subsidiaries took place on the date of succession, i.e. October 1, 2020.
- Simultaneously with the merger of the subsidiaries, the Company imlemented a capital increase in the legal successor ALTEO-Therm Kft.

The Transformation column in the table showing the movement of specific loans includes the effect of the transformation.

The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

11. Shares in subsidiaries and associates

Shares in subsidiaries:

Subsidiary	12.31.2019	Transformation	1.1.2020	Purchase	Additional monetary contribution/ Capital increase	Impairment/ Reversal	Merger by absorption	12.31.2020	1.1.2021
ALTE-A Kft.	1 070		1 070					**1 070**	**1 070**
Alteo Deutschland GmbH	-		-					**-**	**-**
ALTEO Energiakereskedő Zrt.	48 094		48 094					**48 094**	**48 094**
ALTEO-AGRIA Kft.	54 011	(54 011)	-					**-**	**-**
ALTEO-DEPÓNIA Kft.	-		-					**-**	**-**
Domaszék Kft.	186 660		186 660					**186 660**	**186 660**
e-WIND Kft.	-		-					**-**	**-**
Eco First Kft.	3 000		3 000					**3 000**	**3 000**
Euro Green Energy Kft.	-		-	2 750 000				**2 750 000**	**2 750 000**
F.SZ. Energia Kft.	139 634		139 634				(139 634)	**-**	**-**
Alteo-Therm Kft.	153 187	3 855 133	4 008 320		(5 898)		79 603	**4 082 025**	**4 082 025**
HIDROGÁZ Kft.	-		-					**-**	**-**
IT Solar Kft.	23 051		23 051		(4 051)		(19 000)	**-**	**-**
Kazinc-Therm Kft.	86 000		86 000				(86 000)	**-**	**-**
Monosolar Kft.	23 051		23 051		(4 051)		19 000	**38 000**	**38 000**
Ózdi Erőmű Kft.	10 000	(10 000)	-					**-**	**-**
Pannon Szélerőmű Kft.	-		-	2 405 890				**2 405 890**	**2 405 890**
Péberény Kft.	357 726		357 726				(357 726)	**-**	**-**
Sinergy Energiakereskedő Kft.	100 000		100 000					**100 000**	**100 000**
Sinergy Kft.	245 353		245 353					**245 353**	**245 353**
SOPRONI ERŐMŰ Kft.	454 261	(454 261)	-					**-**	**-**
SUNTEO Kft.	-		-				634 915	**634 915**	**634 915**
Tisza-Therm Kft.	100 000	(100 000)	-					**-**	**-**
Tisza-Bioterm Kft.	-		-	1 000				**1 000**	**1 000**
True Energy Kft.	137 555		137 555				(137 555)	**-**	**-**
WINDEO Kft.	-		-					**-**	**-**
Zugló-Therm Kft.	730 730	(730 730)	-					**-**	**-**
Participating interests total	**2 853 383**	**2 506 131**	**5 359 514**	**5 156 890**	**- 14 000**	**-**	**- 6 397**	**10 496 007**	**10 496 007**

- The Company has a 66.67% share in ECO First Kft., however, the control of the company is held by the Company.

- The laws of Hungary are applicable to subsidiaries of the Company, with the exception of ALTEO Deutschland GmbH. The subsidiaries - with the exception of ALTEO Deutschland GmbH - pay tax in accordance with the Hungarian regulations.
- In 2020 the Company acquired a 40% share in Tisza BioTerm Kft. and 100% of Pannon Szélerőmű Kft.
- The merger by absorption of the Company's district heat generation subsidiaries took place on the date of succession, i.e. January 1, 2020. Simultaneously with the merger of the subsidiaries, the Company made a capital increase in the legal successor ALTEO Therm Kft. in a value of HUF 2,506 million. The Transformation column in the table showing the movement of shares includes the effect of the transformation.
- The merger by absorption of the solar firms was effected on September 30, 2020, IT Solar Kft being absorbed into Monsolar Kft., while F.SZ. Energia Kft., Péberény Kft. and True Energy Kft. were absorbed into Sunteo Kft.

Shares in associates:

Subsidiary	12.31.2019	Transformation	1.1.2020	Purchase	Additional monetary contribution/ Capital increase	Impairment/ Reversal	Merger by absorption	12.31.2020	1.1.2021
Energigas	100		100					100	100
Participating interests total	**100**	**-**	**100**	**-**	**-**	**-**	**-**	**100**	**100**

Investments recognized as leases:

- BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság
- Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság

The Company recognizes two of its subsidiaries not under shares, but rather as lease receivables in accordance with IFRS 16 (formerly IFRIC4) rules (see Note 13). The Company has a 100% share in these undertakings.

Valuation of investments in the current period:

The management of the Company performs the necessary tests for shares by every reporting date to determine whether the reported value is considered recoverable. For subsidiaries where the tests performed showed that the shares, fully or in part, were not recoverable, impairment was recognized in the current year.

Concerning subsidiaries, the Company applied the DCF model with the discount rate according to the activity of the subsidiary in question (renewable/traditional energy production) and the date of the generated cash flows (7.0%-8.5%).

The share of ALTEO Deutschland GmbH. was written off based on the individual decision of the management.

12. Deferred tax assets and liabilities

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

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

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

The tax balances and temporary differences for 2020 are as follows:

12.31.2020	Tax value	Accounting value	Difference
Fixed and intangible assets	759 673	1 720 642	960 968
Impairments	-	(450 181)	(450 181)
Provisions	-	15 500	(15 500)
Development reserve	(138 196)	-	138 196
Losses carried forward	101 946	-	(101 946)
Deductible temporary difference			**(567 627)**
Taxable temporary difference			**1 099 164**
Deferred tax liability (9%)			**47 838**

The following differences were identified in 2019:

12.31.2019	Tax value	Accounting value	Difference
Fixed and intangible assets	709 125	1 688 834	979 709
Impairments	-	(127 876)	(127 876)
Provisions	-	15 500	(15 500)
Development reserve	(37 861)	-	37 861
Losses carried forward	380 707	-	(380 707)
Deductible temporary difference			**(524 083)**
Taxable temporary difference			**1 017 570**
Deferred tax liability (9%)			**44 414**

Recognized tax expense may be related to the theoretical tax (profit or loss before taxes times the effective tax rate) in the following manner. Details under Note 8.

13. Lease receivables

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

- Tisza WTP Kft.
- BC-Therm Kft.

The Company is in possession of publicly available information that these entities are consolidated by its service user business partners in their own financial statements.

The Company did not identify unguaranteed residual values in any of the contracts. There are no contingent fees in the relevant contracts. Both business partners have purchase options for the business interest of underlying legal entities. Due to the special conditions, the lease deal cannot be cancelled, only terminated by calling the buy option.

The Tisza WTP Kft. lease receivable has zero value. The profit or loss of the O&M activity relating to the subsidiary has an impact on the profitability of the Company.

The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

BC-Therm lease asset	12.31.2020	12.31.2019
Amounts due within a year	129 244	131 926
Amounts due between 1 and 5 years	-	104 982
Amounts due in more than 5 years	-	-
ECL	(295)	(606)
Total lease receivables	**128 949**	**236 302**
Unearned interests	-	23 581
Total lease revenue	**128 949**	**259 883**

14. Inventories

Name	12.31.2020	12.31.2019
Parts	363 010	196 997
Project development inventories	39 808	54 225
Total inventories	**402 818**	**251 222**

Inventories include parts purchased for the performance of O&M contracts in the amount of HUF 363,010 thousand and various works related to project development in the amount of HUF 39,808 thousand to be recognized for a later period.

15. Trade receivables

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

Name	12.31.2020	12.31.2019
Gross value of trade receivable	2 888 253	3 404 088
Recognized impairment	(142 458)	(88 525)
Total receivables	**2 745 795**	**3 315 563**

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

- The maximum credit risk is equal to the carrying amount of trade receivables.
- The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

The breakdown of impairment losses is as follows:

Trade impairment losses	12.31.2020	12.31.2019
Opening balance	88 525	19 316
Impairment recognized	53 933	69 209
Closing balance	**142 458**	**88 525**

The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

The aging list of trade receivables:

12.31.2020	Not overdue	1-30 day	31-60 day	61-90 day	91 to 180 days	180 to 365 days	over 365 days	Total
Trade receivable at initial recognition cost	1 560 380	246 033	546 851	386 801	36 125	100 286	11 776	2 888 253
Impaired trade receivables	*(42 302)*	*(17 741)*	*-*	*(33 632)*	*(33 632)*	*-*	*(986)*	*(128 293)*
Impairment recognized based on the ECL model	*(7 897)*	*(1 015)*	*(2 446)*	*(1 939)*	*(131)*	*(450)*	*(286)*	*(14 165)*
Total trade receivables	**1 510 181**	**227 278**	**544 405**	**351 230**	**2 362**	**99 836**	**10 504**	**2 745 795**

The Company's five largest customers:

In 2020	In 2019
Alteo-Therm Kft.	F.SZ. Energia Kft.
TVK-Erőmű Kft.	True Energy Kft.
Sinergy Energiaszolgáltató Kft.	TVK-Erőmű Kft.
Sarpi Dorog Környezetvédelmi Kft.	Sinergy Energiakereskedő Kft.
Tisza-WTP Kft.	Alfa Energy Kft.

16. Other receivables and income tax receivables

Other receivables:

Name	12.31.2020	12.31.2019
Accrued revenues	2 235 237	705 964
Advances paid (related to projects)	27 537	491 408
Receivables from affiliated companies	61 824	314 515
Receivables due from the customer	44 516	27 408
Other cash	29 981	-
Accrued expenses	34 265	16 382
Other receivables	4 783	43 450
Total	**2 438 143**	**1 599 126**

- Accrued incomes are connected to the operational contracts of the Company.
- Other receivables include items to employees (advances given, etc.) and deposits.
- Assets in a value of HUF 44,516 thousand relating to contracts for construction-installation services are recognized, presented in detail in section 42.

- The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

17. Application of the expected loss model to financial assets

The management of the Company has performed the risk analysis of its financial assets. Risks of financial assets are presented in section 36. Financial assets are classified into the following categories:

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

The Company reviewed its previous year's practice on related party receivables and, in the current year, recognizes impairment on related party receivables and performing outstanding external party receivables in accordance with the logic of the above table. For related party loans and receivables, in the case of ALTEO, the Company's management determined the rate of expected credit loss based on the BBB rating specified by Scope Rating for senior unsecured loans.

Name	External credit rating	Internal credit rating	ECL%	Gross value	ECL amount	Net amount
BC-Therm Lease - (Wanhua Chemical)	BBB+ (Fitch)	Performing	0,26%	129 244	(295)	128 949
Long-term loan IC	BBB- (Scope Ratings)	Performing	0,10%	6 591 012	(6 327)	6 584 685
Long-term loan Third party	N/A	Performing	100,00%	161 443	(161 443)	-
Long-term loan Third party	N/A	Performing	1,21%	23 037	(279)	22 758
Trade receivables - related party	N/A	Performing	0,00%	1 119 071	-	1 119 071
Trade receivables - related party	BBB- (Scope Ratings)	Performing	1,21%	1 172 594	(14 165)	1 158 429
Trade receivables - third party	N/A	Performing	0,00%	525 082	-	525 082
Trade receivables - third party	N/A	Non-performi	100,00%	128 293	(128 293)	-
				9 849 776	**(310 802)**	**9 538 974**

In the opinion of the Company's management, the overall credit risk in the market of the partners and segments did not change in the recent period.

18. Cash and cash equivalents

Name	12.31.2020	12.31.2019
Bank accounts – HUF	2 780 802	1 883 888
Bank accounts – foreign currency	267 776	452 452
Total	**3 048 578**	**2 336 340**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. The interest rate on current account balances is about 0%, considering the extremely low interest environment.

The detailed reasons for changes in cash are included in the statement of cash flows.

19. Elements of equity

The movements in shares in the current period are listed in the following table:

Date	Event	Number of shares	Face value (HUF/share)	Change of issued capital (HUF thousand)	Balance of issued capital (HUF thousand)
1.1.2018	**Opening balance**	**15 631 176**	**12,5**		**195 390**
10.1.2018	Merger by absorption - own shares	(3 757)	12,5	(37)	
During 2018	Purchase of own shares	(3 040)	12,5	(39)	
12.31.2018	**Closing balance**	**15 624 379**	**12,5**		**195 314**
1.30.2019	Transfer of employee share ownership progra	13 222	12,5	166	
3.16.2019	Private placement	2 985 074	12,5	37 313	
6.12.2019	Excercise of ESOP option	21 500	12,5	269	
During 2019	Purchase of own shares	(8 325)	12,5	(114)	
12.31.2019	**Closing balance**	**18 635 850**	**12,5**		**232 948**
1.31.2020	Transfer of employee share ownership progra	1 878	12,5	24	
9.11.2020	Excercise of ESOP option	24 000	12,5	300	
9.21.2020	Purchase of own shares	(24 000)	12,5	(300)	
12.16.2020	Excercise of ESOP option	12 128	12,5	152	
12.16.2020	Purchase of own shares	(12 128)	12,5	(152)	
12.31.2020	**Closing balance**	**18 637 728**	**12,5**		**232 972**

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

There are no other agreements between owners or with other parties which would require the Company to issue new ordinary shares or repurchase existing ones. The Company's approved issued capital (the share capital registered with the registry court) is equal to the amount of the issued capital.

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

20. Transactions with owners

This balance sheet line reflects the Company's treasury shares as at year end.

In the transactions with owners in the current year, the portion of the 32,128 repurchased own shares in excess of the issued capital was recognized.

21. Cash flow hedge reserve

The accounting policy of the Company established hedge connection between certain transactions and certain derivatives. These hedges qualify as cash flow hedges. The Company recognizes profits and losses from the hedging item of the cash flow hedge as other comprehensive income, and gathers such profits and losses in this equity component. The balance in the cash flow hedge fund is reclassified by the Company in the net profit or loss at the closing of the transaction (or if the hedge connection is cancelled from any other reason). No such transaction took place in 2020.

