Semi-Annual Report of ALTEO Nyrt.

and its Subsidiaries

for H1 2021

Published on: August 30, 2021

Table of Contents

ALTEO Group's Semi-Annual Report for H1 2021

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**"), 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 consolidated semi-annual profit and the consolidated Semi-Annual Interim Financial Statements for H1 2021*** (hereinafter collectively: "**Semi-Annual Report**"; the Company and the consolidated entities specified in Section 2.2 of Annex 2.2 to this Report are hereinafter referred to as "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

The consolidated Semi-Annual Report of the Company has 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 contained in the consolidated Semi-Annual Report of the Company for H1 2021 were not audited by an independent auditor.

Content of the Semi-Annual Report of ALTEO Nyrt. and its Subsidiaries for H1 2021:

The Management's report and analysis

Consolidated Financial Statements

1 The Management's report and analysis for H1 2021

Executive summary on events in the period with significant results

In line with the 2020-2024 strategy presented in the fall of 2019, progress has been made in 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.

In the Management's opinion, H1 2021 results have massively confirmed ALTEO's strategy along with the successful investment projects of the recent period. As results for 2020 also showed, the COVID pandemic still has only moderate impact on ALTEO's profitability compared to other, more pro-cyclical sectors, thanks in part to the protective measures put in place by the company, and the arising negative effects have been far overshadowed by the outstanding results on other activities.

In H1 2021, both the Group's revenue and net after-tax profit increased significantly. **The 22% rise in revenue was accompanied by a 165% increase in after-tax profit. Consolidated EBITDA increased by 98% year-on-year**, primarily on account of the remarkable profitability of the Control Center controlling heat and electricity generation, which was positively supported by the expansion of the center's gas engine capacities last year with an additional 18 MW. Within the subsidized electricity generation segment, the surplus profits of the 15 MW wind farm acquired in October 2020 and the reconstructed Gibárt Hydropower Plant, and the increase in profits relative to last year of the Energy Retail segment (which was hit the hardest by the pandemic) together contributed to the major increase in consolidated EBITDA.

1.1 Executive summary of key operating results

The following section presents the analysis of the comparative data of ALTEO Group for H1 2020 and H1 2021. Among expenditure (material, personnel) data for H1 2020, the Group's capitalized own production values are highlighted, i.e. shown on a separate line, while there were no changes on the other lines of the statement.

Consolidated Statement of Profit or Loss					
data in HUF million	2021 H1 non-audited	2020 H1 Comparative	Change HUF million over previous year	Change % over previous year	2020 H1 non-audited
Revenues	**19 781**	**16 164**	**3 617**	***22%***	**16 164**
Material expenses	(10 983)	(11 080)	97	*(1%)*	(10 937)
Personnel expenses	(2 189)	(1 728)	(461)	*27%*	(1 557)
Depreciation and amortization	(2 187)	(1 303)	(884)	*68%*	(1 303)
Other revenues, expenses, net	(528)	(532)	4	*(1%)*	(532)
Capitalized own production	133	314	(181)	*58%*	n/a
Operating Profit or Loss	**4 027**	**1 834**	**2 193**	***120%***	**1 834**
Net financial profit	(565)	(312)	(253)	*(81%)*	(312)
Profit or loss before taxes	**3 462**	**1 522**	**1 940**	***127%***	**1 522**
Income tax expenditures	(642)	(458)	(184)	*40%*	(458)
Net profit or loss	**2 820**	**1 064**	**1 756**	***165%***	**1 064**
Of which the owners of the Parent Company are entitled to:	*2 818*	*1 062*	*1 756*	*165%*	*1 062*
Of which the minority interest is entitled to:	2	2	-	*0%*	2
Base EPS (HUF/share)	**148,55**	**57,00**	**91,55**	***161%***	**57,00**
Diluted EPS (HUF/share)	**145,36**	**54,80**	**90,56**	***165%***	**54,80**
EBITDA*	**6 213**	**3 137**	**3 076**	***98%***	**3 137**

**In the opinion of the Company's management, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (from which financial items, taxes, depreciation, and profit effects recognized in no close relation to the business period – typically impairments – have been removed).*

The Group's **Revenues** increased by **22%** i.e. **HUF 3.6 billion to HUF 19.8 billion**, as compared to H1 2020. The rise in revenues was impacted by a number of factors:

- A substantial increase of revenue was observed in the **Heat and Electricity Generation Segment**, primarily due to the success of the cogeneration facilities on the structured electricity market. In contrast with previous quarters, H1 2021 was characterized by an extremely volatile market. The segment has actively exploited the underlying opportunities, but at the same time, the Management expects the temporary and higher-than-normal initial market volatility to be followed by strong consolidation down the line. The financial results of the segment and the exploitation of market opportunities were also supported by ALTEO's strategic investments, including the gas engine capacity expansion investment project delivered in H1 2021.
- The revenue of the **Energy retail segment** increased significantly compared to the low base in the comparative period – which was also affected by COVID-19 – partly due to the general rise in energy prices relative to last year. Overall, market players responded well to the additional COVID-19-related closures in 2021, with production activities halted to a lesser extent as a

result of the pandemic measures, leading to energy purchases exceeding the 2020 base in terms of value and volume.

- The increase in the revenue of the subsidized electricity generation segment was mainly driven by the consolidation for the full reporting period of the performance of **Pannon Szélerőmű Kft.** (Bábolna wind farm), acquired in October 2020.

Material expenses increased by only 1% despite the 22% growth of revenues. The main reasons of this remarkable positive change are the following:

- The increase in revenue in the structured electricity market is not accompanied by a significant rise in material expenses, but at the same time, there were substantial material expenses underlying the revenue from heat sales, which declined.
- The wind farm acquired by the Group through the aforementioned acquisition typically operates with extremely low material expenses.

The 27% (HUF 0.5 billion) increase in **personnel expenses** is directly related to the Group's expansion, and this is also where the effect of the management incentive program (ESOP 2020) – announced at the end of 2020 – is recognized.

Depreciation and amortization grew by 68%, that is, by HUF 0.9 billion. Depreciation and amortization increased in relation to the substantial rise in production capacities. In 2020, the Group's production capacities grew by HUF 10.9 billion, comprising the following elements:

- The HUF 7.1 billion asset portfolio acquired in relation to the **Bábolna wind farm** appeared in the Group's depreciation as of October 2020.
- The Group capitalized the HUF 2.7 billion **investment project to increase the capacity of gas engines** at the Tiszaújváros and Győr sites in two phases starting in July and November 2020.
- The HUF 1.1 billion **investment project aimed at the reconstruction of the Gibárt Hydropower Plant** was capitalized in October 2020.

The balance of **Other revenues, expenses, net** closed at the same level as the previous year. The effect of the increased CO_2 expenditure is offset by the successful recovery of trade receivables previously considered uncertain.

The change of the EUR exchange rate played a dominant role in the HUF 0.5 billion expense balance of **Net financial income**. The revaluation of H1 2021 receivables and liabilities to reporting currency resulted in loss revaluation difference.

In H1 2021, ALTEO Group realized an EBITDA of HUF 6.2 billion and a profit of HUF 3.5 billion before taxes.

Income tax expenses increased in parallel to the Group's profits. Income tax expenses exceeded the expenses of the comparative period by HUF 0.2 billion.

In H1 2021, the **Group's after-tax profit i.e. Net profit was HUF 2.8 billion**, representing an increase of 165% over the comparative period.

1.2 Executive summary on comprehensive income

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of open forward transactions on the** Other comprehensive income line. The transaction is recognized, depending on the nature of the income, against the balance sheet items of other financial assets or liabilities.

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

- The Group entered into interest rate swaps on some of its outstanding project loans in line with its risk management policy. With interest rate swaps, the Group aims to manage the interest rate risk on project loans.
- The Group adapts its gas and CO_2 purchases to its sales pricing system for regulated heat energy; and concluded forward transactions to manage currency price volatilities.
- The Group concluded gas, CO_2, electricity and foreign exchange deals to manage its risks relating to electricity generation (base load).
- The Group presented the tax effect of the forward transactions shown in comprehensive income by applying a corporate tax effect of 9%.

