

BASIC INFORMATION MEMORANDUM



published by ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the placement of bonds under the 2022/2023 issuance scheme with a framework amount of HUF 20,000,000,000 by ALTEO as the Issuer

Organizer-Distributor, Market Maker and Paying Agent: Erste Bank Hungary Zrt.

October 10, 2022

This information memorandum (hereinafter: “**Basic Information Memorandum**”) was prepared in relation to the placement of the bonds to be issued by ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: 01-10-045985) (hereinafter: “**Issuer**”) under the 2022/2023 issuance scheme and is valid for a period of 12 months from the above date. The Issuer does not undertake any obligations to issue Bonds under the issuance scheme in the total face value of HUF 20,000,000,000 (or the equivalent amount in EUR).

This Basic Information Memorandum and the related Final Terms and Conditions should not be considered to be a Prospectus, and do not qualify as such pursuant to the Capital Markets Act or the relevant EU law; they have not been inspected or approved by the Central Bank of Hungary (“**Central Bank of Hungary**”) or the Budapest Stock Exchange; consequently, in this regard investment in the Bonds represents higher risk relative to instances where a prospectus approved by the Central Bank of Hungary is available. **The Issuer is the one who is solely liable for the contents of this Basic Information Memorandum and the related Final Terms and Conditions and, therefore, the Bonds are considered to be extremely risky for Investors on account of this fact.** The Issuer bears such liability for five years from the publication of the Basic Information Memorandum, which liability may not be effectively excluded or limited.

This Basic Information Memorandum and the related Final Terms and Conditions are documents prepared for informational purposes only, drafted in accordance with Section 8(1) of Government Decree No. 285/2001 (XII. 26.). The final terms and conditions and individual details of the various Placements under the 2022/2023 issuance scheme are contained in the Final Terms and Conditions. This Basic Information Memorandum is to be read in conjunction with the related Final Terms and Conditions.

This Basic Information Memorandum and the related Final Terms and Conditions do not qualify as recommendation for investment, investment analysis or investment advice under Act CXX of 2001 on the Capital Market, and Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on

the Regulations Governing their Activities. This Placement is a public offering exempted from the obligation of publication of a prospectus, implemented through an auction procedure.

This Basic Information Memorandum constitutes the sole property of the Issuer, and may not be disclosed to third parties without the Issuer's written approval. The data set out in this Basic Information Memorandum may not be reproduced, distributed or transferred to third parties without the Issuer's prior written approval, not including information already in the public domain.

The Issuer shall not be held liable for any cost or damage incurred by any third party either directly or indirectly in relation to any negotiations, transaction recommendations or consultancy fees based on or related to the content of this Basic Information Memorandum or the related Final Terms and Conditions.

Legal liability for all information, and the lack thereof, in this Basic Information Memorandum and the related Final Terms and Conditions, is borne solely by the Issuer, i.e. no other person is liable for any information, or the lack thereof, in this Basic Information Memorandum and the related Final Terms and Conditions.

LIMITATION OF SALE

The distribution of this Basic Information Memorandum and the related Final Terms and Conditions and the placement of the Bonds may be subject to statutory limitations in certain legal systems. The Issuer does not claim that this Basic Information Memorandum and the related Final Terms and Conditions can be lawfully distributed under the legal or other requirements applicable in any country other than Hungary or that the Bonds can be lawfully placed and sold in such countries, and it assumes no liability for the lawfulness of such placement or sale. The Issuer has not taken any action outside Hungary that would enable the placement of the Bonds or the dissemination of the Basic Information Memorandum and the related Final Terms and Conditions in a country where the sale or distribution requires such action. Accordingly, the Bonds cannot be placed or sold – either directly or indirectly – in such countries. Furthermore, this Basic Information Memorandum and the related Final Terms and Conditions, the notices or other documents related to the placement may not be distributed or published unless this happens under circumstances that ensure compliance with the applicable laws and other regulations of the relevant country. The Issuer invites those who obtain this Basic Information Memorandum and/or the related Final Terms and Conditions to gather information about any possible limitations applicable to the distribution of the Basic Information Memorandum and/or the related Final Terms and Conditions or the placement of the Bonds. The Bonds have not been and will not be registered under the United States Securities Act and will not be offered, sold, transferred or transmitted in the United States of America, whether directly or indirectly.

TABLE OF CONTENTS

1. Persons responsible	5
2. Auditors.....	6
3. Risk factors.....	7
4. General introduction of the Company	26
5. Presentation of the Company’s business activity	27
6. Assessment of the Company’s Management Regarding the Financial Position of the Company in the Past Year and its Operating Profit.....	53
7. Owners, Executives, Employees	60
8. Financial information	65
9. Ongoing judicial, arbitration or other regulatory (e.g. tax-related) proceedings involving a value in excess of 10% of equity	66
10. Relevant agreements	67
11. Information on the issue.....	68
12. Information concerning the securities (“Bond terms”)	69
13. Other key information	69
14. Auction procedure and allocation	69
15. Documents to be viewed	70
16. Definitions.....	71
Annex 1 Subsidiaries of the Issuer.....	79
Annex 2 Organigram of the Issuer.....	79
Annex 3 The audited separate financial report for 2021 (including the business report and other attachments), and the related Auditor’s Report.....	80
Annex 4 the consolidated annual financial report for 2021 and the related Auditor’s Report.....	80
Annex 5 The Issuer’s report on the first half of 2022.....	80

1. PERSONS RESPONSIBLE

Legal responsibility and liability for all information, or for the lack of any information, in this Basic Information Memorandum, will be borne solely by the Issuer (ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház u. 6-12; company registration number: Cg. 01-10-045985), i.e. no other entity is responsible for any information, or the lack of any information, in this Basic Information Memorandum.

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

Dated: Budapest, October 10, 2022

**ALTEO Energiaszolgáltató
Nyilvánosan Működő Részvénytársaság**

**ALTEO Energiaszolgáltató
Nyilvánosan Működő Részvénytársaság**

Name: Attila László Chikán

Position: CEO

Name: Domonkos Kovács

Position: Deputy CEO,
M&A and Capital Markets

2. AUDITORS

2.1 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.

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 business year ending on December 31, 2022 but to May 31, 2023 the latest.

BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság and Péter Krisztián Kékesi are members of the Chamber of Hungarian Auditors.

3. RISK FACTORS

In the course of the preparation of this Information Memorandum, the Company 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. This Information Memorandum only contains 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.

3.1 Macroeconomic and legal system-related risk factors

3.1.1 Risks arising 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. These countries, legal regulations are generally considered to change quite frequently, authority and court decisions are, on occasion, generally held to be 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.

Risk level: high.

3.1.2 Macroeconomic factors

ALTEO Group’s operations and profitability stand 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 trends in the macroeconomic environment may have adverse effects on the profitability of specific ALTEO Group activities.

Risk level: medium.

3.1.3 Taxation

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

Risk level: high.

3.1.4 State of danger in Hungary

In view of the armed conflict and humanitarian disaster in the Ukraine, and in order to avert their consequences in Hungary, the Government has declared a state of danger for the whole territory of Hungary with effect from May 25, 2022. It is not known

when the armed conflict in the Ukraine will end and how long the resulting state of danger in Hungary will persist.

During the period of the special legal order, the Hungarian Government by taking over the legislative powers of the National Assembly may govern by decree, suspend or amend certain laws, and therefore the legislative environment may change frequently and in less predictable fashion. The energy sector, in which ALTEO Group is active, is considered to be of strategic importance and may, therefore, be particularly exposed to the uncertainties of state of danger-related legislation, and the Hungarian government may also place ALTEO Group under its supervision, thereby taking over the powers of ALTEO's supreme decision-making body. Such state of danger-related changes, uncertainties and measures may affect ALTEO Group's operations, revenues and profitability.

Risk level: high.

3.1.5 Energy emergency

Several countries in the European Union have declared a first (early warning) or second (alert) level crisis situation in the first half of 2022 under their natural gas supply emergency plans, and the Hungarian Government declared an energy emergency on July 15, 2022, primarily due to the shortage of energy carriers in Europe as a result of the Russian-Ukrainian war and its consequences.

The energy emergency and its possible escalation may trigger processes other than normal market operation, and may lead to restrictions and state intervention in the energy sector. Such processes and interventions may adversely affect the operations and profitability of ALTEO Group.

Risk level: high.

3.1.6 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..

3.2 Risks specific to the market and the industry

3.2.1 Energy market regulation

The operation and profitability of ALTEO Group greatly depend on the energy market regulations in Hungary and in the European Union, as well as on the application of such regulations, including in particular legislation, authority and court practice, Hungarian and international 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.

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

Risk level: high.

3.2.2 Regulated prices

The various affiliates of ALTEO Group sell or purchase products or provide services whose price is determined or capped through laws or regulations by some authority (including in particular HEPURA, ministries and municipalities). 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 various ALTEO Group Subsidiaries.

Risk level: high.

3.2.3 Pricing and accessibility of the balancing reserve capacity and energy markets of the electricity system

The financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the balancing reserve capacity and energy markets of the electricity system. If, for any reason, access to these markets becomes limited with respect to production units within the sphere of business interests of 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 ALTEO Group. Considering that ALTEO Group is present on the balancing energy markets as a service provider as well as a buyer of services, a change in pricing in such markets may have a significant effect on the capacity of the Company to generate financial income.

Risk level: high.

3.2.4 Changes to network connection rules

The implementation of green-field energy investment projects, such as electricity and heat generating power plants, plays an important role in ALTEO Group's business plans. The network connection conditions for power plants in Hungary change frequently and have become significantly more difficult in recent years. In addition, on May 2, 2022 network license holders announced that there was no current available capacity on the distribution or transmission networks for connecting power plants, and that the weather-dependent power plant capacity that can be integrated into the electricity system is zero.

The lack of availability for network connection and adverse changes to network connection rules may significantly increase the costs of green-field power plant development projects, make their implementation impossible, significantly reduce their return on investment and, thereby, limit the growth and reduce the profitability of ALTEO Group.

Risk level: high.

3.2.5 Government grants

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

The European Commission has issued new guidelines for assessing the compatibility of all state aid subject to notification granted or planned to be granted from January 27, 2022 onwards in the fields of climate, environmental protection and energy (CEEAG). In the CEEAG, the Commission proposes that EU Member States amend their existing environmental and energy support schemes to comply with the CEEAG by December 31, 2023. Changes in state subsidy regimes, and especially in the KÁT and METÁR regulations, or a possible cancellation of applicable grants may have a significant impact on the operation, profitability, market position and competitiveness of the Company.

Risk level: high.

3.2.6 CO₂ emission market, CO₂ quota allocation system and CO₂ quota prices

The fourth EU ETS trading period (2021–2030) began on 1 January 2021. During this period, in addition to emission allowances received free of charge, emitters can acquire emission allowances solely at auctions or through secondary commercial channels. In the period between 2021 and 2030, specific power plants of ALTEO Group are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the National Implementing Measure published by the Ministry for Technology and Industry and approved by the European Commission. A significant change compared to the third trading period is that in the fourth trading period, the free allocation available for a given year is largely determined by the level of activity of installations to be certified each year, as well as its changes. In the event of a 15% change in the activity level compared to the base period, the predetermined quota levels will need to be adjusted and approved by the European Commission in order for allocations to better reflect the actual activity of the installations.

Changes in the legal environmental and allocation system rules to achieve the climate policy targets, and the change in price of the emission allowances can have a considerable impact on the operating costs and economic results of ALTEO Group.

Risk level: medium.

3.2.7 Changes in technology

Technological innovations can significantly improve the efficiency of the energy industry, especially in the area of renewable energy production. Technological development can not only reshape the technologies ALTEO Group uses, but, in some cases, might even completely eliminate their use. If ALTEO Group has no appropriate experience with or cannot access (on account of patent protection or due to other grounds) solutions and technologies that become prominent, this may lead to a loss of ALTEO Group's market share and a decrease in its revenues and profitability. There is no way to guarantee that ALTEO Group will always be in a position to choose and procure, then operate—in a most profitable way—the most efficient technology.

Risk level: medium.

3.2.8 Competitive situation

There are multiple companies both in Europe and Hungary that have significant positions and experience, as well as advanced technologies, major capacities and financial strength (among them state or municipal government owned and controlled ones) that compete in ALTEO Group's various markets or may start competing with ALTEO Group in the future. Should it become more intensive in the future,

competition may necessitate unforeseen improvements and investments, furthermore, might also have a negative effect on the price of ALTEO Group's services or increase the Group's costs, which may have an adverse effect on ALTEO Group's bottom line, as measured on a consolidated basis.

