Separate Financial Statements

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the business year ended on December 31, 2021
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: **25th March, 2022**

Approval date of the General Meeting: **19th April, 2022**

Separate Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the fiscal year ended on December 31, 2021
in accordance with the
International Financial Reporting Standards as adopted by the EU

Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Asset Retirement Obligation
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary;
BoD	Board of Directors
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate - 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 offtake and feed-in tariff 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
R&D	Research and development – Innovation
SB	Supervisory Board

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The financial statements consist of 104 pages.

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
1476 Budapest, Pf.138.

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") in the ALTEO_egyedi_2021_EN[1] digital file for the year 2021 which comprise the statement of financial position as at December 31, 2021 – which shows an equal amount of total assets and total liabilities of **HUF 34 833 009 thousands** –, and the related statement of recognized income, statement of other comprehensive income (which shows a net profit for the year of **HUF 6 262 118 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, 2021 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.

[1] the digital identification of above filename.xhtml financial statements with SHA 256 HASH algorithm: 9b798bbabe4542b81fdf1639344ee757dc447a839587d9967ad4d844c15a1c97

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Fax:+36 1 266 6438
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Könyvvizsgáló Kft.
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1476 Budapest, Pf.138.

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 10,512,859 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 checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures.

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.	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 on a sample basis the 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 2021. 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.

Other issues

Management is responsible for the presentation of the financial statements in a form complying with the requirements prescribed in the Article 3 of the Commission Delegated Regulation (EU) 2019/815 (17 December 2018) ("ESEF Regulation"). Our audit has referred to the human-readable layer of the digital file, identified electronically in our report, containing the financial statements. The scope of our audit has not referred to the audit of, and thus we do not express an opinion on whether the digitalized information has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation.

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Other information

Other information comprises the information included in the business report of ALTEO Nyrt. for 2021. 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 2021 corresponds to the financial statements of ALTEO Nyrt. for 2021 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 content 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.

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.

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

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
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Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
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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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Fax:+36 1 266 6438
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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 for two years 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 25 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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, 25 March 2022

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.

I. Numeric reports of the financial statements

ALTEO Nyrt.
Statement of income
and statement of other comprehensive income
Period: 1/1/2021-12/31/2021

(Negative values are denoted by parentheses.)	**Note**	**2021 12 months data in HUF thousand**	**2020 12 months data in HUF thousand**
Revenues	**1.**	**13 762 321**	**13 725 724**
Material expenses	2.	(4 053 835)	(8 912 854)
Personnel expenses	3.	(4 189 712)	(3 767 469)
Depreciation and amortization	4.	(460 830)	(352 643)
Capitalized own production	5.	207 697	96 033
Other revenues, expenses, net	6.	(85 569)	(74 689)
Operating profit or loss		**5 180 072**	**714 102**
Income from financial transactions	7.	2 258 848	437 920
Expenses from financial transactions	7.	(571 571)	(701 877)
Profit or loss on financial transactions (-)	7.	1 687 277	(263 957)
Profit or loss before taxes		**6 867 349**	**450 145**
Income taxes	8.	(605 231)	(183 227)
Net profit or loss		**6 262 118**	**266 918**

Data in HUF thousand *(Negative values are denoted by parentheses.)*	**Note**	**2021 12 months**	**2020 12 months**
Other comprehensive income (after income tax)	**20.**	-	-
Reserves relating to derivative transactions	20.	-	-
Reclassification of other comprehensive income from cash flow hedges into profit/loss	20.	-	-
Comprehensive income		**6 262 118**	**266 918**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2021

Assets

(Negative values are denoted by parentheses.)	Note	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Non-current assets		**21 392 355**	**18 868 492**
Property, plant and equipment	9.	2 191 124	983 405
Other intangible assets	9.	304 405	176 524
R&D	9.	354 426	332 880
Rights of use	9.	1 006 221	228 884
Long-term loans given	10.	7 023 220	6 650 692
Long-term share in subsidiary	11.	10 512 859	10 496 007
Long-term participation in associate	11.	100	100
Current assets and assets held for sale		**13 440 654**	**8 764 283**
Inventories	14.	1 072 351	402 818
Trade receivables	15.	6 797 338	2 745 795
Part of lease asset liabilities due within the year	13.	-	128 949
Other short-term receivables and accruals	16.	2 649 641	2 438 143
Cash and cash equivalents	18.	2 921 324	3 048 578
TOTAL ASSETS		**34 833 009**	**27 632 775**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2021

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Equity		**14 470 592**	**8 510 896**
Issued capital	19.	242 235	232 972
Reserves*	19.	5 237 704	4 717 549
Retained earnings	19.	9 197 528	3 390 685
Share-based payments reserve	19.	(206 875)	169 690
Long-term liabilities		**14 724 291**	**15 816 688**
Debts on the issue of bonds	23.	12 658 274	14 889 000
Deferred tax liabilities	12.	331 180	47 838
Provisions	22.	15 500	15 500
Deferred income	26.	570 613	397 240
Lease liabilities - long	25.	854 316	147 099
Other long-term liabilities	24.	294 408	320 011
Short-term liabilities		**5 638 126**	**3 305 191**
Short-term bond payables	23.	2 375 128	68 926
Advances received	30.	8 989	46 500
Trade payables	28.	652 527	613 493
Lease liabilities - short	25.	168 970	88 759
Other short-term liabilities and accruals	29.	2 298 514	2 407 298
Income tax liabilities	31.	133 998	80 215
TOTAL EQUITY and LIABILITIES		**34 833 009**	**27 632 775**

' 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 VI of the financial statements

ALTEO Nyrt.
Statement of Changes in Equity
for the period ended on December 31, 2021

Data in HUF thousand	Issued capital	Reserves	Retained earnings	Share-based payments reserve	Transactions with owners	Total equity
01/01/2020	**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
12/31/2020	**232 972**	**5 221 391**	**3 390 685**	**62 819**	**(396 971)**	**8 510 896**
Transfers between capital elements	-	(503 842)	-	106 871	396 971	-
01/01/2021	**232 972**	**4 717 549**	**3 390 685**	**169 690**	**-**	**8 510 896**
Implementation of employee share award program	48	4 252	-	-	-	4 300
Purchase of own shares	(3 118)	(290 601)	-	-	-	(293 719)
Exercise of ESOP I option		62 819	-	(62 819)	-	-
Implementation of ESOP I	7 221	267 159	-	-	-	274 380
Cash transferred to ESOP organization		(100 000)	-	-	-	(100 000)
Own shares transferred to ESOP organization	5 112	(5 112)	-	-	-	-
Non-controlled ESOP participation	-	575 020	-	(575 020)	-	-
Receivable form ESOP organization	-	6 618	-	-	-	6 618
Recognition of share benefits against profit or loss	-	-	-	261 274	-	261 274
Dividend payment	-	-	(455 275)	-	-	(455 275)
Comprehensive income in the period	-	-	6 262 118	-	-	6 262 118
12/31/2021	**242 235**	**5 237 704**	**9 197 528**	**(206 875)**	**-**	**14 470 592**

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

Statement of Cash Flows of ALTEO Nyrt.
Period: 1/1/2021-12/31/2021

	Note	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Profit or loss before taxes		**6 867 349**	**450 145**
Interest income and interest expenses, net loss (gain)	7.	198 957	163 784
Dividend (income)	7.	(1 930 000)	(8 560)
Unrealized exchange rate differences (loss/gain)	7.	8 424	(2 387)
Effect of depreciation on profit or loss	4.	460 830	352 643
Profit/loss on scrapping of production and other machinery	9.	415	35 279
Recognition of impairment and forgiveness in profit or loss	6.	137 061	272 027
Provisions recognized and released	6.	-	-
Deferred income increase (decrease)	26.	173 373	(49 070)
Exchange rate effect of other comprehensive income	20.	-	-
Share-based payment cost	19.	252 853	(5 579)
Changes in deferred tax	8.	283 342	3 424
Profit or loss on derecognizing fixed assets	6.	582	508
Net cash-flow of business activity without change in current assets		**6 453 186**	**1 212 214**
Inventories (increase) and decrease	14.	(669 533)	(172 357)
(Increase) and decrease in trade receivables, other receivables, accrued income and deferred charges	15.	(4 334 326)	(1 765 880)
(Increase) and decrease in other financial assets	16.	128 949	107 353
Increase and (decrease) in trade payables, other liabilities, accrued expenses and deferred income	28.	(91 570)	801 908
Advances received (increase) and decrease	30.	(37 511)	(451 463)
Change in net current assets		**(5 003 991)**	**(121 285)**
Operating cash flow before taxes		**1 449 195**	**(268 225)**
Effect of income taxes on profit or loss		(605 231)	(183 227)
Cash generated / (used) in operating activity		**843 964**	**(451 452)**
Interests received on deposits and investments	7.	174 048	401 323
Purchase of production and other machinery, and intangible assets	9.	(1 836 414)	(330 502)
Investment in acquiring businesses (net of cash)	11.	(16 852)	(5 142 889)
Revenue from the sale of production and other machinery, and intangible assets	6.	826	209
Long-term loans given - disbursement	10.	(1 301 000)	(1 274 615)
Long-term loans given - repayment	10.	982 866	6 017 760
Cash generated / (used) in investment activities		**(1 996 526)**	**(328 715)**
Interest paid	7.	(366 596)	(369 188)
Long term loans borrowed and bonds issued	23.	-	3 904 710
Long term loans and bonds repaid	24.	25 603	(2 152 500)
Change in leases	25.	-	-
Capital increase, purchase of own shares	19.	-	129 160
Reserves relating to derivative transactions	20.	-	
Transfer of ESOP cash and cash equivalents and other transactions with owners	19.	(100 000)	(30 724)
Dividend received	7.	1 930 000	8 560
Dividend payment	7.	(455 275)	-
Cash generated / (used) in financing activities		**1 033 732**	**1 490 018**
Changes in cash and cash equivalents		**(118 830)**	**709 851**
Opening cash and cash equivalents	18.	3 048 578	2 336 340
Cash exchange gains/losses	7.	(8 424)	2 387
Closing cash and cash equivalents	18.	**2 921 324**	**3 048 578**

The notes constitute an integral part of the financial statements.

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

1. Statement of IFRS compliance

ALTEO Energiaszolgáltató Nyrt. (the "Company") declares that its separate Financial Statements for the year 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 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 2021 provide a true and fair view of the situation, development and performance of the issuer, outlining main risks and uncertainties.

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

ALTEO Energiaszolgáltató Nyrt. (the Company) represents and warrants that with regard to its individual data reporting obligations for 2021 it has complied with the statutory requirement concerning its disclosure obligation regarding publicly traded securities as set out in Decree 24/2008 (VIII. 15.) of the Minister of Finance. The Company has fully complied with the requirements set out in Annex 1 to the aforementioned legislative provision.

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

ALTEO Energiaszolgáltató Nyrt. (the Company) states that with regard to its individual data reporting obligations for 2021 it has complied with the legal obligations concerning its disclosure obligation set out in Section 54 of Act CXX of 2001 on the Capital Market.

4. Introduction to ALTEO Nyrt.

ALTEO Nyrt. is 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.

5. Basic information of ALTEO Nyrt.

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

Basic information of ALTEO Nyrt.	
The Company’s name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company’s abbreviated name	ALTEO Nyrt.
Registered office and center of operations of the Company	H-1033 Budapest, Kórház utca 6-12.
The Company’s telephone number	+36 1 236 8050
The Company’s central electronic mailing address	info@alteo.hu
The Company’s web address:	www.alteo.hu
The Company’s place of registration, date of registration:	Budapest April 28, 2008
Company registration number	Cg.01-10-045985
The Company’s tax number:	14292615-2-41
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	11/9/2021

Ownership structure of the Company

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

Present shareholders of the Company based on the share register on 12/30/2021	Quantity (of shares)		Face value (HUF thousand)		Ownership ratio (%)	
	2021	2020	2021	2020	2021	2020
Wallis Asset Management Zrt. and its subsidiaries	12 274 864	12 383 120	153 436	154 789	63,34%	63,88%
Members of the Board of Directors, the Supervisory Board and the Executive Board	923 509	617 280	11 544	7 716	4,77%	3,18%
Repurchased own shares	7 487	748 546	94	9 357	0,04%	3,86%
ESOP	477 363	-	5 967	-	2,46%	0,00%
Free float	10 866 505	5 637 328	71 289	70 467	31,89%	29,08%
TOTAL	**19 386 274**	**19 386 274**	**242 329**	**242 329**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2021 (on December 30) was HUF 2,180, which is 134% higher than the same value in the last year (HUF 930).

Scopes of consolidation

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

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

6. The basis for preparation of the financial statements

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

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

Beside the above, the Company prepared the financial statements considering the provisions of Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information obligation in connection with the securities trade on the stock exchange and Act CXX of 2001 on the Capital Market.

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

Going concern requirement

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

Critical accounting assumptions and estimates

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

Preparation, approval and publication of the financial statements

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

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

The Company's places of disclosure

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

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

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000: Anita Magdolna Lénárt (registration number: 186427).

7. 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	12/31/2021	2021 average	12/31/2020	2020 average
euro (EUR)	369.00	358.57	365.13	351.17

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 2020. 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.

Accounting policies related to the separate statement of income

Revenues

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

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

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

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

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

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

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

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

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

Contractual assets

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

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

Expenses related to operation

Non-finance expenses are to be classified as follows:

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

Other revenues and expenses

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

Finance income and expenses

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

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

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 LXVII of 2008 on Enhancing the Competitiveness of District Heating Services)
- local business tax (Act C of 1990 on Local Taxes)
- innovation contribution (Act LXXVI of 2014 on Scientific Research, Development and Innovation)

In 2017, 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 2021 and 2020.

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
	+ profits 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 the numeric reports of the financial statements.

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

Property, plant and equipment

Only assets which are used in production or for administrative purposes and are used for at least one year after commissioning are classified by the Company as property, plant and equipment. 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 2021. 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 and associated liability are recognized for leases where the indefinite duration and the related contractual termination conditions, or the absence of a fixed fee element, do not permit such a determination.

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

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

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

Borrowing costs

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

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

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

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

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

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

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) derivatives

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 IFRS 2 against personnel expenses.

Upon the management’s decision, the Company grants Shares to the employees who have become eligible to them on the basis of the Company’s recognition 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
Reserves	The entirety of payments for the issued shares above their face value, the value of transactions conducted with capital owners as such, presenting allocations for the owners (e.g. part of the shares bought back above face value) separately
Retained earnings	the amount of the cumulated profit or loss not paid as dividend (that is, the aggregate profit or loss), development reserve generated
Share-based payments reserve	Reserves established based on the IFRS 2 standard
Cash flow hedge reserve	Reserves established in accordance with the provisions of the IFRS9 standard, based on the value of the non-realized cash flow positions at the end of the period. Only the efficient part according to the documentation of the cash-flow hedge transactions can be recognized as part of the reserves.