Consolidated Comprehensive Statement of Profit or Loss

data in HUF million	2021 H1 non-audited	2020 H1 Comparison, non-audited	Change HUF million over previous year	Change % over previous year
Net profit	**2 820**	**1 064**	**1 756**	***165%***
Other comprehensive profit (after taxes on profits)	**3 043**	**773**	**2 270**	***294%***
Comprehensive income	**5 863**	**1 837**	**4 026**	***219%***
Of which the owners of the Parent Company are entitled to:	5 861	1 835	4 026	*219%*
Of which the minority interest is entitled to:	2	2	-	*n/a*

As at the reporting date of the H1 2021 report, the aggregate profit of the revaluation of forward transactions as at the reporting date, **recognized in the profits** for the period, was **HUF 3,043 million.**

The revaluation of the open positions of forward transactions – in particular the open positions of natural gas and CO_2 in-kind resources contracted for the generation of regulated heat energy – applicable to June 30 had the greatest impact on the change of consolidated **Comprehensive income**. A significant part of the Group's heat sales contracts is charged to consumers at the sales price set out by law. The Management's intent is to neutralize future market price fluctuations of the in-kind resources required for the generation of regulated heat energy with forward transactions concluded by the Group, under normal market conditions.

1.3 Executive summary on the performance of the segments

Presenting the allocation between segments reflects the approach of the Group's management relating to the valuation and assessment of the various areas.

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES								
2021.06.30 *data in HUF million*	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Administration costs	Items eliminated due to consolidation	Total
Revenue	**10 295**	**2 703**	**1 487**	**6 839**	**-**	**-**	**(1 542)**	**19 781**
Capitalized value of own production	45	-	66	-	-	22	-	132
Material expenses	(4 869)	(309)	(597)	(6 347)	(126)	(277)	1 542	(10 984)
Personnel expenses	(453)	(104)	(771)	(57)	(338)	(465)	-	(2 189)
Other revenues and Other expenditur	(637)	19	75	24	(1)	(6)	-	(528)
EBITDA*	**4 380**	**2 308**	**260**	**459**	**(466)**	**(727)**	**-**	**6 213**

** For the definition of EBITDA see the "Consolidated statement of profit or loss" section.*

In relation to segment information, we present the detailed description, analysis and comparison of the segments in question. Starting from 2021, the presentation of ALTEO segments has changed in the interest of better interpretability for investors and the improved presentation of segment profitability.

The following structural changes were implemented in the presentation of the segments:

- Activities related to the operation of power plants owned by ALTEO are shown directly in the segment presenting profit/loss generated by the power plant.
- Some of the indirect costs previously shown in the "Other" segment have been distributed among the segments.
- The profits of segments are shown net of management fees.
- Amounts net of administration costs allocated to segments are shown as **EBITDA.**
- In the segment tables below, "Administration costs" are allocated among productive segments.
- Through the allocation procedure, we allocated the indirect costs (named as administrative costs in the tables) to segments and presented **EBITDA II thereafter.**

1.3.1 Heat and electricity generation segment (market-based, outside the "Subsidized" system)

This segment includes combined heat and electricity generation (cogeneration), the Control Center, and the wind turbines that are no longer subsidized (being excluded from KÁT, having produced their subsidized volumes). The Control Center is responsible for planning and managing the Group's market-based renewable electricity generation, the electricity generation by cogeneration equipment in heating power plants and the production by external partners connected to the Control Center. The Control Center also grants access to the Ancillary Services market through the integration of the units managed. The profit that can be realized on the electricity production portfolio with the electricity production integrated through the Control Center, with the related electricity management functions, and with the production and sale of structured electricity products, greatly exceeds the levels that can be achieved by implementing conventional production strategies.

Since the fall of 2020, in addition to managing its own renewables-based electricity production portfolio, the ALTEO Group has provided comprehensive commercial and production management services to power plants operating on a market basis or in subsidized systems (KÁT, METÁR).

Heat and electricity generation (market rate, outside the KÁT regime)

data in million HUF	2021.06.30 non-audited	2020.06.30 comparison	Change HUF million over previous year	Change % over previous year	2020.06.30 non-audited
Revenue	**10 295**	**7 511**	**2 783**	**37%**	**7 529**
Capitalized own production	45	**33**	12	38%	**n.a.**
Material expenses	(4 869)	(4 698)	(171)	4%	(5 337)
Personnel expenses	(453)	(380)	(73)	19%	(86)
Other revenues and Other expenditures	(637)	(590)	(48)	8%	(590)
EBITDA*	**4 380**	**1 876**	**2 504**	**133%**	**1 516**
Allocated administrative expenses	(242)	(199)	(43)	21%	n.a.
EBITDA II*	**4 138**	**1 677**	**2 461**	**147%**	**n.a.**

** For the definition of EBITDA see the "Consolidated statement of profit or loss" section.*

The **revenue of the segment was** 37% up on the base period.

The revenue increase between the two periods is attributable to increased own production capacities owing to investments made last year as well as to the integration of external partners into the Control Center and the revenues of the Scheduling business line, not yet present in the base period. In the framework of the gas engine investment program, flexible own electricity generation capacities increased considerably from H2 2020 on. Renewable capacities in the segment that were previously integrated into the Control Center provided stable output.

In Q3 2020 ALTEO launched a smart, comprehensive and risk-free scheduling service to provide partners with a solution to the challenges faced by renewable energy producers. The Group's market share continued to increase, revenues and profits from the new activity met the expectations.

Material expenses in the segment include three major items: the cost of gas purchased, the cost of electricity purchased from external (non-consolidated, third party) power plants, and the costs and expenses incurred by the division responsible for the operation and maintenance of the power plant portfolio.

In 2021, the segment sold heat energy not only to district heating suppliers but also to customers like AUDI, Heineken Hungária and others. On the basis of these contracts, the company continued to provide a stable and predictable performance.

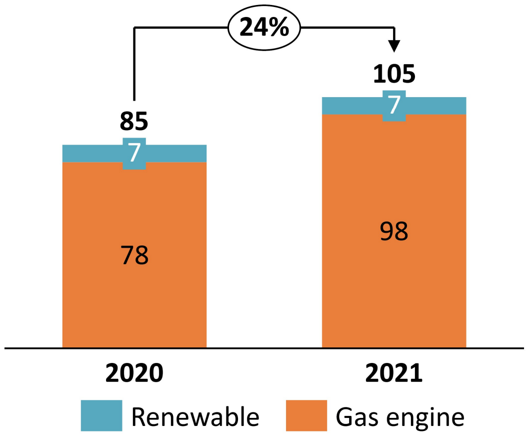
The segment's EBITDA for H1 2021 was HUF 4.1 billion, a 147% increase over the figure in the previous period, primarily attributable to the following factors:

- In H1 2021 the Control Center realized significantly higher margins, relative to the prior period, as a result of the change in the behavior of actors on the balancing reserve capacity market and under volatile market conditions.
- The result arises from the aggregate effect of several external and internal factors. The availability of major industry producers, the increasing ratio of weather-dependent capacities and, simultaneously, the higher volatility of the demand-supply side of the electricity market resulted in the appreciation of flexible electricity production capacities.
- The intensive capacity expansion projects of the recent past and the improvement of the Control Center have received positive feedback from the market.
- The sales revenue of the FCR (formerly called primary) regulatory capacity produced by the electricity storage architecture continued to increase.
- The Scheduling business line made a positive contribution to the segment's performance.
- The losses incurred on the heat production and selling activities subject to price regulation have become marginal as compared to dominant markets.