Risk level: medium.

3.2.9 Funding risk

Preparing for and implementing investments and developments in the energy segment are capital-intensive processes requiring substantial funding. Changes in certain factors (including the general economic environment, credit markets, bank interest rates and foreign exchange [FX] rates) may increase ALTEO Group's financing needs and/or the costs of funding, make the accessing and repayment of funding more difficult, and cause delays in the same or even render it outright impossible, and this is understood to also include financing schemes already established on the date of this Information Memorandum.

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

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

The increase in energy prices and their growing volatility are increasing the deposit and bank guarantee requirements associated with the conclusion and maintenance of forward products. Additionally, late payments embodied in much shorter trade payment dates and the larger trade receivable portfolio arising from higher specific prices may increase the working capital financing needs of ALTEO Group members. As a result, ALTEO Group must use a much larger proportion of its financial assets to finance the increased deposit and bank guarantee and working capital needs than in previous years, which may divert funds from otherwise attractive investment opportunities. The time factor of these financing needs is uncertain, and it is not possible to predict when they will start and end.

Risk level: high.

3.2.10 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. As a consequence, any change in foreign exchange rates that is unfavorable for ALTEO Group might have a negative effect on the business activity and profitability of ALTEO Group. ALTEO Group manages this exposure through hedging of the mentioned items, however, even so the resulting risks cannot be completely excluded.

Risk level: medium.

3.2.11 Impact of international market developments on domestic trade

Market prices seen on foreign commodity exchanges have a major influence on energy prices in Hungary, even though these prices move, to a significant degree, on the basis of economic processes, as well as supply/demand conditions outside Hungary. The significant volatility of energy prices may force market players to reduce their risk exposure, which could lead to less favorable conditions for ALTEO Group, which in turn may have a negative impact on the Group's profitability.

Risk level: medium.

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

Any changes in the difference between (margin on) the (procurement) price of natural gas and the price of electricity and/or heat that is sold influence the financial position of natural gas-fired power plants significantly. Should such margin decrease significantly, it may have a negative impact on the business and profitability of ALTEO Group.

Risk level: medium.

3.2.13 Environmental regulation

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

Risk level: medium.

3.2.14 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 at the date of publication of this Basic Information Memorandum. However, COVID-19 may affect those markets where ALTEO Group is also active, and so it may have an indirect impact on ALTEO Group's operations and profitability. The management of the ALTEO Group is not in a position to assess the risks from the potential outcomes of the COVID-19 pandemic in the entire supply chain or the risks indirectly affecting the Company.

The 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, if any, can have a negative impact on ALTEO Group's work processes, the schedule 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 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 is prepared to take the necessary measures. At the same time, the effects of the COVID-19 virus and pandemic could be unpredictable and far reaching and

thus, despite the preparedness of ALTEO Group, could have a negative impact on the business activity and profitability of ALTEO Group.

Risk level: medium.

3.2.15 Illness of the workforce

In addition to COVID-19, there is a risk that ALTEO Group's direct staff and the workforce of its subcontractors and suppliers involved in certain ongoing projects may be affected by a contagious virus, bacteria, fungus, parasite or radiation-related illness, which could have a negative impact on ALTEO Group's work processes, the scheduling of ongoing projects and have adverse labor market consequences.

Risk level: low.

3.2.16 War risks

The ongoing war between Russia and Ukraine, and other wars and armed conflicts in general, can disrupt supply chains, affect procurement prices, cause delays or even the complete inability to implement investment projects and adversely affect labor market processes. Changes in these factors could result in additional costs, additional investment requirements or the failure of investment projects for ALTEO Group, and their scheduling is uncertain and cannot be predicted. As such, wars and armed conflicts may have a negative impact on the business and profitability of the ALTEO Group.

Risk level: medium.

3.3 Risks specific to the ALTEO Group

3.3.1 Risks arising from operating the Virtual Power Plant

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

Risk level: high.

3.3.2 Political risks

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

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

Risk level: high.

3.3.3 Weather-dependent energy production

Part of the ALTEO Group's energy production capacities (e.g. wind turbines, solar power plants, hydropower plants) and the energy demand of certain buyers (e.g. heat demands) depend on the weather, therefore, changes in weather may significantly affect the profitability of the ALTEO Group. In the case of weather-dependent energy production, no major change can be expected in the average annual output, but within a year and between years, differences may occur. In the case of a change in weather-dependent 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 significant loss for the ALTEO Group. See also *Electricity balancing reserve capacity system risks*.

The Company's strategy is to keep on developing weather-dependent, renewable energy production projects, and that might increase the dependence on weather in the future.

Risk level: high.

3.3.4 The impact of weather on heat use

Various ALTEO Group Subsidiaries produce and sell heat and district heating. The needs of heat and district heating customers can be significantly affected by the weather and outside temperatures. Some of the heat supply and district heating sales agreements concluded by the Subsidiaries do not stipulate a mandatory minimum offtake quantity. In these cases, unplanned weather conditions may affect the revenues from the sale of heat and district heating and the adequacy of the hedging transactions entered into by ALTEO Group. Consequently, the impact of the weather on heat use may adversely affect the business activity and profitability of the ALTEO Group.

Risk level: high.

3.3.5 Risks of growth

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

With contributions from its Subsidiaries, as per the present Information Memorandum, the Company is preparing several project implementations. In addition

to the Company's intention, these project implementations depend on a number of other external factors. It cannot be guaranteed that these projects will be actually implemented, or will be implemented in accordance with the present Information Memorandum, furthermore, the implementation of other future projects may precede or substitute projects known as at the date of the present Information Memorandum.

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

Risk level: medium.

3.3.6 Risks stemming from acquisitions and buying out projects and companies

The ALTEO Group wishes to implement its business plans partially via acquisition of already existing projects and/or buying out companies. Although acquisition targets always undergo detailed screening before the transaction, we cannot exclude the possibility of such financial, legal or technical events occurring in relation to an acquired project or company that may have an adverse effect on the business and profitability of the ALTEO Group.

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

Risk level: medium.

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

Licensing and implementation of green-field energy investments plays an important role in the ALTEO Group's business plans. 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 the implementation phase, the ALTEO Group seeks to contract with main and subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be ruled out in that phase.

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.

Risk level: medium.

3.3.8 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.

Risk level: medium.

3.3.9 Energy trade risks

Changes in the demand on electricity and natural gas markets may have a profound impact on the revenues, profitability and strategic expansion plans of the ALTEO Group.

In energy trading by the ALTEO Group, portfolio planning is performed on the basis of data reports from consumers and the Group's own calculations. A planning error or incorrect data report may lead to an inappropriate procurement strategy, where a subsequent correction can cause losses to the ALTEO Group.

The Company seeks to cover 100% of the annual consumer demand, in shorter periods, however, open positions may remain due to natural seasonality, which are mainly closed on the spot and balancing energy markets. Prices on the spot and balancing energy markets cannot be planned in advance, any change in these markets may impact the profitability of the ALTEO Group.

Natural gas and electricity volumes are mainly contracted through low-risk wholesale partners and, to a lesser extent, through exchanges. Trading is continuous, and therefore the prices of products change on a daily basis, given that the trading in exchange-traded products is continuous. Day-by-day price movements, sometimes with significant changes, may represent a risk in the case of longer-term consumer proposals, however such risk is mitigated by the Company by issuing indicative quotes (not binding for the trader). Even though the ALTEO Group performs its retail trade activities on the basis of a risk management procedure adopted by the Board of Directors; a potential erroneous transaction may have a significant negative effect on the profitability of the ALTEO Group.

The income generating capacity of the ALTEO Virtual Power Plant and related production units within the sphere of business interests of the ALTEO Group is highly exposed to trading on various futures and spot markets. The hedging of electricity positions for planned heat and electricity sales takes place on the wholesale markets, while the short-term adjustment of positions and certain contractual electricity sales obligations on the spot markets (HUPX DAM and IDM). If the electricity generation positions to be taken and hedged are incorrectly determined, their adjustment may affect the profitability of the ALTEO Group due to changes in the market price environment. Furthermore, the loss of access to spot markets due to mismanaged collateral needs could also have a significant impact on the finance income of the ALTEO Group.

ALTEO Group has a strategic fuel purchase contract, where the amount of the financial guarantee is greatly exposed to the changes in the market price of the given fuel. In the event of an adverse price movement, additional collateral may be required, which could have a negative impact on the financial position of the ALTEO Group.

Risk level: high.

3.3.10 Operating risks

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

- costs of general and unexpected maintenance or renovations;
- 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;
- potential errors during operations; and
- dependence on third-party operators.

The energy generating Subsidiaries of the ALTEO Group (with the exception of Pannon Szélerőmű Kft.) have in place “*all risk*” type property insurance policies for machinery breakdown and outage, as well certain natural disasters. These provide cover for damages traceable to such causes and also apply to liability insurance policies as well, where a cover is provided for third-party damage caused by energy generating activities. However, it is not excluded that a loss event is partially or entirely outside the scope of the risk assumed by the insurer, and so, the insured – 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.

Risk level: medium.

3.3.11 Fuel risk

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

For ALTEO Group’s power plants burning hydrocarbons, the key types of fuel (primarily natural gas) are procured from third-party suppliers. The natural gas transport agreements made by 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 concluded 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. In the event of a significant drop in natural gas consumption, the incurrance of a penalty by the ALTEO Group due to gas not taken over cannot be completely ruled out, and such an occurrence would have an adverse impact on the profitability of the ALTEO Group.

Risk level: medium.

3.3.12 Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, ALTEO Group uses in part bonds – issued by ALTEO either in a private or public offering – to fund its financing needs. As at the date of this Information Memorandum, the ALTEO Group holds a bond portfolio with a face value of HUF 12,400 million.

Negative changes and risks in the business prospects of the ALTEO Group, in the general financing environment, in the interest environment or in the general capital market atmosphere may have a negative effect on the renewal of bond debt and the refinancing of the ALTEO Group’s outstanding loans would be possible only with significantly worse conditions or it might even become impossible. These circumstances may have a negative effect on future financing and on the financial situation of the ALTEO Group.

Risk level: medium.

3.3.13 Information technology systems

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

Risk level: medium.

3.3.14 Wholesale partner risks

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

Risk level: medium.

3.3.15 Dependence on third-party suppliers

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

Risk level: medium.

3.3.16 Buyer risk

A significant share of the ALTEO Group's revenues comes from a small number of buyers making large purchases. Consequently, even winning or losing a small number of client contracts may 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 late, that might cause a significant loss to the ALTEO Group.

The ALTEO Group has fixed-term contracts with its key 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.

The 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.

Risk level: medium.

3.3.17 The risk of key executives and/or employees leaving the Company

The performance and success of the ALTEO Group greatly depends on the experience and availability of its managers and key employees. The departure of executives and key employees from Company could have a negative impact on the ALTEO Group's operation and profitability.

Risk level: medium.

3.3.18 The risk of introducing and using new power plant technologies

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

Risk level: medium.

3.3.19 Official decisions

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

Risk level: low.

3.3.20 Key licenses and ratings

For performing their activities, members of the ALTEO Group need numerous permits and licenses (e.g. electricity trading license, natural gas trading license, small power plant consolidated permit, district heating production license, KÁT permit, as well as environmental and water rights licenses). 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.

Risk level: low.

3.3.21 The risk of non-compliance with obligations associated with operating its own balancing group

As part of electricity trading activity, the various ALTEO Group Subsidiaries operate a balancing group of their own, an accounting organization with the membership of electricity users and electricity producers in contractual relationship with the various ALTEO Group Subsidiaries, and perform their related tasks specified in legislation and in the electricity supply regulations. The various ALTEO Group Subsidiaries themselves have all licenses, financial securities, assets and resources required for operating the balancing group, but in the case of a malfunctioning or a shortage, they may not be able to perform their duties as the entities responsible for the balancing group, therefore, they would have to bear all relevant damages and fines.

The various ALTEO Group Subsidiaries are involved in a balancing group cooperation with several balancing group managers. Should these balancing group managers suspend or terminate their activities, the transfer of their tasks may imply significant costs for the ALTEO Group and, if the transfer of the tasks performed by the balancing group managers cannot be settled immediately, without problems, then, even a significant amount of surcharge payment obligation may result from it.