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

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

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

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

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.

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’s statement of financial position total of the financial year under review. If 2% of the statement of financial position total exceeds HUF 150 million, then the limit of significance is HUF 150 million. At the same time the management of the Company reserves the right to qualify an item of smaller amount significant, depending on the evaluation of the extent and nature of the omission or false presentation under the given circumstances. When evaluating an item the size and nature of the item in question or the combination of the two is the decisive factor.

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

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

8. Description of risks

The management of the Group considered and assessed 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. These Financial Statements only contain the risk factors that were assessed as material by the Company. The Company provides the results of the materiality analysis using a qualitative scale, indicating a “low”, “medium” or “high” risk level next to each risk factor. The risk factors have been ordered within their respective categories based on their materiality.

Risk categories:

A/ Macroeconomic and legal system related risks

type	type	number	Risk	2021	2020	change
A/ Macroeconomic and legal system related risk factors	A	1	Risks stemming from the legal system	high	high	none
A/ Macroeconomic and legal system related risk factors	A	2	Macroeconomic factors	medium	medium	none
A/ Macroeconomic and legal system related risk factors	A	3	Taxation	medium	medium	none
A/ Macroeconomic and legal system related risk factors	A	4	Risks related to the United Kingdom leaving the European Union (Brexit)	low	low	none

B/ Risks specific to the market and the industry

type	type	number	Risk	2021	2020	change
B/ Risks specific to the market and the industry	B	5	Energy market regulation	high	high	none
B/ Risks specific to the market and the industry	B	6	Regulated prices	high	high	none
B/ Risks specific to the market and the industry	B	7	Electricity balancing reserve capacity system risks	high	high	none
B/ Risks specific to the market and the industry	B	8	Government grants	high	high	none
B/ Risks specific to the market and the industry	B	9	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
B/ Risks specific to the market and the industry	B	10	Changes in technology	medium	medium	none
B/ Risks specific to the market and the industry	B	11	Competitive situation	medium	medium	none
B/ Risks specific to the market and the industry	B	12	Funding risk	medium	medium	none
B/ Risks specific to the market and the industry	B	13	Foreign exchange rate changes	medium	low	yes
B/ Risks specific to the market and the industry	B	14	Impact of international market developments on domestic trade	medium	medium	none
B/ Risks specific to the market and the industry	B	15	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
B/ Risks specific to the market and the industry	B	16	Environmental legislation	medium	medium	none
B/ Risks specific to the market and the industry	B	17	Risks related to the spread of COVID-19	high	high	none

C/ Risks specific to the ALTEO Group:

type	type	number	Risk	2021	2020	change
C/ Risks specific to the ALTEO Group	C	18	Risks arising from operating the Virtual Power Plant	high	high	none
C/ Risks specific to the ALTEO Group	C	19	Political risks	high	medium	yes
C/ Risks specific to the ALTEO Group	C	20	Dependence on weather	high	high	none
C/ Risks specific to the ALTEO Group	C	21	Risks of growth	medium	medium	none
C/ Risks specific to the ALTEO Group	C	22	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
C/ Risks specific to the ALTEO Group	C	23	Risks related to power plant project development and green-field investment	medium	medium	none
C/ Risks specific to the ALTEO Group	C	24	Large-scale, customized projects	medium	medium	none
C/ Risks specific to the ALTEO Group	C	25	Energy trade risks	medium	medium	none
C/ Risks specific to the ALTEO Group	C	26	Operating risks	medium	medium	none
C/ Risks specific to the ALTEO Group	C	27	Fuel risk	medium	medium	none
C/ Risks specific to the ALTEO Group	C	28	Renewing and/or refinancing outstanding debts	medium	medium	none
C/ Risks specific to the ALTEO Group	C	29	Information technology systems	medium	medium	none
C/ Risks specific to the ALTEO Group	C	30	Wholesale partner risks	medium	medium	none
C/ Risks specific to the ALTEO Group	C	31	Dependence on third-party suppliers	medium	medium	none
C/ Risks specific to the ALTEO Group	C	32	Buyer risk	medium	medium	none
C/ Risks specific to the ALTEO Group	C	33	The risk of key managers and/or employees leaving the Company	medium	medium	none
C/ Risks specific to the ALTEO Group	C	34	The risk of introducing and using new power plant technologies	medium	medium	none
C/ Risks specific to the ALTEO Group	C	35	Authority risk	low	low	none
C/ Risks specific to the ALTEO Group	C	36	Key licenses and qualifications	low	low	none
C/ Risks specific to the ALTEO Group	C	37	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
C/ Risks specific to the ALTEO Group	C	38	Options to purchase certain means of production	low	low	none
C/ Risks specific to the ALTEO Group	C	39	Business relationships associated with the Owners' Group	low	low	none
C/ Risks specific to the ALTEO Group	C	40	The risk of being categorized as a de facto group of companies	low	low	none
C/ Risks specific to the ALTEO Group	C	41	Taxation	low	low	none
C/ Risks specific to the ALTEO Group	C	42	Environmental risks	low	low	none
C/ Risks specific to the ALTEO Group	C	43	Risk of bankruptcy and liquidation proceedings	low	low	none
C/ Risks specific to the ALTEO Group	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	none
C/ Risks specific to the ALTEO Group	C	45	The risk of entering new geographical markets	low	low	none

a. Macroeconomic and legal system related risk factors

1. Risks stemming from the legal system

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

2. Macroeconomic factors

The ALTEO Group’s operations and profitability stands exposed to macroeconomic developments in Hungary and the countries of the European Union, particularly to how economic growth and industrial production, as well as the financial position of general government shapes up. Certain negative developments in the macroeconomic environment may have adverse effects on the profitability of specific the ALTEO Group activities.

3. Taxation

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

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

The risk is not considered relevant to the Company's operations. Further description and further monitoring of the risk has been discontinued.

b. Risks specific to the market and the industry

5. Energy market regulation

The operation and profitability of the ALTEO Group greatly depend on the energy market regulations in Hungary and in the European Union, as well as on the application of such regulations, including in particular 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 allowance allocation and trade. 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.

6. **Regulated prices**

The various affiliates of the ALTEO Group engage in activity whose price is determined or capped through legislation or regulation by some authority (including in particular the 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.

7. **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 ALTEO Group, including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of the ALTEO Group. Considering that the ALTEO Group is present on the balancing energy market(s) as a service provider as well as a buyer of services, price changes in such market(s) may have a significant effect on the capacity of the Company to generate finance income.

8. **Government grants**

ALTEO Group’s operation and profitability could depend on the amount of state subsidies applicable to the utilization of renewable energy sources and cogenerated energy in Hungary and the countries of the European Union, as well as those for investment projects and operation, moreover on any future changes in government grants.

The 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, in December 2018, the EU adopted the RED2 Directive and Member States, including Hungary, had 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.

9. CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices

The fourth EU ETS trading period (2021–2030) began on 1 January 2021. During this period, in addition to emission allowances received free of charge, emitters can acquire emission allowances solely at auctions or through secondary commercial channels. In the period between 2021 and 2030, specific power plants in the ALTEO Group are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the National Implementing Measure published by the Ministry for Innovation and Technology and approved by the European Commission. A significant change compared to the third trading period is that in trading period IV, the free allocation available for a given year is largely determined by the level of activity of installations to be certified each year, as well as its changes. In the event of a 15% change in the activity level compared to the base period, the predetermined quota levels will need to be adjusted and approved by the European Commission. This is to ensure that the allocation better reflects the real activity of the facilities. Changes in the legal environmental and allocation system rules to achieve the climate policy targets, and the increase in price of the emission allowances can have a considerable impact on the operating costs and economic results of the ALTEO Group.

10. Changes in technology

Technological innovations can significantly improve the efficiency of the energy industry, especially in the area of renewable energy production. Technological development can not only reshape the technologies the ALTEO Group uses, but, in certain cases, might even completely eliminate their use. If 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 the ALTEO Group will always be in a position to choose and procure, then operate—in a most profitable way—the most efficient technology.

11. Competitive situation

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

12. **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.

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

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

13. **Foreign exchange rate changes**

The part of ALTEO Group's sales revenue generated in HUF and, on the expenditure side, not covered with FX-revenue, to be settled in FX or subject to foreign exchange rates, the Group may incur gain or loss, due to the changes in HUF and FX prices, To manage foreign exchange exposures, the Group operates a forecasting system using foreign exchange cash flow modelling, on the basis of which it manages the assessed and evaluated risks by means of market transactions.

14. **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.

15. **Risk of changing natural gas, electricity and heat energy price margins**

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

16. **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.

17. **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 ALTEO Group is not in a position to assess the risks from the potential outcomes of COVID-19 in the entire supply chain or the risks indirectly affecting the Company.

The direct personnel of ALTEO Group 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 events related to the COVID-19 virus and, if necessary, takes the necessary steps based on these.

c. Risks specific to the ALTEO Group

18. **Risks arising from operating the Virtual Power Plant**

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

19. **Political risks**

The ALTEO Group provides some of its services to institutions which are owned by municipalities or are under the influence of municipalities or certain statutory corporations. Furthermore, the agreements made with such institutions have a major effect on the operation of certain members and projects of the ALTEO Group. The considerations governing the motivation of bodies having influence over such institutions may differ from the considerations of a rational, profit-oriented market player, which is a

risk in terms of contract performance. Such risks arise primarily relating to the district heating generation activities of Alteo Therm at its sites in Sopron, Kazincbarcika, Tiszaújváros and Zugló.
The occurrence of events that may be classified as political risks may have an adverse impact on the exposed Subsidiaries of the ALTEO Group and, overall, the profitability of the ALTEO Group.

20. **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 (schedule) the quantity of electricity that can potentially be generated. If the weather is not as predicted, there will be changes in the amount of electricity produced as compared to the plans (Day-Ahead or Intra-Day schedules), which may cause a significant loss for the ALTEO Group. See also *Electricity balancing reserve capacity system risks.*
The weather affects the ability to perform 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 transactions obtained in accordance with the hedging policy of the Group in respect of such products 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.

21. **Risks of growth**

The ALTEO Group is in the phase of business growth, coupled with the growth of employee staffing, the number and value of the facilities and tools. The ALTEO Group is planning to expand further both in terms of business activities and geographical areas. There is no guarantee that the Company strategy will be successful and the Company will be able to manage this growth efficiently and successfully.
With contributions from its Subsidiaries, in accordance with the present Financial Statements, the Company is currently preparing for the implementation of several projects. In addition to the Company's intention, these project implementations depend on a number of other external factors. It cannot be guaranteed that these projects will be actually implemented, or will be implemented in accordance with the present Financial Statements; furthermore, the implementation of other future projects may precede or substitute projects known on the date of the present Financial Statements.
Any of the potential risk events associated with growth may result in stagnation of the Company's growth or even operation at a loss.

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

The ALTEO Group wishes to implement its business plans partially via acquisition of already existing energy projects and/or buying out companies. Although acquisition targets always undergo detailed screening before the transaction, we cannot exclude the possibility of such financial, legal or technical events occurring in relation to an acquired project or company that may have an adverse effect on the business and profitability of the ALTEO Group.
Any of the potential risk events associated with the acquisition strategy may result in stagnation of the Company's growth or even operation at a loss.

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

In ALTEO Group's business plans, licensing and implementation of green-field energy investments plays an important role. Although the ALTEO Group draws up careful technical, legal and profitability plans when preparing for project implementation, there is always a possibility that the authorization of specific projects becomes unreasonably long or impossible. During implementation phases, the ALTEO Group strives to contract main and subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.
Any of the potential risk events associated with green-field investments or development projects in power plants may result in stagnation of the ALTEO Group's growth or even operation at a loss.

24. 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.

25. 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 or gains to the ALTEO Group.
The Company covers 100% of the annual consumer demand, but due to natural seasonality, open positions remain, which are mainly closed on the spot market. Prices on the spot markets cannot be

planned in advance, any change in them may have unfavorable/favorable effect on the profitability of the ALTEO Group.

Natural gas and electricity volumes are mainly contracted through low-risk wholesale partners and, to a lesser extent, through exchanges. Trading is continuous, and therefore the prices of products change on a daily basis, given that the trading in exchange-traded products is continuous. Day-by-day price movements, sometimes with significant changes, may represent a risk in the case of longer-term consumer proposals. Even though the ALTEO Group performs its trading activities on the basis of a risk management procedure adopted by the Board of Directors; an eventual mistaken transaction may have a significant negative effect on the profitability of the ALTEO Group.

26. **Operating risks**

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

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

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

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

27. **Fuel risk**

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

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

28. Renewing and/or refinancing outstanding debts

In addition to loans from financial institutions, the ALTEO Group uses in part bonds - issued by ALTEO either in a private or public offering - to fund its financing needs.
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.

29. Information technology systems

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

30. 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.

31. 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.

32. 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.

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

The performance and success of the ALTEO Group greatly depends on the experience and availability of its managers and key employees. Managers or key employees leaving the Company or their absence may have a negative impact on the ALTEO Group's operation and profitability.

34. 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.

35. Risks arising from authorities' opinions and findings

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 (penalty, suspension of operation or withdrawal of the license required for operation) against some companies of the ALTEO Group cannot be excluded, which may have an adverse impact on the perception and profitability of the Company.

36. 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.

37. 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.

38. Options to purchase certain means of production

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

On the basis of the investment and long-term heat supply contracts concluded between the legal predecessors of Alteo Therm Kft. and the local municipalities of Kazincbarcika, Ózd and Tiszaújváros, the municipalities are entitled to buy those heating power plants upon the expiry of such contracts, at the value specified in the accounting records.

Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business 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.

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.

39. **Business relationships associated with the Owners' Group**

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

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

The ALTEO Group includes several Subsidiaries. In the case of ALTEO Group, in the absence of a uniform business policy or, in the case of certain Subsidiaries, the lack of other conditions, no control agreement was concluded and ALTEO Group does not qualify as a recognized company group. At the same time, it cannot be excluded that based on the request of a legal entity with an interest of legal nature, the court will oblige the member companies of ALTEO Group to enter into a subordination agreement and to initiate the registration of the company group with the Court of Registration, or categorize ALTEO Group as an actual company group even in the lack of a court registration. In a situation like that, if a subsidiary was liquidated, the Company would be obligated to honor its debt repayment obligations toward the creditors, except if it can prove that the insolvency was not the consequence of the company group's integrated business policy.