Presentation of the markets of the heat and electricity segment

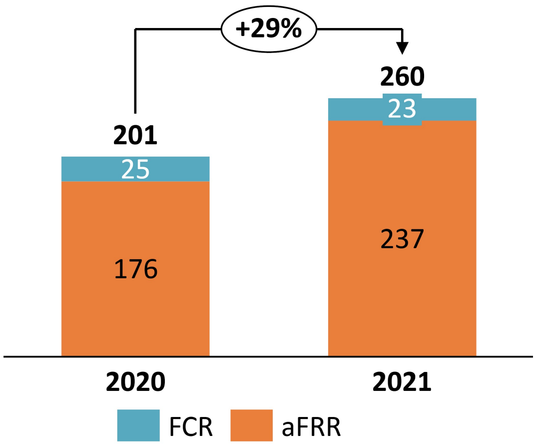
The quantitative impact of the sale of structured electricity products on the segment's profit

The **24% increase in own electricity production is attributable** primarily to the additional electricity produced by capacity increasing projects. The renewable energy production volume is highly exposed to weather conditions, which were about the same as in the previous year for the purposes of generation.



Self-generated electricity sold by the control center (GWh) in H1 2020 and H1 2021

The balancing reserve capacity sold by the Control Center has increased both in terms of quantity and unit price, which had a fundamental effect on the profit growth of the segment.

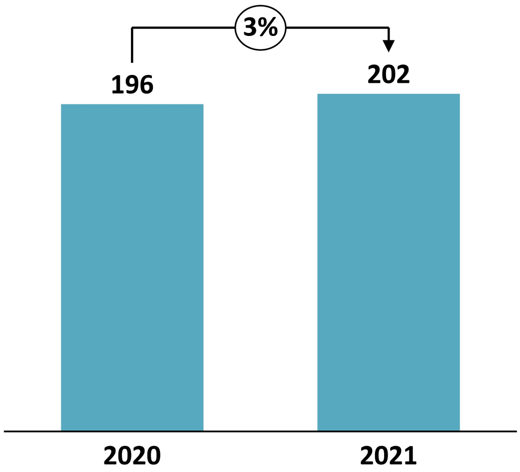


Electricity production capacities sold by the control center in H1 2020 and H1 2021 (aFRR: GWh; FCR: GWh_{sym})

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

The economic performance of the district heating subsegment under review closed at a comparable level to that of the previous period.

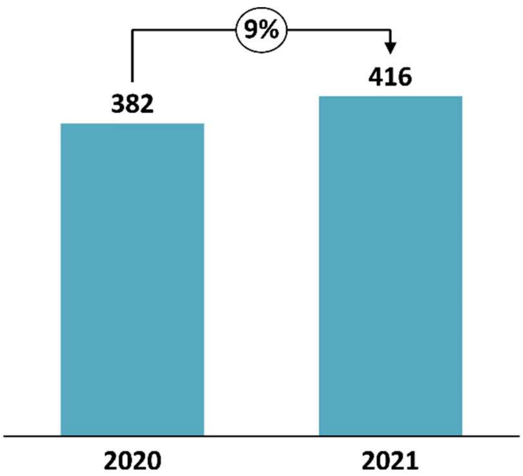
The **volume of heat energy sold by the segment increased by 3%** during the period. The 11% decrease in revenues realized from heat sales is due to the slightly higher heat production volume and the lower feed-in tariff set by the authorities. As a result of the hedging policy of the Group, the cost of the resources necessary for production were hedged, thus ensuring low volatility of the subsegment margin.



Amount of heat sold by the segment (GWh) in H1 2020 and H1 2021

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

The amount of natural gas used by the segment **increased by 9%**, in accordance with the growth of both heat and electricity production.



Amount of natural gas used by the segment (GWh_{GCV}) in H1 2020 and H1 2021

1.3.2 Electricity generation (within the "Subsidized"[1] system) segment

Electricity production recognized in this segment comprises exclusively renewable energy assets (solar, wind, hydro, landfill gas) used for production within the "KÁT" balancing group.

Electricity production (within the subsidized system)					
	2021.06.30	2020.06.30	Change HUF million	Change %	2020.06.30
data in million HUF	non-audited	comparison	over previous year	over previous year	non-audited
Revenue	**2 703**	**1 826**	**876**	**48%**	**1 825**
Capitalized own production	-	-	-	n.a.	**n.a.**
Material expenses	(309)	(219)	(90)	41%	(303)
Personnel expenses	(104)	(60)	(44)	74%	-
Other revenues and Other expenditures	19	30	(12)	(38%)	24
EBITDA*	**2 308**	**1 577**	**730**	**46%**	**1 546**
Allocated administrative expenses	(48)	(41)	(7)	16%	n.a.
EBITDA II*	**2 260**	**1 536**	**724**	**47%**	**n.a.**

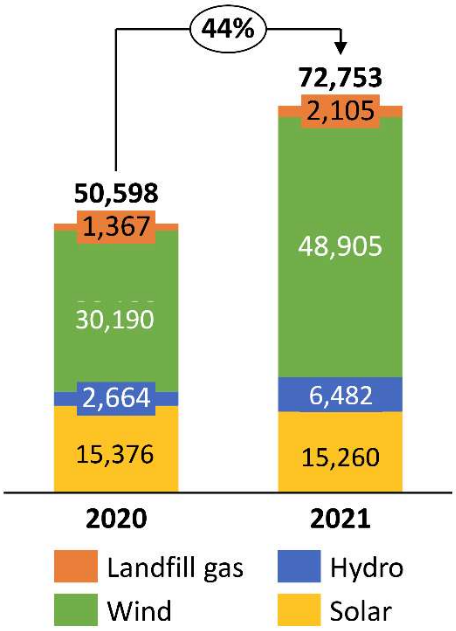
** For the definition of EBITDA see the "Consolidated statement of profit or loss" section.*

Revenue from the Group's **electricity production plants selling electricity within the Subsidized system was HUF 876 million higher** as compared to the same period in 2020.

- **The production of the 15 MW Bábolna power plant** generated a HUF 597 million increase in the sales revenue of the segment. The wind farm was included in the scope of consolidation of ALTEO as of October 2020.
- After renovation, the Gibárt hydropower plant resumed production in the fall of 2020.
- The capacities lost due to the protracted repair works on malfunctions in the COVID-19 period of 2020 resumed production in H1 2021 (loss of production in Törökszentmiklós and some of the wind turbines at Bőny).

As a consequence of the segment's typically high hedging ratio, a significant portion of the increase in the revenue of the segment appears in the EBITDA. **The segment's EBITDA** increased by **HUF 724 million.**

[1] The designation of "Subsidized" energy market corresponds to the designation "KÁT" used earlier; in the present report, these two designations are used by the Company with the same content.



Quantities sold in H1 2020 and H1 2021 and their distribution (MWh)

The volume of electricity sold increased by 44%. After the performance enhancing reconstruction of the Gibárt Hydropower plant, in 2021 the production of the hydropower plant will result in additional growth in the segment.

The Group further expanded its renewable production (wind turbine) capacities by 15 MW, through the acquisition of Pannon Szélerőmű Kft.

The acquisition reflects the fact that the Group gives high priority to the expansion of renewable energy capacities, both in terms of profitability and environmental consciousness.

1.3.3 Energy Services segment

The Energy Services segment includes power plant operation and construction services for third parties, maintenance services as well as waste management and e-mobility services. The Group also offers its customers engineering, project development and project management services, as well as main contractor construction services related to energy investments and developments, under individual orders and contracts.

The greatest volume of services provided by the business line are used by major players in the Hungarian industry (e.g. MOL Petrolkémia, BorsodChem, Budapest Power Plant, Heineken), for whom the reliable and stable operation of energy infrastructure is critical. The services provided to them are typically implemented in the framework of construction and/or long-term operation and maintenance contracts with high added value.