22. Share-based payments reserve

Name	12.31.2020	12.31.2019
Opening balance	68 398	92 690
Reclassification on account of share option exercise	(3 929)	(2 338)
Reclassification on account of share option discontinuation	-	(14 654)
Reclassification on account of transfer of employee bonus	(1 650)	(8 950)
Remeasurement in other comprehensive income	-	1 650
Closing balance	**62 819**	**68 398**

Chart of changes in share program	Option I/ 2017	Option II/ 2020	Option I/ 2017
	2020	2020	2019
PCS.			
Outstanding at the beginning of the period	613 772	-	770 025
Granted during the current period	-	106 871	
Vested	-	-	-
Exercised during the current period	(36 128)	-	(21 500)
Expired during the current period	-	-	-
Forfeited during the current period	-	-	(134 753)
Outstanding at the end of the current period	577 644	106 871	613 772
of which:			
Available for exercise at the end of the current period	577 644	-	613 772
Value (HUF thousand)			
Outstanding at the beginning of the period	66 748	-	83 740
Granted during the current period	-	106 871	
Vested	-	-	
Exercised during the current period	(3 929)	-	(2 338)
Expired during the current period	-	-	
Forfeited during the current period	-	-	(14 654)
Outstanding at the end of the current period	62 819	106 871	66 748
of which:			
Available for exercise at the end of the current period	62 819	-	66 748

Periods		Option I/ 2017	Option II/ 2020
Vesting:			
	start	**5.1.2016**	**1.1.2020**
	end	**8.28.2017**	**12.31.2022**
	Days of service:	485	1 096
	of which: days in an annual breakdown:		
	2016	*244*	
	2017	*240*	-
	2018	-	-
	2019	-	-
	2020	-	*365*
	2021	-	*365*
	2022	-	*365*
Exercise of rights of beneficiary:			
	start	**8.28.2017**	**4.30.2023**
	end	**11.21.2021**	**6.30.2023**
Grant date		**12.14.2016**	**1.1.2020**
Valuation date:		12.31.2017	12.31.2020
		at the grant date	at the grant date
Valuation for presentation		fair value	fair value
Recognition in the statement of financial position		Capital reserve	Capital reserve

		Option I/ 2017	Option II/ 2020
Theoretical share number (maximum as per invitation)		*770 024*	*645 200*
results of valuation:			
valuation no.		770 024	355 917
fair value of share HUF		108,75	900,84
total fair value of program valuation on reporting date, HUF thousand		83 740	320 624
service recognized on the closing date of the current period 2020 %		100%	33,33%
Recognized service value: HUF thousand, of which:		83 740	106 871
	2016	42 296	
	2017	41 444	
	2020	-	106 871

ALTEO Nyrt. developed an equity settled share-based incentive scheme for some ALTEO employees, under which these employees will become entitled to ALTEO Nyrt.'s shares within the framework of ESOP, provided that certain requirements are met. The fair value of the options granted was calculated using option pricing models. The value of the options were not remeasured later. ALTEO Nyrt. does not provide cash benefits with respect to this scheme.

Expenses concerning the entire option scheme were recognized as personnel expenses in the statement of profit or loss of previous periods. The entire scheme is equity settled; therefore, no revaluation will be required in the forthcoming periods.

Under the option program, the options – 96,253 in total – vested in August 2017. The price of the options as of the time of distribution was uniformly HUF 3,800/share, apportioned by splitting the shares in 1:8 proportions. By splitting the shares the number of share options changed proportionately (770,024 options). 21,500 shares were called under the scheme during 2019. Pursuant to the remuneration policy of ALTEO's ESOP Organization, call option holders did not exercise their option until the termination of their employment relationship and thus forfeited the option in respect of a total of 134,752 shares. The part of the reserve covering terminated and called options was reclassified into retained earnings. 613,772 options may be called within the framework of the scheme as of the reporting date. Call options will expire on November 7, 2021. Neither the beneficiaries nor the ESOP organization may sell their shares below the 2016 IPO issue price (HUF 579/share, having regard to the division by eight).

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

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

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

The personal scope of the ESOP covers the 9 executive Employees specified in the 2020 Remuneration Policy. The Employee is eligible to acquire the Available Shares if their legal relationship making them eligible to participate in the Remuneration Policy for 2020 is in place with the Company on the day of publication of the Company's consolidated financial statement for 2022.

The subject of the ESOP is a maximum of 645,200 Available Shares which may be distributed – provided the below criteria are met – after the closing of the 2022 fiscal year of the Company (following the adoption of the consolidated financial statement). The Available Shares are acquired by the Employee without consideration. The Employee may choose whether they wish to receive the Available Shares as securities or whether they wish to receive the consideration thereof in cash.

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

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

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

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

There is no possibility for early drawdown. No drawdown was made by the reporting date.

In the current year, the Company distributed shares to the value of HUF 1,650 thousand to the employees who were entitled to these on the basis of the Company's recognition plan. In connection with the shares granted, the transfer of the shares started on January 31, 2021.

23. Equity correlation table required as part of Section 114/B of the Accounting Act

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

12.31.2020	IFRS	Own shares	CF hedge	IFRS 2	Develop. reserve	Subject year profit or loss	Equity HAS
Total equity	**8 510 896**	**-**	**-**	**-**	**-**	**-**	**8 510 896**
Issued capital	232 972	9 356	-	-	-	-	242 328
Share premium / capital reserve	5 221 391	-	-	-	-	-	5 221 391
Retained earnings	3 390 685	(406 327)	-	62 819	(138 196)	(266 918)	2 642 063
Allocated reserves	-	-	-	-	138 196	-	138 196
Profit or loss after taxes	-	-	-	-	-	266 918	266 918
Share-based payments	62 819	-	-	(62 819)	-	-	-
Transactions with owners	(396 971)	396 971	-	-	-	-	-

Details of issued capital:

Date	Number of shares	(HUF/item)	Balance
1.1.2018	16 401 200	12,5	205 015 000
Issue in 2018	-	12,5	-
12.31.2018	16 401 200	12,5	205 015 000
Issue in 2019	2 985 074	12,5	37 313 425
12.31.2019	19 386 274	12,5	242 328 425
Issue in 2020	-	12,5	-
12.31.2020	**19 386 274**	**12,5**	**242 328 425**

Content of the above differences:

- The face value of own shares repurchased decreases the amount of the issued capital according to the IFRS standards. As of the end of the period, the Company held 748,546 shares with a face value of HUF 12.5 each. This share inventory is the reason for the difference between the amount of issued capital from the value registered at the registry court.
- Share based payments reserve. Its contents are explained in Note 22.
  Unused development reserve. In 2019, the Company established development reserves in the amount of HUF 203,257 thousand, of which HUF 138,196 thousand was still available at the end of 2020.

Calculation of earnings per share (EPS):

Calculation of earnings per share (EPS)	Year ending on 12/31/2020 HUF thousand	Year ending on 12/31/2019 HUF thousand
Number of shares for EPS	18 636 921	18 027 438
Number of shares for diluted EPS	19 386 274	18 781 081
Profit or loss after taxes	266 918	174 563
Base value of net earnings per share (HUF/share)	14,32	9,68
Diluted value of net earnings per share (HUF/share)	13,77	9,29

24. Provisions

Name	12.31.2020	12.31.2019
Opening balance	15 500	15 500
Provisions recognized	-	-
Provisions released	-	-
Closing balance	**15 500**	**15 500**

The Company recognized provisions in respect of the O&M contractual obligations of a subsidiary merged in the previous year. These contractual obligations still existed unchanged in the current year. In the opinion of the Company's management, the provisions will be released beyond one year.

25. Debts on the issue of bonds

Debts on the issue of bonds	Interest terms	Issue value HUF thousand	Face value	Currency	Maturity date	Nominal liabilities 12/31/2020 HUF thousand	Nominal liabilities 12/31/2029 HUF thousand
ALTEO Nyrt. NKP1 2029	Interest payment per	8 818 285	8 600 000	HUF	2029.10.28	8 600 000	8 600 000
ALTEO Nyrt. "2022/II" bond	End of maturity	1 505 905	1 693 630	HUF	2022.06.07	1 594 617	1 528 790
ALTEO Nyrt. "2022/I" bond	End of maturity	498 526	650 000	HUF	2022.01.10	615 361	583 334
ALTEO Nyrt. "2020/I" bond	End of maturity	2 146 103	2 150 000	HUF	2020.09.30	-	2 150 000
ALTEO Nyrt. NKP1 2031	Interest payment per	3 912 499	3 800 000	HUF	2031.10.08	3 800 000	-

Bond cash flow	2020	2021	2022	2023	2024	2025	up to 2030	after 2030
ALTEO Nyrt. NKP1 2029	270 900	270 900	270 900	270 900	270 900	270 900	9 683 600	-
ALTEO Nyrt. "2022/II" bond	-	-	1 693 630	-	-	-	-	-
ALTEO Nyrt. "2020/I" bond	2 246 800	-	-	-	-	-	-	-
ALTEO Nyrt. "2022/I" bond	-	-	650 000	-	-	-	-	-
ALTEO Nyrt. NKP1 2031	-	93 100	93 100	93 100	93 100	93 100	465 500	3 893 100

On March 30, 2017 the Company issued bonds by private placement under the designation **"ALTEO 2020/I"** in a total amount of HUF 2,150,000,000, that is, two billion one hundred and fifty million forints. On September 29, 2020, at the maturity of the bond, the face value of HUF 2,150,000,000 + HUF 96,535,000 in interest was repaid.

On January 10, 2017 the Company issued dematerialized zero coupon bonds with a maturity of 5 years by private placement under the designation **"ALTEO 2022/I"**. The total face value of the issue is HUF 650.000.000, the issue value is 76.6963% of the face value.

On June 7, 2019 the Company issued dematerialized zero coupon bonds with a maturity of 3 years by private placement under the designation **"ALTEO 2022/II"**. The total face value of the issue is

HUF 1,693,630,000, the issue value is 88.9158% of the face value. The bonds were admitted to listing on the regulated market on November 22, 2019.

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

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

Bonds	Year ending on 12/31/2020 HUF thousand	Year ending on 12/31/2019 HUF thousand
opening principal and interest	13 124 132	3 606 924
ALTEO Nyrt. NKP1 2029	8 840 811	-
ALTEO Nyrt. 2019/I bond	-	886 148
ALTEO Nyrt. "2022/II" bond	1 528 790	
ALTEO Nyrt. "2022/I" bond	583 334	553 055
ALTEO Nyrt. "2020/I" bond	2 171 197	2 167 722
Alteo Nyrt. NKP1 2031	-	-
Issues in the current period:	3 904 710	10 289 665
ALTEO Nyrt. NKP1 2029	-	8 796 896
ALTEO Nyrt. 2019/I bond	-	-
ALTEO Nyrt. "2022/II" bond	-	1 492 770
ALTEO Nyrt. "2022/I" bond	-	-
ALTEO Nyrt. "2020/I" bond	-	-
Alteo Nyrt. NKP1 2031	3 904 710	-
Interest recognized in the current period	446 519	240 969
ALTEO Nyrt. NKP1 2029	254 038	43 916
ALTEO Nyrt. 2019/I bond	-	38 852
ALTEO Nyrt. "2022/II" bond	65 827	36 020
ALTEO Nyrt. "2022/I" bond	32 027	30 279
ALTEO Nyrt. "2020/I" bond	75 337	91 902
Alteo Nyrt. NKP1 2031	19 290	-
Principal and interest payments in the current period	(2 517 435)	(1 013 426)
ALTEO Nyrt. NKP1 2029	(270 900)	-
ALTEO Nyrt. 2019/I bond	-	(925 000)
ALTEO Nyrt. "2022/II" bond	-	-
ALTEO Nyrt. "2022/I" bond	-	-
ALTEO Nyrt. "2020/I" bond	(2 246 535)	(88 427)
Alteo Nyrt. NKP1 2031	-	-
Closing principal and interest	**14 957 926**	**13 124 132**
Debts on the issue of bonds	14 889 000	10 909 019
Short-term bond payables	68 926	2 215 114
	14 889 000	**13 124 132**

For the purpose of uniform presentation, the detailed terms of the bonds are listed in the notes titled Terms of borrowings in point IV.34.

In the current year, the Company capitalized borrowing costs in the amount of HUF 7,790 thousand on the issued bonds (legal, organizer and distributor fees).

26. Long-term loans and borrowings and other long-term liabilities

Other long-term liabilities

Name	12.31.2020	12.31.2019
Conditional purchase price	320 011	344 550
Total	**320 011**	**344 550**

Long-term loans

Name	12.31.2020	12.31.2019
Loan from Alte-Go Kft.	-	2 500
Total	**-**	**2 500**

- The Company recognized the loan granted by a Group member in 2020, by way of compensation vis-à-vis Alte-Go Kft., in the value of HUF 2,500 thousand.
- HUF 320,011 thousand is recorded as conditional purchase price under other long-term liabilities in relation to the Zugló-Therm Kft. share. In the current year, in addition to the impact of the amortization, an adjustment was also recognized in relation to the purchase price because the condition related to the payment of the obligation was met.The above stated items are measured by the Company at amortized cost. The liability's amortized carrying value as of the reporting date was HUF 320,011 thousand. The fair value of the items above does not materially differ from their amortized cost.

27. Finance lease liabilities

The Company's leases mature as follows:

Name	12.31.2020	12.31.2019
Long-term liabilities relating to rights of use (over 5 years)	-	-
Long-term liabilities relating to rights of use (1-5 years)	147 099	79 937
	147 099	**79 937**
Instalments due within a year	88 759	54 296
Total	**235 858**	**134 233**

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

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

The Company uses the benefits as per IFRS16 in force in the current year and recognizes the following items as lease payments: the central offices, the car leases maturing within one year and the lease of certain IT equipment of small value. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses. These items are presented in detail in section 2.

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

Name	12.31.2020	12.31.2019
Right-of-use asset	228 884	131 874
Right-of-use liability total	235 858	134 233
Recognized amortization	44 558	54 723
Recognized interest expense	10 629	4 959

28. Deferred income

The deferred income balance sheet line contains the part of the grant received towards the RDI project not yet recognized through profit or loss.

Name	2020.12.31	2019.12.31
KFI I grant	397 240	446 310
	397 240	**446 310**

The main requirements of funding are the following:

	R&D I
Purpose of the grant	Systemic integration and innovative application model of an electricity storage architecture
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: – the creation of one newly developed product, technology, service or prototype – the preparation of one know-how – Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period – Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million – one appearance at a domestic and international forum each (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) – - 2 publications
Grant period	5 years from July 2019

29. Financial liabilities – conditions

Name	Frequency of repayments	Amounts paid HUF	Nominal liabilities HUF 12/31/2019	Maturity date
ALTEO Nyrt. NKP 2029	Interest payment per	8 818 284 700	8 600 000 000	10.28.2029
ALTEO Nyrt. "2022/II" bond	End of maturity	1 505 904 664	1 693 630 000	6.7.2022
ALTEO Nyrt. "2022/I" bond	End of maturity	498 525 950	650 000 000	1.10.2022
ALTEO Nyrt. "NKP1" bond	Interest payment per	3 912 499 250	3 800 000 000	10.8.2031

The working capital loan facility available to ALTEO Nyrt. amounts to HUF 2,000,000 thousand. A mortgage on receivables and a surety and mortgage on bank accounts serve as security for the working capital loan facility. The loan facility was unused as of the reporting date.