41. **Taxation**

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. The National Tax and Customs Administration of Hungary (abbreviation in Hungarian: NAV) performed a comprehensive tax audit at the Company for the year 2018. 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.

42. **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.

43. **Risk of bankruptcy and liquidation proceedings**

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

The maturity dates of the Company's financial instruments are the following:

	less than 1 year	within 2-5 years	longer than 5 year
Assets:			
Long-term deposits or loans given	-	14 280	7 008 940
Trade receivables	6 797 338	-	-
Other receivables and accruals	2 649 641	-	-
Liabilities:			
Bond payable	2 375 118	-	12 658 274
Finance lease liabilities	168 970	452 996	401 320
Advances received	8 989	-	-
Trade payables	652 527	-	-
Other long-term liabilities	-	294 408	-
Other short-term liabilities and accruals	2 298 514	-	-
Income tax liabilities	133 998	-	-

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)

The Company and its Subsidiaries prepare individual reports in line with HAS for each financial year. Beginning with the fiscal year of 2010, the Company prepares a consolidated financial statement according to the IFRS standards in addition to the separate HAS report. As of 2017, the Company has prepared its separate financial statement in line with the IFRS standards. Valuation and presentation principles applied in the reports of subsidiaries and of the Company prepared according to the HAS requirements are different from those applied in the consolidated financial statement. Due to the differences in the accounting systems, the information content of the simple aggregation of the separate HAS financial statements and that of the consolidated IFRS financial statement are independent and separate.

45. The risk of entering new geographical markets

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

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

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

New accounting policies as of January 1, 2021

The following standards and interpretations (and their respective amendments) became effective during the 2021 fiscal year

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

New and amended standards - to be applied for the financial years starting on January 1, 2021 or thereafter:	IASB publication	Effective date	EU endorsement	ALTEO Group
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).	06/25/2020	01/01/2021	12/16/2020	none
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).	08/27/2020	01/01/2021	01/13/2021	none
Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16 issued on March 31, 2021, effective as of April 1, 2021 and for financial years beginning on or after that date, endorsed by the EU).	03/31/2021	04/01/2021	08/30/2021	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
IFRS 17 Insurance Contracts (issued on May 18, 2017, endorsed by the EU)	05/18/2017	01/01/2023	11/19/2021	there will be no effect
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).	05/14/2020	01/01/2022	06/28/2021	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)	05/14/2020	01/01/2022	06/28/2021	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)	05/14/2020	01/01/2022	06/28/2021	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).	05/14/2020	01/01/2022	H2/2021	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
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).	01/23/2020	01/01/2023	-	there will be no effect
Disclosure of material accounting policy information amending IAS 1 and IAS 8, and IFRS Practice Statement 2 (issued: not yet endorsed by the EU)		01/01/2023	-	there will be no effect
Definition of accounting estimates amending IAS 8 (issued:…., not yet endorsed by the EU)		01/01/2023	-	there will be no effect
Amendment of IAS 12 Income Taxes (issued: not yet endorsed by the EU)		01/01/2023	-	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 Company 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.

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 32.

1. Revenue

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

The 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 units, 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	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Operation	13 160 772	7 859 016
Project development	350 959	5 640 887
Accounting fees	68 748	58 415
Income from lease	142	21 969
Operating lease	169 000	144 000
Other	12 699	1 437
Total	**13 762 321**	**13 725 724**

The Company derived its operating lease revenue from the leasing of energy storage units set up in the course of its R&D activities.

2. *Material expenses*

Material expenses	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Operation, maintenance and project development	(3 036 669)	(8 031 315)
Expert fees (accounting, auditing, consultancy)	(473 085)	(307 777)
Rent /office, car, other devices, IT/	(182 906)	(261 051)
Marketing, education, further training costs	(118 352)	(61 789)
Fuel	(60 419)	(61 007)
Bank expenses, insurance	(70 289)	(78 013)
Office maintenance exp. /operation, telephone, materials/	(50 216)	(52 456)
Membership fees, duties	(5 909)	(3 644)
Other costs	(55 991)	(55 802)
Total	**(4 053 835)**	**(8 912 854)**

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

In 2021, the Company recognized HUF 7,900 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 until the date of the relocation of headquarters, 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.

Rental fees	2021 12 months data in HUF	2020 12 months data in HUF
Real estate rent	(67 465)	(115 263)
Vehicle rental	(23 882)	(49 476)
Site premises rent	(36 660)	(35 488)
Workwear rent	(35 805)	(33 788)
IT equipment rent	(4 605)	(7 715)
Rental fee of machinery, equipment	(3 311)	(9 547)
Other rental fees	(11 178)	(9 774)
Total	**(182 906)**	**(261 051)**

3. Personnel expenses

Personnel expenses	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Wages	(2 960 051)	(2 813 246)
Other personnel expenses	(415 305)	(395 444)
Costs of share-based benefits	(263 734)	(7 297)
Contributions	(550 622)	(551 482)
Total	**(4 189 712)**	**(3 767 469)**

The increase in personnel expenses was caused by the significant expansion of the workforce and the related wage bill as well as an inflation-indexed wage increase.

Average statistical headcount	2021	2020
Alteo Nyrt.	270	260

In the current year, the Company distributed shares in the value of HUF 2,550 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 February 1, 2021.

The activities of the Company relating to its obligations regarding its share-based benefits are explained in Section 19.4.

4. Depreciation and amortization

Depreciation and amortization	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Depreciation and amortization	(460 830)	(352 643)
Total	**(460 830)**	**(352 643)**

Depreciation is explained in detail in Section 9.

5. Capitalized own production

Capitalized own production	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Capitalized value of assets produced by the Company, wages	201 929	76 578
Other own performance - wages and material expenses	5 768	19 455
Total	**207 697**	**96 033**

Personnel and other material expenses directly related to the investments made within the group are recognized in capitalized own performances.
Costs directly related to the production of inventories and to the cost of participations are disclosed as other own production.

6. Other revenues, expenses, net

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

Other revenues and expenses	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Sale/scrapping of fixed and intangible assets	(582)	(26 611)
Fines, compensation, default interest received (paid)	(182)	12 697
Reversal (settlement) of impairment, released receivables	(143 696)	(132 422)
Taxes and other payment obligations	(388)	(86)
Settlement of excess (deficit) in inventories	(3 168)	-
Other revenues (expenses)	62 447	71 733
Total	**(85 569)**	**(74 689)**

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 decreased significantly. That is because assets shown among rights of use under IFRS16 included vehicles used under operating lease contracts that were returned in 2020 before the end of the lease term and thus were de-recognized in long-term lease liabilities as well.

Other revenues and (expenditures) comprise time-proportionate revenues of grants recognized among deferred income, gains relating to insurance policies as well as expenses and incomes that cannot be categorized, such as partner and tax current account settlements, time-proportionate personnel repayments due to the departure of staff, rounding differences.

7. Financial income, expenses, net

Finance income consists of the following items:

Financial profit	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Interests paid/payable	(493 175)	(484 362)
Received/receivable interest	294 218	320 578
Net interest expenses	**(198 957)**	**(163 784)**
Dividend received	1 930 000	8 560
Impairments	(13 156)	(153 957)
Foreign exchange difference	(31 385)	45 116
Other financial settlements	775	108
Total	**1 687 276**	**(263 957)**

The Company is entitled to dividend after its shares in its subsidiaries. In 2021 dividends received included the following:

- Alte-A Kft. HUF 7,000 thousand
- Domaszék Kft. HUF 16,000 thousand
- Monsolar Kft. HUF 61,000 thousand
- Sunteo Kft. HUF 108,000 thousand
- Pannon Szélerőmű Kft. HUF 238,000 thousand
- Euro Green Energy Kft. HUF 1,500,000 thousand

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 2021.

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:

Income taxes	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Corporate tax	49 801	21 337
Other income taxes (local business tax, innovation contribution, support deductible from corporate tax)	272 089	158 466
Deferred tax expenses	283 341	3 425
Total	**605 231**	**183 227**

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 ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. The National Tax and Customs Administration of Hungary (abbreviation in Hungarian: NAV) performed a comprehensive tax audit at the Company for the year 2018. In the course of the audit, no tax deficiencies were identified, and no negative sanctions arising from legal consequences were established.

In certain acquisition contracts, the parties to the contract acting as sellers to the ALTEO Group accepted a full guarantee for the period of tax law limitation for the reimbursement of the tax debts of the target companies for the periods prior to their joining the ALTEO Group. Nevertheless, there is no guarantee that any claims for reimbursement against the sellers may be fully enforceable, which may result in a loss for the ALTEO Group.

Elaboration of corporate tax (data in thousand HUF)

Elaboration of the tax base	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
IFRS profit or loss before taxes	6 867 349	450 145
Increasing items	2 503 089	680 977
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	461 656	388 393
Costs and expenses not related to business activity		129
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	157	33
Amount of impairment recognized regarding receivables	130 594	97 309
Receivables released (except to the benefit of a private individual)	54 618	14 351
Other	36 078	178 017
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	1 819 986	
Amendment of corporate tax for previous years		2 745
Decreasing items	8 817 089	737 249
Amount written off from the loss carried forward (negative tax base) from previous years	550 965	393 873
Depreciation recognized in accordance with the tax legislation	346 940	176 350
Allocated reserves within retained earnings, but not more than 50% of profit before taxation or HUF 500 million per tax year (development reserve)	3 150 000	
Dividends, shares received and recognized as income	1 930 000	8 560
Impairment reversed regarding receivables in the tax year, irrecoverable portion of the cost of receivables	26 726	
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	2 540 369	
Local business tax, innovation contribution	272 089	158 466
Tax base	553 349	393 873
Tax (9%)	49 801	35 449
Benefit (reducing taxes)	-11 368	0
Difference due to group corporate tax		
Tax pursuant to the Corporate Tax Act	38 433	35 449
Support for sports and arts entitling to tax benefit	-	-
Amendment of corporate tax for previous years	11 368	-2 744
Effect of corporate tax on profit or loss	49 801	32 705
Deferred tax asset (Fixed assets, Intangible assets)	984 200	960 968
Deferred tax asset (Impairment)	-438 925	-450 181
Deferred tax asset (loss carried forward)		-101 946
Recognition of deferred tax liabilities (Provisions)	-15 500	-15 500
Recognition of deferred tax liabilities (Development reserve)	3 150 000	138 196
Effect of deferred taxes on profit or loss	283 342	-7 943
Local business tax expenditure	235 670	137 064
Innovation contribution expenditure	36 418	21 402
Effect of income taxes on profit or loss	605 231	183 228

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

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

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

Income taxes	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
Profit or loss before taxes	6 867 349	450 145
Theoretical tax (9%)	618 061	40 513
Explanation:		
Current tax	49 801	30 442
Tax benefits	11 368	-
Tax for discontinued activities	-	-
Timing differences (deferred tax)	283 341	3 425
Permanent differences and unrecognized tax assets	284 919	6 647
Amount of theoretical tax (corporate tax)	**618 061**	**40 513**

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:

data in HUF thousand

Gross value	Property, plant and equipment	Other intangible assets	R&D intangible assets	Rights of use	Total
January 1, 2020	**1 244 271**	**234 025**	**362 267**	**186 597**	**2 027 160**
Decrease IFRS 16	-	-	-	-	420 199
Investment	1 050	-	-	-	-
Sale	(1 126)	-	-	-	1 050
Scrapping	(57 281)	(32 114)	-	(52 780)	(1 126)
Reclassification to inventories	-	-		-	(142 175)
December 31, 2020	**1 312 397**	**286 115**	**378 432**	**328 164**	**2 305 108**
Decrease IFRS 16	-	-	-	(29 602)	2 543 763
Investment	52 378	-	-	-	(29 602)
Sale	(962)	-	-	-	52 378
Scrapping	-	-	-	-	(962)
Reclassification to inventories	-	-	-	-	-
December 31, 2021	**2 748 943**	**466 012**	**438 161**	**1 217 569**	**4 870 685**

Accumulated depreciation	Property, plant and equipment	Other intangible assets	R&D intangible assets	Rights of use	Total
January 1, 2020	**193 952**	**80 480**	**9 170**	**54 723**	**338 325**
De-recognition, sale	(334)	-	-	-	(334)
De-recognition, scrapping	(38 915)	(24 400)	-	(43 903)	(107 218)
Increase through acquisition	-	-	-	-	-
De-recognition due to reclassification	-	-	-	-	-
Depreciation and amortization	174 289	53 511	36 382	88 461	352 643
December 31, 2020	**328 992**	**109 591**	**45 552**	**99 281**	**583 416**
De-recognition, sale	(551)	-	-	(29 187)	(29 738)
De-recognition, scrapping	-	-	-	-	-
Increase through acquisition	-	-	-	-	-
De-recognition due to reclassification	-	-	-	-	-
Depreciation and amortization	229 378	52 016	38 183	141 254	460 831
December 31, 2021	**557 819**	**161 607**	**83 735**	**211 348**	**1 014 509**

Net amount	Property, plant and equipment	Other intangible assets	R&D intangible assets	Rights of use	Total
12/31/2018	**1 010 392**	**86 207**	**243 563**		**1 340 162**
12/31/2019	**1 050 319**	**153 545**	**353 097**	**131 874**	**1 688 834**
12/31/2020	**983 405**	**176 524**	**332 880**	**228 884**	**1 721 693**
12/31/2021	**2 191 124**	**304 405**	**354 426**	**1 006 221**	**3 856 176**

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 virtual power plant. In the opinion of the Company's management, the research activity aimed at generating other intangible assets meets the IAS 38 recognition criteria and the know-how created as a result of the activity generates revenue. Costs incurred in the course of the development project are recognized among intangible assets.

The Company's management 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 merger by absorption in 2018 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.

The Company’s management considers that the fixed assets acquired and intangible asset (the R&D intangible asset) recorded under the R&D 2 project for “Developing an innovative model for battery energy storage applications” launched in 2019 and implemented in 2021 can be recognized and will deliver a return on investment as indicated by existing business plans. The R&D asset meets the IAS 38 criteria. The 5 MW battery energy storage facility implemented at the Kazincbarcika Heating Power Plant in addition to the primary (FCR) regulatory objective, provides gradient support to the secondary (aFRR) regulation required for the maintenance of balance in the system. It participates in frequency regulation (FCR) and secondary regulation (aFRR) alike. The invested amount is around HUF 1,015 billion, to be amortized over 10 years.