Energy services

data in million HUF	2021.06.30 non-audited	2020.06.30 comparison	Change HUF million over previous year	Change % over previous year	2020.06.30 non-audited
Revenue	**1 487**	**2 023**	**(537)**	**(27%)**	**5 133**
Capitalized own production	66	**10**	56	562%	**n.a.**
Material expenses	(597)	(1 054)	457	(43%)	(3 561)
Personnel expenses	(771)	(574)	(197)	34%	(1 163)
Other revenues and Other expenditures	75	-	75	n.a.	5
EBITDA*	**260**	**406**	**(146)**	**(36%)**	**414**
Allocated administrative expenses	(369)	(286)	(83)	29%	n.a.
EBITDA II*	**(110)**	**119**	**(229)**	**(192%)**	**n.a.**

** For the definition of EBITDA see the "Consolidated statement of profit or loss" section.*

This year, the segment realized a negative EBITDA II value of HUF 110 million. The negative value is due to higher allocated administrative costs, relative to profit generation capacity, relating to the launch and ramping-up of newly introduced business lines. ALTEO's management continues to see the long-term value-creation of the new business lines to be ensured.

In the field of **operation and maintenance services to third parties**, material and personnel expenses exceeded the previous year levels in 2021, primarily because in 2020, due to the COVID pandemic, some operational tasks were postponed to the second half of the year, resulting in cost savings in H1 2020.

The **Enterprise and Project Development Division** performed construction works for several third parties in H1 2020, which generated significant profits in the comparative period. In H1 2021 ALTEO completed several internal construction projects (construction work on the new office building, R&D projects) where reliance on internal resources yielded significant savings on project costs. The internally implemented projects (in this case, R&D) are expected to yield additional profits from 2022 onwards, creating value for ALTEO through the energy production segment and lower investment values.

The **maintenance business**, due to the intentionally postponed internal maintenance works because of the outstanding opportunities in the regulatory market, was able to undertake more external maintenance tasks than in 2020, thereby contributing to the consolidated profits of ALTEO.

The profits of the **waste management business** were significantly affected by the lockdown due to the pandemic in 2021 as well. The performance of the business fell short of the H1 2020 levels because, in most of the first half of 2021, the HORECA (hotel, restaurant and catering) segment was restricted in its operations and some of our former partners filed for bankruptcy. We continue to search for new partners and to identify new opportunities in the changing waste management market.

The **e-mobility business** is still in its initial phase, as is the entire sector. The business made active use of the lockdown to work on the concept and products, and to implement pilot projects. At present there are advanced negotiations ongoing, inter alia, with market actors in the vehicle distribution and building construction sectors.

1.3.4 Energy retail segment

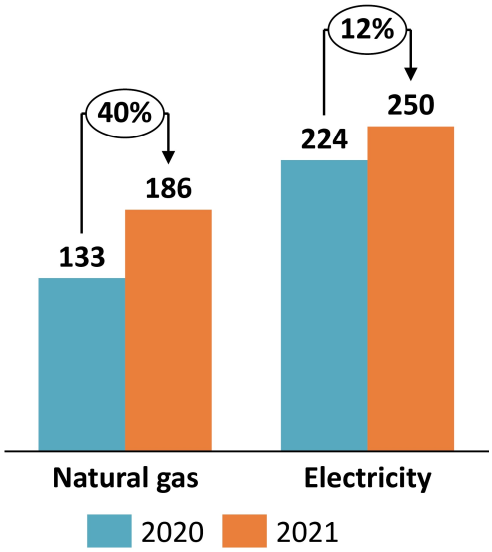
The Group's energy trading activity involves selling electricity and natural gas on the free market. The Group does not pursue any sales activities under universal service.

Retail energy trade	2021.06.30	2020.06.30	Change HUF million	Change %	2020.06.30
data in million HUF	non-audited	comparison	over previous year	over previous year	non-audited
Revenue	**6 839**	**5 652**	**1 187**	**21%**	**5 652**
Capitalized own production	-	-	-	n.a.	**n.a.**
Material expenses	(6 347)	(5 525)	(822)	15%	(5 533)
Personnel expenses	(57)	(49)	(8)	16%	(49)
Other revenues and Other expenditures	24	28	(5)	(16%)	26
EBITDA*	**459**	**107**	**352**	**330%**	**96**
Allocated administrative expenses	(68)	(62)	(7)	11%	n.a.
EBITDA II*	**390**	**45**	**345**	**767%**	**n.a.**

** For the definition of EBITDA see the "Consolidated statement of profit or loss" section.*

The COVID-19 related restrictions had a negative impact on the profits of the segment in 2020, resulting in a low base figure. Due to the expansion of our client base in 2021 and the partial relaxation of restrictions, profitability has increased relative to the base period.

As a result of the increased demand in 2021 and our expanded portfolio, the **volume of electricity** sold was higher than in the previous year. The **gas trade** business also increased over the base period as a result of the volatility of the weather and the expansion of our portfolio.



Changes in the amounts of natural gas and electricity sold in H1 2020 and H1 2021 (GWh)

The **volume of natural gas sold** increased from 133 GWh to 186 GWh **(+40%)**, which is mainly the result of the unusually cold weather and also the entry of several new industrial users and the portfolio expansion after the previous gas year. The average sales price declined relative to the corresponding period of the previous year, at close to 8%.

The **volume of electricity sold** increased from 224 GWh to 250 GWh **(+12%)**, and the average sales price (in line with market and seasonal trends) grew by 6%.

The segment's H1 2021 revenue increased by HUF 1,187 million over the same period in 2020. **Within the segment, an overall increase was realized in the volume and revenue of both natural gas and electricity sale transactions.** This revenue increase is largely attributable to the growth of the electricity trading business (HUF 786 million); the revenue from the gas trading activity also increased (HUF 401 million).

Material-type items are dominant in the expenses of the retail energy segment. Natural gas and electricity procured and resold is shown under material expenses. Close to a quarter of electricity procured originated from ALTEO's Heat and electricity production segment.

The segment's **EBITDA increased by a total of HUF 345 million** compared to H1 2020.

1.3.5 “Other” segment

The “other” segment is the place where such activities are presented that, in part or in whole, cannot be directly attributed to any of the business lines. These include activities relating to administration, presence on the capital markets or those necessary for the exploitation of future growth potentials.

Other segments

data in million HUF	2021.06.30 non-audited	2020.06.30 comparison	Change HUF million over previous year	Change % over previous year	2020.06.30 non-audited
Revenue	**-**	**-**	**-**	**n.a.**	**221**
Capitalized own production	-	-	-	n.a.	-
Material expenses	(126)	(63)	(64)	102%	(266)
Personnel expenses	(338)	(179)	(159)	89%	(389)
Other revenues and Other expenditures	(1)	-	(1)	n.a.	-
EBITDA*	**(466)**	**(242)**	**(224)**	**93%**	**(435)**

** For the definition of EBITDA see the “Consolidated statement of profit or loss” section.*

The profit or loss of the Group’s “Other” segment is determined by the human resource related and other material costs necessary to perform the aforementioned functions.

Material expenses were HUF 64 million higher year-on-year, an increase in line with the expansion of the group. Within material expenses, IT costs increased most, relating to the committed digitalization and process optimization projects of the company.

Personnel expenses in the segment were HUF 159 million higher compared to the previous year, mainly due to the settlement of the management compensation system published on 12/21/2020 as well as wage hikes and staff increases related to the increase in company size.

1.4 Executive summary on the consolidated statement of financial position

The Group's closing balance sheet total was HUF 49,095 million as at June 30, 2021. The balance sheet total was HUF 44,884 million as at December 31, 2020. The balance sheet total **increased by 9%**.