Risk level: low.

3.3.22 Risks related to the RPM business

In relation to the RPM Business, short-term (~1 year) contracts are typically concluded. Within the framework of this business, certain Subsidiaries of the ALTEO Group also perform scheduling group representative functions, which includes them being responsible for the submission of schedules on time and in compliance with legal and other regulations. If the schedules deviate from the actual production profile, such deviation generates balancing energy costs for the ALTEO Group. Such costs may reduce the profitability of the RPM Business, which may even become loss-making.

Risk level: medium.

3.3.23 Options to purchase certain means of production

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

On the basis of the investment and long-term heat supply contracts concluded between the legal predecessors of ALTEO-Therm Kft. and the local municipalities of Kazincbarcika, Ózd and Tiszaújváros, the municipalities are entitled to buy these heating power plants upon the expiry of such contracts, at the value specified in the accounting records. The Tiszaújváros contract has been extended until 2035, while the Kazincbarcika and Ózd contract until 2032 and 2030, respectively. Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business 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 ALTEO-Therm predecessor 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 developed by Zugló-Therm for an amount of EUR 1, in accordance with its decision adopted at its own discretion. If FŐTÁV Zrt. fails to exercise its purchase option, and the parties are unable to reach an agreement on the future of the heating power plant, ALTEO-Therm will be obliged to demolish it at its own expense and restore the property used by it for this purpose to its original condition.

Risk level: low.

3.3.24 Business relationships 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.

Risk level: low.

3.3.25 The risk of being categorized as a de facto group of companies

The ALTEO Group includes several Subsidiaries. In the case of the 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 the 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 uniform business policy followed by the group company as a whole.

Risk level: low.

3.3.26 Taxation

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. The National Tax Authority performed a comprehensive tax audit at the Company concerning 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 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.

Risk level: low.

3.3.27 Environmental risks

During their activities, the companies of the ALTEO Group use materials and apply technologies that could be harmful to the environment if used inappropriately, in a manner non-compliant with the law or 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 ALTEO Group.

Risk level: low.

3.3.28 Risk of bankruptcy and liquidation proceedings

If the court orders bankruptcy proceedings against the Company, the Company is entitled to a moratorium on payments. 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 Bondholders 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.

Risk level: low.

3.3.29 Discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)

The Company and its Subsidiaries prepare individual reports in line with HAS for each fiscal year. However, beginning with the financial year of 2010, the Company prepares a consolidated report according to the IFRS standards. Furthermore, since 2017, the Company prepares even its individual report 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 simple aggregation of the HAS separate financial statements and the IFRS consolidated financial statement have independent and separate information content.

Risk level: low.

3.3.30 The risk of entering new geographical markets

The ALTEO Group might implement acquisitions and green-field investments abroad 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.

Risk level: low.

3.4 Risks related to Bonds or investments in Bonds

3.4.1 Bonds are regarded as extremely risky

The number of Bonds to be issued and the balance sheet total in excess of the equity capital as indicated in the last audited report of the Issuer are more than twice the equity of the Issuer. Therefore, the issuance of Bonds and their listing on a regulated market are considered extremely risky to Investors pursuant to the Capital Markets Act.

The ratio of (i) the equity capital of the Issuer indicated in its last audited consolidated annual report for 2021 to (ii) the sum of the number of Bonds to be issued and the amount of balance sheet total in excess of the equity capital as indicated in the last audited consolidated annual report of the Issuer for 2021, rounded to one decimal place, is 0.3.

Risk level: high.

3.4.2 Shift in market yields

The market rates of the Bonds are dependent on various factors. The unfavorable evolution of market rates may incur a risk for the Investor, as the rate of the Bonds will fall if there is a general increase in the market yields. Thus, if the Investor does not hold the Bonds until maturity, it is possible that he will realize a loss in such a case. The rate of zero-coupon (discount) bonds reacts to market-driven yield changes more sensitively than fixed interest bonds with an identical maturity.

Risk level: high.

3.4.3 The Bonds are not secured by assets

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

Risk level: high.

3.4.4 Lack of liquidity and secondary markets

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

Risk level: high.

3.4.5 Shift in market yields

The market rates of the Bonds are dependent on various factors. The unfavorable evolution of market rates may incur a risk for the Investor, as the rate of the Bonds will fall if there is a general increase in the market yields. Thus, if the Investor does not hold the Bonds until maturity, it is possible that he will realize a loss in such a case. The rate of zero-coupon (discount) bonds reacts to market-driven yield changes more sensitively than fixed interest bonds with an identical maturity.

Risk level: high.

3.4.6 Changes in law

The Bonds are governed by currently effective Hungarian law. Accordingly, it cannot be excluded that, after closing this Information Memorandum, a change in the law that may affect the Bonds, occurs.

Risk level: medium.

3.4.7 Regulation of investments in Bonds

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

Risk level: medium.

3.4.8 Changes in the rules on taxation

The laws on the taxation of the income generated by the Bonds effective at the time of this Information Memorandum may change in the future; in the event of unfavorable tax conditions, the net income from Bonds falls short of the one anticipated at the time when this Memorandum was published.

Risk level: medium.

3.4.9 Foreign exchange risks

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

Risk level: medium.

3.4.10 Lack of property insurance

The protection provided by the National Deposit Insurance Fund (or another similar insurance like the Investor Protection Fund) does not extend to Bonds, and thus no

third-party indemnification may be expected in the case of a potential default of the Issuer with regard to the Bonds.

Risk level: medium.

3.5 Risk management mechanisms of the Issuer

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.

The Company's controlling system is centralized, covers all subsidiaries of the Company and is supervised by the CFO of the company. In respect of the various subsidiaries of the Company Group, the controlling activity monitors and tracks progress against targets, on the basis of the expectations of individual plans annually updated by the Board of Directors. The controlling organization continuously monitors and tracks the changes and risk factors against the plans, and draws up a report on them for management each month. Jointly with the management, the CEO determines the necessary steps in line with the objectives set by the Board of Directors.

The business unit specializing in energy retail acts in accordance with its own risk management policy. The Company Group places particular emphasis on mitigating its market risks. The objective of risk management is at all times to establish economically sustainable operation through the mitigation of the effects of market uncertainties on company profit, and to ensure stable and predictable cash flow.

Within the heat and electricity generation segment, market risks resulting from the volatility of natural gas and electricity prices are typically mitigated through natural gas and electricity hedging transactions. The Company's market risk management is essentially divided into three segments – market-priced heat energy production and sales, regulated-price heat energy production and sales, and cogenerated heat and electricity generation – and two time horizons – short-medium term (the unit price of heat energy sales can be accurately defined) and medium term (the unit price of heat energy sales cannot be accurately defined). Market exposures are mitigated through the hedging of basic products synchronous with the Company's physical market exposures with derivative instruments quoted on various financial and physical markets.

The implementation of the Compliance Management System is the responsibility of the Director of Ethics, Compliance and Control, pursuant to a mandate from the CEO. The compliance manager is responsible for ensuring compliance with the applicable laws, internal policies and the Company's Code of Ethics, for identifying unethical, unlawful or excessive business non-compliance, for assigning responsibilities, initiating corrective measures and following up on actions taken by business areas. They are also responsible for delivering compliance policy training, conducting conflict-of-interest assessments and initiating measures, supporting operation complying with data protection laws, promoting fraud-free and corruption-free operation, supporting the selection of appropriate business partners, supporting the establishment of the information security requirements and criteria required by the law, and supporting the establishment of asset and human security requirements and criteria.

The Ethics, Compliance and Control organization fundamentally pursues a supportive, preventive and control activity, with these roles enforced collectively, aimed at preventing damages and abuse, and minimizing risks across the entire operation of the Company.

The Company is committed to creating and maintaining a safe working environment that does not represent a threat to health. To this end, the Sustainability and HSE Directorate shall be responsible for ensuring HSE compliance on the employer's side, which is performed in collaboration with the HSE representatives selected from among Company employees.

4. GENERAL INTRODUCTION OF THE COMPANY

4.1 Company information of the Issuer

The Company's name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company's abbreviated name	ALTEO Nyrt.
The Company's registered office	H-1033 Budapest, Kórház utca 6-12.
The Company's telephone number	+36 1 236 8050
The Company's place of registration	Hungary
The Company's legal entity identifier (LEI)	529900PHL3J3ZRBC2J44
Company registration number	Cg. 01-10-045985
The Company's date of registration	April 28, 2008
The Company's legal form	public limited company
Law governing the Company's operation	Hungarian
The Company's web address	is www.alteo.hu , while the place of publication of notices is https://investors.alteo.hu/ (no information published on the website (except for information incorporated by reference via a link) constitutes a part of this Basic Information Memorandum or has been verified and approved by the competent authority)
The Company's beneficial owner	Ultimate Private Individual Shareholder

4.2 Corporate structure, organizational structure

4.2.1 Brief introduction of the company group and its key Subsidiaries

A detailed description of the Issuer's Subsidiaries is attached as Annex 1 to this Basic Information Memorandum. Significant Subsidiaries are listed below:

ALTEO Energiakereskedő: the Issuer's Subsidiary engaged in electricity and natural gas trading.

ALTEO-Therm: the Issuer's Subsidiary engaged in district heat production and electricity generation. Its activities are described in detail in Section 5.4.1 of this Basic Information Memorandum.

EURO GREEN ENERGY: the Issuer's Subsidiary that owns the wind farms in Bőny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi.

Tisza-WTP: owner of a high-capacity water treatment plant established on a site of MOL Petrochemicals Co. Ltd., producing desalinated water for technology purposes for MOL Petrochemicals Co. Ltd.

Sinergy Energiakereskedő: as a Virtual Power Plant combining the ALTEO Group's various power generation capacities, it provides ancillary services to MAVIR.

Monsolar: the Issuer's Subsidiary that owns the Monor solar power plant.

SUNTEO: the Issuer's Subsidiary that owns the Péberény and Nagykőrös solar power plants.

Pannon: the Issuer's Subsidiary that owns the wind farm in Bábolna.

4.2.2 Organigram

The Issuer's organigram is attached as Annex 2 to this Basic Information Memorandum.

4.3 Brief description of significant patents, licenses, industrial, commercial or financial contracts and production procedures

The Company holds no registered patent or license, and uses no production procedure to be described.

Significant financial contracts are shown in the table below. These are the contracts/bonds that are long-term, rather than short-term working capital facilities or guarantee agreements.

Name	Financing party	Frequency of repayments	Amounts paid	Currency	Nominal liabilities 12/31/2021	Maturity date
ALTEO Nyrt. NKP1 2031		Interest payment per annum	3 912 499 250	HUF	3 800 000 000	10.8.2031
ALTEO Nyrt. NKP 2029		Interest payment per annum	8 818 284 700	HUF	8 600 000 000	10.28.2029
ALTEO Nyrt."2022/II" bond		End of maturity	1 505 904 664	HUF	1 693 630 000	6.7.2022
ALTEO Nyrt."2022/I" bond		End of maturity	498 525 950	HUF	650 000 000	1.10.2022
Monsolar Kft.	MKB	six-monthly	656 574 565	HUF	596 419 101	3.31.2034
Monsolar Kft. (IT-Solar)	MKB	six-monthly	656 574 565	HUF	596 421 709	3.31.2034
Domaszék Kft.	OTP	quarterly	601 000 000	HUF	533 800 000	6.30.2034
Sunteo Kft. (Péberény)	K&H	quarterly	2 147 328 133	HUF	1 958 562 874	6.30.2035
Sunteo Kft. (F.SZ. Energia)	K&H	quarterly	1 449 748 288	HUF	1 328 341 037	9.30.2035
Sunteo Kft. (True Energy)	K&H	quarterly	1 459 872 376	HUF	1 337 776 378	9.30.2035
Sinergy Kft.	K&H	quarterly	744 000 000	HUF	698 169 600	6.30.2034

Significant contracts concluded in the scope of the general business activity are described in Section 5 of this Basic Information Memorandum.

4.4 Headcount of personnel at end of the reporting period presented in the information document

As at the time of the publication of its report about the first half of 2022, the Issuer employed 294 persons.

5. PRESENTATION OF THE COMPANY'S BUSINESS ACTIVITY

5.1 The operation of the Company

Information regarding the operation of the Issuer is presented in this chapter.