At the end of 2021 the Company participated in another R&D tender, where it pursued the related activities using its own resources. With regard to this R&D project, the Company proposes internal utilization and expects future incoming cash flows to be generated.

The 1532.29 m2 of office space rented in the Globe 3 Office Building is recognized under rights of use in IFRS 16. The office lease has a term of 5+5 years with a gross value of HUF 808,720 thousand in the Company's books.

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, 2021 the Company had no asset to be considered as a qualifying asset, so no borrowing costs had to be capitalized; and there is no asset that is subject to a lien under a loan agreement. The Company does not possess assets which are expected to cause environmental damage that the Company would be required to neutralize.

Apart from the energy storage units, 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: (in HUF thousand)

Long-term loans given	January 1, 2021 opening gross	January 1, 2021 opening impairment	Increase	Decrease	Impairment	Forgiveness	interest capitalization	12/31/2021
Alte Go Kft.	42 452	-	170 000	-	-	(46 000)	-	**166 452**
Alteo Deutschland GmbH	68 376	(68 376)	-	-	-	-	-	**-**
ALTEO-DEPÓNIA Kft.	166 000	-	-	(27 000)	-	-	-	**139 000**
Domaszék Kft.	22 292	-	-	-	-	-	-	**22 292**
Energigas Kft.	166 886	(166 886)	-	-	(11 820)	-	11 820	**-**
Euro-Green Energy Kft.	2 700 000	-	-	(600 000)	-	-	-	**2 100 000**
e-WIND Kft.	59 886	-	300 000	-	-	-	-	**359 886**
Monosolar Kft.	431 288	-	-	-	-	-	-	**431 288**
Pannon Szélerőmű Kft.	1 017 178	-	830 000	(297 178)	-	-	-	**1 550 000**
Tisza-BioTerm Kft.	1 500	-	1 000	-	-	-	-	**2 500**
Sinergy Energiaszolgáltató Kft.	200 000	-	-	-	-	-	-	**200 000**
SUNTEO Kft.	1 090 417	-	-	-	-	-	-	**1 090 417**
WINDEO Kft.	860 000	-	-	(50 000)	-	-	-	**810 000**
Loans given - total principal	**6 826 275**	**(235 262)**	**1 301 000**	**(974 178)**	**(11 820)**	**(46 000)**	**11 820**	**6 871 835**
Interests on loans given to associates and affiliated companies	49 347	-	102 084	-	-	-	-	**151 431**
Employer loans to employees	23 036	-	2 243	(11 000)	-	-	-	**14 279**
ECL model interest	-	(6 327)	-	6 327	(7 302)	-	-	**(7 302)**
ECL model principal	-	(6 377)	-	6 377	(7 023)	-	-	**(7 023)**
Loans given total	**6 898 658**	**(247 966)**	**1 405 327**	**(972 474)**	**(26 145)**	**(46 000)**	**11 820**	**7 023 220**

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.
- The Company remitted HUF 46,000 thousand of the loans granted to Alte-Go, working in the E-mobility business.
- The subsidiaries of the Company made repayments of their loans as follows:
  - Alteo Depónia Kft. HUF 27,000 thousand
  - Euro Green Energy Kft. HUF 600,000 thousand
  - Pannon Szélerőmű Kft. HUF 297,178 thousand
  - Windeo Kft. HUF 50,000 thousand

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: (in HUF thousand)

Long-term share in subsidiary	12/31/2020	Additional monetary contribution/ Capital increase	Additional monetary contribution repayment	Impairment/ Reversal	Adjustment of purchase price	12/31/2021
ALTE-A Kft.	1 070	-	-	-	-	**1 070**
ALTEO Energiakereskedő Zrt.	48 094	-	-	-	-	**48 094**
ALTE-GO Kft.	-	20 000	-	-	-	**20 000**
ALTEO-DEPÓNIA Kft.	-	13 000	-	-	-	**13 000**
Domaszék Kft.	186 660	-	(13 500)	-	-	**173 160**
Eco First Kft.	3 000	-	-	-	-	**3 000**
Euro Green Energy Kft.	2 750 000	-	-	-	(32 648)	**2 717 352**
Alteo-Therm Kft.	4 082 025	-	-	-	-	**4 082 025**
HIDROGÁZ Kft.	-	10 000	-	-	-	**10 000**
Monosolar Kft.	38 000	-	-	-	-	**38 000**
Pannon Szélerőmű Kft.	2 405 890	-	-	-	-	**2 405 890**
Sinergy Energiakereskedő Kft.	100 000	-	-	-	-	**100 000**
Sinergy Kft.	245 353	-	-	-	-	**245 353**
SUNTEO Kft.	634 915	-	-	-	-	**634 915**
Tisza-Bioterm Kft.	1 000	-	20 000	-	-	**21 000**
Participating interests total	**10 496 007**	**43 000**	**6 500**	**-**	**(32 648)**	**10 512 859**
Long-term participation in associate	**12/31/2020**	**Purchase**	**Additional monetary contribution/ Capital increase**	**Impairment/ Reversal**	**Adjustment of purchase price**	**12/31/2021**
Energigas Kft.	100	-	-	-	-	**100**
Participating interests total	**100**	**-**	**-**	**-**	**-**	**100**

- The Company has 100% share in it’s subsidiaries excluded ECO First Kft and Energigas Kft.
- The Company has a 66.67% share in ECO First Kft., however, the control of the company is held by the Company.
- The Company has 1% share in Energigas Kft.
- Registered offices and sites of subsidiaries’s geographical location take place in Hungary.
- In 2019 the Company acquired a 100% share in Euro Green Energy Kft. In the course of the previous acquisition the adjustment of the purchase price following the receipt of certain cash flows was a contractual condition. As those conditions were satisfied the cost of the purchased participation was adjusted.
- In 2021 the Company made additional payments to make up for the loss of equity of its subsidiaries.
- In 2021 Domaszék Kft. repaid HUF 13,500 thousand with regard to additional monetary payments received in prior years.

Investments recognized as leases:

- Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság

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

Valuation of investments in the current period:

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

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 7.3%-9.8%).

Breakdown of the discount rates used:

- The WAAC rate used for the Alteo Group is 8.3%
- The WAAC rate used for the cogeneration virtual power plant is 8.8%
- The WAAC rate used for the renewables industry is 7.3%
- The Alteo complex WAAC rate is 9.8%

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 2021 are as follows:

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

The following differences were identified in 2020:

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**

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. subsidiary is recognized as lease receivables and liabilities as per the IFRS16 (formerly IFRIC4) rules.

- Tisza WTP Kft.

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

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.

14. Inventories

Inventories	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
Parts	555 181	363 010
Project development inventories	517 170	39 808
Total inventories	**1 072 351**	**402 818**

Inventories include parts purchased for the performance of O&M contracts in the amount of HUF 555,181 thousand and materials and services not transferred related to project development in the amount of HUF 517,170 thousand.

15. Trade receivables

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

Trade receivables	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
Gross value of trade receivables	7 028 965	2 888 253
Recognized impairment	(231 627)	(142 458)
Total receivables	**6 797 338**	**2 745 795**

- 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 Sections 17 and 35.

The breakdown of impairment losses is as follows:

Trade impairment losses	2021.12.31 HUF thousand	2020.12.31 HUF thousand
Opening balance	**142 458**	**88 525**
Impairment reversed	(27 418)	-
Impairment recognized	116 587	53 933
Closing balance	**231 627**	**142 458**

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

The aging list of trade receivables:

12/31/2021	Not overdue	1-30 day	31-60 day	61-90 day	91 to 180 days	181 to 365 days	over 365 days	Total
Trade receivable at initial recognition cost	5 662 295	1 130 177	216 106	-	-	19 434	953	7 028 965
Impaired trade receivables	*(35 198)*	*(65 677)*	-	-	-	-	-	(100 875)
Impairment recognized based on the ECL model	*(105 329)*	*(21 024)*	*(4 020)*	-	-	*(362)*	*(18)*	(130 752)
Total trade receivables	**5 521 768**	**1 043 476**	**212 086**	**-**	**-**	**19 072**	**935**	**6 797 338**

The Company's five largest customers:

In 2021	In 2020
Sinergy Energiakereskedő Zrt.	Alteo-Therm Kft.
Alteo-Therm Kft.	TVK-Erőmű Kft.
TVK Erőmű Kft.	Sinergy Energiaszolgáltató Kft.
Alteo Energiakereskedő Zrt.	Sarpi Dorog Környezetvédelmi Kft.
Tisza-WTP Kft.	Tisza-WTP Kft.

16. Other receivables and income tax receivables

Other receivables:

Other receivables and income tax receivables	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
Accrued revenues	2 075 021	2 235 237
Advances paid (related to projects)	51 935	27 537
Receivables from affiliated companies	347 033	61 824
Receivables due from the customer	68 291	44 516
Other cash	36 572	29 981
Other receivables	12 262	4 783
Total	**2 649 641**	**2 438 143**

- 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 68,291 thousand relating to contracts for construction-installation services are recognized and presented in detail in Section 40.
- 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 34. Financial assets are classified into the following categories:

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

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

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

Application of the expected loss model to financial assets	External credit rating	Internal credit rating	ECL%	Gross value HUF thousand	ECL amount HUF thousand	Net amount HUF thousand
Customers - with large corporate background	N/A	Performing	3,41%	258 278	(8 789)	249 489
Customers - public sector	N/A	Performing	3,41%	98 967	(3 373)	95 594
Customer - project development	N/A	Performing	0,02%	15 324	(35)	15 289
Customer - other	N/A	Performing	1,70%	3 738	(1 000)	2 738
Customer - IC	N/A	Performing	1,70%	6 898 811	117 556	6 781 255
Customer - employees	N/A	Performing	1,70%	5	-	5
Long-term loan IC	N/A	Performing	1,70%	7 061 963	(6 779)	7 055 184
Deposits, security deposits given	N/A	Performing	1,70%	488	(18)	470
Advances given	N/A	Performing	1,70%	50 919	(868)	50 051
Long-term loans given - employees	N/A	Performing	1,70%	14 280	(243)	14 037
Long-term loan Third party	N/A	non-performing	100,00%	174 188	(174 188)	-
Customer - Energigas	N/A	non-performing	100,00%	100 875	(100 875)	-
Other receivables	N/A	non-performing	100,00%	25 200	(25 200)	-

In current year's valuation, the management of the Company uses the data available in public databases to determine ECL rates. In the opinion of the Company's management, the overall credit risk in the market of the partners and segments showed a 0 to 2.5% change in the recent period. As a result of COVID and the impact of the extraordinary increase in energy prices on the solvency of customers, the Company has maintained the classification of its receivables or assigned them to a riskier level.

18. Cash and cash equivalents

Cash and cash equivalents	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
Bank accounts – HUF	2 368 426	2 780 802
Bank accounts – foreign currency	552 898	267 776
Total	**2 921 324**	**3 048 578**

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

By transforming its capital structure, the Group intends to retain its capacity to operate continuously in order to provide profit for its shareholders and maintain an optimal capital structure for the sake of reducing the cost of capital. In order to preserve or adjust capital structure, the Board of Directors proposes to the General Meeting the amount of dividends to be paid to shareholders, and acting within its authorization received from the General Meeting, it decides, in connection with the capital structure or at its discretion, on capital increase and issuing new shares, or submits a proposal to that effect to the General Meeting.

The Group complies with the statutory capital requirements applicable to it. In performing a review of that, the Group observes the requirements of Act V of 2013 on the Civil Code (of Hungary). The table below shows equity and its ratio relative to issued capital:

	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
Issued capital	242 235	232 972
Equity	14 470 592	8 510 896
Issued capital/ Equity ratio	59,74	36,53

19.1. Shares traded:

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

Date	Event	Number of shares	Face value (HUF/share)	Change in issued capital (HUF thousand)	Balance of issued capital (HUF thousand)	Reserves (change in share premium)	Reserves (transactions with owners)
12/31/2019	**Closing balance**	**18 635 850**	**12,5**		**232 948**		
01/31/2020	Transfer of employee share ownership program	1 878	12,5	24		1 626	
09/11/2020	Excercise of ESOP option	24 000	12,5	300		13 710	
09/21/2020	Purchase of own shares	(24 000)	12,5	(300)			(19 524)
12/16/2020	Excercise of ESOP option	12 128	12,5	152		6 928	
12/16/2020	Purchase of own shares	(12 128)	12,5	(152)			(11 200)
12/31/2020	**Closing balance**	**18 637 728**	**12,5**		**232 972**		
02/01/2021	Transfer of employee share ownership program	3 837	12,5	48		4 252	
04/13/2021	Excercise of ESOP option	577 644	12,5	7 221		267 160	
04/13/2021	Purchase of own shares	(249 422)	12,5	(3 118)			(290 701)
12/22/2021	ESOP share transfers	409 000	12,5	5 112		476 526	
12/31/2021	**Closing balance**	**19 378 787**	**12,5**		**242 235**	**747 938**	

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.

Date	Event	Number of shares
12/31/2019	**Closing balance**	**750 424**
01/31/2020	Transfer of employee share ownership program	(1 878)
09/11/2020	Excercise of ESOP option	(24 000)
09/21/2020	Purchase of own shares	24 000
12/16/2020	Excercise of ESOP option	(12 128)
12/16/2020	Purchase of own shares	12 128
12/31/2020	**Closing balance**	**748 546**
01/29/2021	Transfer of employee share ownership program	(3 837)
04/13/2021	Excercise of ESOP option	(577 644)
04/13/2021	Purchase of own shares	249 422
12/21/2021	Share transfer to ESOP	(409 000)
12/31/2021	**Closing balance**	**7 487**

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.

On December 31, 2021, the Group held 7,487 own shares.

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

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

19.2. Reserves

Reserves	12/31/2021	Share premium 12/31/2020	Transactions with owners 12/31/2020
Opening balance	-	5 092 255	(366 247)
Implementation of employee share award program	4 252	1 626	-
Purchase of own shares	(290 601)	-	(30 724)
Share premium reclassification 2020	5 221 391	-	-
Transactions with owners reclassification 2020	(396 971)	-	-
ESOP II liability reclassification 2020	(106 872)	-	-
Exercise of Employee Share Ownership Program	62 819	20 638	
Employee Share Ownership Program implementation	267 159	106 872	
Cash transferred to ESOP organization	(100 000)	-	-
Own shares transferred to ESOP organization	(5 111)	-	-
Non-controlled ESOP participation	575 020	-	-
Receivable form ESOP organization	6 618	-	-
Closing balance	**5 237 704**	**5 221 391**	**(396 971)**

Transactions with owners and share premiums are presented among reserves.