Consolidated Statement of Financial Position	2021.06.30	2020.12.31	Change between 6/30/2021 and 12/31/2020		2020.06.30
data in HUF million	non-audited	Comparison, audited	HUF million	%	non-audited
Non-current assets	**29 983**	**31 065**	**(1 082)**	**(3%)**	**25 769**
Current assets	**19 112**	**13 819**	**5 293**	**38%**	**12 069**
of which, financial assets	*7 154*	*3 455*	*3 699*	*107%*	*3 968*
TOTAL ASSETS	**49 095**	**44 884**	**4 211**	**9%**	**37 838**
Shareholders' equity	**14 037**	**8 548**	**5 489**	**64%**	**7 587**
Long-term liabilities	**24 533**	**27 905**	**(3 372)**	**(12%)**	**22 014**
of which credit, loans, bonds, leasing	*21 533*	*24 347*	*(2 814)*	*(12%)*	*19 904*
Short-term liabilities	**10 525**	**8 431**	**2 094**	**25%**	**8 237**
of which credit, loans, bonds, leasing	*3 417*	*1 085*	*2 332*	*215%*	*2 862*
SHAREHOLDERS' EQUITY and LIABILITIES TOTAL	**49 095**	**44 884**	**4 211**	**9%**	**37 838**

Assets

The change in the assets of the Group is attributable mostly to the HUF **5.3 billion increase in Current assets, in particular the HUF 3.7 billion growth in Cash.**

In the current period derivative transactions increased by HUF 3.2 billion, due to hedging transactions which are backed by the rise of electricity and gas prices. The portfolio of emission allowances and Trade receivables follows seasonal trends, resulting in a decline of HUF 1.4 billion.

Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 1.6.

Liabilities

The growth of **Equity** contains profits in the current period; furthermore, as a result of the revaluation of hedging transactions, it increased by HUF **5.5 billion in aggregate.**

The Group continued to repay its debt, and bond and loan payables due within the year have been reclassified.

The Group's **trade payables** follow the seasonality of heating power plants. On account of the seasonality underlying the Group's activities, the portfolio of trade payables was lower in the end-of-year winter period than in the summer.

1.5 Detailed presentation of the consolidated statement of financial position

ALTEO Group **closed H1 2021** with a balance sheet total of **HUF 49 billion**.

Consolidated Statement of Financial Position					
data in HUF million	2021.06.30	2020.12.31	Change between 6/30/2021 and 12/31/2020		2020.06.30
	non-audited	Comparison, audited	HUF million	%	non-audited
Non-current assets	**29 983**	**31 065**	**(1 082)**	***(3%)***	**25 769**
Power plants and power generating properties, plants and equipment	24 787	25 436	(649)	*(3%)*	19 841
Other property, plant and equipment	89	87	2	*2%*	86
Emission allowances	-	-	-	*n/a*	3
Other intangible assets	2 790	3 037	(247)	*(8%)*	3 003
Operation contract assets	1 124	1 213	(89)	*(7%)*	1 360
Rights of use	1 000	1 064	(64)	*(6%)*	940
Long-term lease assets	-	-	-	*n/a*	104
Deferred tax assets	95	133	(38)	*(29%)*	186
Long-term loans given	98	95	3	*3%*	174
Long-term deposits given	-	-	-	*n/a*	71
Current assets and assets held for sale	**19 112**	**13 819**	**5 293**	***38%***	**12 069**
Inventories	564	443	121	*27%*	348
Trade receivables	2 593	3 263	(670)	*(21%)*	3 001
Short-term lease assets	-	129	(129)	*(100%)*	174
Emission allowances	110	843	(733)	*(87%)*	-
Other financial assets from the valuation of forward transactions	4 919	1 697	3 222	*190%*	788
Other receivables and accruals	3 772	3 896	(124)	*(3%)*	3 004
Income tax receivables	-	93	(93)	*(100%)*	-
Cash and cash equivalents	7 154	3 455	3 699	*107%*	3 968
Deposits, financial collaterals*	-	-	-	*n/a*	786
TOTAL ASSETS	**49 095**	**44 884**	**4 211**	**9%**	**37 838**
Shareholders' equity	**14 037**	**8 548**	**5 489**	***64%***	**7 587**
Equity attributable to parent company interests	**14 027**	**8 540**	**5 487**	***64%***	**7 581**
Issued capital	237	233	4	*2%*	233
Share premium	5 413	5 185	228	*4%*	5 058
Transactions with owners	(514)	(223)	(291)	*130%*	(193)
Share-based payments reserve	204	63	141	*224%*	67
Hedge reserve	3 442	400	3 042	*761%*	(941)
Conversion reserve	-	-	-	*n/a*	(1)
Retained earnings	5 245	2 882	2 363	*82%*	3 358
Equity attributable to non-controlling interests	10	8	2	*25%*	6
Long-term liabilities	**24 533**	**27 905**	**(3 372)**	***(12%)***	**22 014**
Debts on the issue of bonds	12 679	14 889	(2 210)	*(15%)*	10 957
Long-term loans and borrowings	7 864	8 411	(547)	*(7%)*	8 008
Finance lease liabilities	990	1 047	(57)	*(5%)*	939
Deferred tax liabilities	1 093	867	226	*26%*	656
Provisions	876	850	26	*3%*	616
Deferred income	395	437	(42)	*(10%)*	488
Other long-term liabilities	636	1 404	(768)	*(55%)*	351
Short-term liabilities	**10 525**	**8 431**	**2 094**	***25%***	**8 237**
Short-term bond payables	2 260	-	2 260	*n/a*	2 391
Short-term loans and borrowings	1 002	930	72	*8%*	362
Short-term finance lease liabilities	155	155	-	*0%*	109
Advances received	35	47	(12)	*(26%)*	482
Trade payables	1 745	2 308	(563)	*(24%)*	626
Other financial liabilities from the valuation of forward transactions	403	189	214	*113%*	972
Other short-term liabilities and accruals	4 604	4 523	81	*2%*	3 215
Income tax liabilities	321	279	42	*15%*	80
TOTAL EQUITY and LIABILITIES	**49 095**	**44 884**	**4 211**	**9%**	**37 838**

**Deposits and financial collaterals were shown on a separate line until 6/30/2020*

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

Non-current assets:

The value of Non-current assets decreased by HUF 1.1 billion; there were no major individual investments in the current period.

Current assets:

The HUF 19 billion portfolio of **Current assets** represents a 38% increase over the 2020 closing values.

The **107% increase in the portfolio of Cash** was a major component in the changes of current assets. The Group plans to use the cash mostly for investments and capital expenditures. **Changes in cash balance** are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 1.6.

Within current assets, **Trade receivables amounted to HUF 2.6 billion, Other receivables and accrued income and deferred charges to HUF 3.8 billion**; in aggregate, they produced a **decrease of HUF 0.8 billion.** The decrease is attributable to natural seasonal fluctuations. For more information on the interim seasonal events and their occurrence in the activities of the ALTEO Group, see section 1.8.5 Seasonality.

Other financial assets from the valuation of forward transactions closed at HUF 4.9 billion, with an **increase in asset value of HUF 3.2 billion.** The significant change in the balance is attributable to the differences between the revaluation of hedging derivative transactions outstanding on the reporting date as well as the change in positions on the reporting date. The impact of hedges is presented in the section on comprehensive income, see Section 1.2.

Elements of equity:

The **Equity** of the Group **increased by HUF 5.5 billion in H1 2021**. The equity increase resulted form the profit of 2021 and the effects of hedging transactions. For more information, see Section 1.7 of the Equity table.

Long-term liabilities:

The Group’s **Long-term liabilities decreased** by HUF 3.4 billion, or **12%.**

With regard to long-term **loans**, the Group decided to make no more use of the moratorium offered by legislation.

Long-term **debts on the issue of bonds decreased** by **HUF 2.2 billion** to HUF 12.7 billion due to the **reclassification of short-term bond payables.**

The amount of **Provisions** changed by HUF 26 million due to the establishment of the provision for the asset retirement obligation.

Deferred tax liabilities increased by HUF 226 million as a result of the mechanism introduced to offset the income tax effect of different depreciation rates and other items of taxation and accounting between years.

The obligation recognized under **Other long-term liabilities** in the amount of HUF 636 million was the effect of the revaluation of interest rate swaps. Interest rate swaps are presented in more detail in the section on comprehensive income, see Section 1.2.