5.2 Description of the Issuer’s main activities/products and/or services

This chapter contains information on the business activities that the Company and the Subsidiaries actually pursue.

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

5.3 The Company’s key areas of operation

As of July 1, 2022, the ALTEO Group’s activities can be grouped into six key segments:

- (a) Market-based energy generation (sold outside the KÁT regime)
 - (i) Heat energy generation
 - (ii) Electricity generation
 - (iii) Delivering ancillary services (Virtual Power Plant)
 - (iv) scheduling services for renewable power plants
- (b) Renewables-based electricity production sold under the subsidized regime
- (c) Energy trading
 - (i) Electricity trading
 - (ii) Natural gas trading
 - (iii) Balancing group services
- (d) Energy and power engineering services
 - (i) Operation and maintenance of power plants and power engineering installations
 - (ii) Energy and power engineering services
 - (iii) Other services (e.g. E-mobility)
- (e) Waste management (formerly part of Energy Services)
- (f) Other – Central costs

The Issuer’s core activities as specified in the Articles of Association: engineering activities and related technical consultancy.

5.4 Description of the Issuer’s key markets, including total turnover by activities and geographical locations

Please note that Chapter 8 of this Information Memorandum (“Financial Information”) and this Chapter contain certain figures reflecting different accounting methodologies, which is why certain figures in this Chapter and Chapter 8 of this Basic Information Memorandum “Financial Information”, and in this chapter do not fully correspond to one another. The analysis of the business activity is focused on the EBITDA value.

This section includes a separate inset highlighting the year 2021 audited and the H1 2022 non-audited profit and loss data of the ALTEO Group broken down by the various segments indicated above.

Currently, the ALTEO Group engages in business operations exclusively in Hungary; consequently, all figures relate to the relevant geographical market of Hungary.

Executive Profit and Loss Statement Broken down by Segments

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

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

ALTEO GROUP EXECUTIVE STATEMENT—FINANCIAL STATEMENTS (IFRS)

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES								
2022 H1	Energy production (Outside of the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy Trading	Other	Administration costs	Items eliminated due to consolidation	Total
<i>data in HUF million (negative value)</i>								
Revenue	26 290	3 090	1 777	11 091	0	0	(4 259)	37 988
Material expenses	(14 866)	(409)	(734)	(9 838)	(116)	(312)	4 259	(22 015)
Personnel expenses	(628)	(100)	(861)	(65)	(322)	(550)	-	(2 526)
Other revenues and Other expenditures	(1 631)	(99)	0	(47)	(19)	0	-	(1 796)
Capitalized value of own production	59	-	99	-	-	-	-	157
EBITDA*	9 223	2 482	280	1 141	(457)	(862)	0	11 807

5.4.1 Market-based energy production (sold outside the subsidized regime)

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

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

Some of the heat generated is sold by the Subsidiaries, as district heat production licensees, to district heating utilities. The Subsidiaries sell the rest of the heat they

produce directly to industrial and commercial consumers on the basis of long-term agreements.

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

ALTEO-Therm power plants:

Győr Power Plant

The ALTEO Group purchased the Győr Power Plant from E.ON Hungária Zrt. at the end of 2009. The power plant's current capacity is 18.1MW of electricity, generated with state-of-the-art gas engines, and 20MW of thermal power. The power plant is operated by ALTEO's team of specialists. The power plant engages in industrial heat supply for plants in the vicinity, and district heating generation for the local district heating utility. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant.

Kazincbarcika heat power plant

The Kazincbarcika heat power plant cogenerates heat and electric power, and was implemented as a greenfield investment project with three gas engines and three hot water boilers installed. The power plant is owned and operated by ALTEO-Therm, which sells heat solely to the local district heating utility at the price under the Price Decree, based on an agreement subject to a 10-year term, which will expire in 2032. Upon the expiry of the agreement, the town's district heating utility will have the right to purchase the assets of the heating power plant at net book value. The heat power plant's installed electricity generation capacity is 9.6MW, its installed thermal capacity is 57.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.

Ózd Power Plant

The Ózd heating power plant cogenerates thermal and electric power, and sells heat to the local district heating utility at the price according to the Price Decree in the scope of an agreement subject to a 10-year term, which is to expire at the end of 2031. Upon the expiry of the agreement, the town's district heating utility will have the right to purchase the Ózd Power Plant's assets at net book value. The power plant's installed electricity generation capacity is 4.9MW, its installed thermal capacity is 4.9MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.

Sopron Power Plant

The ALTEO Group purchased the Sopron Power Plant from E.ON Hungária Zrt. at the end of 2009. The generation array currently comprises three steam boilers, one

hot water boiler and a gas engine. The power plant's current capacity is 6.1MW of electricity and 38MW of thermal power. The boilers can be operated with both gas and fuel oil. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.

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

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

Currently, the installation of a 5MW electrically-heated steam boiler is underway at the power plant site within the framework of the ongoing project under the "Development of real-time autonomous energy information and production management system" grant as described in Section 6.1.

Tiszaújváros Heating Power Plant

The Tiszaújváros heat power plant cogenerates thermal and electric power, and sells heat to the local district heating utility at the price under the Price Decree, based on an agreement subject to a 20-year term, slated to expire in 2035. Upon the expiry of the agreement, the town's district heating utility will have the right to purchase the assets at net book value. The power plant's installed electricity generation capacity is 9.4MW, its installed thermal capacity is 42.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.

Zugló Gas-Engine Block Power Plant

The tender announced by FŐTÁV Zrt. in 2003 for the expansion of its Budapest, Füredi utca heat power plant with a gas engine block thermal power plant was awarded to the consortium comprising FŐGÁZ Zrt. and Sinergy. The Zugló power plant will continue supplying FŐTÁV Zrt. with heat until May 31, 2030. The block thermal power plant currently provides heat energy to the district heating utility subject to the fees specified in the Price Decree. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.

Power storage facility

In August 2018, normal operations commenced at the battery electricity storage facility installed at the Zugló Gas-Engine Block Power Plant using grant funds awarded to Sinergy for its tender application "System-level integration and innovative application model for an electricity storage architecture" which was submitted within the scope of the "Supporting R&D&I Activities of Companies - CORPORATE

RDI_16” program announced by NRDI, with the installation costs amounting to a total of HUF 1.1 billion, for which the Company was awarded a grant of HUF 500 million. In addition to participating in frequency regulation for the electricity system, the purpose of the energy storage facility—innovative in both design and implementation with a focus on 21st century technical solutions—is to promote the market-based integration of renewable energy sources, particularly weather-dependent wind and solar power plants.

In November 2021, a battery electricity storage facility started operation at the Kazincbarcika heating power plant, implemented with the grant awarded to the Issuer under the call concerning Combined Loan Facility Product for Supporting the RDI Activity of Companies under the Economic Development and Innovation Operational Program identified as GINOP-2.1.2-8-1-4-16. The project’s total cost amounted to HUF 1.05 billion, for which the company was awarded HUF 227.84 million in non-refundable and HUF 249.68 million in refundable loan-type support. In addition to participating in frequency regulation for the electricity system, the purpose of the energy storage facility—innovative in both design and implementation with a focus on 21st century technical solutions—is to promote the market-based integration of renewable energy sources, particularly weather-dependent wind and solar power plants.

Landfill Gas

Debrecen small-scale power plant (ALTEO-Depónia – Project Cívis)

The ALTEO Group purchased this small-scale power plant in an already operational state in March 2010. The small-scale power plant has an installed electricity generation capacity of 639kW, and generates power from landfill gas produced at the waste disposal compound in Debrecen. The small-scale power plant sold the generated electricity to MAVIR under the KÁT regime until December 2019, and has since been selling the electricity in the free market.

Debrecen small-scale power plant (ALTEO-Depónia – Project ALTSOLAR)

This small-scale power plant was built by the ALTEO Group, and it began production in August 2018. The small-scale power plant has an installed electricity generation capacity of 499kW, and generates power from landfill gas produced at the waste disposal compound in Debrecen. The small-scale power plant sold the generated electricity to MAVIR under the KÁT regime until July 31, 2022, and then started generating electricity for the free market.

Virtual Power Plant (Sinergy Energiakereskedő)

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

Sinergy Energiakereskedő began its operation in 2014 as a Virtual Power Plant, combining production from and the capacities of various power plants, to sell the same on the electricity market and the ancillary services market. The Zugló,

Kazincbarcika, Tiszaújváros and Ózd Power Plants joined the Virtual Power Plant in 2014, with the Győr and Sopron Power Plants following suit in 2015.

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

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

Market-based energy production (outside the subsidized regime)

This segment has two core revenue streams. One is electricity generated by gas engines, while the other is heat energy produced by gas engines and boilers. In the case of electricity, the segment takes quite a significant share of sale and purchase within the ALTEO Group, as can be seen in the summary statement of profit or loss in Section 5.4. The Virtual Power Plant also belongs to this segment. It primarily facilitates selling the electricity that the power plant portfolio generates, and its stand-alone commercial activity is only marginal.

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

HEAT AND ELECTRICITY GENERATION (outside the subsidized system) SEGMENT – Executive financial statement

Heat and electricity generation (market rate, outside the KÁT regime)				
	2022 H1	2021 H1	Change HUF million	Change %
<i>data in HUF million</i>	non-audited	non-audited	compared to the previous year	compared to the previous year
Revenue	26 290	10 295	15 995	155%
Material expenses	(14 866)	(4 869)	(9 997)	205%
Personnel expenses	(628)	(453)	(175)	39%
Other revenues, expenses, net	(1 631)	(637)	(993)	156%
Capitalized own production	59	45	14	30%
EBITDA*	9 223	4 380	4 843	111%

5.4.2 Renewables-based energy production sold under the subsidized regime¹

Currently, electricity production recognized in this segment comprises exclusively renewable energy assets (solar, wind, hydro, landfill gas) used for production within the "KÁT" balancing group. In the scope of this activity, Subsidiaries generate electricity using renewable primary energy in their owned power plants, which they feed to the nationwide electricity grid. The Subsidiaries sell the electricity that is fed

¹ Formerly known as the "KÁT" regime. The name was altered due to a change in the regulation of the KÁT regime, which is explained in detail in Section 5.6 of this Basic Information Memorandum.

to the grid under the KÁT regime, to the KÁT balancing group operated by MAVIR, subject to a subsidized purchase price.

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

Wind Power

The ALTEO Group purchased the following small-scale power plants utilizing wind energy in an already operational state: three power plants in May 2012, one in February 2013, one in May 2019 and one in October 2020.

Böny, Törökszentmiklós, Ács, Pápakovácsi and Jánossomorja wind farms (EURO GREEN ENERGY)

ALTEO acquired EURO GREEN ENERGY, which owns and operates the Böny wind farm, in May 2019. The wind farm has a nominal capacity of 25MW, and sold generated electric power to MAVIR under the KÁT regime until June 2022, as by that time it reached its total authorized generation volume. The wind farm was then successfully integrated with the Virtual Power Plant, and is now generating electricity for the free market.

ALTEO acquired e-Wind, which owns and operates the Törökszentmiklós wind farm, in February 2013. As of July 1, 2022, e-Wind merged into EURO GREEN ENERGY. The wind farm has a nominal capacity of 1.5MW, and sold generated electricity to MAVIR under the KÁT regime until June 2022, as this is when its KÁT permit expired. The wind farm was then successfully integrated with the Virtual Power Plant, and is now generating electricity for the free market.

ALTEO acquired WINDEO, which owns and operates the Ács and Pápakovácsi wind farms, from Raiffeisen Energiaszolgáltató Kft. in May 2012. As of July 1, 2022, WINDEO merged into EURO GREEN ENERGY. The wind farms have a capacity of 2MW each, and sold generated electric power to MAVIR under the KÁT regime until September 2017 and April 2018, as by then, they each reached their total authorized generation volumes. The wind farms were then successfully integrated with the Virtual Power Plant, and are now generating electricity for the free market. The wind farms are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.

ALTEO acquired VENTEO, which owns and operates the Jánossomorja wind farm, from Raiffeisen Energiaszolgáltató Kft. in May 2012. As of October 1, 2018, VENTEO merged into WINDEO, and effective as of July 1, 2022, WINDEO merged into EURO GREEN ENERGY. The wind farm has a nominal capacity of 1.8MW, and sold generated electric power to MAVIR under the KÁT regime until March 2017, as it reached its total authorized generation volume that month. The wind farm was then successfully integrated with the Virtual Power Plant, and is now generating electricity for the free market. The wind farm is maintained by ALTEO and the Hungarian subsidiary of the wind farm OEM, VESTAS Hungary Kft.