The planned cash flows from borrowings for the upcoming five years:

data in HUF thousand	2021	2022	2023	2024	2025
ALTEO Nyrt. NKP 2029	270 900	270 900	270 900	270 900	270 900
ALTEO Nyrt. "2022/II" bond	-	1 693 630	-	-	-
ALTEO Nyrt. "2022/I" bond	-	650 000	-	-	-
ALTEO Nyrt. "NKP1" bond	93 100	93 100	93 100	93 100	93 100

In the current year, the Company capitalized borrowing costs in the amount of HUF 7,790 thousand on the issued bonds (legal, organizer and distributor fees). The annual HUF 271 million cash outflow of the "**NKP 2029"** bond comes from the technical amortization of the accrued interest and the issue above the face value.

In the current year the **"2020/I"** bond of ALTEO Nyrt. was repaid in the amount of HUF 2,246,535 thousand.

30. Trade payables

This line in the statement of financial position contains liabilities arising from the purchase of goods and services in the amount of HUF 613,493 thousand. Trade payables are unsecured, which means that the Company does not provide guarantees, with the exception of those routinely provided in the normal course of business.

Name	12.31.2020	12.31.2019
Trade payables not yet due	534 542	288 386
Invoices past due for 1-365 days	71 421	45 056
Past due for over one year	7 530	39 294
Total	**613 493**	**372 736**

The Company's five largest suppliers:

In 2020	In 2019
Wärtsilä Hungary Kft.	Hanwha Q CELLS GmbH
Hőtechnika Kőolajipari Zrt.	Bijász Ipari és Szolgáltató Kft.
Siemens Zrt.	Szalontai Rendszerintegrátor Kft.
Voith Hydro GmbH	Laterizi Gambettola s.r.l
Bijász Ipari és Szolgáltató Kft.	Univill-Trade Kft.

31. Other short-term liabilities and accruals

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

Name	12.31.2020	12.31.2019
Cost accruals	750 553	490 689
Income accruals	5 078	5 230
Amounts payable to customers	1 035 216	864 367
Income settlement	130 166	110 068
Other tax liabilities	409 747	391 911
Conditional purchase price installment	50 000	-
Other short-term liabilities	18 899	11 638
Other liabilities to Alteo Group members	7 639	775
Total	**2 407 298**	**1 874 679**

These liabilities do not bear interest.

Other tax liabilities consist of VAT, other local taxes and other payroll taxes and contributions.

32. Advances received

Name	12.31.2020	12.31.2019
Advances received	46 500	497 963
Total	**46 500**	**497 963**

At the end of 2019, project development received an advance relating to implementation, which was fully used in 2020 in the course of implementation.

The advance recognized at the end of 2020 represented cash received relating to the overhaul of gas engines.

33. Income tax liabilities

Name	12.31.2020	12.31.2019
Corporate tax liability	19 197	7 015
Innovation contribution liability	13 375	12 159
Local business tax liability	47 643	(17 491)
Total	**80 215**	**1 683**

34. Operating segments

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

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

- operation,
- power plant construction,
- other.

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

2020	Construction	Operation	Other	Total
Revenues	**5 502 667**	**5 478 557**	**2 744 500**	**13 725 724**
Material expenses	4 947 480	3 226 370	739 004	8 912 854
Personnel expenses	532 124	1 698 305	1 537 040	3 767 469
Depreciation, amortization	21 901	212 766	117 976	352 643
Capitalized own production	(15 956)	-	(80 077)	(96 033)
Other revenues, expenses	5 351	1 637	67 701	74 689
Operating profit or loss	**11 767**	**339 479**	**362 856**	**714 102**

2019	Construction	Operation	Other	Total
Revenues	**5 080 394**	**4 547 045**	**475 720**	**10 103 159**
Material expenses	4 043 991	1 459 379	674 069	6 177 439
Personnel expenses	356 283	1 610 461	1 092 105	3 058 849
Depreciation, amortization	11 411	157 664	63 490	232 565
Capitalized own production	(94 372)	-	-	(94 372)
Other revenues, expenses	51 098	40 518	112 441	204 057
Operating profit or loss	**711 983**	**1 279 023**	**(1 466 385)**	**524 621**

35. Related party disclosures

According to the judgement of the management of the Company, transactions with related parties are transactions concluded under market terms, with market based pricing.

The Company does not enter into supply contracts where the customer has the right to subsequently return the goods delivered or to withdraw from the services provided.

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

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

Executive Board

The Executive Board (EB) is part of the internal control structure of the Company. The members of this board make operative, financial and other decisions that are not in the jurisdiction of the Board of Directors. As a consequence, members of this board also qualify as related parties. The aforementioned members of the EB were employed by the Company during the period referred to above.

Members: Attila Chikán, Jr., Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga

Remuneration paid to related parties (executive officers):

2020	Board of Directors	Supervisory Board	Executive Board non-BoD members	Total
Wages	75 864	-	113 300	189 164
Commissions	15 000	11 800	-	26 800
Benefits	5 434	-	8 586	14 020
Reimbursements	7 047	-	10 505	17 552
IFRS2 benefits	24 539	-	27 122	51 661
Total	**127 884**	**11 800**	**159 513**	**299 197**

2019	Board of Directors	Supervisory Board	Executive Board non-BoD members	Total
Wages	89 669	-	125 051	214 720
Commissions	19 500	12 600	-	32 100
Benefits	4 583	-	5 819	10 402
Reimbursements	5 960	-	9 297	15 257
Total	**119 712**	**12 600**	**140 167**	**272 479**

The Company has no doubtful receivables due from related parties; the detailed presentation of the ECL model applied to related party receivables is included in section 17.

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

Amount / 12/31/2020	Loans given	Accrued income	Other liabilities	Trade receivable	Other receivables
Alte-A Kft.	-			36	6 560
ALTEO Energiakereskedő Zrt.	-	201 744		98 738	-
ALTEO-Therm Kft.	-			2 077 131	-
ALTEO-DEPÓNIA Kft.	166 000	6 968		2 187	-
ALTE-GO Kft.	42 452	417		15 265	-
BC-Therm Kft.	-			29 019	-
Domaszék Kft.	22 292	381		829	-
Eco-First Hulladék Kereskedelmi	-	25 000		3 395	-
Euro-Green Energy Kft.	2 700 000	3 262		27 337	-
e-WIND Kft.	59 886	3 420		12 658	15 303
Hidrogáz Kft.				25	-
F.SZ. Energia Kft. (absorbed I)	-			-	-
GRABOPLAST PADLÓGYÁRTÓ ZRT.	-			-	-
IT Solar Kft. (absorbed II)	-			-	-
Kazinc-BioEnergy Kft.	-			25	-
Monosolar Kft. (absorber II)	431 288	4 706		7 041	-
Pannon Szélerőmű Kft.	1 017 178	17 364		-	-
Péberény Kft. (absorbed I)	-			-	-
Sinergy Energiakereskedő Kft.	-	1 927 974		14 086	-
Sinergy Energiaszolgáltató Kft.	200 000	1 605		21 067	-
SUNTEO Kft. (absorber I)	1 090 416	8 469	6 864	145	-
Tisza Bioterm Kft.	1 500	36		8 385	-
Tisza WTP Kft.	-			97 316	-
Tisza-BioEnergy Kft.	-			25	-
True Energy Kft. (absorbed I)	-			-	-
Executive employees	23 037				-
Wallis Autókölcsönző Kft.	-			-	-
WINDEO Kft.	860 000	6 902		3 250	39 961
Total	**6 614 049**	**2 208 248**	**6 864**	**2 417 960**	**61 824**

In the current year, the Company recognized the following outstanding balances due from affiliated companies in profit or loss:

Year 2020	Sales revenue	Asset purchase	Material expenses	Personnel expenses	Other expenses	Interest expenses	Interest income	Dividend income
Alte-A Kft.	336							8 560
ALTEO Energiakereskedő Zrt.	278 304						4 229	
ALTEO-Therm Kft.	5 119 418	78 841	35 488				4 582	
ALTEO-DEPÓNIA Kft.	21 780						5 877	
ALTE-GO Kft.	14 799					121	496	
BC-Therm Kft.	196 786						8 019	
Domaszék Kft.	11 462						1 033	
Eco-First Hulladék Kereskedelmi	58 813		368	4				
Euro-Green Energy Kft.	84 790						111 245	
e-WIND Kft.	7 350						1 896	
Hidrogáz Kft.	80							
F.SZ. Energia Kft. (absorbed I)	4 685							
IT Solar Kft. (absorbed II)	6 237						4 979	
Kazinc-BioEnergy Kft.	240							
Monosolar Kft. (absorber II)	10 395						8 184	
Pannon Szélerőmű Kft.	10 518						6 846	
Péberény Kft. (absorbed I)	37 611							
Sinergy Energiakereskedő Kft.	2 065 513						30 638	
Sinergy Energiaszolgáltató Kft.	1 184 606						4 139	
SUNTEO Kft. (absorber I)	12 841						75 046	
Tisza Bioterm Kft.	300						36	
Tisza WTP Kft.	620 869						2 633	
Tisza-BioEnergy Kft.	240							
True Energy Kft. (absorbed I)	10 080							
WINDEO Kft.	29 358						29 827	
Wallis Asset Management Zrt.			8 694					
Wallis Autókölcsönző Kft.			17 605	1 410	60			
Zugló Therm Kft. (absorbed)								
Grand total	**9 787 411**	**78 841**	**62 155**	**1 414**	**60**	**121**	**299 705**	**8 560**

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

36. Financial risks, their management and the sensitivity analysis

In addition to the risks listed in section II.6, the Company focuses specifically on the following financial risks.

Credit (trade receivables) risk and its management

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

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

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

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

The details of the Company's receivables and the expected losses relating to such receivables are presented in Sections **Hiba! A hivatkozási forrás nem található.** and 17.

Interest rate risk calculation and management

The Company is funded through fixed coupon bonds.

The future cash flows of the bonds and the credit terms are explained in detail in Section **Hiba! A hivatkozási forrás nem található.**.

Foreign currency risk calculation and management

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

The Company had no hedging transaction in 2020.

Liquidity risk

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

The future cash flows of the borrowings and bonds, and also the credit terms are explained in detail in Section **Hiba! A hivatkozási forrás nem található.**.

37. Contingent liabilities

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

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

These guarantees expired or were renewed in accordance with the relevant contracts. The Company did not draw down on its bank guarantees either in the current year or in the previous period.

The following bank guarantees existed as at the reporting date.

Actual interest	12.31.2020	12.31.2019
HUF bank guarantee (HUF thousand)	815 744	1 573 140
Euro bank guarantee (EUR thousand)	23	702

Within the ALTEO Group, the Company provided the following guarantees with respect to the loans of E-Wind Kft. with general purposes – surety (general) for HUF 46,279 thousand.

We detailed the contacts towards other banks that have no value in the financial statements in Item 29 of the notes to these financial statements.

38. Significant events after the reporting date

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

January 31, 2021 The parent company of the Group began the transfer of 3,837 shares to the employees who have become eligible for them based on the Company's recognition plan.

March 3, 2021 On this day, the Company - as seller - and BorsodChem Zártkörűen Működő Részvénytársaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: 05-10-000054; hereinafter: "BorsodChem") - as buyer - concluded a business share purchase contract (hereinafter: "Contract") for the transfer of the ownership of a business share representing the entire issued capital of BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-1131 Budapest, Babér utca 1-5; company registration number: 01-09-887812; hereinafter: "BC-Therm") in the amount of HUF 98,000,000.

39. Litigation and claims

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

40. Economic relations subject to legal proceedings

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018, at the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the 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 Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of publishing this document.

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

41. Fair value measurement disclosures

The Company did not have any assets to be measured at fair value either in 2020 or in the previous year. The Company did not have any derivatives as of the reporting date or in the reference period.

42. Contractual assets and liabilities

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

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

Name	12.31.2020	12.31.2019	Recognized current year sales revenue total	Sales revenue adjustment against statement of financial position	Invoiced sales revenue
Dorog Waste Incineration Plant	-	2 962	929 344	(2 962)	932 906
Sopron Power Plant Project	-	19 051	-	19 051	19 051
Nagykőrös Solar Power Plant	-	5 395	-	5 395	5 395
Alfa Energy Solar Power Plant	-	(4 978)	4 978	4 978	-
MPK Project	(257 007)	(1 443)	675 591	(255 564)	931 154
EISBERG Project	-	(10 000)	42 594	10 000	32 594
Maintenance project	44 516	-	44 516	44 516	-
Balatonberény Solar Power Plant	(106 710)	(125 009)		(18 299)	21 879
Gibárt Hydropower Plant	-	(67 361)		67 361	1 085 061
Subsidiary gas engine overhauls	(671 498)	(655 576)		(15 922)	15 922
Contractual asset total	**44 516**	**27 408**			
Contractual liabilities total	**(1 035 215)**	**(864 367)**			

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

43. Disclosure of interests in other entities

The Company was not faced with any uncertainty and was not forced to decide on complex matters when making a judgment about how to treat its investments. All controlled entities qualify as subsidiaries.

The Company has no associates, it does not participate in joint organizations. Apart from the subsidiaries disclosed as leases, the Company does not face any limitations concerning any of its entities that would influence access to net assets, the profit or the cash flow.

The Company has no consolidated or not consolidated interests in which control is not established through voting rights or where voting rights are not for controlling relevant activities leading to control (structured entities).

None of the members of ALTEO qualify as or have shares in an investment entity.

44. The auditor, the audit fee and non-audit services

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

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

In the fiscal year 2020, the Company and its subsidiaries did not use any non-audit services provided by BDO Magyarország Könyvvizsgáló Kft., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

45. Approval of the disclosure of the financial statements

On March 26, 2021, the Board of Directors of the Group's parent company approved the disclosure of the financial statements in its current form.