Long-term **Finance lease liabilities** decreased by HUF 57 million, to HUF 990 million. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line. The liabilities relating to the right of lease of the land belonging to the 13 wind turbines of the Bőny wind farm, as well as the new liabilities arising from the renewal of the right of use of the land belonging to the Zugló heat power plant, and liabilities relating to the rights of use of other leased property and vehicles.

Short-term liabilities:

Short-term liabilities increased by a total of HUF 2.1 billion. The most important element in the increase was the reclassification of the bond payables due within a year. **Short-term loans and borrowings** showed a balance of HUF 1 billion. **Bond payables due within a year** amounted to HUF 2.3 billion, which contains the interest and principal payments due within a year **reclassified from long-term bond liabilities**.

The aggregate amount of **Trade payables** and **Other short-term liabilities and accruals** dropped by HUF 0.5 billion in comparison to the previous year. On account of the seasonality underlying the Group’s activities, the portfolio of trade payables and related accruals is lower in the end-of-year winter period than in the summer.

1.6 Consolidated Statement of Cash Flows

ALTEO Group's consolidated statement of cash flows for Months 1 to 6 ending on June 30, 2021

The Group closed the first six months of 2021 with a **cash increase of HUF 3.7 billion.** There is a **HUF 6.7 billion** surplus in the cash-flow thanks to the Group's operating activities and a **HUF 0.97 billion** decrease due to **its investment projects**.

The Group presents the cash-flow changes arising from changes in the statement of financial position (indirect cash-flow).

Consolidated Statement of Cash Flows		
data in HUF million	**6/30/2021 HUF million**	**6/30/2020 HUF million**
Profit or loss before taxes	**3 462**	**1 522**
(Interest income) and interest expenses, net	495	363
Depreciation	2 187	1 303
Impairment losses (other than net current assets)	78	1
Profit/loss on the derecognition of production and other machinery, and quotas	(3)	396
Provisions recognized and (released)	-	47
Provisions for asset retirement obligations recognized and (released) - IAS 16	-	(21)
Changes in deferred income	(42)	(48)
Non-realized translation gains and losses - other than net current assets	3 079	744
Share-based payment cost	101	-
Changes in deferred tax	264	156
Income taxes paid	(642)	(458)
Net cash-flow of business activity without change in current assets	**8 980**	**4 005**
Change in inventories	(122)	(115)
Changes in emission allowances	734	-
Change in trade receivables, other receivables, accrued income and deferred charges	809	469
Change in other financial assets	(3 222)	(312)
Change in trade payables, other liabilities, accrued expenses and deferred income	(394)	(1 887)
Change in advances received	(11)	(16)
Cash flow from business activities (use of funds)	**6 773**	**2 146**
Interests received on deposits and investments	(6)	12
Purchase of production and other machinery, and intangible assets	(1 104)	(2 980)
Investment in acquiring businesses (net of cash)	-	(1)
Change in lease assets	129	-
Long-term loans given - disbursement	-	(7)
Long-term loans given - repayment	13	-
Investment activity (reverse cash flow)	**(968)**	**(2 976)**
Interest paid on bonds and loans	(217)	(349)
Assumption and prepayment of long-term loans and borrowings, financial liabilities, lease liabilities	(1 378)	45
Bonds issued	-	224
Treasury share transactions, consolidated cash-flow of IFRS2 transactions	(19)	-
Dividend payment	(455)	-
Cash flow from financing activities	**(2 070)**	**(80)**
Changes in cash and cash equivalents	**3 735**	**(880)**
Opening cash and cash equivalents	**3 455**	**4 848**
Exchange rate conversion differences on cash and cash equivalents	**(37)**	**30**
Closing cash and cash equivalents	**7 154**	**3 968**

1.7 Consolidated changes in equity

For months 1 to 6 ending on June 30, 2021

In contrast with other tables in the report, the table is **shown in HUF thousand**, with a view to the presentability of the low-amount items in the capital structure.

Data in HUF thousand	Issued capital	Share premium	Share-based payments reserve	Retained earnings	Transactions with owners	Hedge reserve	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
2020.12.31	**232 972**	**5 185 343**	**62 819**	**2 882 216**	**(223 259)**	**399 801**	**8 539 892**	**7 765**	**8 547 657**
Implementation of employee share award program through shares	48	4 252	(4 300)				-		-
Purchase of own shares	(3 118)				(290 601)		(293 719)		(293 719)
Dividend payment				(455 112)			(455 112)		(455 112)
Employee Share Ownership Program implementation	7 220	329 979	(62 819)				274 380		274 380
Recognition of share benefits against profit or loss			101 383				101 383		101 383
Transfer of share benefits		(106 871)	106 871				-		-
Comprehensive income				2 817 973		3 042 592	5 860 565	2 190	5 862 755
2021.06.30	**237 122**	**5 412 703**	**203 954**	**5 245 077**	**(513 860)**	**3 442 393**	**14 027 389**	**9 955**	**14 037 344**
	-	-	-	-	-	-	-	-	-

Data in HUF thousand	Issued capital	Share premium	Share-based payments reserve	Retained earnings	Transactions with owners	Hedge reserve	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
2019.12.31	**232 948**	**5 056 207**	**68 398**	**2 303 282**	**(192 534)**	**(1 714 491)**	**5 753 810**	**(3 926)**	**5 749 884**
grant of employee share benefit for 2019	24	1 626	(1 650)				-		-
Acquisition of the non-controlling interests of Tisza-Bioterm Kft.				(7 814)			(7 814)	7 814	-
Comprehensive income				1 062 379		772 609	1 834 988	1 717	1 836 705
2020.06.30	**232 972**	**5 057 833**	**66 748**	**3 357 847**	**(192 534)**	**(941 882)**	**7 580 984**	**5 605**	**7 586 589**

The increase in equity in months 1 to 6 2021 came from the joint effect of the following changes:

<u>**Own share transactions**</u>

Implementation of employee share award program: In the context of ALTEO's employee program in 2020, the awardees of the program received share benefits. Under the Company's employee share award program, the Company distributed 3,837 ALTEO ordinary shares in January 2021 to employees who were eligible under the Company's recognition plan.

Purchase of own shares and Employee Share Ownership Program The ALTEO Employee Share Ownership Program Organization (hereinafter: **ALTEO ESOP Organization**) exercised its option right, on March 31, 2021, in respect of 577,644 ALTEO ordinary shares at a purchase price of HUF 475 per share. Thereafter, the ALTEO ESOP Organization, making use of the repurchase offer of the Company published on March 29, 2021, sold, on the same date, to the Company 249,422 shares at 92% of the stock market closing price of March 30, 2021, i.e., HUF 1,178 per share. The transactions were settled on April 13, 2021.

This repurchase transaction described above was designed, on the one hand, to facilitate the cashing in on shares by the ALTEO ESOP Organization by creating increased demand and, on the other, to create coverage for shares distributable under the 2020 Remuneration Policy by maintaining ALTEO's portfolio of treasury shares.

Dividend payment

Based on ALTEO's 2020 annual report, the General Meeting approved dividend payment in its resolution of April 19, 2021. In H1 2021 dividends of HUF 455 million were distributed. The Board of Directors resolved to **pay dividends** from the free retained earnings supplemented with the profit after taxation of the Company in the previous fiscal year, calculated according to Section 39(3a) of Act C of 2000 on Accounting, and the subsidiary dividends established for 2020, which corresponds to **HUF 24 gross** per share (excluding treasury shares owned by the Company). Furthermore, the Board of Directors, acting within such powers, authorizes the Board of Directors to adopt the resolutions specified in Article 18 of the Articles of Association, and any other decisions necessary in relation to the payment of dividends with due regard to effective legislation.

Recognition of employee share benefits against profit or loss:

The exercise of ALTEO's 2017 **Employee Share Ownership Program** Remuneration Policy will end in the current year. In H1 2021, the remunerated managers took the entire vested share portfolio of the 2017 Program, and thus the settlement of the year 2017 Program was closed.