At the end of 2020, share premium included a total of HUF 106,872 thousand liability under the ESOP II program, to be presented subsequently among Share-based payments

Ownership transactions in the current period included 249,422 own shares repurchased in excess of issued capital, the transfer of 409,000 own shares in excess of issued capital to the ALTEO ESOP organization, cash transferred to the ESOP organization for the purchase of shares, and the portion of such cash not yet used for its intended purpose.

19.3. Retained earnings

Retained earnings	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Opening balance	**3 390 685**	**3 123 767**
Comprehensive income	6 262 118	266 918
Dividend payment	(455 275)	-
Closing balance	**9 197 528**	**3 390 685**

The Company approved dividends of HUF 455,275 thousand from the profit after taxes of 2020, the dividends were disbursed in 2021.

Retained earnings comprise the development reserve of HUF 3,150,000 thousand approved by Management for 2021, proposed to be used in the following four years.

19.4. Share-based payments reserve

The above capital element comprises the following items:

- The part of the Company's grants calculated in accordance with IFRS2 regarding the past and recognized at the closing date of the report.
- Cost of the assets granted by the Company for those receiving benefits in the program

Share-based payments reserve	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Opening balance	169 690	68 398
Reclassification on account of share option exercise	(62 819)	(3 929)
Reclassification on account of transfer of employee bonus	-	(1 650)
ESOP share transfers	(575 021)	-
ESOP II liability reclassification 2020	-	106 871
ESOP II liability 2021	261 275	-
Closing balance	**(206 875)**	**169 690**

Chart of changes in share program	Option I/ 2017	Option II/ 2020	Option I/ 2017	Option II/ 2020
	2021	2021	2020	2020
PCS.				
Outstanding at the beginning of the period	577 644	355 917	613 772	-
Granted during the current period	-	-	-	-
Vested	-	257 023	-	355 917
Exercised during the current period	(577 644)	-	(36 128)	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	-	612 940	577 644	355 917
of which:				
Available for exercise at the end of the current period	-	-	577 644	-
Value (HUF thousand)				
Outstanding at the beginning of the period	62 819	106 871	66 748	
Granted during the current period	-			106 871
Vested	-	261 274		
Exercised during the current period	(62 819)	-	(3 929)	-
Expired during the current period	-	-		
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	-	368 145	62 819	106 871
of which:				
Available for exercise at the end of the current period	-	-	62 819	-

Periods	Option I/ 2017	Option II/ 2020
Vesting:		
start	**05/01/2016**	**01/01/2020**
end	**08/28/2017**	**12/31/2022**
Days of service:	485	1 096
of which: days in an annual breakdown:		
2016	*244*	
2017	*240*	-
2018	-	-
2019	-	-
2020	-	*730*
2021	-	*365*
2022	-	*365*
Exercise of rights of beneficiary:		
start	**08/28/2017**	**04/30/2023**
end	**11/21/2021**	**06/30/2023**
Grant date	**12/14/2016**	**01/01/2020**
Valuation date:	12/31/2017 at the grant date	12/31/2021 at the grant date
Valuation for presentation	fair value	fair value
Recognition in the statement of financial	Capital reserve	Capital reserve

	Option I/ 2017	Option II/ 2020
Theoretical share number (maximum as per invitation)	*770 024*	*612 940*
results of valuation:		
valuation no.	770 024	612 940
fair value of share HUF	108,75	900,93
total fair value of program valuation on reporting date, HUF thousand	83 740	552 216
service recognized on the closing date of the current period 2020 %	100%	66,67%
Recognized service value: HUF thousand, of which:	83 740	368 145
2016	42 296	
2017	41 444	
2020	-	106 871
2021	-	261 274

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.

ESOP Program I (2017)

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 drawn down under the scheme during 2019, and 36,128 in 2020.
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. The 577,644 shares outstanding at the end of 2020 were drawn down under the program. 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).

ESOP Program II (2020)

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

The 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.

Early exercise of the option is not possible. No option was exercised before the reporting date.

Principles of presentation

Considering that ESOP is a transaction related to services received from employees, the fair value of which cannot be measured reliably, their fair value was determined based on the fair value of the equity instrument provided.
Not applying the provisions of the Remuneration Policy for 2020, the beneficiary Employees irrevocably waived their right of choice retroactively to 12/21/2020 and according to such waiver they intend to acquire the shares that may be acquired in the form of securities. Consequently, the accounting treatment of ESOP is governed by the rules for share-based payment transactions where the terms of the arrangement are no longer affected by the choice and the method of settlement under which the ***equity component of a*** complex financial ***instrument*** needs to be accounted for.

- In view of this, the ESOP as a whole was accounted for as an equity instrument.

Calculation principles for fair valuation

As of the reporting date, the fair value of ESOP is equal to the time-vested part of the fair value of a share multiplied by the number of shares expected to be acquired (i.e. the fair value of the total liability).

- The starting point of the current fair value of the shares is the market price, i.e. the closing price observed on the Budapest Stock Exchange and valid as at the grant date.
- The market price is reduced by the present value of the dividends expected to be paid during the vesting period (2021-2022) as the Employees will not be entitled to them prior to fulfillment of the criteria. The expected amount of the dividend payment is based on the dividend paid in the past.

The number of benefits expected to be vested has been determined on the basis of the best estimate available, using analyzes and simulations for the financial indicators underlying the performance conditions (see vesting criteria).

The Company recognizes expenses when they are provided by the employee during the vesting period, that is, between the beginning of the scheme (January 1, 2020) and the date of vesting (December 31, 2022). The value of the liability on the reporting date is the time-vested part of the total liability, i.e. two third.

Employee reward program

Employee rewards	2021	2020
PCS.		
Opening liabilities in the statement of financial position	3 837	1 878
Exercised by transfer	(3 837)	(1 878)
Awarded as benefit	1 267	3 837
Closing	1 267	3 837
Value (HUF thousand)		
Opening liabilities in the statement of financial position	4 300	1 650
Exercised by transfer	(4 300)	(1 650)
Awarded as benefit	2 550	4 300
Closing	2 550	4 300

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 February 4, 2022.

20. Cash flow hedge reserve

The accounting policy of the Company established hedge connection between certain transactions and certain derivatives. These hedges qualify as cash flow hedges. The Company recognizes profits and losses from the hedging item of the cash flow hedge as other comprehensive income, and gathers such profits and losses in this equity component. The balance in the cash flow hedge fund is reclassified by the Company in the net profit or loss at the closing of the transaction (or if the hedge connection is cancelled from any other reason). No such transaction took place in 2021.

21. 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.

12/31/2021	IFRS	Own shares	CF hedge	IFRS 2	Development reserve	Subject year profit or loss	Equity HAS
Total equity	**14 470 592**	**-**	**-**	**-**	**-**	**-**	**14 470 592**
Issued capital	242 235	94	-	-	-	-	242 329
Share premium / capital reserve	5 237 704	-	-	-	-	-	5 237 704
Retained earnings	9 197 528	(94)	-	(206 875)	(3 150 000)	(6 262 118)	(421 559)
Allocated reserves	-	-	-	-	3 150 000	-	3 150 000
Profit or loss after taxes	-	-	-	-	-	6 262 118	6 262 118
Share-based payments	(206 875)	-	-	206 875	-	-	-
Transactions with owners	-	-	-	-	-	-	-

- 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 7,487 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 content is explained in Note 19.4.
  Unused development reserve. In 2019, the Company established development reserves in the amount of HUF 203,257 thousand, all of which had been used by the end of 2021. In 2021 the Company generated development reserves in the amount of HUF 3,150,000 thousand.

22. Provisions

Provisions	12/31/2021 HUF thousand	12/31/2020 HUF thousand
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. The entire amount relates to the renovation of the mixed bed at Tisza WTP Kft. 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.

23. Debts on the issue of bonds

Name	Frequency of repayments	Amounts paid	Currency	Nominal liabilities 12/31/2021	Maturity date
ALTEO Nyrt. "2022/I" bond	End of maturity	498 525 950	HUF	650 000 000	01/10/2022
ALTEO Nyrt. "2022/II" bond	End of maturity	1 505 904 664	HUF	1 693 630 000	06/07/2022
ALTEO Nyrt. NKP 2029	Interest payment per annum	8 818 284 700	HUF	8 600 000 000	10/28/2029
ALTEO Nyrt. NKP1 2031	Interest payment per annum	3 912 499 250	HUF	3 800 000 000	10/08/2031

data in HUF thousand	2022	2023	2024	2025	2026	up to 2031	Total
ALTEO Nyrt. "2022/I" bond	650 000		-	-	-	-	650 000
ALTEO Nyrt. "2022/II" bond	1 693 630		-	-	-	-	1 693 630
ALTEO Nyrt. NKP 2029	270 900	270 900	270 900	270 900	270 900	9 412 700	10 767 200
ALTEO Nyrt. NKP1 2031	93 100	93 100	93 100	93 100	93 100	93 100	558 600

On January 10, 2017 the Company issued dematerialized zero coupon bonds with a maturity of 5 years by private placement under the designation **"ALTEO 2022/I"**. The total face value of the issue is HUF 650.000.00, the issue value is 76.6963% of the face value.

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 NKP 1/2031**" with a total face value of HUF 3.8 billion. The average issue value of the bonds was 102.9605% of the face value. The bonds have a fixed rate coupon of 2.45% and the maturity is 11 years.

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

Debts on the issue of bonds	Year ending on 12/31/2021 HUF thousand	Year ending on 12/31/2020 HUF thousand
opening principal and interest	**14 957 926**	**13 124 132**
ALTEO Nyrt. “2020/I” bond	-	-
ALTEO Nyrt. “2022/I” bond	649 051	583 334
ALTEO Nyrt. "2022/II" bond	1 663 087	1 528 790
ALTEO Nyrt. NKP1 2029	8 805 893	8 840 811
Alteo Nyrt. NKP1 2031	3 915 371	2 171 197
Issues in the current period:	**-**	**3 904 710**
ALTEO Nyrt. “2020/I” bond	-	-
ALTEO Nyrt. “2022/I” bond	-	-
ALTEO Nyrt. "2022/II" bond	-	-
ALTEO Nyrt. NKP1 2029	-	-
Alteo Nyrt. NKP1 2031	-	3 904 710
Interest recognized in the current period	**439 476**	**446 519**
ALTEO Nyrt. “2020/I” bond	-	75 337
ALTEO Nyrt. “2022/I” bond	33 691	32 027
ALTEO Nyrt. "2022/II" bond	68 470	65 827
ALTEO Nyrt. NKP1 2029	252 844	254 038
Alteo Nyrt. NKP1 2031	84 472	19 290
Principal and interest payments in the current	**(364 000)**	**(2 517 435)**
ALTEO Nyrt. “2020/I” bond		(2 246 535)
ALTEO Nyrt. “2022/I” bond	-	
ALTEO Nyrt. "2022/II" bond	-	-
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
Alteo Nyrt. NKP1 2031	(93 100)	-
Closing principal and interest	**15 033 402**	**14 957 926**
ALTEO Nyrt. “2020/I” bond	-	-
ALTEO Nyrt. “2022/I” bond	1 663 087	-
ALTEO Nyrt. "2022/II" bond	649 051	-
ALTEO Nyrt. NKP1 2029	43 743	42 271
Alteo Nyrt. NKP1 2031	19 247	26 655
Reclassification into short-term liabilities	**2 375 128**	**68 926**
Debts on the issue of bonds	12 658 274	14 889 000
Short-term bond payables	2 375 128	68 926

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

Other long-term liabilities

Long-term loans and borrowings, and other long-term liabilities	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Conditional purchase price liabilities	294 408	320 011
Total	**294 408**	**320 011**

HUF 294,408 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 294,408 thousand. The fair value of the items above does not materially differ from their amortized cost.

25. Lease liabilities

The Company's leases mature as follows:

Finance lease liabilities	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Long-term liabilities relating to rights of use (over 5 years)	786 333	-
Long-term liabilities relating to rights of use (1-5 years)	67 983	147 099
	854 316	**147 099**
Instalments due within a year	168 970	88 759
Total	**1 023 286**	**235 858**

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 lease payments on central offices up to the date of the change of the registered office, the car leases maturing within one year and the lease of certain IT equipment of small value. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses. These items are presented in detail in section 2.

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

Finance lease	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Right-of-use asset	1 006 221	228 884
Right-of-use liability total	1 023 286	235 858
Recognized amortization	112 066	44 558
Recognized interest expense	26 706	10 629

26. Deferred income

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

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

Deferred income	2021 12 months data in HUF thousand	2020 12 months data in HUF thousand
KFI I grant	345 987	397 240
KFI III grant	224 626	-
Total	**570 613**	**397 240**

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 1 newly developed product, technology, service or prototype - the preparation of one know-how - Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period - Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million - one appearance at a domestic and international forum each (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) - 2 publications
Grant period	5 years from July 2019

	R&D II
Purpose of the grant	Integration into the electricity system of facilities with battery cells of various parameters
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: - The creation of 1 newly developed product or technology - In the two financial years following implementation the amount of R&D expenditures amounts to 30% of grants as evidenced in the corporate tax returns - Business exploitability, with the index numbers regularly achieved during the retention period.
Grant period	until 12/31/2027

	R&D III
Purpose of the grant	Development of real-time autonomous energy information and production management system
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: - 1 newly developed product - Involvement of 3 enterprises in development - Business exploitability, with the index numbers regularly achieved during the retention period. - 4 publications, 1 presenting private-public cooperation - 3 domestic publications of the project results
Grant period	until 12/31/2027

27. Financial liabilities – conditions

The working capital loan facility 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 for bonds:

data in HUF thousand	2022	2023	2024	2025	2026
ALTEO Nyrt. NKP1 2031	93 100	93 100	93 100	93 100	93 100
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	-	-	-	-

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

28. Trade payables

This line in the statement of financial position contains liabilities arising from the purchase of goods and services in the amount of HUF 652,527 thousand. Trade payables are unsecured, which means that the Company does not provide guarantees, with the exception of those routinely provided in the normal course of business.

Trade payables	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Trade payables not yet due	548 057	534 542
Invoices past due for 1-30 days	96 335	68 340
Invoices past due for 31-90 days	2 912	2 603
Invoices past due for 91-180 days	-	-
Invoices past due for 181-365 days	3 244	478
Past due for over one year	1 979	7 530
Total	**652 527**	**613 493**

The Company's five largest suppliers:

In 2021	In 2020
Wärtsilä Hungary Kft.	Wärtsilä Hungary Kft.
Vestas Hungary Kft.	Hőtechnika Kőolajipari Zrt.
HSP612 Kft.	Siemens Zrt.
Siemens Energy Kft.	Voith Hydro GmbH
Invitech ICT Services Kft.	Bijász Ipari és Szolgáltató Kft.