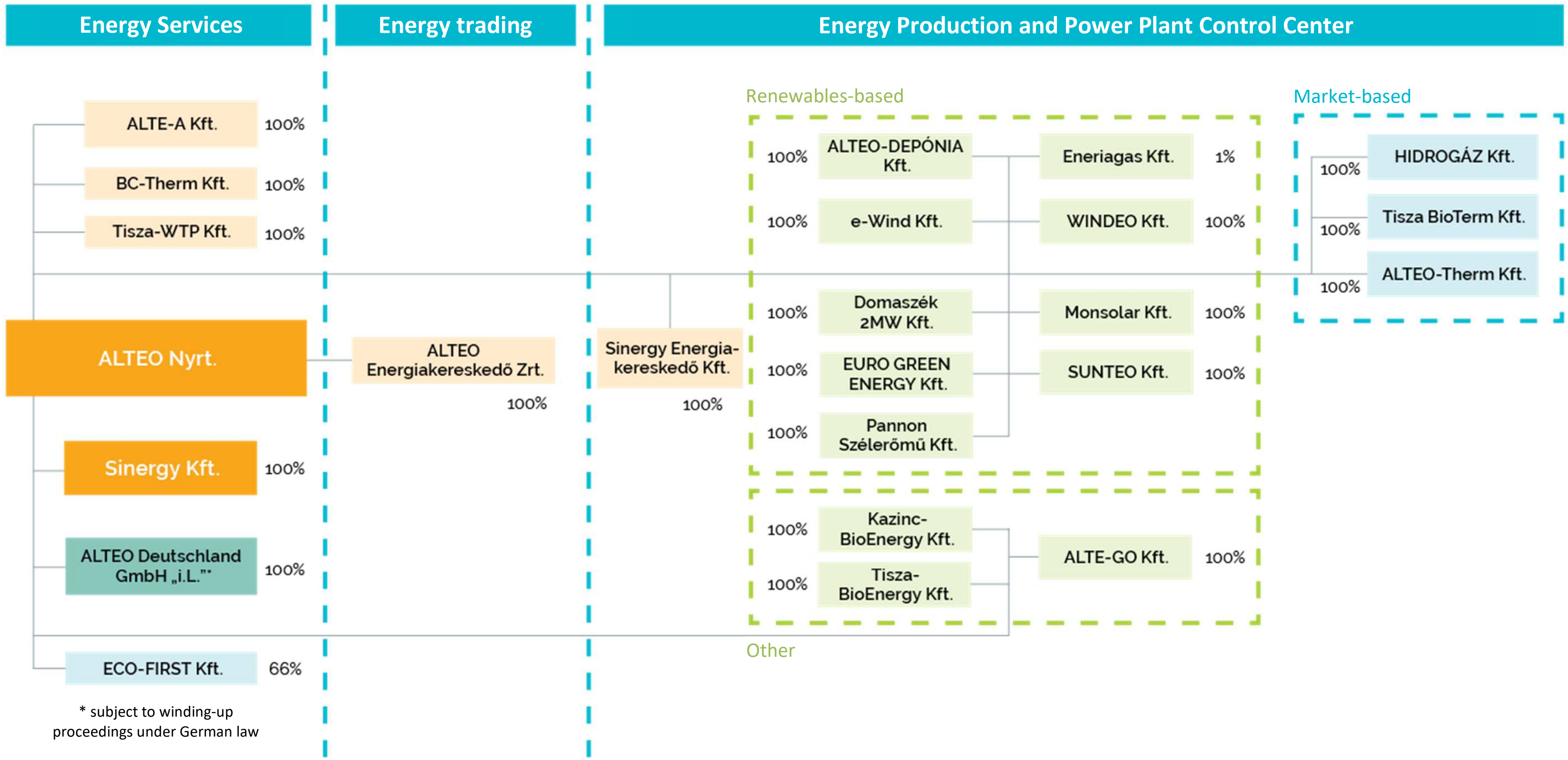
Budapest, March 26, 2021

On behalf of ALTEO Nyrt.:

Attila László Chikán Member of the Board of Directors Chief Executive Officer	**Zoltán Bodnár** CFO

VI Appendix

Schedule – ALTEO members on the reporting date



Name of companies in Group	Note	Registered office	Activity	Ownership acquisition date	Legal title	Rate of influence		Amount of equity (HAS)	Amount of revenue (HAS)
						12.31.2020	12.31.2019	12.31.2020	12.31.2020
ALTEO Energiaszolgáltató Nyrt.		**H-1130 Budapest, Babér u. 1-5.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
ALTE-A Kft.		H-1131 Budapest, Babér u. 1-5.	property management	2011.08.02	Founding	100%	100%	11 221	28 463
ALTEO Energiakereskedő Zrt.		H-1131 Budapest, Babér u. 1-5.	electricity and gas trade	2011.12.05	Founding	100%	100%	193 613	13 082 762
ALTEO-DEPÓNIA Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production	2008.10.01	Founding	100%	100%	(8 989)	111 091
ALTEO Deutschland GmbH	1	Marie-Curie-Str. 5, D-53359 Rheinbach	heat energy production, electricity production,	2018.04.18	Founding	100%	100%	(77 404)	-
Alteo-Go Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production	2015.05.04	Purchase	100%	100%	(16 069)	650
BC-Therm Kft.	2	H-1131 Budapest, Babér u. 1-5.	electricity production	2015.05.04	Purchase	100%	100%	129 244	5 850 685
Domaszék 2MW Naperőmű Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production (wind turbine)	2017.12.04	Purchase	100%	100%	42 477	95 252
e-WIND Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production (wind turbine)	2013.02.11	Purchase	100%	100%	13 718	9 197
ECO First Kft.	6	H-1131 Budapest, Babér u. 1-5.	Treatment and disposal of non-hazardous waste	2019.06.25	Purchase	67%	67%	31 161	440 499
Euro Green Energy Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production (wind turbine)	2019.05.28	Purchase	100%	100%	2 981 110	1 999 128
ALTEO-THERM Kft.	3	H-9027 Győr, Kandó Kálmán u. 11-13.	heat energy production, electricity production	2009.12.31	Purchase	ger by absorp	100%	3 345 752	7 827 803
legal predecessors (dissolved as of 12/31/2019):									
Zugló-Therm Energiaszolgáltató Kft.	3	H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2015.05.04	Purchase	ger by absorp	100%		
Kazinc-Therm Fűtőerőmű Kft.	3	H-3700 Kazincbarcika, Gorkij u 1. sz.	heat energy production, electricity production	2015.05.04	Purchase	ger by absorp	100%		
Soproni Erőmű Kft.	3	H-9400 Sopron, Somfalvi utca 3.	energy production	2009.12.31	Purchase	ger by absorp	100%		
ALTEO-AGRIA Kft.	3	H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2008.08.27	Founding	ger by absorp	100%		
Tisza-Therm Fűtőerőmű Kft.	3	H-3580 Tiszaújváros, Tisza út 1/D	heat energy production, electricity production	2015.05.04	Purchase	ger by absorp	100%		
Ózdi Erőmű Távhőtermelő és Szolg. K	3	H-3700 Kazincbarcika, Gorkij u 1.	heat energy production, electricity production	2015.05.04	Purchase	ger by absorp	100%		
HIDROGÁZ Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production	2009.07.13	Purchase	100%	100%	2 103	369
Kazinc-BioEnergy Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2015.05.04	Purchase	100%	100%	2 490	-
Monsolar Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production (solar power plant)	2017.11.06	Purchase	100%	100%	70 609	114 795
legal predecessor (dissolved as of 9/30/2020):									
IT-Solar Kft.	4	H-1131 Budapest, Babér u. 1-5.	electricity production (solar power plant)	2017.11.06	Purchase	ger by absorp	100%		
Pannon Szélerőmű Kft.		H-1131 Budapest, Babér u. 1-5.	electricity production (wind turbine)	2020.10.14	Purchase	100%	N/A	2 141 424	1 027 959
Sinergy Energiakereskedő Kft.		H-1131 Budapest, Babér u. 1-5.	energy production	2015.05.04	Purchase	100%	100%	193 558	10 055 459
Sinergy Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2015.05.04	Purchase	100%	100%	435 195	206 504
SUNTEO Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production	2013.01.30	Founding	100%	100%	271 590	59 487
legal predecessors (dissolved as of 9/30/2020):									
Péberény Ingatlanhasznosító Kft.***	5	H-1131 Budapest, Babér u. 1-5.	electricity trading	2018.03.13	Purchase	ger by absorp	100%		
F.SZ. ENERGIA Kft.	5	H-1131 Budapest, Babér u. 1-5.	electricity production (solar power plant)	2018.07.20	Purchase	ger by absorp	100%		
True Energy Kft.	5	H-1131 Budapest, Babér u. 1-5.	electricity production (solar power plant)	2018.07.20	Purchase	ger by absorp	100%		
Tisza BioTerm Kft.	7	H-1131 Budapest, Babér u. 1-5.	heat energy production	2015.05.04	Purchase	100%	60%	(19 719)	-
Tisza-BioEnergy Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2015.05.04	Purchase	100%	100%	3 015	-
Tisza-WTP Kft.	2	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	2015.05.04	Purchase	100%	100%	101 735	1 369 508
WINDEO Kft.		H-1131 Budapest, Babér u. 1-5.	heat energy production, electricity production	2012.05.24	Purchase	100%	100%	335 887	241 492

1	Subsidiary constituted under German law, under winding-up proceedings
2	100% share; undertakings presented as lease assets
3	The companies dissolved as of 12/31/2019 (legal predecessors) merged into their legal successor formerly called Győri Erőmű Kft., now ALTEO THERM Kft.
4	The legal predecessor company dissolved as of 9/30/2020 merged into Monsolar Kft., the legal successor.
5	The companies dissolved as of 9/30/2020 (legal predecessors) merged into their legal successor Sunteo Kft.
6	The Group has a 66.67% share in Eco-First Kft., thus the share of the group in the net assets of Eco-First Kft. is 66.67%, with that control, however, is at the group in connection with this company.
7	After the acquisition of a 40% share, Tisza BioTerm Kft. is a fully consolidated company.

The laws of Hungary are to be applied to the subsidiaries of the Group, with the exception of ALTEO Deutschland GmbH. The subsidiaries - with the exception of ALTEO Deutschland GmbH - pay tax in accordance with the Hungarian regulations.

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

year	Member company	Consolidating entity
2020	BC THERM Kft.	BorsodChem Zrt. 100% share
2020	Tisza WTP Kft.	Mol Petrolkémia Zrt. 100% share

Acquisitions and divestments

year	Member company	Change in participations
2020	Pannon Szélerőmű Kft.	Acquisition of 100% participation
2020	Tisza-BioTerm Kft.	Acquisition of 40% participation
2019	Euro Green Energy Kft.	Acquisition of 100% participation
2019	ECO First Kft.	Acquisition of 66.67% business share
2019	ALTEO Hidrogáz Kft.	Divestment of 100% business share

Transformations

9/30/2020 – "Sunny mergers"

As the next step in the process to streamline the corporate structure of ALTEO Nyrt. as announced at the extraordinary General Meeting of November 8, 2017, the Company decided on the merger by absorption of its subsidiaries operating photovoltaic power plants. In the course of the merger

- IT-Solar Kft. merged into Monsolar Kft.
- the following companies were merged into Sunteo Kft.:
  - Péberény Ingatlanhasznosító Kft.
  - True Energy Kft.
  - F.SZ. Energia Kft.

The mergers by absorption were concluded on September 30, 2020.

12/31/2019 – "Mergers of gas engine and heating power plants"

On December 19, 2019 the Company Court registered, with effect as of January 1 2020, the merger by absorption of the following subsidiaries into Győri Erőmű Kft.:

- ALTEO-Agria Korlátolt Felelősségű Társaság
- Kazinc-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
- Ózdi Erőmű Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság
- Soproni Erőmű Korlátolt Felelősségű Társaság
- Tisza-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
- Zugló-Therm Energiaszolgáltató Korlátolt Felelősségű Társaság

As of the date of legal succession, the company name of the legal successor Győri Erőmű Kft. changes to ALTEO-Therm Hő- és Villamosenergia-termelő Korlátolt Felelősségű Társaság.

ALTEO Nyrt.

Annual Report
for the financial year 2020

Disclosure: March 26, 2021

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ALTEO Nyrt. Annual Report for 2020

Introduction

Pursuant to Act CXX of 2001 on the Capital Market, the Regulation of the Budapest Stock Exchange Ltd. on Regulations on Listing and Continued Trading (hereinafter: "**Regulation**"), and Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and **hereby discloses "*The Management Report and Analysis" on the annual profit and the financial statements for the 2020 financial year*** (hereinafter collectively: "**Annual Report**").

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

The data presented in the Company's Annual Report and Annual Financial Statements for 2020 have been verified by an independent auditor.

ALTEO's Annual Report consists of the following documents, occasionally in separate documents, but disclosed at the same time as this Annual Report:

1. Annual report (statement of financial position and statement of profit or loss disclosed in a separate document);
2. Auditor's report, as part of the annual report;
3. Business report, included in this document;
4. Management report, included in this document;
5. Non-financial statements, included in this document.

1 The Management's report and analysis of business activities for 2020

1.1 Management summary on main financial income

2020 presented humanity as a whole with an unexpected challenge: the global pandemic fundamentally impacted and changed our lives. In its response to the pandemic challenge, ALTEO focused on ensuring its ability to maintain the continuity of work and production. We achieved this primarily by protecting our employees as well as establishing and implementing the highest possible standards for work safety by fully taking pandemic regulations into account. As a Hungarian group company active in electricity and heat energy production, energy services and energy trading, ALTEO had some strengths it could draw on that help it in facing the hardships of the pandemic.

With our well-diversified portfolio, ALTEO's profitability was just moderately exposed to the economic downturn caused by the epidemic; while the decline mostly affected our retail divisions, our weather-dependent renewable power plant portfolio as well as our natural gas power plants controlled by our control center and our renewable power plants that are no longer subject to the state subsidy regime exceeded our expectations even during the pandemic, providing the majority of our profitability. Our consolidated profit figures show a two-digit increase in all relevant profit lines for 2020.

In the middle of the epidemic, in addition to a well-diversified activity and asset portfolio, ALTEO's robust financial position, active presence in the capital market and human resources at the Company delivering high professional added value also facilitated our economic resilience. ALTEO has been listed on the Budapest Stock Exchange since 2010. Over the last ten years, we had a public offering, raised our capital twice through private placement to institutional investors and completed a number of public and private bond issuances. ALTEO did not let 2020 go by without a capital market transaction either: after our success in 2019, we once again participated in the Bond Funding for Growth Scheme launched by the Central Bank of Hungary, raising over HUF 3.8 billion in long-term funding from the capital market in 2020. This further strengthened our balance sheet structure and provided funds to implement our growth strategy. We are also proud of the fact that ALTEO's bond rating was not changed by the international rating agency despite another bond issuance and our bonds continue to have one of the highest ratings among Hungarian corporate bonds.

Our investment activity was unaffected by the epidemic thanks in no small part to the effective pandemic safety measures implemented, and the aforementioned financial strength and stock market presence. In line with our strategy, we expanded our renewables power plant portfolio by 15 MW_e through the acquisition of a wind farm and also successfully implemented another 18 MW_e capacity expansion for our portfolio of natural gas power plants controlled by our control center. From a profitability improvement point of view, these transactions did not represent full year worth output in 2020; however, in 2021, we will be able to build on these capacities throughout the year. We intend to continue our investment program set out in our strategic plan in 2021. We also laid the foundation for this in 2020: we completed the reconstruction and modernization of our Gibárt hydropower plant, which also resulted in capacity expansion.

As a result of the above, we look forward to 2021 with increased strength and confidence. ALTEO continues to work on implementing its announced strategy, and our 2020 figures confirm that we are on the right track. We believe that this enables us to enjoy the trust and support of our shareholders and bondholders, which is a key priority of ALTEO's business efforts. Environmental and social sustainability continues to have a crucial role in our strategy. We want to set up our business management so that it complies with and follows the ESG principles (Environmental, Social and Corporate Governance) and thus we can be among the leading ESG-focused companies.