The settlement of ALTEO's **Share Ownership Program** for 2020 is being performed, taking into account the vesting criteria, time proportionately, against equity. We use a separate line in the balance sheet for the settlement of the program; therefore, we have reallocated the settlement of the program for 2020 from the share premium line.

Comprehensive income:

In line with its hedging strategy, the ALTEO Group entered into forward transactions for transactions to be entered into in upcoming years. As of the reporting date, the aggregated fair value of open forward transactions was HUF 3.4 billion.

The increase from the after-tax **profit for the parent company** amounted to **HUF 2.9 billion** in H1 2021.

1.8 Other financial information

1.8.1 The basis for preparation of the financial statements

These interim financial reports were prepared in line with the *IAS 34 Interim Financial Reporting standard*, and as such do not contain all information that are ***presented in year-end financial reports – in line with the IAS 1 Presentation of Financial Statements standard***. ***These interim financial reports are to be interpreted together with financial reports for the business year ended on December 31, 2020 (hereinafter: complete financial statement).***

In relation to its Interim Financial Report, the Group's management makes the declarations and statements stipulated in Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information provision obligation relating to securities traded on the stock exchange in its Semi-Annual Report.

1.8.2 Accounting policies and changing standards

The Group's accounting policies are identical with those disclosed for the reporting date of 12/31/2020. The Group does not repeat the data disclosed up to the H1 2021 report, and makes a clear reference to such data when omitting such repetition [IAS 34.10A].

1.8.2.1 Impact of construction and installation contracts

Revenues relating to ongoing projects are presented by the Group in accordance with the rules of the IFRS 15 standard. The Group registers its costs concerning the construction-installation contracts separately for each project. Using the costs incurred during the implementation of the projects as the projection base, revenues and claims from customers are shown in relation to the analysis and probability of the stage of completion and the proposed (expected) profit.

1.8.3 Changes in the reporting system

The Group management is committed to the transparent presentation of the Group statement of financial position, profits and segment profits. The comprehensibility of presentation and the segmenting of activities are reviewed each year and in each report. In the reporting period we made adjustments to the system of presentation of segments. *For adjustments, see 1.3 Executive summary on the performance of the segments*.

In the statement of financial position, we have reclassified emission allowances to the short-term group, and allocated deposits and financial collaterals to other receivables, see section *1.5 Detailed presentation of the consolidated statement of financial position*.

In the statement of profit or loss, we present the capitalization of own production in a separate line, see section *1.1 Executive summary of key operating results*.

1.8.4 Uncertainty arising from estimates

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

While preparing the Group’s financial statements, we relied on estimates for presenting the receivables and liabilities. Estimates give rise to uncertainties, and any future changes in estimates may cause significant deviations in the following items:

- estimates concerning the depreciation of the fixed assets (e.g.: useful life),
- estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions),
- estimates concerning the evaluation of inventories and receivables,
- estimates concerning fair value,
- estimates relating to construction and installation projects (investment contracts),
- determination of the fair value of the contingent purchase price.

The following may make it possible to review the accounting estimates:

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

1.8.5 Seasonality

The Group publishes its financial statements as required by IAS 34. The economic actor points out seasonal factors relating to its business. Important factors relating to the interpretation of the periodical financial figures of ALTEO:

- the heating season (typically Q1 and Q4) is when a substantial portion of the revenue generated by the Group’s heating power plants is realized
- the strong season for wind farms is Q1 and Q4
- the strong production season for solar power plants is Q2 and Q3
- the construction and installation activity of the Enterprise business line is adjusted to client needs based on individual orders and typically entails high-volume projects, and as such comparability of the various periods is limited by the varying volume and type of orders in progress in the given period.

1.9 Coronavirus-related measures, impact of the pandemic on ALTEO's H1 2021

The aim of ALTEO GROUP is to ensure as safe as possible working conditions for its staff and partners, the 100 percent operation of its power plants and the continuous servicing of its customers even in the event of the spread of the pandemic across the country. For this reason, we have introduced numerous precautionary measures that help minimize the risk of the transmission and further spread of the coronavirus both within and outside of the company.

In 2020 the coronavirus (COVID-19) had a truly substantial impact on ALTEO Nyrt.'s electricity trading business line only. In H1 2021 the economy did not grind to a halt.

In the **market of Energy Services**, the impact of the pandemic was primarily apparent due to the prudence and deliberation observed in the investment and construction market as well as the market of pre-scheduled major overhauls. The operation of power plants in the segment was carried out reliably, with the appropriate precautionary measures in place.

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 name in English	**ALTEO Energy Services Public Limited Company**
The Company’s abbreviated name in English	**ALTEO Plc.**
The Company’s registered office	**H-1033 Budapest, Kórház utca 6-12**
The Company’s telephone number	**+36 1 236 8050**
The Company’s central electronic mailing address	**info@alteo.hu**
The Company’s web address	**www.alteo.hu**
The Company’s place of registration,	**Budapest**
date of registration and	**April 28, 2008**
Company registration number	**Cg.01-10-045985**
The Company’s tax number	**14292615-2-41**
The Company’s EU VAT number	**HU14292615**
The Company’s statistical code	**14292615-7112-114-01**
Duration of the Company’s operation	**indefinite**
The Company’s legal form	**public limited company**
Governing law	**Hungarian**
The Company’s share capital	**HUF 242,328,425**
Date of the effective Articles of Association	**May 27, 2021**

The Company's core activity	**Engineering activities and related technical consultancy**
Business year	**same as the calendar year**
Place of publication of notices	**The Company discloses its notices regarding regulated information on its website https://investors.alteo.hu/, on the website of the BSE www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant 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 <u>**ALTEO2031:**</u> **registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, 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 Sütő, Member of the Supervisory Board**

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

2.2 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 6/30/2021	Activity	Rate of influence		
		6/30/2021	12/31/2020	6/30/2020
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	100%	100%	100%
BC-Therm Kft.[2]	steam supply, air conditioning, heat energy	n/a	100%	100%
Domaszék 2MW Kft.	electricity production (solar power plant)	100%	100%	100%
ECO-FIRST Kft.	treatment and disposal of non-hazardous	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%
HIDROGÁZ Kft	electricity production, hydrogas utilization	100%	100%	100%
Kazinc-BioEnergy Kft	steam supply, air conditioning	100%	100%	100%
Monsolar Kft	electricity production (solar power plant)	100%	100%	100%
Pannon Szélerőmű Kft.	electricity production (wind turbine)	100%	100%	n/a
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	steam supply, air conditioning, electricity	100%	100%	100%
SUNTEO Kft	electricity trading, electricity production	100%	100%	100%
Tisza BioTerm Kft	steam supply, air conditioning	100%	100%	100%
Tisza-BioEnergy Kft.	steam supply, air conditioning	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
WINDEO Kft.	electricity production (wind turbine)	100%	100%	100%

2.3 Changes in the structure of the Group

2.3.1 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: Cg. 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 in BC-Therm Kft. fully owned by the Company. With the fulfillment of the closing conditions stipulated in the sale and purchase contract, the ownership of the business share in BC-Therm Kft. was conferred to BorsodChem on May 31, 2021.

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

[2] As of May 31, 2021 BC-Therm Kft. is no longer a member of the Group. See the details of the transaction in Sections 2.3 and 2.3.1.

BorsodChem undertook to purchase the business share in BC-Therm Kft. by the date set out therein.

The 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.

2.3.2 Presentation of investment projects, ensuring comparability

The Group had one acquisition with valuation concluding in the comparative period:

Name of Subsidiary	Activity	Acquisition date
Pannon Szélerőmű Kft.	Energy production (wind farm), operational	10/15/2020

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), with KÁT authorization expiring on 7/31/2025.

As a result of the acquisition, the data of the current period (in terms of both assets and profit/loss) contain the data of the acquisition; while comparative data only contain these in part. Consequently, given the availability of this information, comparative data and the data of the current period are comparable.