29. Other short-term liabilities and accruals

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

Other short-term liabilities and accruals	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Cost accruals	706 512	750 553
Income accruals	10 864	5 078
Amounts payable to customers	1 157 343	1 035 216
Income settlement	150 822	130 166
Other tax liabilities	249 127	409 747
Conditional purchase price installment	-	50 000
Other short-term liabilities	23 846	18 899
Other liabilities to Alteo Group members	-	7 639
Total	**2 298 514**	**2 407 298**

These liabilities do not bear interest.

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

30. Advances received

Advances received	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Advances received	8 989	46 500
Total	**8 989**	**46 500**

The advance received relating to the overhaul of gas engines at the end of 2020 was fully used by the Company in 2021 in the course of the works.

The advance recognized at the end of 2021 represented cash received relating to the replacement of the MPK transformer.

31. Income tax liabilities

Income tax liabilities	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Corporate tax liability	17 501	19 197
Innovation contribution liability	16 240	13 375
Local business tax liability	100 257	47 643
Total	**133 998**	**80 215**

32. Operating segments

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

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

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

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

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

2020	Construction	Operation	Admin. and management	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**

33. Related party disclosures

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

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

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

Executive Board

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

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

Remuneration paid to related parties (executive officers):

2021	Board of Directors	Supervisory Board	Executive Board non-BoD members	Total
Wages, commissions, benefits	99 641	23 620	190 436	313 697
Reimbursements	10 430	1 516	19 967	31 913
IFRS2 benefits	34 837	-	43 087	77 924
Total	**144 908**	**25 136**	**253 490**	**423 534**

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: (in HUF thousand)

Amount / 12/31/2021	Loans given	Accrued income	Trade payables	Trade receivable	other receivables
Alte-A Kft.	-	-	-	-	7 000
ALTEO Energiakereskedő Zrt.	-	599 740	-	919 294	-
ALTEO-Therm Kft.	-	907 268	-	572 517	-
ALTEO-DEPÓNIA Kft.	139 000	580	-	25 267	-
ALTE-GO Kft.	166 452	-	(13)	-	33
Domaszék Kft.	22 292	-	-	-	-
Euro-Green Energy Kft.	2 100 000	131 470	-	-	300 000
e-WIND Kft.	359 886	10 367	-	11 541	-
Energigas Kft.	-	5 191	-	-	-
Monosolar Kft.	431 288	-	-	9 058	-
Pannon Szélerőmű Kft.	1 550 000	91 751	-	-	-
Péberény Kft. (absorbed I)	-	-	-	-	-
Sinergy Energiakereskedő Kft.	-	260 385	-	4 993 139	-
Sinergy Energiaszolgáltató Kft.	200 000	-	-	-	-
SUNTEO Kft.	1 090 416	-	-	20 962	40 000
Tisza Bioterm Kft.	2 500	-	-	-	-
Tisza WTP Kft.	-	-	-	35 814	-
HSP612 Kft.	-	-	(13 149)	-	-
Executive employees	14 280	-	-	-	-
Wallis Asset Management Kft.	-	-	(7 863)	-	-
WINDEO Kft.	810 000	17 200	-	-	-
Total	**6 886 114**	**2 023 952**	**(21 025)**	**6 587 592**	**347 033**

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

Year 2021	Revenue	Asset purchase	Material expenses	Personnel expenses	Other expenses	Interest income	Dividend income
Alte-A Kft.	1 476	-	-	-	-	-	7 000
ALTE-GO Kft.	12 636	-	(95)	-	(46 000)	3 416	-
ALTEO Energiakereskedő Zrt.	1 402 686	-	-	-	-	1 607	-
ALTEO-DEPÓNIA Kft.	64 968	-	-	-	-	4 783	-
ALTEO-Therm Kft.	3 167 416	-	(36 681)	-	-	47 176	-
Domaszék Kft.	8 088	-	-	-	-	702	16 000
Eco-First Hulladék Kereskedelı	34 932	144	(191)	-	-	-	-
Energias Kft.	303 127	-	(18 780)	-	-	12 745	-
Euro-Green Energy Kft.	338 438	-	-	-	-	69 918	1 500 000
e-WIND Kft.	40 666	-	-	-	-	4 242	-
Foxpost Zrt.	-	-	(12)	-	-	-	-
Hidrogáz Kft.	252	-	-	-	-	-	-
Hotel Schweizerhof Kft.	-		(35)	-	-	-	-
HSP612 Kft.	-	218 794	(71 848)	-	-	-	-
Kazinc-BioEnergy Kft.	252	-	-	-	-	-	-
Monosolar Kft.	17 208	-	-	-	-	14 478	61 000
Pannon Szélerőmű Kft.	236 512	-	-	-	-	37 820	238 000
Sinergy Energiakereskedő Kft.	5 756 775	-	-	-	-	2 605	-
Sinergy Energiaszolgáltató Kft.	135 134	-	-	-	-	6 300	-
SUNTEO Kft.	61 974	-	-	-	-	34 348	108 000
Tisza Bioterm Kft.	312	-	-	-	-	77	-
Tisza WTP Kft.	648 583	-	-	-	-	580	-
Tisza-BioEnergy Kft.	252	-	-	-	-	-	-
WALLIS MOTOR PEST Autókere	-	-	(45)	-	-	-	-
Wallis Asset Management Zrt.	-	-	(11 097)	-	-	-	-
Wallis Autókölcsönző Kft.	-	-	(25 417)	(807)	(100)	-	-
Wallis Kerepesi Kft.	-	67	-	-	-	-	-
WINDEO Kft.	101 221	-	-	-	-	27 095	-
Grand total	**12 332 908**	**219 005**	**(164 201)**	**(807)**	**(46 100)**	**267 892**	**1 930 000**

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

34. Financial risks, their management and the sensitivity analysis

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

Credit (trade receivables) risk and its management

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

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

Type of client	Risk management
Lease receivables	The receivable is secured by the ownership rights of the Company's own subsidiary and its free cash balances provide additional collateral.

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

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

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

Interest rate risk calculation and management

The Company is funded through fixed coupon bonds.

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

Foreign currency risk calculation and management

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

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

Financial instruments	Eur	exchange rate 1%-os the effect of a change
Assets:		
Trade receivables	390 646	1 441
Other financial assets	134 346	496
Liabilities:		
Loans and borrowings	(30 753)	(113)
Trade payables	(510 695)	(1 884)
Other short-term liabilities and accruals	(389 473)	(1 437)
Closing balance	**(405 930)**	**(1 498)**

The Company had no hedging transactions in 2021.

Liquidity risk

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

	less than 1 year	within 2-5 years	longer than 5 year
Assets:			
Long-term deposits or loans given	-	14 280	7 008 940
Trade receivables	6 797 338	-	-
Other receivables and accruals	2 649 641	-	-
Liabilities:			
Bond payable	2 375 118	-	12 658 274
Finance lease liabilities	168 970	452 996	401 320
Advances received	8 989	-	-
Trade payables	652 527	-	-
Other long-term liabilities	-	294 408	-
Other short-term liabilities and accruals	2 298 514	-	-
Income tax liabilities	133 998	-	-

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

35. Contingent liabilities

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

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

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

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

On the reporting date, the bank guarantees offered by Erste Bank to Alteo Nyrt. amounted to HUF 4,097,000 thousand.

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

36. Significant events after the reporting date

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

January 4, 2022: Alteo Nyrt. and BC-Erőmű Kft. (registered office: 3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-09-007481; tax number: 11795346-4-05) signed a long-term operation and maintenance contract for the operation and maintenance of the power plant and steam boiler owned by BC-Erőmű Kft. until December 31, 2036.

January 10, 2022: The 'ALTEO 2022/I' bonds were repaid at maturity and therefore terminated on the maturity date, i.e. on January 10, 2022, and the Company has no other obligations to the bondholders, in view of the repayment.

January 2022: To promote the objectives set out in its remuneration policy of 2020, the Company transferred HUF 300,000 thousand to the ESOP organization. The Alteo Employee Share Ownership Program Organization purchased, from the cash received on 1/21/2022, 135,700 shares at the price of HUF 2,200 per share. Following that purchase, the ESOP organization owns all the 612,940 shares to be distributed if the remuneration program is achieved.

January 2022: The Group has published its new five-year strategy for 2022-2026 for information purposes. The company strategy is available at the following link:
https://www.bet.hu/newkibdata/128662993/ALTEO_PPT_VallalatiStrategia2022_2026_final.pdf

February 4, 2022: The parent company of the Group began the transfer of 1,267 shares to the employees who have become eligible for them based on the Company's recognition plan.

February 2022: the Group received an ESG certification, for more information on this certification see
https://www.bet.hu/site/newkib/hu/2022.02./ALTEO_megszerezte_elso_ESG_minositeset_2022.02.02_128668992

February 23, 2022: At the Best of BSE awards ceremony, Alteo was named the Issuer of the Year with the highest share price increase in the premium category, and also won the Responsibility, Sustainability, Corporate Governance Award and the Issuer Transparency Midcap Award.

The impact of the global political events (Russia-Ukraine conflict, COVID 19) was taken into consideration in Section II.8.C.27.

37. Litigation and claims

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

38. Economic relations subject to legal proceedings

With regard to the letter of VPP Magyarország Zrt. (registered office: 1113 Budapest, Bocskai út 134-146. 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 virtual power plant are not in violation of the patent "Decentralized energy production system, control tool and procedure, controlling the energy production of the system" registered for VPP Magyarország Zrt. as holder under number E031332.

Sinergy Energiakereskedő Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of publishing this document.

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

39. Fair value measurement disclosures

The Company did not have any assets to be evaluated at fair value either in 2021 or in the previous year. The Company did not have any derivatives as of the reporting date or in the reference period.

40. Contractual assets and liabilities

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

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

Name	12/31/2021	12/31/2020	Recognized current year sales revenue total	Sales revenue adjustment against statement of financial position	Invoiced sales revenue
MPK Project	(70 000)	(257 007)	263 748	187 007	76 741
Győr Power Plant Project	55 357	-	55 357	55 357	-
Balatonberény Solar Power Plant	(110 346)	(106 711)	-	(3 635)	3 635
Gibárt Hydropower Plant	12 934	-	12 934	12 934	-
Subsidiary gas engine overhauls	(976 997)	(671 498)	-	(305 499)	305 499
Maintenance project	-	44 516	7 876	(44 516)	52 392

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.

41. Disclosure of interests in other entities

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

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.

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

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

The fee for auditing the unconsolidated annual report and the IFRS consolidated financial statements is HUF 7,900,000 + VAT.

In the fiscal year 2021, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by BDO Magyarország Könyvvizsgáló Kft., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with the prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

43. Approval of the disclosure of the financial statements

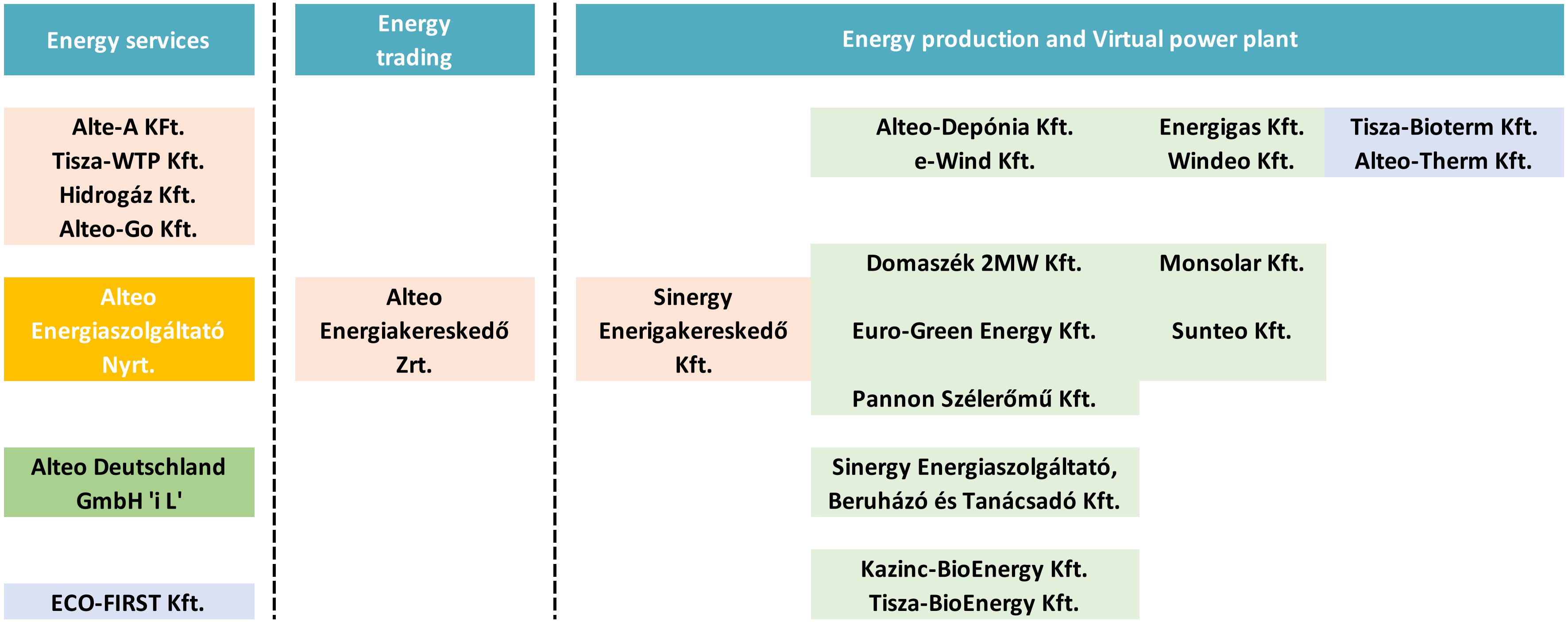
On March 25, 2022, the Board of Directors of the Group's parent company approved the disclosure of the financial statements in their current form.