We hope that the world will overcome the pandemic in 2021, and we can return to our normal lives. We believe that, post-pandemic, ALTEO will remain one of the strong and successful companies that take responsibility for the world.

1.1.1 Management summary of the operating profit or loss statement

In line with the 2020-2024 strategy presented in the fall of 2019, the implementation of the planned investment programs, the uncovering of potential investment and capital expenditure opportunities, restructuring serving as basis for other points of the strategy, as well as the implementation of required processes have all commenced. In this context, the capacity expansion of the power plant portfolio controlled by the ALTEO Control Center was implemented, with gas engines of a total electrical capacity of 18 MW installed in May and later in December within the framework of a nearly HUF 3 billion investment program. As a result, ALTEO increased its gas engine energy production capacity by one-third, transforming the control center into one of the largest in the country. In support of the control capacity and in order to maintain the existing district heating services, the district heating contract in Ózd was renewed for another 10 years in December.

The Waste Management business established in 2019, showed a dynamic growth. Additionally, in line with the approved strategy, Alteo has launched its electromobility (hereinafter "electromobility" or "e-mobility") business in the summer and its Renewable Production Management (RPM) business, offering commercial and production management services to typically weather-dependent electricity producers relying on renewable energy sources, in the fall.

In September, Scope Ratings confirmed the previous (BBB-) rating of ALTEO's bonds. ALTEO successfully participated in the second round of the **Bond Funding for Growth Scheme** (hereinafter: **"BGS 2"** or "**Bond Funding for Growth Scheme 2"**) launched by the Central Bank of Hungary. The bond issuance took place on October 6, with a total value of HUF 3.8 billion.

On October 15, ALTEO acquired 100% ownership of a 15 MW_e wind farm in the Bábolna region, thereby further expanding the scope of its renewable power plants, which at the same time is also its most crisis-resistant asset portfolio.

The over 100-year-old Gibárt Hydropower Plant has been renovated by ALTEO's Enterprise business and the renovation of the Sarpi Dorog Waste Incineration Plant was completed as well.

The comparative analysis of the Company's financial data for 2020 and 2019 as presented below. The comparability of the Company's profit with the previous period data is limited, due to the acquisitions completed and the profit generation ability of the investments put into operation in the current year.

ALTEO Nyrt.

Statement of income
and statement of other comprehensive income

Period: 1/1/2020-12/31/2020

(Negative values are denoted by parentheses.)	Note	2020 12 months data in HUF thousand	2019 12 months data in HUF thousand
Revenues	**1.**	**13 725 724**	**10 103 159**
Material expenses*	2.	(8 912 854)	(6 177 439)
Personnel expenses**	3.	(3 767 469)	(3 058 849)
Depreciation and amortization	4.	(352 643)	(232 565)
Capitalized own production***	5.	96 033	94 372
Other revenues, expenses, net	6.	(74 689)	(204 057)
Operating profit or loss		**714 102**	**524 621**
			-
Income from financial transactions	7.	437 920	278 314
Expenses from financial transactions	7.	(701 877)	(456 012)
Profit or loss on financial transactions (-)	7.	(263 957)	(177 698)
Profit or loss before taxes		**450 145**	**346 923**
Income taxes	8.	(183 227)	(172 360)
Net profit or loss		**266 918**	**174 563**

Other comprehensive income

Data in HUF thousand *(Negative values are denoted by parentheses.)*	Note	2020 12 months	2019 12 months
Other comprehensive income (after income tax)	**21.**	-	-
Other comprehensive income from cash flow hedges	21.	-	-
Reclassification of other comprehensive income from cash flow hedges into profit/loss	21.	-	-
Comprehensive income		**266 918**	**174 563**

** The adjustments to the lines indicated relative to the comparative period are presented in the Financial Statements point V. 'Changes in the comprehensive data' section on profit or loss and financial position*

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

The Company's **Revenues** increased by HUF 3.5 billion to HUF 13.7 billion, as compared to 2019. In January 2020, ALTEO concluded a services contract for the reconstruction of the waste incineration plant of SARPI Dorog Kft., worth more than HUF 700 million. Under the contract, the Company's responsibilities included replacing the afterburner chamber and upgrading the heat recovery boiler to increase efficiency. Construction and installation works were completed by September 2020, in line with contractual provisions.

Material expenses increased with the increase in revenue and the projects.

The increase in **Personnel expenses** is mainly due to one-off organizational restructurings and wage hikes. In the line of **Depreciation and amortization**, the increase in costs was caused by a substantial rise in the asset base resulting from capital expenditures and acquisitions realized:

Owing to the above events, in 2020 ALTEO Nyrt. earned an after-tax profit of HUF 0.266 billion.

In **Net finance income**, there was a steep increase in interests. ALTEO used bonds issued under the BGS to fund its intense investment activity.

1.1.2 Management summary of the statement of financial position

The Company's closing balance sheet total was HUF 28 billion as at December 31, 2020. The balance sheet total was HUF 25 billion as at December 31, 2019.

The events listed below had a significant impact on the growth of the balance sheet total:

- Acquisition of 100% of the issued capital of Pannon Szélerőmű Kft.
- Acquisition of 40% of the issued capital of Tisza BioTerm Kft.
- Direct acquisition of the share of EURO GREEN ENERGY Kft.
- Implementation of the power plant investment program
- Implementation of a private placement
- Bond issue within the BGS bond funding.

*The volume of **current assets c**losed with an increase of HUF 1.1 billion compared to the end of 2019 due to an increase in other receivables.*

Cash closed with HUF 3 billion. The Company plans to use cash for investments and capital expenditures, as well as for the payment of dividends. Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows that forms part of the financial statements.

The **equity of the Company** increased by HUF 0.4 billion **in 2020**. Changes in equity elements are presented in the financial statements in the table presenting the movements of equity.

The Company's **long-term liabilities** increased by HUF 4 billion. This increase is mainly the result of the successful issue of bonds in connection with the financing of intensive investment activities.

Short-term liabilities increased by a total of HUF 1.7 billion over the comparative period. The main driver for this increase were output deliveries involving project accounting.

ALTEO Nyrt.

Statement of financial position
for December 31, 2020

Assets

(Negative values are denoted by parentheses.)	Note	12/31/2020 HUF thousand	12/31/2019 HUF thousand
Non-current assets		**18 868 492**	**17 375 644**
Property, plant and equipment	9.	902 154	994 897
Other non-production plant and equipment	9.	81 251	55 422
Other intangible assets	9.	176 524	153 545
R&D	9.	332 880	353 097
Rights of use	9.	228 884	131 874
Deferred tax assets	12.	-	-
Long-term loans given	10.	6 650 692	12 728 952
Lease assets - due in more than 1 year	13.	-	104 376
Long-term share in subsidiary	11.	10 496 007	2 853 383
Long-term participation in associate	11.	100	100
Current assets and assets held for sale		**8 764 283**	**7 634 177**
Inventories	14.	402 818	251 222
Trade receivables	15.	2 745 795	3 315 563
Part of lease asset liabilities due within the year	13.	128 949	131 926
Other short-term receivables and accruals	16.	2 408 162	1 599 126
Cash and cash equivalents	18.	3 078 559	2 336 340
Income tax receivables	16.	-	-
TOTAL ASSETS		**27 632 775**	**25 009 821**

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

Continued overleaf.

ALTEO Nyrt.

Statement of financial position
for December 31, 2020

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	12/31/2020 HUF thousand	12/31/2019 HUF thousand
Equity		**8 510 896**	**8 151 120**
Issued capital	19.	232 972	232 948
Share premium	19.	5 221 391	5 092 255
Retained earnings	19.	3 390 685	3 123 766
Share-based payments reserve	22.	62 819	68 398
Transactions with owners	20.	(396 971)	(366 247)
Long-term liabilities		**15 816 688**	**11 842 230**
Long-term loans and borrowings	26.	-	2 500
Debts on the issue of bonds	25.	14 889 000	10 909 019
Deferred tax liabilities	12.	47 838	44 414
Provisions	24.	15 500	15 500
Deferred income	28.	397 240	446 310
Lease liabilities - long	27.	147 099	79 937
Other long-term liabilities	26.	320 011	344 550
Short-term liabilities		**3 305 191**	**5 016 471**
Short-term loans and borrowings	26.	-	-
Short-term bond payables	25.	68 926	2 215 114
Advances received	32.	46 500	497 963
Trade payables	30.	613 493	372 736
Lease liabilities - short	27.	88 759	54 296
Other short-term liabilities and accruals	31.	2 407 298	1 874 679
Income tax liabilities	33.	80 215	1 683
TOTAL EQUITY and LIABILITIES		**27 632 775**	**25 009 821**

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

2 Annexes

2.1 The Company's details

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 central electronic mailing address	info@alteo.hu
The Company's web address:	www.alteo.hu
The Company's place of registration, date of registration and company registration number	Budapest April 28, 2008 Cg.01-10-045985
The Company's tax number:	14292615-2-41
The Company's EU VAT number:	HU14292615
The Company's statistical code:	14292615-7112-114-01.
Term of the Company's operation	indefinite
The Company's legal form	public limited company
Governing law	Hungarian
The Company's share capital	HUF 242,328,425
Date of the effective Articles of Association	May 21, 2020
The Company's core activity	Engineering activities and related technical consultancy
Fiscal year	same as the calendar year

Place of publication of notices	The Company discloses its notices regarding regulated information on its website www.alteo.hu, on the website of the BSE www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant legislation, the notices of the Company are also published in the Company Gazette.
ISIN code of the Shares	HU0000155726
Stock exchange listing	19,386,274 shares of the Company have been listed on the BSE in the "Premium" category.
Other securities	Bonds ALTEO 2022/I: zero coupon bonds issued by private placement, with a maturity of 5 years, total face value: HUF 650,000,000, issue value: 76.6963% of the face value; not listed. ISIN code: HU0000357405 ALTEO 2022/II: zero coupon bonds issued by private placement, with a maturity of 3 years, total face value: HUF 1,693,630,000, issue value: 88.9158% of the face value; listed on the BSE. ISIN code: HU0000359005 ALTEO NKP/2029: registered bonds with a fixed coupon rate, issued by private placement, having a face value of HUF 50,000,000 and 10 years maturity, total face value: HUF 8,600,000,000, its average selling price at auction was 102.5382% of face value, average yield: 2.8546%, listed on the BSE. ISIN code: HU0000359252 ALTEO2031: registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, its average selling price at auction was 102.9605% of face value, average yield: 2.1178%, listed on the BSE. ISIN code: HU000036003

The Company's Board of Directors	Attila László Chikán, Member of the Board of Directors entitled to hold the title of CEO Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets Gyula Zoltán Mező, Chairman of the Board of Directors Zsolt Müllner, Member of the Board of Directors Ferenc Karvalits, Member of the Board of Directors
The Company's Supervisory Board	István Zsigmond Bakács, Chairman of the Supervisory Board Dr István Borbíró, Member of the Supervisory Board Péter Jancsó, Member of the Supervisory Board Dr János Lukács, Member of the Supervisory Board Attila Gyula, Member of the Supervisory Board
The Company's Audit Committee	István Zsigmond Bakács, Chairman of the Audit Committee Dr István Borbíró, Member of the Audit Committee Dr János Lukács, Member of the Audit Committee
The Company's Auditor	Currently, the auditor of the Company is BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: H-1103 Budapest, Kőér utca 2/A. C. ép., company registration number: 01-09-867785, registration number with the Chamber of Hungarian Auditors: 002387). The auditor personally responsible for auditing the Company is Péter Krisztián Kékesi, registration number: 007128. The mandate of the auditor is from April 30, 2020 to the date of the adoption of the General Meeting's resolution approving the financial statements of the fiscal year ending on December 31, 2022 but to May 31, 2023 the latest.
Shareholder of the Company with a share exceeding 5%	WALLIS ASSET MANAGEMENT Zrt.

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

2.2.1 Composition of the issued capital, rights and obligations related to the shares

The Company is a company established under Hungarian law (governing law).

The Company was founded on April 28, 2008 as a private limited company for an indefinite period of time. The legal form was changed to public limited company as of September 6, 2010 and the Company was listed on the Budapest Stock Exchange. The ordinary shares issued belong to the same series and have the same rights. The rights related to the shares of the Company are set out in the Civil Code and in the Company's Articles of Association. The transferability of the shares is not restricted.

2.2.2 Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Articles of Association of the Company, a shareholder or holder of voting rights (hereinafter, for the purposes of this section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Article 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written declaration to the Board of Directors concerning the composition of the shareholder group and the nature of the relationship between the members of such shareholder group, taking into account Section 61(5) and (9) of the Capital Market Act. Such notification obligation applies to shareholders only if there has been a change in the shareholder group since the publication of the previous notice. In the event of failure to provide notification or full notification regarding the composition of the shareholder group as required in the previous sentence, or where the acquisition of control is subject to a regulatory approval or acknowledgement, which the shareholder had failed to obtain, or if there is reason to assume that the shareholder has deceived the Board of Directors concerning the composition of the shareholder group, the voting right of the shareholder will be suspended by the decision of the Board of Directors at any time even after its entry into the share register, and may not be exercised until the above requirement has been fully satisfied. Furthermore, at the request of the Board of Directors, shareholders are required to promptly make a statement specifying who the ultimate beneficial owner with respect to the shares owned, or the beneficial owner of the shareholder is. If the shareholder fails to act upon such request or if there is reason to assume that the shareholder has deceived the Board of Directors, the voting right of the shareholder is suspended and may not be exercised until the above requirements have been fully satisfied. For the purposes of this section, "shareholder group" means, with respect to a particular shareholder, such shareholder and the persons specified in Section 61(5) and (9) of the Capital Market Act, whose voting rights related to their share must be regarded as the voting rights of the shareholder concerned. For the purposes of this item, "beneficial owner" means the person specified in Section 3(r) of Act CXXXVI of 2007 on the prevention and combating of money laundering and the financing of terrorism.

Pursuant to Section 19 (7) of the Act XVIII of 2005 on Distance Heating, Section 95 (3) of the Act LXXXVI of 2007 on Electricity and Section 123 (7) of the Act XL of 2008 on Natural Gas Supply, in the case of an event relevant in terms of company law or acquisition specified in these laws, in the absence of the prior decision on approval or the acknowledgement of the Hungarian Energy and Public Utility

Regulatory Authority (the specific form of consent is governed by the given law, depending on the event relevant in terms of company law, the range of acquisition, and the nature of the license), the acquiring party shall not exercise any right against the Company in respect of its interest therein, except for the right to dividend, and shall not be entered in the share register.

2.2.3 Presentation of investors with a significant share

The majority shareholder of ALTEO is WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvény-társaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529). The Company's ultimate parent company as at 31 December 2020 was WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: 01-09-925865). The shareholders of this entity are all private individuals.