2.3.3 Events at the Company's subsidiaries relevant in terms of company law in the period between January 1, 2021 and the date of publication of this Semi-Annual Report

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

In 2021 ALTEO Nyrt. adopted the annual report of the subsidiaries for 2020. The Company decided to pay dividend in case of the following subsidiaries:

Name of Subsidiary:	Amount of dividend:
ALTE-A Kft.	HUF 7,000,000
Domaszék 2MW Kft.	HUF 16,000,000
EURO GREEN ENERGY Kft.	HUF 1,500,000,000
Monsolar Kft.	HUF 61,000,000
Pannon Szélerőmű Kft.	HUF 238,000,000
SUNTEO Kft.	HUF 108,000,000

The Company made a decision on moving the registered office of the Subsidiaries which were listed in the notice published on May 27, 2021 to H-1033 Budapest, Kórház utca 6-12 on June 15, 2021, and the subsidiaries also ceased their operations at H-1131 Budapest, Babér utca 1-5 as of the same date.

2.4 Company law and economic events after the reporting date

2.4.1 Events at the Company relevant in terms of company law in the period between January 1, 2021 and the date of publication of this Semi-Annual Report

Due to the COVID-19 pandemic, it was again the Company's Board of Directors that adopted resolutions on matters within the competence of the General Meeting throughout 2021, in accordance with the provisions of Government Decree No. 502/2020. (XI. 16.) on the re-enactment of deviating provisions for the operation of partnerships and corporations in a state of danger. These resolutions include the following:

a) The Board of Directors **approved the statement of financial position** proposed for acceptance by the Company's auditor regarding the Company's fiscal year ending on December 31, 2020, along with the separate financial statement (comprehensive income: HUF 266,918 thousand, total assets: HUF 27,632,775 thousand), the business (annual) report and the report of the Board of Directors prepared in line with the provisions of the Accounting Act applicable to entities preparing their annual report under the EU IFRS, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

b) The Board of Directors **approved** the consolidated statement of financial position proposed for acceptance by the Company's auditor for the Company's fiscal year ending on December 31, 2020, along with its consolidated financial statement (comprehensive income: HUF 2,704,833 thousand and total assets: HUF 44,884,360 thousand) and business (annual) report prepared in accordance with the IFRSs, the report of the Board of Directors, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

c) The Board of Directors **adopted** the **corporate governance report** relating to the Company's 2020 operations with the proposed content.

d) See dividend payment in Section 1.7 Consolidated changes in equity.

e) The Board of Directors has given the **discharge of liability** 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 approved of extending the scope of the **Remuneration Policy** for 2020 of the ALTEO ESOP Organization to BoD Members Domonkos Kovács and Attila László Chikán and, furthermore, it adopted the amendment of the Remuneration Policy for the extension thereof to the new Deputy CEOs as per the proposal.

g) The Board of Directors acknowledged and accepted the information provided on **own share transactions** in accordance with the proposals, as well as the additional information on the transaction to be accounted for on April 13, 2021.

h) The Board of Directors **decided** to extend the **authorization** given to the Board of Directors regarding **own share transactions** for eighteen months from April 19, 2021 as per the conditions set forth in the proposal.

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

Based on the resolution of the Board of Directors of the Company – adopted within the competence of the General Meeting – concerning the payment of dividend, the Board of Directors of the Company specified May 20, 2021 as the starting date of dividend payment, and **published** the conditions of dividend payment **through the Company's official disclosure points** on May 3, 2021.

Based on the decision of the Board of Directors, the Company **moved its registered office** to H-1033 Budapest, Kórház utca 6-12 on June 15, 2021, and also ceased its operations at H-1131 Budapest, Babér utca 1-5 as of the same date.

2.4.2 Annual review of the credit rating

Scope Ratings GmbH carried out the annual review of the credit rating of the Company's bonds issued in 2019 and 2020 as part of the Bond Funding for Growth Scheme, as a result of which the credit rating of the bonds was maintained, in other words bond rating was confirmed at BBB-. The credit rating agency also confirmed both the BB+/Stable issuer credit rating of the Company and its S-3 short-term debt rating.

2.4.3 Publication of an Integrated Report

The Company published its Integrated Report for 2020 on May 6, 2021.

2.4.4 Changes in senior management positions

Anita Simon, formerly Head of the Waste Management Division, will continue as ALTEO's Deputy CEO for Sustainability and Circular Economy with effect from June 1, 2021, following her appointment by CEO Attila László Chikán. As of that day, Anita Simon is also in charge of ALTEO's newly established Sustainability and Circular Economy area in addition to the Waste Management Division. Furthermore, also from June 1, 2021, Péter Luczay, who had held the position of Deputy CEO for Production and Risk Management, will continue as Deputy CEO for Production Management and Business Development.

2.4.5 Economic Development and Innovation Operational Programme (GINOP)

The Company has started the implementation of its "Integration of storage installation built using different parameter battery cells with the electricity system" research project, which was also disclosed in its notice published in June 2021. The Company has been awarded EU support in the form of a non-refundable grant amounting to HUF 227.84 million and a refundable loan amounting to HUF 249.68 million for the implementation of the project in the framework of the Economic Development and Innovation Operational Program (GINOP). The scope of this project sees ALTEO building its second, 5 MW energy storage unit on the grounds of the Kazincbarcika Heating Power Plant. The implementation work started in June 2021, with the tender conclusion for the project expected for January 2022.

2.4.6 Strategic cooperation

ALTEO and AutoWallis Nyrt. have concluded a strategic cooperation agreement to coordinate their e-mobility-related services in the future. The agreement is based on the shared commitment of the two companies to sustainable and transparent operation and to transition to green economy. The agreement also covers the sales of innovative energy solutions related to the charging of electric vehicles.

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

The Company's information document published on December 8, 2020 and available via the link below (hereinafter: **Information Document**) details and assesses the specific risk factors associated with the ALTEO Group and the securities issued by the Company as well as the potential risks involved in making an informed investment decision, based on the probability of the occurrence of such risks and the anticipated extent of their negative impact. Therefore, this section only describes the risks that have changed since the Information Document was published.

The Information Document is available via the following link:

https://www.bet.hu/newkibdata/128509240/ALTEO_nkp31_infodoc_20201208.pdf

Additional information to macroeconomic and legal system related risk factors

Risks related to the spread of COVID-19

The Company published its announcement related to COVID-19 on March 26, 2020, which detailed the measures introduced on account of COVID-19, as well as the expected impact of the virus on ALTEO Group.

The announcement is available via the following link:

https://www.bet.hu/newkibdata/128382033/ALTEO_kozlemeny_20200326.pdf

ALTEO Group maintains that its direct personnel and the workforce of its subcontractors and suppliers involved in each ongoing project may be affected by the spread of the COVID-19 virus and the measures taken or to be taken during the same. Illnesses can have a negative impact on ALTEO Group's work processes, the timing of ongoing projects and may also have detrimental effects on the labor market. The state of danger imposed in Hungary may have a negative impact on the profitability and liquidity on the clients and consumers of ALTEO Group and may also result in the decline of their demand for energy and willingness to invest, which may have a detrimental effect also on ALTEO Group's profit. ALTEO Group'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 the events related to the COVID-19 epidemic and, if necessary, takes the necessary steps based on these.

Risk level: medium.

2.6 Pending lawsuits

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 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 Group has not identified any situation affecting its statement of financial position with respect to this case.

2.7 Authorization for publication of the Semi-Annual Report

This Semi-Annual Report was discussed by the Group’s Board of Directors and authorized for publication on August 30, 2021.

3 Statements of the issuer

The Company declares that its ***consolidated*** Interim Financial Report and Semi-Annual Report ***for H1 2021*** were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the Company’s best knowledge, providing a true and fair view of the assets, liabilities, financial situation, profit and loss of the Company as an issuer and the companies involved in the consolidation. The Company also declares that its **consolidated** Semi-Annual Report **for H1 2021** 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. The Company declares that the data of this Semi-Annual Report were not audited by an independent auditor.

Budapest, August 30, 2021

On behalf of ALTEO Nyrt.:

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