Budapest, March 25, 2022

On behalf of ALTEO Nyrt.:

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

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)
						12/31/2021	12/31/2020	12/31/2021	12/31/2021
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	property management	08/02/2011	Founding	100%	100%	11 974	30 323
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	electricity and gas trade	12/05/2011	Founding	100%	100%	286 136	17 561 505
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production	10/01/2008	Founding	100%	100%	29 722	189 213
ALTEO Deutschland GmbH	4	Marie-Curie-Str. 5, D-53359 Rheinbach	heat energy production, electricity production,	04/18/2018	Founding	N/A	100%	N/A	N/A
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production	05/04/2015	Purchase	100%	100%	4 057	52 042
Domaszék 2MW Naperőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	12/04/2017	Purchase	100%	100%	39 702	101 814
e-WIND Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	02/11/2013	Purchase	100%	100%	(110 988)	70 271
ECO First Kft.	2	H-1033 Budapest, Kórház utca 6-12.	Treatment and disposal of non-hazardous waste	06/25/2019	Purchase	67%	66,67%	37 258	233 099
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	05/28/2019	Purchase	100%	100%	2 671 138	2 245 909
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	12/31/2009	Purchase	100%	100%	3 403 046	20 121 780
HIDROGÁZ Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production	07/13/2009	Purchase	100%	100%	11 898	499
Kazinc-BioEnergy Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	05/04/2015	Purchase	100%	100%	1 866	-
Monsolar Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	11/06/2017	Purchase	100%	100%	50 062	218 724
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	10/14/2020	Purchase	100%	N/A	2 282 272	1 058 912
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	energy production	05/04/2015	Purchase	100%	100%	294 502	19 144 050
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	05/04/2015	Purchase	100%	100%	475 451	427 652
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production	01/30/2013	Founding	100%	100%	206 571	685 074
Tisza BioTerm Kft.	3	H-1033 Budapest, Kórház utca 6-12.	heat energy production	05/04/2015	Purchase	100%	60%	(939)	-
Tisza-BioEnergy Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	05/04/2015	Purchase	100%	100%	2 415	-
Tisza-WTP Kft.	1	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	05/04/2015	Purchase	100%	100%	101 735	1 454 062
WINDEO Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	05/24/2012	Purchase	100%	100%	216 057	247 610

1	100% share; undertakings presented as lease assets
2	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, however, the Group exercises control over this company.
3	After the acquisition of a 40% share, Tisza BioTerm Kft. is a fully consolidated company.
4	Subsidiary constituted under German law, under voluntary winding up procedure

The laws of Hungary are to be applied to the subsidiaries of the Group. The subsidiaries pay tax in accordance with the Hungarian regulations. The subsidiaries of the Group are also included in the consolidation of other companies.

year	Member company	Consolidating entity
2021	BC-Therm Kft.	Divestment of 100% business share
2021	Tisza WTP Kft.	Mol Petrolkémia Zrt. 100% share

I.1.2 Acquisitions and divestments

	Member company	Change in participations
2020	Pannon Szélerőmű Kft.	Acquisition of 100% participation
2019	Tisza-BioTerm Kft.	Acquisition of 100% 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

I.1.3 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 merger by absorption was concluded on September 30, 2020.

ALTEO Nyrt.
a separate company

Annual Report
for the financial year 2021

Disclosure: March 25, 2022

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ALTEO Nyrt. Annual Report for 2021

Introduction

Pursuant to Act V of 2013 on the Civil Code (hereinafter: "**Civil Code**"), Act CXX of 2001 on the Capital Market, the Regulation of the Budapest Stock Exchange Ltd. on the Rules of Listing and Continued Trading (hereinafter: "**Regulation**"), Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), and Act C of 2000 on Accounting, ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and **hereby publishes "*The Management Report and Analysis" on its annual profit or loss, and the financial statements for the financial year 2021*** (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 consolidated Annual Report and Annual Financial Statements for 2021 were verified by an independent auditor.

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

1. Annual report;
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 2021

1.1 Executive summary on events yielding significant results over the period

Its 2021 results confirmed ALTEO's strategy and the successful investments of the past period. ALTEO's profitability was only moderately affected by the COVID epidemic compared to other more procyclical sectors, partly due to the risk management measures taken by the Company and the fact that the negative impact of the epidemic was far outweighed by the excellent results achieved with other activities.

In 2021, the net profit of ALTEO Nyrt. after tax increased significantly. The change was stemming from the following:

(i) the outstanding performance of the virtual power plant in charge of heat and electricity generation has been positively supported by the 18MW expansion of the power plant portfolio's gas engine capacity in 2020 and the significant price increase in the global market;

(ii) an outstanding record profit in the Retail segment, which was the hardest hit by the effects of the epidemic and was also impacted by the rise in global prices.

On December 7, 2021, ALTEO was awarded an investment development grant of more than HUF 400 million to realize its innovation efforts. The aim of the project is to develop a highly automated, AI based energy IT system that is capable of making autonomous production and commercial decisions, and controlling and optimizing "smart" power plant electricity production.

In November 2021, a 5 MW capacity energy storage unit was commissioned at the Kazincbarcika Heating Power Plant. This project was, in part, implemented using a non-refundable grant.

In July 2021, Scope ratings reaffirmed the previous rating (BBB-) of Alteo's bonds, and on January 10, 2022, the bond package "ALTEO 2022/I" (HUF 650 million) was repaid by ALTEO.

The Group was also presented with the Green Frog Award for the Best Sustainability Report by Deloitte Hungary.

Executive summary of the operating profit or loss statement

The result of 2021, although partly a one-off event, is a good feedback to ALTEO's management that the strategy presented earlier and revised in early 2022 is working. Environmental and social sustainability continues to have a crucial role in our strategy.

(Negative values are denoted by parentheses.)	**Note**	**2021** **12 months** **data in HUF thousand**	**2020** **12 months** **data in HUF thousand**
Revenues	**1.**	**13 762 321**	**13 725 724**
Material expenses	2.	(4 053 835)	(8 912 854)
Personnel expenses	3.	(4 189 712)	(3 767 469)
Depreciation and amortization	4.	(460 830)	(352 643)
Capitalized own production	5.	207 697	96 033
Other revenues, expenses, net	6.	(85 569)	(74 689)
Operating profit or loss		**5 180 072**	**714 102**
Income from financial transactions	7.	2 258 848	437 920
Expenses from financial transactions	7.	(571 571)	(701 877)
Profit or loss on financial transactions (-)	7.	1 687 277	(263 957)
Profit or loss before taxes		**6 867 349**	**450 145**
Income taxes	8.	(605 231)	(183 227)
Net profit or loss		**6 262 118**	**266 918**

Data in HUF thousand *(Negative values are denoted by parentheses.)*	**Note**	**2021** **12 months**	**2020** **12 months**
Other comprehensive income (after income tax)	**20.**	-	-
Reserves relating to derivative transactions	20.	-	-
Reclassification of other comprehensive income from cash flow hedges into profit/loss	20.	-	-
Comprehensive income		**6 262 118**	**266 918**

Note references *in the table point to subsections in* ***Chapters IV and VI*** *of the 2021 IFRS statements of ALTEO Nyrt.*

The Company’s **revenue remained** on the 2020 level, while its profit after tax increased significantly. ALTEO Nyrt.’s revenue was **increased by the excellent performance of the subsidiaries**, while the volume of construction work with lower margins, but with a significant revenue in 2020, decreased.

The 11%, i.e. HUF 0.4 billion, increase in **personnel expenses** is directly linked to the expansion of ALTEO and the effect of the management incentive program announced in late 2020 is also recognized here.

The dividend income from the annual profit of subsidiaries for 2020 amounted to HUF 1.9 billion **Net finance income**.

ALTEO generated an operating profit of HUF 5.1 billion and a net profit after tax of HUF 6.2 billion in 2021.

1.2 Management summary of the statement of financial position

ALTEO's balance sheet total shows a year-on-year increase of 26% (HUF 7.2 billion) from 2020 to 2021.

ALTEO Nyrt.

Statement of financial position

for December 31, 2021

Statement of financial position 2021 (Assets)

(Negative values are denoted by parentheses.)	Note	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Non-current assets		**21 392 355**	**18 868 492**
Property, plant and equipment	9.	2 191 124	983 405
Other intangible assets	9.	304 405	176 524
R&D	9.	354 426	332 880
Rights of use	9.	1 006 221	228 884
Long-term loans given	10.	7 023 220	6 650 692
Long-term share in subsidiary	11.	10 512 859	10 496 007
Long-term participation in associate	11.	100	100
Current assets and assets held for sale		**13 440 654**	**8 764 283**
Inventories	14.	1 072 351	402 818
Trade receivables	15.	6 797 338	2 745 795
Part of lease asset liabilities due within the year	13.	-	128 949
Other short-term receivables and accruals	16.	2 649 641	2 438 143
Cash and cash equivalents	18.	2 921 324	3 048 578
TOTAL ASSETS		**34 833 009**	**27 632 775**

***Note references** in the table point to subsections in **Chapters IV and VI** of the 2021 IFRS statements of ALTEO Nyrt.*

Non-current assets increased by 13% (HUF 2.5 billion), with the change stemming from the following:

In July, 2021, ALTEO moved to a new office building (address: H-1033 Budapest, Kórház u. 6-12.). Offices are set up in a rented property (with the right of use recognized as an asset), while the materials, equipment and work used to fit out and furnish the office space are shown as fixed assets in the statement of financial position of ALTEO Nyrt.

Current assets increased by 54% (HUF 4.7 billion), with the change stemming from the following:

The stock balance of ALTEO Nyrt. at the end of 2021 shows assets purchased for gas engine refurbishment, and assets produced for resale and developed using own inputs.

Trade receivables represent the income of the regulatory activity for 2021 invoiced at the end of 2021.

ALTEO Nyrt.

Statement of financial position

for December 31, 2021

Statement of financial position (Equity and liabilities)

(Negative values are denoted by parentheses.)	Note	12/31/2021 HUF thousand	12/31/2020 HUF thousand
Equity		**14 470 592**	**8 510 896**
Issued capital	19.	242 235	232 972
Reserves*	19.	5 237 704	4 717 549
Retained earnings	19.	9 197 528	3 390 685
Share-based payments reserve	19.	(206 875)	169 690
Long-term liabilities		**14 724 291**	**15 816 688**
Debts on the issue of bonds	23.	12 658 274	14 889 000
Deferred tax liabilities	12.	331 180	47 838
Provisions	22.	15 500	15 500
Deferred income	26.	570 613	397 240
Lease liabilities - long	25.	854 316	147 099
Other long-term liabilities	24.	294 408	320 011
Short-term liabilities		**5 638 126**	**3 305 191**
Short-term bond payables	23.	2 375 128	68 926
Advances received	30.	8 989	46 500
Trade payables	28.	652 527	613 493
Lease liabilities - short	25.	168 970	88 759
Other short-term liabilities and accruals	29.	2 298 514	2 407 298
Income tax liabilities	31.	133 998	80 215
TOTAL EQUITY and LIABILITIES		**34 833 009**	**27 632 775**

*__Note references__ in the table point to subsections in __Chapters IV and VI__ of the 2021 IFRS statements of ALTEO Nyrt. The adjustments on the lines marked with * are presented in Section 19.2 of the financial statements.*

Equity increased by 70% (HUF 5.9 billion), with the change stemming from the following:

ALTEO Nyrt.’s annual dividend payment for 2021 represents a capital decrease of HUF 455 million and the annual profit for 2021 represents a capital gain of HUF 6.2 billion. The effect of the consolidated movements in capital related to the settlement of stock option programs resulted in a capital increase of HUF 142 million.

Long-term liabilities increased by 6.2% (HUF 1.2 billion), with the change stemming from:

A lease liability is recognized by recording the 10-year lease on the head office.

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.
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	November 9, 2021
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 publishes its notices regarding regulated information on its website www.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 the applicable law, the notices of the Company are also published in the Company Gazette.
ISIN code of the Shares	HU0000155726
Stock exchange listing	19,386,274 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. It was repaid on January 10, 2022 and subsequently cancelled. 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
	ALTEO NKP/2031: 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 the 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	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 Section, "beneficial owner" means the person specified in Section 3(38) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

Pursuant to Section 19(7) of the Act XVIII of 2005 on District Heating, Section 95(3) of the Act LXXXVI of 2007 on Electricity and Section 123(7) of the Act XL of 2008 on Natural Gas Supply, in the case of an event relevant in terms of company law or acquisition specified in these laws, in the absence of the prior decision on approval or the acknowledgement of the Hungarian Energy and Public Utility Regulatory Authority (the specific form of consent is governed by the given law, depending on the event relevant in terms of company law, the range of acquisition, and the nature of the license), the acquiring party shall not exercise any right against the Company in respect of its interest therein, except for the right to dividend, and shall not be entered in the share register.

2.2.3 Presentation of investors with a significant share

The majority shareholder of ALTEO is WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529). The ultimate parent company of ALTEO and its subsidiaries as at December 31, 2021 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, 2021.

Present shareholders of the Company based on the share register on 12/31/2021	Face value (HUF thousand)		Ownership ratio (%)	
	2021	2020	2021	2020
Wallis Asset Management Zrt. and its subsidiaries	153 436	154 789	63,32%	63,88%
Members of the Board of Directors, the Supervisory Board	11 544	7 716	4,76%	3,18%
Own shares	94	9 357	0,04%	3,86%
ESOP	5 967	-	2,46%	-
Free float	71 288	70 467	29,42%	29,08%
TOTAL	**242 329**	**242 329**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2021 (on December 30) was HUF 2180, which is 134.4% higher than the same value in the last year (HUF 930). Annual turnover was HUF 3.930 billion, 133% higher than in 2020.

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 the Company and the Civil Code. The Articles of Association of the Company are available on the Company's website and other display points (www.investors.alteo.hu; www.bet.hu; www.kozzetetelek.hu).

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

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

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

In its Resolution No. 13/2019. (IV.26.) the General Meeting of the Company repealed its previous Resolution No. 3/2015. (XI.10.) on authorization and authorized the Board of Directors to adopt a decision on the increase of the share capital of the Company at its own discretion, with at least four members of the Board of Directors voting in favor. Pursuant to such authorization, the Board of Directors may increase the share capital of the Company by up to HUF 150,000,000, calculated at the face value of the shares issued by the Company, in aggregate (authorized share capital) in the five-year period starting on April 26, 2019. The authorization shall cover all cases and means of share capital increase set out in the Civil Code, as well as the restriction or exclusion of exercising preferential rights regarding subscription for and takeover of the shares, as well as the adopting of decisions relating to the share capital increase otherwise delegated by the Civil Code and other 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. 8/2021. (IV.19.) to provide the Board of Directors with an authorization for a period of 18 (eighteen) months starting on April 19, 2021, to adopt resolutions on the acquisition by the Company of shares of all types and classes and of any face value, issued by the Company, supported by at least three quarters of the votes that can be cast by the members of the Board of Directors, and to enter into and perform such transactions for and on behalf of the Company, or to engage a third party for the conclusion of such transactions. The number of shares that can be acquired based on the authorization 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 Hungarian forint), and the highest amount should be HUF 2,500 (two thousand five hundred Hungarian forint). The authorization hereof shall also cover share purchases by the Company's subsidiaries in such a way that the Company may authorize the management of any subsidiary of the Company by means of resolutions of the members or shareholders (resolutions adopted by the members' meeting or the general meeting) to acquire the shares issued by the Company according to a resolution adopted by the Board of Directors under the above authorization. The authorization of the General Meeting will expire on October 19, 2022; the Board of Directors has initiated its extension by an additional eighteen months.