Ownership structure of the parent company (ALTEO Nyrt.) based on the share register as at December 31, 2020.

Present shareholders of the Company based on the share register on 12/31/2020	Face value (HUF thousand)		Ownership ratio (%)	
	2020	2019	2020	2019
Wallis Asset Management Zrt. and its subsidiaries	154,789	154,789	63.88%	63.88%
Members of the Board of Directors, the Supervisory Board and the Executive Board*	7,716	7,553	3.18%	3.12%
Own shares**	9,357	9,380	3.86%	3.87%
Free float	70,467	70,906	29.08%	29.13%
TOTAL	**232,972**	**232,948**	**100%**	**100.00%**

* Including the property of direct relatives and controlled companies as well

** Excluded from the face value in circulation

2.2.4 Powers of senior executives

The rules governing the appointment and removal of senior executives and the amendment of the Articles of Association are laid down in the Articles of Association of ALTEO Nyrt. and the Civil Code. The Articles of Association of the Company are available on the Company's website and other display points (www.alteo.hu; www.bet.hu; www.kozzetetelek.hu).

The Board of Directors is the managing organ of the Company, and exercises its rights and duties as a body. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years. The members of the Supervisory Board and the Audit Committee are elected by the General Meeting for a definite term of up to five years.

As a general rule, the amendment of the Articles of Association is within the competence of the General Meeting; however, in the context of decisions made pursuant to Section 13.5 of the Articles of Association, the Board of Directors has the powers to amend the Articles of Association in compliance with the relevant rules of the Civil Code.

Without specific authorization from the General Meeting, the Board of Directors may not make any decision on issuing shares.

In its Resolution No. 13/2019. (IV.26.) the General Meeting of the Company repealed its previous Resolution No. 3/2015. (XI.10.) on authorization and authorized the Board of Directors to adopt a decision on the increase of the share capital of the Company at its own discretion, with at least four members of the Board of Directors voting in favor. Pursuant to such authorization, the Board of Directors may increase the share capital of the Company by up to HUF 150,000,000, calculated at the face value of the shares issued by the Company, in aggregate (authorized share capital) in the five-year period starting on April 26, 2019. The authorization shall cover all cases and means of share capital increase set out in the Civil Code, as well as the restriction or exclusion of exercising preferential rights regarding subscription for and takeover of the shares, as well as the adopting of decisions relating to the share capital increase otherwise delegated by the Civil Code and other legislation and by the Company's Articles of Association to the competence of the General Meeting, including any amendment of the Articles of Association necessitated by the capital increase.

Acting within the competence of the General Meeting, the Board of Directors adopted Resolution No. 12/2020. (IV.30.) to provide the Board of Directors with an authorization for a period of 18 (eighteen) months starting on April 30, 2020, to adopt resolutions on the acquisition by the Company of the ownership of shares of all types and classes and of any face value, issued by the Company – supported by at least three quarters of the votes that can be cast by the members of the Board of Directors – and to enter into and perform such transactions for and on behalf of the Company, or to engage a third party for the conclusion of such transactions. The number of shares that can be acquired based on the authorization is equal to a number of shares with a total face value of no more than twenty-five per cent of the share capital, and the total face value of own shares owned by the Company may not exceed this rate at any time. The own shares can be acquired for or without consideration, on the stock market and through public offering or – unless the possibility is excluded by the law – in over-the-counter trading. In the event of acquiring own shares for consideration, the lowest amount of the consideration payable for a share should be HUF 1 (one forint), and the highest amount should be HUF 1,500 (one thousand five hundred forints). The authorization hereof shall also cover share purchases by the Company's subsidiaries in such a way that the Company may authorize or order the management of any subsidiary of the Company by means of resolutions of the members or shareholders (resolutions adopted by the members' meeting or the general meeting) to acquire the shares issued by the Company according to a resolution adopted by the Board of Directors under the above authorization. The authorization of the General Meeting will expire on October 30, 2021; the Board of Directors has initiated its extension by an additional eighteen months.

2.3 Investments in other undertakings

Subsidiaries mean the following companies:

Name of Subsidiary, 12/31/2020 (for information on changes, see footnotes)	Activity	Rate of influence		
		12/31/2020	6/30/2020	12/31/2019
ALTE-A Kft.	property management	100%	100%	100%
ALTEO Deutschland GmbH, being wound up	development of an energy production portfolio, as well as energy services for both wholesale and retail trade	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trading	100%	100%	100%
ALTEO-Depónia Kft.	electricity production	100%	100%	100%
ALTE-GO Kft.	electricity production	100%	100%	100%
ALTEO-Therm Kft.	electricity production, heat energy production	100%	100%	100%
BC-Therm Kft.	steam supply, air conditioning, heat energy production	100%	100%	100%
Domaszék 2MW Kft.	electricity production (solar power plant)	100%	100%	100%
ECO-FIRST Kft.	treatment and disposal of non-hazardous waste	66.67%	66.67%	66.67%
EURO GREEN ENERGY Kft.	electricity production (wind turbine)	100%	100%	100%
e-Wind Kft.	electricity production (wind turbine)	100%	100%	100%
F.SZ. ENERGIA Kft. (1)	electricity production (solar power plant)	100%	100%	100%
HIDROGÁZ Kft	electricity production, hydrogas utilization	100%	100%	100%
IT-Solar Kft. (3)	electricity production (solar power plant)	100%	100%	100%
Kazinc-BioEnergy Kft	steam supply, air conditioning	100%	100%	100%
Monsolar Kft	electricity production (solar power plant)	100%	100%	100%
Péberény Kft. (1)	electricity production (solar power plant)	100%	100%	100%
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	steam supply, air conditioning, electricity production	100%	100%	100%
SUNTEO Kft. (2)	electricity trading, electricity production	100%	100%	100%
Tisza BioTerm Kft. (4)	steam supply, air conditioning	100%	100%	60%
Tisza-BioEnergy Kft.	steam supply, air conditioning	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
True Energy Kft. (1)	electricity production (solar power plant)	100%	100%	100%
WINDEO Kft.	electricity production (wind turbine)	100%	100%	100%

(1) Dissolved by succession as of September 30, 2020 (date of legal succession: October 1, 2020). Details of the event with company law relevance are described in the footnote to SUNTEO Kft. and Section 2.5.2 of this Annual Report.

(2) On September 30, 2020, (i) F.SZ. ENERGIA Kft., (ii) Péberény Kft., (iii) True Energy Kft. merged into SUNTEO Kft. as general legal successor (date of legal succession: October 1, 2020). Details of the event with company law relevance are described in Section 2.5.2 of this Annual Report.

(3) Dissolved by succession as of September 30, 2020 (date of legal succession: October 1, 2020), merged into Monsolar Kft. as general legal successor. Details of the event with company law relevance are described in Section 2.5.2 of this Annual Report.

(4) 100% owned by the Company as of May 18, 2020.

2.4 Changes in the subsidiaries of ALTEO Nyrt.

In 2020, the Company made the following key acquisitions:

- Acquisition of 100% of the issued capital of ***Pannon Szélerőmű Kft.***
- Acquisition of 40% of the issued capital of ***Tisza BioTerm Kft.***
- Direct acquisition of the share of ***EURO GREEN ENERGY Kft.***

Changes in subsidiaries and associated companies

Acquisition of Pannon Szélerőmű Kft. (Bábolna wind farm)

ALTEO Nyrt. as buyer concluded a business share purchase contract with EIH Termelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-9023 Győr, Körkemence utca 8. II. em. 36.; company registration number: 08-09-014038) as seller for the transfer of a business share representing the entire issued capital (HUF 1,153,000,000) of Pannon Szélerőmű Kft. With the so-called closing conditions specified in the business share purchase contract fulfilled, the ownership of Pannon Szélerőmű Kft's business share was transferred to the Company as of October 15, 2020. However, in view of the small power plant consolidated permit of Pannon Szélerőmű Kft., and in line with Section 93(1) and Section 95(3) of the Electricity Act, the Company only exercises some of its membership rights with regard to Pannon Szélerőmű Kft. in possession of HEPURA's resolution taking note of the acquisition of control ex post, as of November 24, 2020.

Pannon Szélerőmű Kft. owns and operates a wind farm near Bábolna consisting of 7 wind turbines and providing an electrical capacity of 15 MW. The electricity produced at this wind farm is sold through the mandatory offtake system (KÁT); the KÁT eligibility expires on July 31, 2025.

Acquisition of Tisza BioTerm Kft.

On May 18, 2020, ALTEO Nyrt. became the 100% sole owner of Tisza BioTerm Kft., where it previously held a 60% stake.

Direct acquisition of the share of EURO GREEN ENERGY Kft.

In H1 2020, the Company acquired the 100% indirect share in its so-called sub-subsidiary, EURO GREEN ENERGY Kft. As a result of the transaction, the subsidiary passed into the direct ownership of the Company.

2.5 Presentation of significant results and events of the Company and its Subsidiaries between January 1, 2020 and the date of disclosure of this Annual Report, as well as future prospects

With respect to the 2020 fiscal year, it is worth highlighting the changes and events that occurred during the period in relation to the following companies within the parent company's group.

2.5.1 Events at the Company relevant in terms of company law

Due to the COVID-19 pandemic, the Company's Board of Directors adopted resolutions on matters within the competence of the General Meeting throughout 2020. Shareholders did not call for the General Meeting to be convened in order to subsequently approve the resolutions adopted by the Board of Directors within the competence of the General Meeting within the limitation period set in Government Decree No. 102/2020 (IV. 10.) on deviating provisions for the operation of partnerships and corporations in a state of danger applicable to the Board of Directors acting within this competence; therefore, such resolutions are considered adopted. These resolutions include the following:

a) The Board of Directors **approved the statement of financial position** proposed by the Company's auditor regarding the Company's fiscal year ending on December 31, 2019, along with the separate financial statement, the business (annual) report and the report of the Board of Directors prepared in line with the provisions of the Accounting Act applicable to entities preparing their annual report under the EU IFRS, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

b) The Board of Directors **approved** the statement of financial position proposed by the Company's auditor regarding the Company's fiscal year ending on December 31, 2019 and the **consolidated financial statement**, the business (annual) report and the report of the Board of Directors prepared in accordance with the IFRS, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

c) The Board of Directors **adopted** the **corporate governance report** relating to the Company's 2019 operations with the proposed content.

d) The Board of Directors resolved **not to pay dividends** from the Company's available retained earnings, in order to alleviate the potential economic effects of the epidemic related to the COVID-19 virus.

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

f) The Board of Directors **re-elected the current members to the Supervisory Board** with the exception of Noah M. Steinberg (i.e. István Zsigmond Bakács, Péter Jancsó, dr. István Borbíró and Dr. János Lukács) and elected Attila Gyula Sütő as the delegate of ALTEO Nyrt.'s Works Council for the period from April 30, 2020 to April 30, 2025. Furthermore, the Board of Directors elected István Zsigmond Bakács as Chairman of the Supervisory Board.

g) The Board of Directors **re-elected the current members to the Audit Committee** (i.e. István Zsigmond Bakács, dr. István Borbíró and Dr. János Lukács) and elected István Zsigmond Bakács as the Chairman of the Audit Committee.

h) The Board of Directors **re-elected the current members of the Board of Directors** (i.e. Attila László Chikán, Gyula Zoltán Mező, Domonkos Kovács, Zsolt Müllner and Ferenc Karvalits) for the period from April 30, 2020 to April 30, 2025.

i) In line with the content of the submission and the recommendation from the Audit Committee, the Board of Directors appointed **BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság** (registered office: H-1103 Budapest, Kőér utca 2/A. C. ép.; company registration number: 01-09-867785; registration number with the Chamber of Hungarian Auditors: 002387) **as the Company's permanent auditor** starting from April 30, 2020 and ending with the date of the adoption of the General Meeting's resolution on the report, prepared in accordance with the Accounting Act, for the fiscal year ending on December 31, 2022, but no later than May 31, 2023, for a total remuneration of HUF 33,450,000 + VAT for a three-year period. The person personally responsible for auditing is Péter Krisztián Kékesi.

j) The Board of Directors **adopted the remuneration policy** for the Company.

k) The Board of Directors has taken note of and accepted the information provided by the Board of Directors regarding **own share transactions.**

l) The Board of Directors **decided** to extend the **authorization** given to the Board of Directors regarding **own share transactions** for eighteen months from April 30, 2020.

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

2.5.2 Events at the Company's Subsidiaries relevant in terms of company law

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

As of March 26, 2020, the Company, as the sole member of the Subsidiaries, and, in the case of Tisza BioTerm Kft., the members' meeting, adopted the annual report of the Subsidiaries for 2019, has taken note of the auditor's report and, furthermore, in case of the following Subsidiaries, the Company decided to pay dividend.

Name of subsidiary:	Amount of dividend:
ALTE-A Kft.	HUF 8,560,000
BC-Therm Kft.	HUF 42,762,000
EURO GREEN ENERGY Kft.	HUF 250,000,000

On April 30, 2020, the Company, as the sole member of the Subsidiaries, and, in the case of Tisza BioTerm Kft., the members' meeting, appointed the Subsidiaries' auditor (BDO Magyarország Könyvvizsgáló Kft. and UNIKONTO Kft.).

On April 30, 2020, the Company adopted a decision on the reduction of the initial capital of **BC-Therm Kft**. from HUF 181 million to HUF 98 million, with a view to disinvestment.

On December 31, 2019, the ALTEO's **district heating subsidiaries merged** as follows: ALTEO-Agria Kft., Kazinc-Therm Kft., Ózdi Erőmű Kft., Tisza-Therm Kft., Soproni Erőmű Kft. and Zugló-Therm Kft. merged into Győri Erőmű Kft. as general legal successor pursuant to Section 3:44 of the Civil Code (date of legal succession: January 1, 2020). As of January 1, 2020, Győri Erőmű Kft. operates under the name ALTEO-Therm Hő- és Villamosenergia-termelő Korlátolt Felelősségű Társaság.

On September 30, 2020, **certain subsidiaries operating photovoltaic power plants** of ALTEO merged by absorption as follows: (i) F.SZ. ENERGIA Kft., True Energy Kft. and Péberény Kft. merged into SUNTEO Kft.; (ii) IT-Solar Kft. merged into Monsolar Kft. (date of legal succession: October 1, 2020).

The Company decided on the **voluntary winding-up of ALTEO Deutschland GmbH**, its subsidiary in Germany. Proceedings are currently ongoing, with voluntary winding up requiring about a year from its launch to complete.

2.5.3 Own securities issued by the Company

2.5.3.1 Cancellation of bill of exchange

The bill of exchange issued by the Company in the amount of HUF 700 million in relation to the transaction for the acquisition of the business share in EURO GREEN ENERGY Kft. was cancelled the by Company in January 2020 as the instalment of the purchase price secured by the bill of exchange had been paid in accordance with the contract.