Bábolna wind turbine (Pannon)

ALTEO acquired Pannon, which owns and operates the Bábolna wind farm, in October 2020. The wind farm has a nominal capacity of 15MW, and sells the generated electricity to MAVIR under the KÁT regime, and will continue to do so

until July 31, 2025 at the latest or until the total authorized generation volume is reached.

Hydro Power

Felsődobsza hydropower plant (Sinergy)

The relevant energy-generation assets and installations of this hydropower plant operating on the Hernád River (including, among others, turbines and transformers) are owned by Sinergy, while Sinergy leases the property and the power plant's sections classified as other water structures from EMÁSZ Nyrt. Sinergy sold electricity generated through the operation of the hydropower plant to MAVIR under the KÁT regime, until July 31, 2022. The installed electricity generation capacity of the Felsődobsza hydropower plant is 0.948MW. The power plant is operated by ALTEO's own specialists.

Gibárt hydropower plant (Sinergy)

The relevant energy-generation assets and installations of this hydropower plant operating on the Hernád River (including, among others, turbines and transformers) are owned by Sinergy, while Sinergy leases the property and the power plant's sections classified as other water structures from ÉMÁSZ Nyrt. In 2019-2020, Sinergy implemented a HUF 1.2 billion investment project in the Gibárt hydropower plant to extend its lifetime and increase its efficiency. One of the key elements of the investment was the replacement of the turbines with state-of-the-art high-efficiency turbines that provide higher water yield and have a capacity of 5.75 GWh/year, representing a 70% increase in performance. After the completion of the project, the installed electricity generation capacity of the Gibárt hydropower plant is 0.98MW. The power plant is operated by ALTEO's own specialists. It currently produces under the METÁR system.

Solar Power

Domaszék solar power plant (Domaszék)

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

Monor solar power plant (Monsolar)

The ALTEO Group implemented this solar power plant in the scope of its own construction project, and it began generation in December 2018. The solar power plant sells electricity generated through its operation to MAVIR under the KÁT regime, and will do so until December 2043 at the latest or until the total generation volume authorized under KÁT is reached. The solar power plant's installed electricity generation capacity is close to 4MW. The power plant is operated by ALTEO's own specialists.

Balatonberény solar power plant (SUNTEO)

The construction works of this solar power plant were performed by the ALTEO Group itself, and it began generation in July 2019. The solar power plant will sell the electricity it generates to MAVIR under the KÁT regime for a period of 25 years from the start of its commercial operation or until the total generation volume authorized under KÁT is reached. The solar power plant's installed electricity generation capacity is close to 6.9 MW. The power plant is operated by ALTEO's own specialists.

Nagykőrös solar power plant (SUNTEO)

The construction works of this solar power plant were performed by the ALTEO Group itself, and it began generation in July 2019. The solar power plant will sell the electricity it generates to MAVIR under the KÁT regime for a period of 25 years from the start of its commercial operation or until the total generation volume authorized under KÁT is reached. As a unique feature, instead of the fixed support structure typically used for solar power plants, it operates with a single-axle solar tracking system, through which it is able to use the energy of solar irradiance more efficiently, and thereby produce approximately 15% more electricity than traditionally installed solar power plants. The solar power plant's installed electricity generation capacity is close to 6.9 MW. The power plant is operated by ALTEO's own specialists.

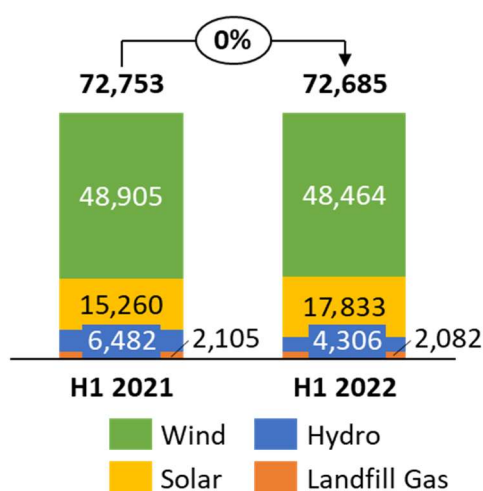
Electricity production sold under the subsidized system (KÁT)

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

ELECTRICITY GENERATION (SUBSIDIZED) SEGMENT – Executive financial statement

Electricity production (within the subsidized system)				
	2022 H1	2021 H1	Change HUF million	Change %
<i>data in HUF million</i>	non-audited	non-audited	compared to the previous year	compared to the previous year
Revenue	3 090	2 703	387	14%
Material expenses	(409)	(309)	(100)	32%
Personnel expenses	(100)	(104)	5	(4%)
Other revenues, expenses, net	(99)	19	(118)	(628%)
EBITDA*	2 482	2 308	174	8%

ELECTRICITY GENERATION (SUBSIDIZED) SEGMENT – physical indicators and specific revenue statement



5.4.3 Energy trade

Electricity and natural gas trade, and balancing group services (ALTEO Energiakereskedő)

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

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

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

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

ALTEO Energiakereskedő does not deal with speculative trading, but due to the varying size of customer needs timewise, the company keeps a certain level of open

positions. However, ALTEO Energiakereskedő strives to cover the demand generated by new contracts and new needs from the buyers. For that purpose, ALTEO Energiakereskedő concludes commercial agreements based on commercial, standardized samples (typically EFET), on the one hand, and it also buys electricity thru intermediaries, on the energy exchanges in Hungary (HUPX), in Leipzig (EEX), Prague (PXE) and Vienna (EXAA), on the other. ALTEO Energiakereskedő sells any superfluous electricity via wholesalers.

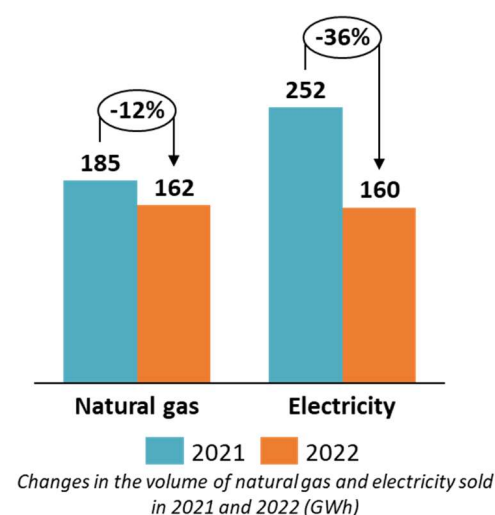
ALTEO Energiakereskedő started its retail activities of delivering natural gas to users, in the gas year beginning on October 1, 2016, and has been dynamically developing year by year since.

ENERGY RETAIL—Executive financial statement

Retail energy trade				
<i>data in HUF million</i>	2022 H1 non-audited	2021 H1 non-audited	Change HUF million compared to the previous year	Change % compared to the previous year
Revenue	11 091	6 839	4 252	62%
Material expenses	(9 838)	(6 347)	(3 491)	55%
Personnel expenses	(65)	(57)	(8)	13%
Other revenues, expenses, net	(47)	24	(71)	(300%)
EBITDA*	1 141	459	682	149%

The segment has achieved outstanding results in recent years, even in a changing market environment (COVID, strong increase in wholesale prices), thanks to its excellent risk management processes and timely decisions. Thus, despite the decreasing volume effect, both sales revenue and profitability increased.

ELECTRICITY AND NATURAL GAS RETAIL – Physical indicators statement



5.4.4 Energy and power engineering services

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

ALTEO carries out operation and maintenance tasks (*O&M*) for certain energy facilities owned by third parties and of certain power plants owned by the ALTEO Group under long-term contracts, providing qualified staff and

the materials and tools required for operation and maintenance. As part of the operation activities, ALTEO carries out daily operation and business process tasks including the provision of fuel supply, preparation of production schedules, fulfilling regulatory reporting obligations, ensuring that all conditions for the operation and the safety of supply are met, and repair works requiring simpler jobs are done. Within the framework of maintenance activities ALTEO carries out the interventions typically required based on the number of hours operated, the replacement of parts as necessary, carrying out renewal jobs and repairing extraordinary malfunctions.

At present, ALTEO is responsible for the operation and maintenance of the TVK power plant, the Water Preparation Plant built by Tisza-WTP, the BorsodChem power plant, the biogas plant of Nagykőrös, as well as the heat power plants, hydropower plants and solar power plants in its ownership.

Facilities related to O&M tasks:

BorsodChem power plant

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

TVK Power Plant

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

Nagykőrös Biogas power plant

Sinergy, a company belonging to the ALTEO Group concluded a long-term, 14-year operation and maintenance contract with Energigas Kft. on December 12, 2015, for the purposes of carrying out operation and maintenance tasks related to the 2 MW electricity generation capacity biogas power plant owned by it. Simultaneously with the conclusion of the operation and maintenance contract, the Company also acquired a 1% share in Energigas Kft. The power plant is now operated by ALTEO's team of specialists.

Own facilities

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

Other

The maintenance organization of the Energy Services segment is also responsible for maintenance, in addition to works to be done in power plants owned by the ALTEO Group, typically for other power plant and industrial companies. Notably, a multi-year (3+2) maintenance contract was concluded with Budapesti Erőmű Zrt. (BERT) in 2021, under which the Company performs the regular maintenance and repair of steam turbine and auxiliary systems at BERT's Kelenföld, Kispest and Újpest Power Plants as main contractor. Priority partners of the Company also include Petrolszolg Karbantartó és Szolgáltató Kft. which is a member of the MOL Group, for which it regularly provides maintenance works of rotary machines (steam turbines, pumps), as well as LEGO Manufacturing Kft., with a factory in Nyíregyháza, where regular maintenance and repair works are carried out on cooling towers, on the basis of individual assignments. Other key partners include BKM Budapesti Közművek Nonprofit Zrt. and UNIPER Hungary Kft., the latter of which is linked to the important reference of the company's first successfully completed work abroad at the Uniper SK Malzenice Power Plant (Slovakia) requested by Siemens Energy SK.

Concerning the Operation and Maintenance Contract (hereinafter: "Contract") concluded between them on October 6, 2022, ALTEO and BC Power Energiatermelő II Korlátolt Felelősségű Társaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1; company registration number: Cg.05-09-030222; tax number: 26142445-4-05, hereinafter: "BC Power") have come to an agreement that the long-term (14 years, contract expires on December 31, 2036) operation and maintenance tasks of the small-scale gas turbine cogenerated heat and electricity producing power plant – with an electrical capacity of 49.9 MWe – implemented as an investment project of BC Power will be carried out by ALTEO, with the related contract signed on October 6, 2022.

(b) Energy and power engineering services

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

(c) Waste management services

The Company intends to have an active presence in complex waste management through ECO-FIRST. The first step towards this goal was developing a waste management strategy and purchasing a 66% business share in ECO-FIRST. Its services mainly include waste collection from supermarkets as well as complex sustainability services in waste management. ECO-FIRST provides professional services to several large enterprises and is also involved in the development of new, complex activities, aligned with the needs of the waste management market.

The management of ALTEO has high hopes that the acquisition of FE-Group and the exploitation of existing synergies will yield significant growth for the business.

(d) Other services

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

Tisza-WTP

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

Energy business and energy services segment

In this segment we show the revenues and expenses related to the operation and maintenance tasks (*O&M*) for certain energy facilities owned by third parties and of certain power plants owned by the ALTEO Group, and we also show here the revenues (interests) due, based on leased assets. In the consolidation procedure, the revenues and expenses of the ALTEO Group from the power plants in its ownership are eliminated. This is the segment where revenues and expenses of third parties and from within the ALTEO Group, related to engineering, project development and project management services, as well as main contractor construction services and implementation services related to energy investments and developments are presented. In the consolidation procedure, the Revenues and Expenses of implementation services within the ALTEO Group are eliminated. The expenditures of the Company's waste management business are also included here, but given it has been established recently, it has no substantial impact on the segment's profit as yet.