2.3 Presentation of the ALTEO Nyrt. Group

Name of Subsidiary, 12/31/2021 (for information on changes, see footnote numbers)	Nature* of the revenue-generating activity during the current period	Rate of influence		
		12/31/2021	06/30/2021	12/31/2020
ALTE-A Kft.	property management	100%	100%	100%
ALTEO Deutschland GmbH, being wound up	no revenue earned	100%	100%	100%
ALTEO Energiakereskedő Zrt.	trade in natural gas and electricity	100%	100%	100%
ALTEO-Depónia Kft.	electricity production	100%	100%	100%
ALTE-GO Kft.	E-mobility service	100%	100%	100%
ALTEO-Therm Kft.	electricity production, heat energy production	100%	100%	100%
BC-Therm Kft.[1]	steam supply, air conditioning, heat energy production production	n/a	n/a	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%
HIDROGÁZ Kft.	no revenue earned	100%	100%	100%
Kazinc-BioEnergy Kft.	no revenue earned	100%	100%	100%
Monsolar Kft.	electricity production (solar power plant)	100%	100%	100%
Pannon Szélerőmű Kft.	electricity production (wind turbine)	100%	100%	100%
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	electricity production (hydropower plant)	100%	100%	100%
SUNTEO Kft.	electricity production (solar power plant)	100%	100%	100%
Tisza BioTerm Kft.	no revenue earned	100%	100%	100%
Tisza-BioEnergy Kft.	no revenue earned	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
WINDEO Kft.	electricity production (wind turbine)	100%	100%	100%

- Not identical to the main activity of the Companies, which can be found in the certificate of incorporation

2.4 Changes in the group structure of ALTEO Nyrt.

Sale of business share

On March 3, 2021, ALTEO 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 to transfer the ownership of a business share representing the entire issued capital of BC-Therm Kft. fully owned by ALTEO. 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 transferred to BorsodChem on May 31, 2021. By executing the sale and purchase contract, the parties discharged their obligations arising from the long-

[1] As of May 31, 2021 BC-Therm Kft. is no longer a part of the ALTEO investment. See the details of the transaction in Section 2.4.

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 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.

2.5 Presentation of significant results and events of the Company between January 1, 2021 and the date of disclosure of this Annual Report, as well as future prospects

Due to the COVID 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 the 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 **approved** the **corporate governance report** relating to the Company's 2020 operations with the proposed content.

d) The Board of Directors resolved to **pay dividends** from the free retained earnings supplemented with the Company's profit after taxation 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 own shares owned by the Company). Furthermore, the Board of Directors 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 the laws in effect.

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 consented to the extension of the scope of the **Remuneration Policy** for 2020 of the ALTEO ESOP Organization to BoD Members Domonkos Kovács and Attila László Chikán; 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 **approved 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 another 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.

2.5.5 Own securities issued by the Company

2.5.5.1 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-. The credit rating agency also confirmed both the BB+/Stable issuer credit rating of the Company and its S-3 short-term debt rating.

2.5.6 Publication of an Integrated Report

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

2.5.7 Personal changes in senior management

Anita Simon, former 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.

2.5.8 GINOP

Construction work for ALTEO's research project "Integration of storage installation built using different parameter battery cells into the electricity system" was completed in line with the original plans. 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 5MW/5MWh electricity storage facility implemented at the Kazincbarcika Heating Power Plant was officially handed over on November 3, 2021, with the grant and subsidized loan related to the project currently being drawn down.

2.5.9 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.

2.5.10 New RDI project

ALTEO and the Alfréd Rényi Institute of Mathematics have submitted a grant application as a consortium in response to tender notice code number 2020-1.1.2-PIACI KFI, titled "Support for Market-driven Research/Development and Innovation Projects", which was announced by the Hungarian National Research, Development and Innovation Office. The Ministry of Innovation and Technology has found the grant application titled "Development of a Real-time Autonomous Power Engineering Information and Generation Management System", ID 2020-1.1.2-PIACI-KFI-2021-00229, worthy of support. The amount of non-reimbursable aid comes to HUF 401,021,730 out of the nearly HUF 1 billion total cost of the project.

2.5.11 Own share transactions

Under the Company's employee share award program, 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.

As the founder of the ALTEO Employee Share Ownership Program Organization (hereinafter: "**ALTEO ESOP Organization**"), ALTEO transferred 409,000 ALTEO ordinary shares to the ALTEO ESOP Organization in order to ensure that the objectives identified in the ALTEO ESOP Organization's 2020 Remuneration Policy adopted on December 21, 2020 are achieved.

2.5.12 Exercise of option rights of the ALTEO ESOP Organization

On March 31, 2021, the ALTEO ESOP Organization exercised its option right in respect of 577,644 ALTEO ordinary shares (ISIN: HU0000155726) at a 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 a price equal to 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 own shares.

2.5.13 Use of non-audit services

In 2021, ALTEO Nyrt. did not use any audit services provided by BDO Magyarország Könyvvizsgáló Kft.

2.5.14 Presentation of ongoing litigations

Sinergy Energiakereskedő Kft.

With regard to the letter of VPP Magyarország Zrt. (registered office: 1113 Budapest, Bocskai út 134-146. 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 virtual power plantare 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 alleged infringement claimed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of this document.

ALTEO Nyrt. 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 publishing date of the Annual Report:*

2.6.1 Own share transactions

Under the Company's employee share award program, the Company distributed 1,267 ALTEO ordinary shares in February 2022 (through a transfer dated February 4, 2022) to employees who were eligible under the Company's recognition plan.

2.6.2 Long-term trade and business agreements

ALTEO and BC-ERŐMŰ Kft. (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-09-007481; tax number: 11795346-4-05) agreed with regard to the operation and maintenance contract they concluded on September 29, 1999 and amended several times that, in order to continue their mutually beneficial long-term cooperation, they would conclude another long-term operation and maintenance contract for a term of 15 years following the expiry of their previous contract, and proceeded to **sign this contract on January 4, 2022**. The new contract secures energy supply for one of the major industrial companies in Hungary, BorsodChem Zártkörűen Működő Részvénytársaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg.05-10-000054), reinforcing ALTEO's leadership in the B2B energy service sector. Pursuant to the newly signed contract, in accordance with the terms and conditions therein, ALTEO will operate and maintain the power plant and steam boiler owned by BC-Erőmű Kft. until December 31, 2036.

2.6.3 Company strategy

A new five-year strategy for 2022-2026 has been published by ALTEO for information purposes. The fundamental goals and areas remain the same, but the Company has set itself much more ambitious milestones than before. The company strategy is available at the following link:

https://www.bet.hu/newkibdata/128662993/ALTEO_PPT_VallalatiStrategia2022_2026_final.pdf

2.6.4 Bonds repaid

On January 10, 2017 the Company issued a zero coupon bond with a total face value of HUF 650,000,000 (ISIN identifier: HU0000357405, name: ALTEO 2022/I).

The Company's 'ALTEO 2022/I' bonds were repaid at maturity and therefore ceased to exist on the maturity date, **i.e. on January 10, 2022**, and the Company had no other obligations to the bondholders, in view of the repayment.

2.6.5 Share purchase by the ALTEO ESOP Organization

Based on its transactions announced on January 25, 2022, the ALTEO ESOP Organization has purchased 135,700 ALTEO ordinary shares from DAYTON-Invest Kft. (registered office: H-1055 Budapest, Honvéd utca 20; company registration number: 01-09-927201) and WALLIS ASSET MANAGEMENT Zrt. (registered office: 1055 Budapest, Honvéd utca 20; company registration number: 01-10-046529) and, so now it is in possession of all the required shares, which can be distributed to eligible shareholders upon fulfillment of the criteria set out in the ALTEO ESOP Organization's Remuneration Policy for 2020.

2.6.6 ESG certification

In February 2022, ALTEO became the first company in the Hungarian electricity sector to obtain an independent, international ESG certificate. More information on ESG certification is available at the following link:

https://www.bet.hu/site/newkib/hu/2022.02./ALTEO_megszerezte_elso_ESG_minositeset_2022.02.02_128668992

2.6.7 Best of BSE

ALTEO was successful in three categories based on its 2021 performance at the Best of BSE Awards, one of the most prestigious events of the Budapest Stock Exchange. ALTEO shared the title of Issuer of the Year with the highest share price increase in the premium category, and also won the Responsibility, Sustainability, Corporate Governance Award and the Issuer Transparency Midcap Award.

2.6.8 Merger of subsidiaries

As the next step in the process to streamline the corporate structure of the ALTEO Group as announced at the extraordinary General Meeting of November 8, 2017, the Company decided on the merger by absorption of its subsidiaries listed below. The merger involves the absorption of the following companies also under the Company's direct and exclusive control into EURO GREEN ENERGY Kft., operating with the Company as its only member:

- WINDEO Kft.;
- e-Wind Kft.;
- HIDROGÁZ Kft.;
- Kazinc-BioEnergy Kft.;
- Tisza-BioEnergy Kft.;
- Tisza BioTerm Kft.

The Company schedules the mergers by absorption for June 30, 2022, and therefore the legal effects associated with the mergers will apply as of July 1, 2022.

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

The description and assessment of risks are included in Section III.2 Risks of the Financial Statements. Changes in risks are presented in 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 fiscal year 2016, detailing the Company's non-financial, social and environmental policies and its 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 and its subsidiaries. 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 2021, we ensured our compliance with the standards by conducting 44 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 2021, 10 HSE-type inspections were carried out by various authorities, which resulted in 4 logged inspections. The inspections did not result in any compulsory orders or fines being imposed by the authorities.

Since the residual fuel stock stored at the Győr Power Plant can no longer be used in power plant technology and thus poses a significant environmental threat and fire hazard, the entire stock thereof was removed from the site in 2021. The removal of the residual fuel oil stock involved the sale of nearly 137 tons of fuel oil and the disposal of 90 tons of hazardous waste.

A separate document, the Integrated Report 2021, 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.

ALTEO has established a Compliance Management System (hereinafter: "CMS"). The CMS is designed to ensure compliance with laws, internal rules and the Group's Code of Ethics in respect of the entire Group.

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

It is a useful guide which offers help and protection to our employees and provides information to our partners about the standards of behavior endorsed and expected by our Group.

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

In 2021, in line with ESG considerations and due to the two-year review, we amended the Code of Ethics, with an increased focus on our commitment to basic human rights, meeting our sustainability objectives and action against corruption and fraud. We have added to our core values: respect for human rights, transparency, fair market practices, respect for others and integrity.

The Company is committed to respecting human rights. Respect for human rights includes, among others: non-discrimination, freedom of thought, conscience and religion, freedom of expression, respect for private and family life.

2.8.3 Fundamental rights in practice

The CMS fundamentally provides a supportive, preventive and control function to prevent damage and abuse and minimize risk across the entire operation of the Company.

2.8.4 Policies applied in connection with the fight against corruption

The CMS fundamentally provides a supportive, preventive and control function to prevent damage and abuse and minimize risk across the entire operation of the Company.

We firmly reject all forms of corruption and bribery, which are regarded as particularly serious ethical violations in the context of government officials, suppliers and business partners. We apply zero tolerance to all cases involving bribery or corruption.

We conduct our procurement procedures transparently and in accordance with our internal rules.

We assess potential suppliers on the basis of a pre-qualification process (also taking financial and legal aspects into consideration). We do not enter into a business relationship with any supplier that does not meet the Company's requirements. We expect our business partners to know, accept and comply with our Code of Ethics.

We operate a whistleblowing hotline for reporting corruption and fraud, but reports can also be made via email or over the phone. We also provide whistleblowers with the possibility of anonymity.

In all cases of suspected corruption or fraud, we conduct an investigation in accordance with our internal rules of procedures. ALTEO firmly stands up for the principle that all forms of retaliation or discrimination are unacceptable against whistleblowers who report suspected corruption or fraud, even if a bona fide report does not result in the identification of any illegal or inappropriate acts.

In 2021, no cases of suspected corruption came to the Company's knowledge.

Conflict of interest

ALTEO is particularly dedicated to the detection and prevention of economic conflicts of interest, therefore all new entrants must make a conflict of interest statement. In 2021, we reviewed the employees' conflict of interest statements. According to the review, there were no employees who did not report their relationship with companies, other employment, etc.

RISK MAP – Corruption index

In 2021, now for the seventh consecutive year, ALTEO has prepared a compliance risk map using a questionnaire to measure the Company's risk index in finances, accounting, human resources, corporate management and publicity in order to eliminate the potential for corruption, fraud and abuse.

An extended group of managers (28) completed the questionnaire this year. In order to fill the gaps identified by the questionnaire, the Ethics, Compliance and Control entity organizes regular meetings and provides ongoing support to the business areas on all compliance issues.

2.8.5 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. ALTEO 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 Company. The physical safety of our employees always comes first; we focus on their long-term commitment, assess their wellbeing through different measurements and forums, and make efforts to maintain a partner like relationship with the Works Council. Every year, we provide our employees with a cafeteria allowance, and we offer a wide variety of benefits within the framework thereof, in accordance with the relevant laws.

At the end of 2021, the closing workforce headcount was 286, which is 8 more than in 2020; there were 7 part-time and 279 full-time employees. The number of employees with indefinite term contracts was 286. In 2020, 77% of the staff members were men and 23% 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 at 11%.

ALTEO consciously seeks to increase the proportion of the young generation within the organization, since the management of the Company believes 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 Nyrt. that governs ALTEO Nyrt. and monitors its day-to-day operation on the basis of existing laws, 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 Nyrt.'s work organization and is responsible for managing and controlling 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 Chair of the Supervisory Board is elected by the Supervisory Board from among its members. The Supervisory Board sets out its own rules of procedure, which are then approved by the General Meeting. The Supervisory Board currently consists of five members, three of whom are independent individuals.

The Audit Committee verifies 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 ***consolidated Financial Statements and Business Report for the year 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 Annual Report for the year 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.

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 25, 2022

On behalf of ALTEO Nyrt.:

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