2.5.3.2 NKP/2029 capital market listing

In January 2020, the Company, in respect of its ALTEO NKP/2029 (ISIN: HU0000359252) bond, concluded a market maker agreement in accordance with the terms and conditions of the Bond Funding for Growth Scheme launched by the Central Bank of Hungary. The bonds were admitted to the regulated market on January 24, 2020.

2.5.3.3 ALTEO 2020/I bond transaction

On January 28, 2020, the Company gave an order to repurchase 100,000 of its own bonds designated as ALTEO 2020/I (ISIN: HU0000357603) at a price corresponding to 103.5000% of the face value (i.e. HUF 10,350 each). No bonds were repurchased on the basis of the offer.

2.5.3.4 Annual review of the credit rating

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

2.5.3.5 Participation in the MNB Bond Scheme

On August 19, 2020 the Company issued a special notice regarding its intention to issue bonds once again under the Bond Funding for Growth Scheme launched by the Central Bank of Hungary. The purpose of the bond issue is to finance the strategy aimed at accomplishing a HUF 20 billion investment volume (as announced last year) through a preferential interest bond in the interest of the optimization of cost of capital. In its communication, the Company described the size of the issuance and other conditions related to the planned issuance.

In connection with this, on October 6, 2020, the Company placed on the market in a successful bond auction registered bonds, with HUF 50,000,000 face value each, a fixed coupon rate, maturity of 11 years, designated as ALTEO2031, with a total face value of HUF 3.8 billion.

2.5.3.6 Credit rating

Scope Ratings GmbH carried out the credit rating of the Company's bonds issued under the Bond Funding for Growth Scheme in fall 2020, expecting the issuance of bonds worth up to HUF 3-4 billion in total; the resulting rating was BBB-, four grades above the minimum required by the Central Bank of Hungary.

2.5.3.7 Maturity of the bonds

The bonds designated as ALTEO 2020/I (ISIN code: HU0000357603), issued by the Company in a total amount of HUF 2,150,000,000, that is, two billion one hundred and fifty million forints on March 30, 2017, matured on September 30, 2020. The Company fulfilled all of its financial obligations towards bondholders.

2.5.4 Publication of an Integrated Report

The Company published its Integrated Report for 2019 on May 13, 2020.

2.5.5 Personal changes in senior management

Based on the appointment made by CEO Attila László Chikán, as of July 8, 2020, former Energy Production Director Viktor Varga continues as Deputy CEO for Energy Production and Services, while former Director for Wholesale and Control Center Management Péter Luczay serves as Deputy CEO for Production and Risk Management, both responsible for the operation of their respective areas in these positions from this date on.

2.5.6 Performance enhancing investment of the Gibárt Hydropower Plant

In August 2019, the Company commenced its performance enhancing investment of the Gibárt Hydropower Plant. As a result of the HUF 1.1 billion investment, the technical delivery of the power plant with enhanced performance took place in December 2020.

2.5.7 Gas engine capacity expansion

In line with the new strategy adopted in the fall of 2019, the Company aims to expand the supply side of the domestic balancing energy market. In this context, as the first step, in May 2020, 3 gas engines with a total capacity of 9 MWe were put into operation at ALTEO's Tiszaújváros and Győr sites. In the next stage of the project, 3 additional gas engines with a total electrical capacity of 9 MW_e were installed, resulting in a 33% expansion in ALTEO's gas engine energy production capacities by the end of the program and transforming the control center into one of the largest in the country.

2.5.8 Disclosure of ALTEO's Strategic objectives

On *November 25, 2019*, the Company published a strategic presentation concerning ALTEO for the period between **2020 and 2024** as a separate document. At the time of disclosure of this report, the communication is still up to date, there has been no change in its content or objectives.

The communication can be downloaded from the following link:
https://alteo.hu/wp-content/uploads/2019/11/ALTEO_V%C3%A1llalati_strat%C3%A9gia_hossz%C3%BA_final_en.pdf

2.5.9 Commercial and production management services (RPM)

In its communication published on September 22, 2020, the Company announced its future intentions to provide scheduling and production management services to its partners commercially, on a larger scale; such services will be performed by Sinergy Energiakereskedő Kft., the Company's subsidiary. As part of this service, Sinergy Energiakereskedő Kft. provides commercial and production management services, for a fixed fee, to KÁT/METÁR-eligible or free-market weather-dependent electricity producers and to power plants in test run phase. Furthermore, Sinergy Energiakereskedő Kft. also offers other related management and administrative services (such as regulatory reporting, system operator's administration).

2.5.10 Launch of a new division 2020

In October 2020, ALTEO launched its E-mobility division, set up as its subsidiary, ALTE-GO Kft. The purpose of founding this new division is to further strengthen ALTEO's presence in the waste energy market and taking a position, in line with the Company's strategy, in e-mobility, building on the other interests (real estate, car/mobility companies) of the majority shareholder group (Wallis's) which operated according to business models that include leveraging opportunities presented by e-mobility services.

2.5.11 Own share transactions

Under the Company's employee share award plan, the Company distributed 1,878 ALTEO ordinary shares in January 2020 (through a transfer dated January 31, 2020) and 3,837 ALTEO ordinary shares in January 2021 (through a transfer dated January 29, 2021) to employees who were eligible under the Company's recognition plan.

On September 21, 2020, the Company repurchased 24,000 ALTEO ordinary shares, purchased under Section 2.5.12, from the ALTEO ESOP Organization at a purchase price of HUF 826 per share.

Subsequently, on December 16, 2020, the Company repurchased 12,128 ALTEO ordinary shares, purchased under Section 2.5.12, from the ALTEO ESOP Organization at a purchase price of HUF 936 per share.

2.5.12 Exercise of ESOP option rights

On September 21, 2020, ALTEO's Employee Share Ownership Plan Organization (hereinafter: **"ALTEO ESOP Organization"**), described in the Company's communication dated March 14, 2017, exercised its option right in accordance with the terms and conditions of its Remuneration Policy published on the same day in respect of 24,000 ALTEO ordinary shares (ISIN: HU0000155726) at a purchase price of HUF 475 per share.

On December 16, 2020, the ALTEO ESOP Organization exercised its option right in accordance with the terms and conditions of its Remuneration Policy in respect of 12,128 ALTEO ordinary shares at a purchase price of HUF 475 per share.

2.5.13 ALTEO ESOP Organization Remuneration Policy

On December 21, 2020, the founder of the ALTEO ESOP Organization adopted the 2020 Remuneration Policy.

2.5.14 Long-term trade and business agreements

In January 2020, in accordance with its strategy and as part of its sustainability support services, ALTEO concluded a services contract for the reconstruction of the waste incineration plant of SARPI Dorog Kft., worth more than HUF 700 million. Under the contract, the Company's responsibilities included replacing the afterburner chamber and upgrading the heat recovery boiler to increase efficiency. Construction and installation works were completed by September 2020, in line with contractual provisions.

ALTEO-Therm Kft., operated by ALTEO as a sole member, and Ózdi Távhőtermelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-3600 Ózd, Zrínyi út 3.; company registration number: Cg. 05-09-004801; tax number: 11387891-2-05; hereinafter: "**Ózdi Távhő**") renewed their long-term heat supply contract signed on May 18, 2005, in effect until December 31, 2020, as well as other contracts related thereto. Pursuant to the newly signed contracts, in accordance with the terms and conditions therein, ALTEO-Therm Kft. will supply Ózdi Távhő with heat until December 31, 2030.

Financing agreements

Subsidiaries of ALTEO did not conclude any new financing agreements with Hungarian financial institutions to finance their activities in 2020. The details of existing financing agreements and financing agreements amended in 2020 due to specific circumstances (including, for example, the merger of certain subsidiaries operating photovoltaic power plants) are included in the Annual Report.

With regard to the acquisition of Pannon Szélerőmű Kft., the financing agreement previously concluded by Pannon Szélerőmű Kft., along with the related collateral agreements, are recognized for Pannon Szélerőmű Kft.:

Company	Designation of the collateral
Pannon Szélerőmű Kft.	mortgage on a business share, mortgage on movable property, lien on receivables, surety and lien on bank accounts

2.5.15 Use of non-audit services

In 2020, ALTEO did not use any audit services provided by BDO Magyarország Könyvvizsgáló Kft.

2.5.16 Presentation of ongoing litigations

Sinergy Energiakereskedő Kft.

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018, at the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the 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 Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of publishing this document.

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

2.5.17 Change in ESOP option rights

On June 12, 2019, ALTEO's Employee Share Ownership Plan Organization (hereinafter: **"ALTEO ESOP Organization"**), described in the Company's communication dated March 14, 2017, exercised its option right in accordance with the terms and conditions of its Remuneration Policy published on the same day in respect of 21,500 pcs of ALTEO ordinary shares (ISIN: HU0000155726) at a purchase price per share of HUF 475.

2.5.18 Long-term trade and business agreements

Zugló-Therm Kft. and Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság (registered office: H-1116 Budapest, Kalotaszeg u. 31; company registration number: 01-10-042582; hereinafter:

"**FŐTÁV**") extended their long-term contract signed on May 21, 2004 and 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 Kft. will provide FŐTÁV with thermal energy until the day of May 31, 2030.

The Company concluded a services contract with a value of over one billion Hungarian forints with TVK-ERŐMŰ Termelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-3580 Tiszaújváros, Gyári út TVK-Ipartelep; company registration number: 05-09-007873; hereinafter: "**TVK-ERŐMŰ**") to carry out the implementation works to extend the service life of the main and auxiliary equipment as part of the reconstruction of the MOL Petrochemicals Co. Ltd. power plant located in the Industrial Park, and to coordinate the activities of the other contractors involved in the reconstruction project. The implementation works for the specific systems will be carried out in 2020 with a final deadline set for December.

The Company and TVK-ERŐMŰ owned by MOL Petrochemicals Co. Ltd. concluded an O&M contract for the long-term operation and maintenance of TVK-Erőmű on September 23, 2019. This new contract was necessitated by the expiry of the O&M contract signed by the parties on July 26, 2004 and subsequently amended several times. Under the contract, the Company will provide the production plants of MOL Petrochemicals Co. Ltd. with industrial steam, heating hot water and power supply services until December 31, 2027.

In accordance with the provisions of the energy service contract for the power supply of MOM Park's building complex, office buildings and residential buildings concluded by and between Sinergy Kft. and OTP Real Estate Investment Fund on December 21, 2018 (the "Energy Service Contract"), OTP Real Estate Investment Fund exercised its call option under the Energy Service Contract over the assets of the energy center. Therefore, as of December 31, 2019, Sinergy Kft. stopped supplying energy for MOM Park's building complex, office buildings and residential buildings, and the ownership of the assets of the energy center was transferred to OTP Real Estate Investment Fund.

Financing agreements

Certain members of ALTEO **concluded financing agreements** with Hungarian financial institutions to finance their activities. As customary in such cases, they provided collaterals in that regard, which are detailed in the table below:

Company	Designation of the collateral	Date of contract conclusion
EURO GREEN ENERG Kft.	pledge and call option on business share, mortgage on real estate and movables, joint and several mortgage identified by circumscription, mortgage on rights and receivables, security deposit and mortgage on receivables from a payment account, security deposit and pledge on bank	May 28, 2019

Company	Designation of the collateral	Date of contract conclusion
	accounts, assignment of certain receivables for collateral purposes, joint and several guarantee	
SUNTEO Kft.	mortgage and call option on business share, mortgage on receivables from a payment account, mortgage on movable assets identified by circumscription, mortgage on the payments from SUNTEO Kft. to ALTEO Nyrt. to secure the outstanding purchase instalments of EURO GREEN ENERGY Kft.	April 4, 2019
Sinergy Kft.	pledge on business share, mortgage on movables, mortgage on movables identified by circumscription, mortgage on receivables, security deposit and mortgage on receivables from a payment account,	December 2, 2019
ALTEO Nyrt.	commitment by the owner towards the credit institution in respect of Sinergy Kft.	December 2, 2019

In November 2019, WINDEO Kft. repaid a loan with a principal of HUF 1.1 billion, SUNTEO Kft. repaid a loan with a principal of HUF 5.0 billion and various Subsidiaries of the Company repaid other, smaller project loans to lender banks in an amount of HUF 0.2 billion, thereby for the most part accomplishing the objective of refinancing part of the bank loans with long-term bonds, specified as one of the goals of the issue of the ALTEO NKP/2029 bonds.

2.5.19 NKP/2029 capital market listing

In January 2020, the Company, in respect of its ALTEO NKP/2029 (ISIN: HU0000359252) bond, concluded a market maker agreement in accordance with the terms and conditions of the Bond Funding for Growth Scheme launched by the Central Bank of Hungary. The bonds were admitted to the regulated market on January 24, 2020.

2.5.20 ALTEO 2020/I bond transaction

On January 28, 2020, the Company gave an order to repurchase 100,000 of its own bonds designated as ALTEO 2020/I (ISIN: HU0000357603) at a price corresponding to 103.5000% of the face value (i.e. HUF 10,350 each). No bonds were repurchased on the basis of the offer.

2.5.21 ALTEO ordinary shares transaction

On January 31, 2020, the Company transferred 1,878 shares to the employees who became eligible based on the Company’s recognition system. Details of the program are included in section 2.5.11 of this Annual Report.

2.5.22 Transformations, changes of ALTEO-Therm Kft.

As part of the restructuring of ALTEO's corporate structure presented at the extraordinary General Meeting held on November 8, 2017, the Company merged its district heating subsidiaries with effect from January 1, 2020, set as succession day. Details of the transaction are included in section 2.5.2 of this Annual Report.

2.5.23 Significant assignments

In January 2020, in accordance with its strategy and as part of its sustainability support services, ALTEO concluded a services contract for the reconstruction of the waste incineration plant of SARPI Dorog Kft., worth more than HUF 700 million. Under the contract, the Company is responsible for replacing the afterburner chamber and upgrading the heat recovery boiler to increase efficiency. Construction and installation works will be completed by September 2020.

2.5.24 Presentation of ongoing litigations

Sinergy Energiakereskedő Kft.

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018, at the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the 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 Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of publishing this document.

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

2.6 The following significant events occurred between the reporting date and the date of disclosure of the Annual Report:

Some of the events listed below have already been discussed in more detail in one of the above chapters, so they are mentioned in this section only in passing. However, even in these cases, the section of the Annual Report which describes the event in more detail is indicated.

2.6.1 Own share transactions

Under the Company’s employee share award plan, the Company distributed 3,837 ALTEO ordinary shares in January 2021 (through a transfer dated January 29, 2021) to employees who were eligible under the Company’s recognition plan.

2.6.2 Sale of business share

On March 3, 2021, the Company as seller and BorsodChem Zártkörűen Működő Részvénytársaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: 05-10-000054; hereinafter: "**BorsodChem**") as buyer concluded a business share sale and purchase contract for the transfer of the ownership of a business share representing the entire issued capital of BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-1131 Budapest, Babér utca 1-5; company registration number: 01-09-887812) in the amount of HUF 98,000,000.