ENERGY BUSINESS AND SERVICES—Executive financial statement

Energy business and services				
	2022 H1	2021 H1	Change HUF million	Change %
<i>data in HUF million</i>	non-audited	non-audited	compared to the previous year	compared to the previous year
Revenue	1 777	1 480	296	20%
Capitalized own production	99	66	32	49%
Material expenses	(734)	(591)	(142)	24%
Personnel expenses	(861)	(771)	(90)	12%
Other revenues, expenses, net	0	75	(75)	(100%)
EBITDA*	281	260	21	8%

In 2022, the Business and Project Development Division’s projects mainly consisted of internal projects, such as the construction of an electric heating boiler at the Sopron power plant, additional noise protection works at the Gibárt hydropower plant and the replacement of the GM2-3 gas engine at the Kazincbarcika power plant.

5.4.5 Other segments

Other segments

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

OTHER SEGMENTS—Executive financial statement

Other segments				
	2022 H1	2021 H1	Change HUF million	Change %
<i>data in HUF million</i>	non-audited	non-audited	compared to the previous year	compared to the previous year
Revenue	0	0	0	3%
Material expenses	(116)	(126)	10	(8%)
Personnel expenses	(322)	(338)	16	(5%)
Other revenues, expenses, net	(19)	(1)	(18)	1 277%
EBITDA*	(457)	(466)	9	(2%)

5.5 Broad-scale presentation of the Issuer’s markets

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

5.6 Renewables-based electricity production sold under the subsidized regime

The role of renewable sources of energy in the energy mix

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

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

Objectives regarding renewable EU energy sources

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

In 2018, the European Union drafted new power engineering legal regulations under the title “Clean Energy for All Europeans”, which already reckons with a minimum 32% rate of renewable energy sources on the EU level by 2030, and not with the earlier 27% rate accepted

in 2014. Furthermore, the EU partially adopted the legislative package in late 2018, and as a part of this, the Member States, including Hungary, were required to transpose the RED2 Directive into their respective national laws by June 30, 2021. Some of the key objectives of this directive include creating an investment environment which is reliable in the long term, and to accelerate the licensing procedures of the renewable energy projects; boosting competition in the renewable energy sector and promoting market integration; speeding up the introduction of the generation of renewable energy in the heating/cooling sector; and promoting innovative, novel solutions.

With the European Climate Law, the EU has set a binding objective of achieving climate neutrality by 2050 as part of the European Green Deal. Furthermore, in 2021, the European Council adopted the “Fit for 55” package of measures, which aims to reduce EU emissions by at least 55% by 2030. One of the means of achieving these goals is to revise the RED2 Directive and the regulation of renewable energy production, and to increase the minimum share of renewable energy in the overall energy mix from the current 32% to 40%.

Hungary’s strategy on renewable energy

According to the RED Directive, Hungary was required to increase the share of its energy from renewable sources within its gross energy consumption from 4.3% in 2005 to 13% by 2020.

The National Energy and Climate Plan (NECP) has set a target for Hungary to achieve a share of at least 21% of renewable energy in gross final energy consumption by 2030. The main objectives of Hungary’s National Energy Strategy, adopted in January 2020, are to strengthen energy sovereignty and security, to maintain the results of the utility reduction, and to decarbonize energy production, with the combined use of nuclear and renewable energy sources as the key to achieving these objectives. One of the priority goals of the National Energy Strategy is to increase the share of carbon neutral electricity generation in Hungary to 90% by 2030, with a significant role for renewable energy production.

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

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

The KÁT regime

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

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

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

METÁR:

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

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

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

- (i) METÁR-KÁT: under 0.5 MW: Newly built power plant units with an electric capacity below 0.5 MW (except for wind energy) and demonstration projects that are also granted investment aid² may apply for the (mandatory) offtake of the electricity that they produce in practically the same way as under the KÁT regime.
- (ii) Green Premium I under 1 MW: HEPURA may be requested to define the period of the grant, without a specific tendering procedure, in the case of newly built power plant units with an electric capacity under 1 MW (except for wind energy), and demonstration projects³;
- (iii) Green Premium II with a capacity of 1 MW and higher: it is only possible to win grants in the framework of a tendering procedure for the electricity produced in the following types of power plant units: (i) a power plant with a minimum electric capacity of 1 MW, or (ii) wind turbine, furthermore, (iii) a power plant unit already running, one which has undergone major modernization or development. The volumes that are distributable

² Pursuant to the METÁR Act, those projects will qualify as demonstration projects which are the first to introduce a technology in the European Union, and which represent a major innovation that exceeds the current state of technology.

³ Pursuant to the modified New METÁR Decree, no application may be submitted for the grant type Green Premium I that can be provided without a tendering procedure with effect from May 1, 2019.

through the tender are stipulated by a ministerial decree on the frame conditions of operating METÁR, in an annual breakdown, for five-year intervals, which volumes will be revised each year. By October 2022, five METÁR tenders have been successfully closed, and one was withdrawn after it was announced.

- (iv) Brown Premium: it is those already working power plant units that may be eligible for the brown premium which use biomass or biogas, where eligibility is defined for 5 years by HEPURA, at the request of the producer.

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

5.7 Market-based energy production (sold outside the subsidized system)

In line with the endeavor to reduce CO₂ emission and increase energy efficiency, the small power plants that are close to the consumers, that work with high efficiency, and are cogenerated, i.e. produce both electricity and heat are gaining increasing significance within energy production. The environmental advantage of cogenerated energy lies in that it is capable of transforming primary energy into electricity and heat at the same time more efficiently than if the same amount of energy were generated by distinct electricity and heat production equipment. Placement near the consumer, on the other hand, allows the considerable reduction of transportation losses. Through this, cogenerated small power plants make a significant contribution to the reduction of CO₂ and the increase of energy efficiency.

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

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

Unsubsidized small cogeneration power plants are also often competitive against large power plants using traditional fuel, primarily in cases where flexible energy generation is required, and also, when they are linked at the Virtual Power Plant, in the market of ancillary services. The operation of the Virtual Power Plant is described in more detail in Section 5.7.3 of this Basic Information Memorandum.

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

The EU regulatory package called Clean Energy for All Europeans will also affect the electricity generation sector. The package aims to introduce a novel type of electricity market model, which, among other changes, restricts the producer's grants provided through capacity

mechanisms and removes the grants provided to power plants with an emission value of 550g CO₂ per kWh or higher, promotes the active involvement of consumers and users in production, as well as the market competition in electricity and cross-border trading in such a way that it will promote energy safety, create new jobs, and encourage investments. The Clean Energy for All Europeans legislative package had to be transposed by Member States by 2020-21.

5.7.1 Heat energy generation and district heat generation

Heat energy producers supply heat to industrial users in the framework of individual heat supply agreements. In this case, the price of the heat provided and the price formulas are the subject of agreements between the parties. The district heat producers sell the heat energy, which they generate in boilers and to an increasing extent, in cogenerated heat and electricity producing equipment (gas engines), to the district heat suppliers at an established price. The district heat suppliers, on the other hand, supply the heat energy obtained in such a way or produced by themselves at established prices as well, to the users entitled to receive household and district heat supply. The prices of district heat are defined by the minister in charge of energy affairs, in a decree, based on a proposal from HEPURA.

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

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

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

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

5.7.2 Electricity production sold outside the subsidized regime

For more information on the sales aspects of the electricity production market, see Section 5.8.1 below on wholesale electricity markets.

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

5.7.3 Virtual Power Plant and ancillary services

MAVIR, as a system controller, commits reserve production capacities with a view to the settlement and regulation of the momentary difference between the generation and consumption of electricity and utilizes them as needed. For the capacities required for satisfying the regulatory needs, MAVIR invites tenders from time to time, where the producers, individually or—in particular producers with lower capacity—jointly make bids through a Virtual Power Plant, appearing as a so-called Virtual Power Plant. A Virtual Power Plant is a production organization concept for the generation of electricity in which small power plants form a system management unit; this allows them to operate as a large producer which can be treated as an independent entity.

MAVIR pays a capacity fee for availability and an energy fee for the actually used negative or positive balancing electricity to the power plants involved in the regulation as well as to the Virtual Power Plant.

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

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

5.7.4 Renewable production management

Even when weather-dependent electricity generators (mainly PV power plants) are sold in the KÁT regime or on the free market, it is crucial to prepare schedules as accurately as possible and to implement near real-time generation management in order to maintain the balance of the electricity system and to minimize generator costs. These services are best provided by aggregators with the right know-how in scheduling and the appropriate skills and experience in electricity trading and virtual power plant operation. These aggregators can assume many of the risks from generators and can also ensure a more efficient network alignment for weather-dependent power plants.

5.8 Electricity trading

In harmony with the directives of the European Union, the market of electricity trading, including the sale of the electricity producers' own output, is fully free-market in Hungary, and from January 1, 2008, practically every domestic user can freely choose their own electricity trader. The EU regulatory package called Clean Energy for All Europeans supplemented the rules of electricity trading, with a view to promoting electricity market competition and cross-border trading.

In February 2022, according to the records on the HEPURA website, 178 companies had a Hungarian electricity trading license. Some of these are not active, or are only active on the wholesale market, and on the retail market, only 10-15 licensees perform actual activities.

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

5.8.1 Electricity generation and wholesale trade

The electricity producers of the ALTEO Group sell the electricity they generate under individual contracts, either directly to the users, or to the Virtual Power Plant.

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

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

The REMIT Regulation and the related Hungarian laws may increase the transparency of electricity wholesale, by this also strengthening the integrity of the energy markets in the EU. However, the REMIT Regulation and the related Hungarian laws put a considerable administrative burden on the Company, furthermore, the yet immature Hungarian practices may carry risks.

5.8.2 Retail trade

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

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

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

5.8.3 Balancing group services

The aging of the Hungarian power plants, as well as the anticipated rise of electricity consumption in the long run justify that besides the large developments, the smaller natural gas-based energy production units and those that are removed from the KÁT regime after the mandatory setoff expires should not drop out of the market only because they do not receive the KÁT grants any longer. A possible way to integrate small capacity production units that are in this situation is for them to join a professionally operated balancing group with a reasonably sophisticated portfolio of producer and consumer capacities and with good wholesale relations, or to take

unified action in the market as a Virtual Power Plant through a Virtual Power Plant mentioned in Section 5.7.3 above.

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

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

5.9 Natural gas retail activities

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

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

In September 2022, according to the records on the HEPURA website, 40 companies were in possession of an active Hungarian natural gas trading license (excluding the restricted license holders in natural gas) but it is only a small part of these companies that are genuinely active in the retail segment.

ALTEO Energiakereskedő primarily started building and then extending its natural gas retail activities by relying on its electricity trading clients, such business development and extension activities have shown dynamic development year by year over the past years.

5.10 Trading in emission units

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

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

In the current, fourth trading period (2021-2030), emitters – subject to certain exceptions – are and will be able to acquire emission allowances solely at auctions or through secondary commercial channels. The Greenhouse Gas Act, in line with the ETS Directive, only allows a narrow scope of exceptions. District heating and high-efficiency energy cogeneration are provided free of charge allocation with regard to the heat production or cooling services provided for satisfying demands and in an economically justified way. Furthermore, some

electricity producers are provided derogation allocation at an established rate to an extent defined in a specific government decree.

The free-of-charge quotas are allocated to the various ALTEO Group power plants (ALTEO-Therm) in decreasing amounts from year to year, according to the request of the relevant facility for the allocation of free-of-charge quotas based on its annual activity level report, after approval by the Ministry for Technology and Industry and the European Commission.

5.11 Operation and maintenance of power plants and power engineering installations

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

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

5.12 Energy and power engineering services

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

The provisions of the Energy Efficiency Directive had to be transposed into the individual legal systems of the members states by June 5, 2014. In Hungary, the transposing law is the Energy Efficiency Act, which, in harmony with the Energy Efficiency Directive, encourages energy consciousness, and in order to realize this goal, it introduced, among others, the system of mandatory power engineering audits. Pursuant to the Energy Efficiency Act, large companies are obliged to conduct a power engineering audit every four years, from which obligation they can be exempted if they run an energy management system certified by an accredited certification body in line with the EN ISO 50001 standard. The latter includes the ALTEO Group, which in 2016 extended its Integrated Management System to include the EN ISO 50001 standard.

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

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

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

5.13 The Issuer's competitive position

Currently the Issuer is present on the broadly interpreted energy market only in Hungary considering that its complex services cover almost the entire spectrum of user needs. As explained in detail in this Basic Information Memorandum, the ALTEO Group can cover any need from energy implementation and engineering activities through O&M services to power plants, electricity production, retail and wholesale trade of electricity and of natural gas, ancillary services (Virtual Power Plant) to quasi-aggregator activities.