By signing the sale and purchase contract, the parties discharged their obligations arising from the long-term heat supply and capacity utilization contract they had previously concluded, where BorsodChem undertook to purchase the business share in BC-Therm Kft. by the date set out therein.

The ownership of the business share representing 100% of the issued capital of BC-Therm Kft. will only be transferred to the new owner, BorsodChem, upon compliance with the so-called closing conditions specified in the purchase contract.

The concluded sale and purchase contract is without prejudice to the operation and maintenance activities pursued by the Company at BorsodChem's site; ALTEO will continue to operate and maintain the boiler plant.

2.7 The business environment of ALTEO, classification of risks according to their characteristics

*The Company's prospectus, published on December 31, 2019 and updated in 2021, available at the following link (hereinafter: "**Prospectus**"), details and assesses the specific risk factors associated with ALTEO and the securities issued by the Company, as well as the potential risks involved in making an informed investment decision, based on the probability of occurrence of such risks and the anticipated extent of their negative impact. Therefore, this section only describes the risks that have changed since the Prospectus was published.*

The Prospectus is available at the following link:

https://www.bet.hu/newkibdata/128509243/2020%20Information%20memorandum%20XBond_final_20201201_published_en.pdf

Risks – changes in the description or assessment of risks

The description and assessment of risks are included in Section III.2 Risks of the Financial Statements.

2.7.1 The following items concerning risks changed:

Risk categories:

A/ Macroeconomic and legal system related risk factors

B/ Risks specific to the market and the industry

C/ Risks specific to subsidiaries within the ALTEO Group

Risk ratings (table):

type	number	Risk	2020	2019	change
C	19	Political risks	medium	high	yes
C	20	Dependence on weather	high	high	yes
C	44	Any discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)	low	low	yes

Type of changes:

Change in classification on the value scale: Item 19

Updating and clarification of text and wording in Items 20 and 44

The description and assessment of risks are included in Section III.2 Risks of the Financial Statements.

2.8 Description of the policies applied in ALTEO, details of results by policy

2.8.1 Environmental guidelines

ALTEO prepared its first Sustainability Report for the 2016 fiscal year, detailing the Company's non-financial, social and environmental policies and our annual performance. We ensure the relevance and transparency of our sustainability data by applying the GRI (Global Reporting Initiative) Standards methodology, the most recognized international standard, in preparing our non-financial reports, and by having these certified by a third party annually. We prepare a report on our sustainability efforts every year and, since 2019, we have published it in the form of an Integrated Report. Our Sustainability Reports published so far are available to all interested parties on this website: https://alteo.hu/fenntarthatosag/fenntarthatosagi-jelentesek/. As our Integrated Report contains the details of the Company's data, policies, objectives in connection with environmental protection and sustainable business operations, this business report, based on the contents of the Integrated Report, provides only a summary of environmental policies and results.

Our Integrated Management System, which includes the standards ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Health & Safety Management System and ISO 50001:2018 Energy Management Systems, has been extended to apply to the entire ALTEO Group. The Integrated Management Policy (publicly available at https://alteo.hu/wp-content/uploads/2020/11/alteo_integralt_politika.pdf) is the fundamental document for this system, in which the company's management commits itself to providing quality services, safe work environment, energy efficiency, environmental protection and sustainability.

In 2020, we ensured our compliance with the standards by conducting 36 internal audits covering the operation of the Integrated Management System in compliance with all four standards at all of our sites and organizational units.

In 2020, 4 HSE-type inspections were carried out by various authorities, and no objections were logged.

A separate document, the Integrated Report 2020, will describe our environmental policies and the associated results in detail.

2.8.2 Respect for human rights, ethics

The purpose of this section is to describe the significant risks to human rights compliance that may result in adverse effects in the context of the Company's activities and how it manages those risks.

When formulating ALTEO Group's Code of Ethics, we wanted to create a useful guide that would offer help and protection to our employees and provide information to our partners about the standards of behavior represented and required by our Group.

The standards established in the ALTEO Group's Code of Ethics impose higher requirements on Group employees compared to existing laws.

Fundamental rights in practice

We provide our employees with a working environment based on mutual trust, respect for others and respect for their dignity.

We respect our employees' right to freedom of religion, freedom of assembly, right to rest, leisure and regular paid leave.

We take individual preferences into account when setting working hours and work procedures, and provide solutions to any issues that may arise. We adapt to new challenges and have introduced flexible working arrangements.

We give high priority to the personal and professional development of our employees. For that purpose, we develop an annual training plan and provide opportunities to participate in courses, conferences and, under study contracts, in adult education and university education.

We are committed to the principle of fair and compliant employment and remuneration.

Salaries and fringe benefits are reviewed on a yearly basis; and, upon the proposals of the Works Council, the management has introduced changes on several issues.

We are humane in our layoffs, and we support our employees to the extent of our capabilities.

We base our relationship with and among our employees on the principles of human rights and tolerance. We are committed to prohibiting and preventing discrimination, and consider any form of discrimination or human rights violation to be a particularly serious ethical violation.

Through our ethics hotline, we provide the opportunity to report ethical issues, even anonymously, but under all circumstances protecting the whistleblower. In all cases, we will investigate the reports, draw lessons, provide the necessary information and support. We publish ethical issues each year in the Integrated Report.

We respect our employees' right to political conviction and engagement. However, the ALTEO Group is politically neutral and does not engage in any political activities or support. Therefore, our employees must respect the ethical principles of the ALTEO Group when conducting their political activities and, in all cases, they can only carry out their activities as individuals, independently of the Group.

2.8.3 Policies applied in connection with the fight against corruption

The Company **published its Code of Ethics on January 1, 2016**, demonstrating its commitment to fair, compliant and transparent business operation. Due to the changes since the publication of the first edition, the Code was reviewed and updated in the second half of 2018. **In 2019, all our employees participated in mandatory training** and passed the exam.

The new Code, reviewed in collaboration with KPMG, adjusted to reflect GDPR requirements, restructured and amended, transforms ALTEO into a company that sets and stands for high standards of ethics and conduct to their employees, business partners and investors. These companies aim to realize their business plans and become increasingly successful while implementing fair and transparent operation. The labor market has recently undergone fundamental changes - this is something we are also attempting to respond to at the level of the Code of Ethics in order to make our workplace even more attractive.

The Code of Ethics covers the prohibition of providing or receiving any improper advantage, lays down the conditions for accepting gifts and hospitality of small value and establishes detailed rules on conflict of interest. The Company maintains a hotline for reporting ethical issues, providing an opportunity for anonymous reporting. The Company’s Code of Ethics is publicly available on its website.

The Company employs a compliance officer and a compliance expert to monitor compliance of operations with the applicable legislation and fair business principles, following activities and jobs particularly exposed to corruption especially closely for the purpose of prevention. The compliance organization informs the Company’s Compliance Committee and Supervisory Board about their activities and work plan and any issues identified.

Since 2016, the company group has prepared and published its annual Compliance Report each year (from 2017, as part of the integrated report).

When developing the ALTEO Group’s regulatory regime, the priority was to ensure transparent operation within the organization, establish a framework for business operations, document processes, define cooperation among business functions and provide a clear definition of tasks and associated responsibilities.

The ALTEO Group pays special attention to the detection and prevention of economic conflicts of interest, and therefore, in 2019, the entire company group reviewed its employee conflict of interest statements, and new entrants' statements are also checked prior to entry.

The Compliance organization developed a general guide for easier understanding of the rules of conflict of interest, data processing, information security, ethics training, access to internal policies, camera monitoring and control, and sent it to all new entrants and all employees.

In this context, in 2019, ALTEO Group issued 2 new policies (Access and Authorization Policy, IT Risk Management Policy) related to Compliance, and also amended 2 policies (Information Security Policy, Compliance Policy) to reflect changes in the business environment.

Compliance with ALTEO Group's Compliance Policy is compulsory for all managers and employees. In addition, several internal policies and regulations ensure ALTEO Group's responsible operation, the implementation of which is the responsibility of the managers of the affected areas.

In 2019, in addition to implementing the scheduled checks, implementation of the tasks assigned to business functions in the 2017 and 2018 compliance surveys were followed up.

2019 RISKS MAP – Corruption index

In 2019, an extended group of managers (expanded from 13 to 21 persons) completed the questionnaire that covered the assessment of the compliance risks of HR, Procurement, Management, Finance and Publicity. According to the assessment of the managers surveyed, compared to the high marks given in 2018, the compliance of the company group dropped to the 2017 level. In order to fill the gaps identified by the questionnaire, the Compliance entity organizes regular meetings for the new management team and provides ongoing support to the business areas on all compliance issues.

In 2019, no cases of suspected corruption came to the Company's knowledge. As per ALTEO Group's Compliance Policy and Code of Ethics, any form of corruption is considered as a serious ethical violation. To learn more about ALTEO Group's approach to eliminating corruption, please refer to ALTEO Group's Sustainability Report 2019.

2.8.4 Employment policy

The employment policy of ALTEO continues to focus on the retention, motivation and development of existing employees and, at the same time, on the selection and integration of new ones. We create an effective teamwork culture: we consider developing an innovative corporate culture and establishing standards of behavior key strategic objectives.

The Company believes that the loyalty and motivation of their employees are founded on the stable workplace, good working conditions, complex tasks and competitive wages provided by the Group. The physical safety of our employees always comes first; we focus on their long-term commitment, assess their wellbeing through different measurements and forums, and make efforts to maintain a partner like relationship with the Works Council.

Each year, we provide our employees with a “cafeteria” package, and we do our best to ensure that the staff can use the allocated amounts as favorably as possible. Therefore, we provide elements covering the widest range of usability possible - in accordance with the relevant laws.

At the end of 2020, the closing workforce headcount was 278, which is 24 more than in 2019; there were 9 part-time and 269 full-time employees. The number of employees with indefinite term contracts and fixed-term contracts was 277 and 1, respectively. In 2020, 78% of the staff members were men and 21% were women. This gender ratio is basically defined by the nature of the energy sector, as most of the staff deal with the operation of power plants. At the same time, the Company aims to increase the proportion of women, which shows an improving trend year after year.

ALTEO Nyrt. is considered an attractive workplace, as evidenced not only by the number of new entrants, but also by the rate of staff turnover that remains unchanged at 12%.

The Company consciously seeks to increase the proportion of the young generation within the organization, since the management of the Company believe that ALTEO can provide professional development and great opportunities to them. This is essential for maintaining ALTEO’s quality services and reliable work performance, as a constrictive age pyramid means that numerous colleagues with great expertise and work experience – many active in the energy sector for 30 years – are set to retire in the coming years, and the Company strives to recruit highly-trained and committed young members of staff to the positions that will be opening up down the line.

The expertise and experience obtained in various fields of the energy industry are the core values of ALTEO. To ensure that ALTEO can provide high-quality services to its partners, it enables its employees to deepen their knowledge through regular training courses. The objectives of the courses are to enable our employees to improve their efficiency, to acquire critical qualifications for their work, and to update and complement their existing knowledge base. The training offerings also include compulsory courses prescribed by law or by internal regulations, as well as internal knowledge sharing.

3 Statements of the issuer

3.1 Corporate governance statement

ALTEO prepares its corporate governance statement in accordance with the Responsible Corporate Governance Recommendations of Budapest Stock Exchange Ltd. and publishes it in a separate document upon approval by the Company’s General Meeting. The Company only provides a summary in this business report.

The Board of Directors is the managing body of ALTEO that governs the Company and monitors its day-to-day operation on the basis of existing legislation, the Articles of Association and the resolutions passed by the General Meeting, the Supervisory Board and the Audit Committee.

The members of the Board of Directors are elected by the General Meeting for a term of up to five years. Members of the Board of Directors elect the Chair and the member entitled to hold the title of

CEO ("CEO") from among themselves. ALTEO has no nomination committee or remuneration committee; the remuneration of members of the Board of Directors is determined by the General Meeting. The Board of Directors consists of five members.

The Board of Directors is entitled and required to decide on all issues that, by virtue of the provisions of legislation or the effective Articles of Association, do not fall within the competence of the General Meeting, the Supervisory Board or the Audit Committee.

The member of the Board of Directors entitled to hold the title of CEO is at the head of ALTEO's work organization and is responsible for managing and monitoring the Company's operations in accordance with the resolutions of the General Meeting and the Board of Directors. The CEO acts on and is entitled to decide all issues concerning ALTEO's operational management that do not fall within the exclusive competence of the Board of Directors as a body or the General Meeting according to the Articles of Association and the rules of procedure of the Board of Directors. During the day-to-day operations of ALTEO, the CEO works with members of the management responsible for each function to make decisions.

The CEO is assisted in the day-to-day operational management of ALTEO by the management, the members of which are responsible for functions within their scope of responsibility.

ALTEO's Supervisory Board acts as a body under mandate from the General Meeting. Members of the Supervisory Board are required to act in person; agency is not allowed in the activities of this body. Members of the Supervisory Board may not be instructed in that capacity by their employer or shareholders of the Company. Members of the Supervisory Board are elected by the General Meeting for a definite term of up to five years. Members of the Supervisory Board can be removed at any time and may be reelected upon the expiry of their mandates. The General Meeting decides on the remuneration of members of the Supervisory Board. The Supervisory Board elects a chair from its membership and, as necessary, a vice chair. The Supervisory Board sets out its own rules of procedure, which are then approved by the General Meeting. The Supervisory Board currently consists of five members, three of whom are independent individuals.

The Audit Committee verifies ALTEO's accounting regime, comments on its annual report prepared pursuant to the Accounting Act, monitors compliance with professional requirements and conflict of interest rules applicable to auditors and performs the tasks specified in its rules of procedure.

Within the scope of ALTEO's risk assessment activities, 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 to the CEO and the Deputy CEOs.

The assessment of financial risks is a part of every planning and forecasting process as well as preparing new investment decisions. Decisions regarding risks identified during planning and forecasting and how they should be managed are made. For new investments, the management of expected risks is already covered by the proposal.

ALTEO launched its compliance program in 2015.

3.2 The issuer's statement pursuant to Section 3.4.1 of the Decree No. 24/2008 (VIII.15.) of the Minister of Finance

The Company declares that its ***Financial Statements and Business Report for the year 2020*** were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation, profit and loss of the Company as an issuer and the companies involved in the consolidation.

The Company also declares that its ***Annual Report for the year 2020*** provides a true and fair view of the situation, development and performance of the issuer and the companies involved in the consolidation, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

3.3 Statement of the issuer on the independent audit of the report

The Company declares that the **data of this Annual Report were audited by an independent auditor**. The independent auditor's report was published as part of the Consolidated Financial Statements.

Budapest, March 26, 2021

On behalf of ALTEO Nyrt.:

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