The Issuer strives to provide to its customers more than one successive or interrelated service at the same time or consecutively, for instance, by running a power station constructed for a client after its delivery, providing the necessary raw materials, or integrating its production in the Virtual Power Plant.

In the opinion of the Issuer, similarly versatile service profiles are currently offered in Hungary by MVM, EON, ELMŰ-ÉMÁSZ and the MET group, and perhaps by ALPIQ. Comparison is difficult as none of the aforementioned competitors correspond entirely to their peers, each having its unique profile to determine its competitive position or some activity that is not shared by others (e.g. distribution, universal service provision or, in the case of MVM, electricity generation relying on nuclear energy, etc.). Still, the Issuer considers those entities to be its competitors in terms of complex services provided to customers. With regard to their market share, these companies are ahead of the Issuer; however, this does not discourage the Company from pursuing the achievement of its strategic goal.

It should be noted that the Issuer does not provide electricity or natural gas to retail users and does not take part in the operation of the energy infrastructure (electricity networks and distribution, operation of natural gas infrastructure), and thus it is not present in those markets.

In the separate markets of certain services within the range of complex services, the Issuer competes with other providers, some of which are active only in a single market. The table below shows the companies, in a breakdown by revenue, that the Issuer competes with in those markets, competitors with close to identical profiles to the Issuer indicated in bold.

Revenue in HUF million	2021	2020
MVM Partner Zrt.	1 087 975	652 558
MVM CEEnergy Zrt.	1 587 124	535 030
MET Magyarország Zrt.	824 908	263 635
Uniper Hungary Kft.	480 325	222 375
ELMŰ-ÉMÁSZ Kft. (part of E.ON Group)	236 394	220 069
MVM Paksi Atomerőmű Zrt.	188 829	185 428
CEZ Magyarország Kft.	145 747	82 495
E2 Hungary Kft.	164 079	77 382
Audax Renewables Kft.	134 202	242 996
PPD Hungária Kft.	19 652	10 600
CYEB Energiakereskedő Kft.	11 077	11 977
Veolia Magyarország Zrt.	37 569	29 479
ALTEO Group	44 249	32 981
ALPIQ Csepel Kft.	66 011	22 775

Iberdrola Renovables Kft.	12 036	11 615
Pannon Hőerőmű Zrt.	10 806	10 385
E.On Energiatermelő Kft.	20 398	7 725
Pannergy Group	6 439	5 923
EMoGá Kft.	12 827	7 099
Wartsila Hungary Kft.	4 967	3 997
JAS Kereskedelmi Kft.	21 081	18 427
NRG Agent Kft.	860	500
ESS Group	1 120	1 032
VPP Energy Zrt.	261	422
Vértési Erőmű Zrt.	131	149

5.14 Presentation of and cooperation with strategic partners

The Issuer, in the course of its commercial activities, does not cooperate with any strategic partners, however, some of its activities/ Subsidiaries may be not wholly owned and it plans to establish long-term, trust-based cooperation with other owners.

5.15 Brief summary of the Issuer’s business strategy

Based on market trends, due to the spread of renewable energy production, the Company reckons with growing demand for regulatory (balancing) capabilities, an EU-level balancing energy market because of the CEP, and increased demand for decentralized industrial energy services optimized for the individual needs of customers, and adjusts its strategy accordingly.

The Issuer intends to manage the external effects and opportunities of the energy market relying on its existing resources, expertise and corporate culture, and, not veering from its sustainable growth path, it wishes to become a major energy company in Hungary: in a market dominated by companies with long histories and large asset bases, and a degree of state ownership, it wants to be “the largest among the small”.

In the forthcoming years, the ALTEO Group will mostly serve large corporations in its service, operation and maintenance (O&M) areas and intends to work on the B2B market. In the area of energy production, it wishes to become a major player in the areas of renewable-based energy production and balancing energy, either through its own development projects or by acquisitions. In its energy trading, the Company strives for organic growth, mainly by supplying to users in the SME sector. Waste management is a new market opportunity, which the Company considers to be a profitable business on the one hand, which can contribute to the strengthening of the Company’s EGS status and certification, and can actively participate in the achievement and development of a circular economy, on the other. In the field of e-mobility, the Company intends to obtain a market position, with minor capital expenditure, which allows for the fast expansion of these areas if appropriate returns are achieved.

The Issuer is committed to environmentally responsible operation; consequently, it makes its decisions regarding the implementation of its strategy in view of the considerations of sustainability. As a sign of this commitment, the company already possesses the independent third-party ESG certification.

On January 17, 2022 the Issuer published its detailed strategy for the 2022-2026 period, which can be downloaded from the link below or from the Issuer’s places of disclosure.

https://investors.alteo.hu/wp-content/uploads/2022/01/ALTEO_PPT_VallalatiStrategia2022_2026.pdf

According to the updated strategy, the fundamental goals and areas remain the same, but the ALTEO Group has set itself much more ambitious milestones than before.

6. ASSESSMENT OF THE COMPANY'S MANAGEMENT REGARDING THE FINANCIAL POSITION OF THE COMPANY IN THE PAST YEAR AND ITS OPERATING PROFIT

6.1 Presentation of the factors that had a material effect on the profit from commercial activities

In November 2021, the Company commissioned a new energy storage facility with a capacity of 5MW at the Kazincbarcika heating power plant. In this context, ALTEO was previously awarded a non-reimbursable grant of HUF 227.8 million and a preferential interest loan HUF 249.7 million from the European Union for the implementation of RDI processes. For more information concerning the commissioned battery energy storage facility, see Section 5.4.1.

In December 2021, the Issuer informed Investors that it has submitted a grant application in a consortium with the Alfréd Rényi Institute of Mathematics to tender notice code number 2020-1.1.2-PIACI KFI, entitled "Support for Market-driven Research & Development and Innovation Projects", which was announced by the National Research, Development and Innovation Office. The Ministry of Innovation and Technology has found the grant application "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, and the project was awarded a grant of more than HUF 400 million. This illustrates the Issuer's commitment to innovation. The aim of the project is to develop a highly automated, artificial intelligence-based energy engineering IT system capable of making autonomous generation and commercial decisions to manage and optimize "smart" electricity generation in power plants.

In February 2022, ALTEO obtained its first comprehensive ESG certification. ALTEO has voluntarily undertaken to have the certification carried out on its own initiative. The analysis prepared highlights that the industry is fundamentally exposed to higher risk and, as such, the company's exposure necessarily falls into a higher category. At the same time, the rating also examined how the company responds to the risks arising from its operations and how it manages their impact. In respect of the latter, ALTEO has been rated as having strong risk management in place: it has introduced robust ESG programs, practices and policies to effectively control and mitigate existing risks. In the area of sustainability, it should be noted that in 2022, ALTEO won the Deloitte Green Frog Award, given to the best sustainability report in Hungary.

In February 2022, based on its 2021 performance, the Issuer won 3 awards at the Best of BSE Awards. 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.

In June 2022, Scope Ratings GmbH carried out the annual review of the credit rating of the Company's bonds issued in 2019 and 2020 as part of the Bond Funding for Growth Scheme, as a result of which the credit rating of the bonds was maintained, in other words bond rating was confirmed at BBB-.

6.2 Revenue

The ALTEO Group's Revenue amounted to HUF 37.9 billion, an increase of 92%, or HUF 18.2 billion, relative to H1 2021. The revenue growth was attributable to several proposed investment projects, as follows:

- Revenue growth was predominantly realized in the Heat and Electricity Generation segment, driven mainly by a sharp rise in electricity prices, increasing capacity and regulatory revenues, higher heat feed-in tariffs, and a dynamic growth in revenues associated with the RPM business, which had been limited in the base period. Management stability in the segment

was strongly enabled by the gas engine capacity expansion projects and electricity storage facilities realized in previous years. Active exploitation of the market volatility which began in the second half of 2021 and reached an extreme level in 2022 had a positive effect on profitability, but this is not expected to be sustainable in the long term.

- Revenues from the Energy Retail segment increased significantly. At the same time as energy prices increased compared to the base period (apparent in both the revenue and material expenses lines), a portfolio optimization was performed as a result of changed world market conditions, leading to a significant volume reduction but, at the same time, also to a higher electricity revenue and margin level.

6.3 Expenses related to operation

The particularly high revenue growth of HUF 18.2 billion (+92%) was accompanied by a HUF 11 billion (+100%) increase in **material expenses**. The relationship between revenue and material expenses was affected by the following management factors:

Compared to the base, the revenue growth achieved on the structured electricity market is coupled with an increase in material expenses that is higher in percentage, but lower in value. The growth is primarily attributable to higher gas costs in accordance with world market trends, which is typically associated with activities with a higher margin (capacity and regulatory market).

The commercial segment is characterized by revenue growth being accompanied by a significant increase in COGS, the level of which, however, is below that of the revenue growth.

As for our electricity production plants selling electricity within the subsidized system, material expenses increased more than the revenue growth, primarily due to the increased costs of scheduling and balancing energy.

The 15% (HUF 0.3 billion) rise in **personnel expenses** fundamentally reflects the impact of staff expansion, wage increases, and the Remuneration Policies launched in the framework of the Employee Share Ownership Programs

The reduction in **depreciation and amortization**, amounting to 11% (HUF 0.2 billion), is due to a impairment of about HUF 340 million recognized with respect to two wind farms owned by ALTEO in the first half of 2021. The adjusted difference is due to the depreciation of transferred assets.

The balance of **other revenues, expenses, net** shows a HUF 1.3 billion increase in expenses. As far as other expenses are concerned, there is a notable increase resulting from higher world prices for CO₂ emissions quota, while the Retail segment has seen the introduction of a new item with the Energy Efficiency Obligation Scheme (EKR) fee. The value of the periodic fee payable by producers under the METÁR system to compensate for the difference with the market price is also recognized here.

6.4 Operating profit/loss, EBITDA

The ALTEO Group's operating profit in H1 2022 amounted to HUF 9.8 billion, while its EBITDA stood at HUF 11.8 billion.

6.5 Finance income

Net financial income increased by HUF 209 million. During the reporting period, the Issuer was not adversely affected by the significant changes in the interest rate environment compared to the base period, thanks to fixed interest rates on long-term liabilities. Costs were mitigated

by interest from liabilities repaid in the intervening period. The interest revenue realized on available cash balances significantly exceeded the previous year's figure.

6.6 Profit or loss after taxes

The ALTEO Group's profit after taxes in H1 2022 amounted to HUF 8 billion on the consolidated level. The H1 2022 profit after taxes of the ALTEO Group was 186% higher than in the comparative period of 2021.

6.7 Non-current assets

The value of non-current assets decreased by HUF 0.43 billion. There were no major individual investments in the current period, the decline can be attributed to recognized depreciation and amortization.

6.8 Current assets

Current assets of HUF 5.8 billion represent a 20% increase compared to the 2021 closing value.

The 114% increase in the portfolio of cash was a major component in the changes of current assets. The ALTEO Group plans to use the cash mostly for investments and capital expenditures.

Within current assets, trade receivables amounted to HUF 5.8 billion, while other receivables, accrued income and deferred charges stood at HUF 6.4 billion; in aggregate, with their consolidated portfolio dropping by HUF 1.4 billion. The decrease is attributable to natural seasonal fluctuations.

The HUF 1.2 billion portfolio of emission allowances represents a 47% decline, which is the result of the performance of the annual return obligation of the CO₂ quota and its de-recognition.

Other financial assets from the valuation of forward transactions closed at HUF 12.7 billion, with a HUF 4 billion increase in asset value. The significant change in the balance is attributable to the differences between the revaluation of hedging derivative transactions outstanding on the reporting date as well as the change in positions on the reporting date.

6.9 Liabilities

The equity of the ALTEO Group showed a HUF 10.3 billion increase in H1 2022. The growth of equity resulted from the profit of 2022 and the effects of hedging transactions.

The amount of provisions decreased by HUF 47 million.

Deferred tax liabilities increased by HUF 359 million as a result of the mechanism introduced to offset the income tax effect of different depreciation rates and other items of taxation and accounting between years.

Under other long-term liabilities, a change in liabilities was recognized at HUF 474 million. A major element of the change was the HUF 139 million stated for the Remuneration Policies launched within the framework of the Employee Share Ownership Program in 2022–2023, as well as an amount of HUF 102 million recognized for the Remuneration Policies for 2022–2024.

ALTEO NKP/2029 On October 24, 2019, the parent company within the Group issued bonds designated as "ALTEO NKP/2029" with a total face value of HUF 8.6 billion. The average

issue value of the bonds was 102.5382% of the face value. The bonds have a fixed rate coupon of 3.15% and the maturity is 10 years.

ALTEO NKP1/2031 On October 8, 2020, the parent company within the Group issued bonds designated as “ALTEO NKP1/2031” with a total face value of HUF 3.8 billion. The average issue value of the bonds was 102.9605% of the face value. The bonds have a fixed rate coupon of 2.45% and the maturity is 11 years. The ALTEO Group’s long-term liabilities increased by 2% (HUF 0.6 billion).

Long-term finance lease liabilities rose by HUF 35 million to HUF 1.723 million. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line. The liabilities relating to the right of lease of the land belonging to the wind turbines of the Bőny and Bábolna wind farms, as well as the new liabilities arising from the renewal of the right of use of the land belonging to the Zugló and Kazincbarcika heat power plants, and liabilities relating to the rights of use of other leased property, office space and vehicles.

Short-term liabilities declined by a total of HUF 5.4 billion.

The most important element in the decline was the pay-out of bond payables due within a year. Short-term loans and borrowings showed a balance of HUF 0.5 billion. The cumulative amount of trade payables and other short-term liabilities and accruals decreased by HUF 3.7 billion in comparison to the previous year. On account of the seasonality underlying the ALTEO Group’s activities, the portfolio of trade payables and related accruals is lower in the end-of-year winter period than in the summer.

6.10 Cash Flow

The ALTEO Group closed the first six months of 2022 with a cash increase of HUF 4.1 billion. The ALTEO Group’s business activities generated HUF 10.1 billion of incremental funds, while investment projects used HUF 1.3 billion of cash.

6.11 Information concerning the Issuer’s existing, ongoing and proposed capital projects and investments

(i) Investments

During the period, the Issuer focused on the preparation of significant investment projects, most of which will be completed in H2 2022 and H1 2023. As a result of the market situation, the level of long-term deposits has increased compared to the preceding period, which compensated for the decrease caused by the amortization of non-current assets.

(ii) Acquisition

The Issuer acquired 100% of the business stake of EDELYN SOLAR. As a result, ALTEO is expected to start the development of a solar power plant with a capacity of nearly 20MW, near Tereske, in the first half of 2023, after obtaining the necessary permits and approvals. Additionally, in July 2022 the Company signed a share purchase contract for the acquisition of a stake of over 75% in Hungarian-owned FE-GROUP. The transaction was closed on September 9, 2022. A 24.9% minority share in FE-GROUP was acquired by Kék Bolygó Klímavédelmi Kockázati Tőkealap, a venture capital fund which will exercise joint ownership with ALTEO. As a result of the transaction the waste management activities of the ALTEO Group will become significantly more integrated. In addition to paper, metal and electronic waste acceptance and recycling, FE-GROUP is engaged in complex waste management activities, with a revenue of over HUF 3 billion in 2021. The company has been active in waste processing

since 1994, and has ample comprehensive and integrated experience in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent.

(iii) High-volume or long-term trade and business arrangements

The Issuer 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 as amended from time to time 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 this contract was signed 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 contract, in accordance with the terms and conditions therein, the Issuer will operate and maintain the power plant and steam boiler owned by BC-Erőmű Kft. until December 31, 2036.

Concerning the Operation and Maintenance Contract (hereinafter: "Contract") concluded between them on October 6, 2022, ALTEO and BC Power Energiatermelő II Korlátolt Felelősségű Társaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1; company registration number: Cg.05-09-030222; tax number: 26142445-4-05, hereinafter: "BC Power") have come to an agreement that the long-term (14 years, contract expires on December 31, 2036) operation and maintenance tasks of the small-scale gas turbine cogenerated heat and electricity producing power plant – with an electrical capacity of 49.9 MWe – implemented as an investment project of BC Power will be carried out by ALTEO, with the related contract signed on October 6, 2022.

ALTEO-Therm and Barcika Szolg Vagyonkezelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-3700 Kazincbarcika, Munkácsy tér 1; company registration number: Cg. 05-09-001817; tax number: 10697180-2-05) and the Municipality of Kazincbarcika agreed with regard to the contract for district heat production, investment and long-term heat supply concluded on September 11, 2001, in effect until September 15, 2022, and other relevant contracts that, in order to continue their mutually beneficial long-term cooperation, they would conclude another long-term contract for heat supply for a term of 10 years following the expiry of their heat supply contract, and proceeded to sign this contract on October 21, 2021. Pursuant to the newly signed contract and in accordance with the terms and conditions therein, ALTEO-Therm will supply Barcika Szolg Kft. with heat until September 30, 2032.

6.12 Presentation of capital resources in the short and long term (equity, level, term and type of borrowings, EU and government grants)

The Issuer uses both equity and debt to optimize its operations and maximize shareholder value. The ALTEO Group pays attention to ensure that it creates value for its shareholders and thus it uses the least possible volume of equity due to the high return required, while it also strives to curb its indebtedness so that extreme levels of borrowings do not endanger the functioning of the ALTEO Group. In addition, the Issuer strives to have the majority of its loans in the long-term category. On June 30, 2022 the Issuer had equity of HUF 29.257 billion, long-term loans, bonds and leases of HUF 20.748 billion in total, and short-term loans, bonds and leases of HUF 0.684 billion.

Government grants

The surplus revenue from the electricity sales of the Issuer's Subsidiaries engaging in electricity production and belonging to the subsidized KÁT or METÁR regimes qualifies a government grant; such surplus results from the use of guaranteed tariffs in excess of the current market price.

The ALTEO Group was awarded a HUF 500 million grant by the National Research, Development and Innovation Office in 2018. The grant allowed the implementation of a research and development project which explored energy storage as well as its combination with the more predictable use of weather-dependent energy sources. The electricity storage facility of the ALTEO Group, described above, was created as a result.

In November 2021, a battery electricity storage facility started operation, implemented with the grant awarded to the Issuer under the call concerning Combined Loan Facility Product for Supporting the RDI Activity of Companies under the Economic Development and Innovation Operational Program identified as GINOP-2.1.2-8-1-4-16. The total project cost amounted to HUF 1.05 billion, for which the Issuer was awarded HUF 227.84 million in non-refundable and HUF 249.68 million in refundable loan-type support. In addition to participating in frequency regulation for the electricity system, the purpose of the energy storage facility—innovative in both design and implementation with a focus on 21st century technical solutions—is to promote the market-based integration of renewable energy sources, particularly weather-dependent wind and solar power plants.

In December 2021, the Issuer informed Investors that it has submitted a grant application in a consortium with the Alfréd Rényi Institute of Mathematics to tender notice code number 2020-1.1.2-PIACI KFI, entitled "Support for Market-driven Research & Development and Innovation Projects", which was announced by the National Research, Development and Innovation Office. The Ministry of Innovation and Technology has found the grant application "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, and the project was awarded a grant of more than HUF 400 million, of which the Issuer's share is HUF 300 million. This illustrates the Issuer's commitment to innovation. The aim of the project is to develop a highly automated, artificial intelligence-based energy engineering IT system capable of making autonomous generation and commercial decisions to manage and optimize "smart" electricity generation in power plants.

6.13 Issue of securities

With its Resolution No. 3/2022 (IV. 20.), based on the authorization granted by Resolution No. 13/2019 (IV. 26.) of the General Meeting, the Board of Directors of the Company decided to launch the process of increasing the share capital of the Company by adding New Shares in a private placement as per Section 14 of the Capital Market Act. In the framework of the Private Placement, the Company offered the shares to one investor only, the ALTEO ESOP Organization, in view of the Company's intention to provide the ALTEO ESOP Organization with the amount of ALTEO ordinary shares necessary to implement the Remuneration Policies for years 2024 and 2025, adopted by the Company as founder on the same day. Accordingly, during the Private Placement process the Board of Directors designated the ALTEO ESOP Organization to receive all New Shares, and excluded the shareholders' subscription rights and any preferential rights for the New Shares.

Taking into account the preliminary statement of commitment submitted during the Private Placement, the Board of Directors set the issue price of New Shares at HUF 2,085 (i.e. two thousand and eighty-five forints). Accordingly, the Board of Directors decided to issue a total of 545,200 New Shares, and set the amount of the capital increase at HUF 6,815,000 (six million eight hundred and fifteen thousand forints) at face value.

The ALTEO ESOP Organization has fulfilled its preliminary commitment in accordance with the conditions defined by the Board of Directors, and provided the full consideration for the total of 545,200 New Shares issued during the Private Placement in accordance with the requirements; consequently, the Company's share capital, as registered in the company register, was raised to HUF 249,143,425.

The New Shares were created on May 19, 2022 under an independent ISIN code (ALTEO22 shares; ISIN code: HU0000196902), given that these New Shares were not eligible for dividend for year 2021. After dividends for 2021 have been paid – eliminating the difference in nature between the New Shares and the ordinary shares of ALTEO Nyrt. –, on July 29, 2022 the New Shares were converted into ordinary shares of ALTEO Nyrt. in a proportion of 1:1 (ISIN code: HU0000155726).

6.14 Bonds repaid

On January 10, 2017, the Issuer issued a zero coupon bond with a total face value of HUF 650,000,000 (ISIN code: HU0000357405, name: ALTEO 2022/I). On January 10, 2022, the ALTEO 2022/I bonds were repaid in full.

On June 7, 2019, the Issuer issued a zero coupon bond with a total face value of HUF 1,693,630,000 (ISIN code: HU0000359005, name: ALTEO 2022/II). On June 7, 2022, the **ALTEO 2022/II bonds were repaid in full.**

6.15 Other material events

In accordance with its announcement made on September 22, 2020, in the future the Issuer wishes to provide scheduling and production management services to its partners commercially, on a larger scale; such services will be performed by Sinergy Energiakereskedő, the Company's subsidiary. The ALTEO Group, owing to its own Virtual Power Plant consisting of power stations it owns or operates and an electricity storage facility, as well as its AI based solutions, has all the assets and competences that have made it a key actor on the Hungarian market and may allow it to become one of the most significant aggregators in the country. Relying on that experience, Sinergy Energiakereskedő offers a simple arrangement and provides services, for a fixed fee, to KÁT-eligible weather-dependent electricity producers as well as those that are no longer eligible, and to power stations performing test runs and to producers with premium authorization (METÁR). Sinergy Energiakereskedő also offers other related management and administrative services (such as regulatory reporting, system operator's administration).

On June 27, 2022, the payment of the dividend for the financial year 2021, approved by the General Meeting of the Issuer on April 19, 2022, commenced. The amount of the dividend paid is HUF 103 gross per share.

7. OWNERS, EXECUTIVES, EMPLOYEES

7.1 Name and position of the members of the administrative, management and supervisory bodies (management, Management Board, BoD, SB, Audit Committee, other relevant committees or bodies, if any) as well as of key employees; their brief introduction, any proceedings implemented against them in the past 3 years regarding their professional activities and the outcome thereof;

7.1.1 Board of Directors

Name	Position	Start of membership in the Board of Directors	Termination of membership in the Board of Directors
Attila László Chikán	Member of the Board of Directors, CEO	March 19, 2008	April 30, 2025
Domonkos Kovács	Member of the board of directors	May 1, 2011	April 30, 2025
Zsolt Müllner	Member of the board of directors	January 27, 2015	April 30, 2025
Gyula Zoltán Mező	Chairman of the Board of Directors	November 10, 2015	April 30, 2025
Ferenc Karvalits	Member of the board of directors	April 19, 2016	April 30, 2025

Attila László Chikán, has been the CEO since the foundation of the Issuer in 2008. Prior to that, he worked as a financial and investment analyst, holding different positions. He received his degrees from the University of Economics of Budapest (now Corvinus University of Budapest) and the College of Foreign Trade (now a part of Budapest Business School). The CEO, who is active in issues on sustainability, is the president of the Business Council for Sustainable Development of Hungary and has also been the chairman of the Supervisory Board of AutoWallis Nyrt. since December 2018. He has been a member of the Supervisory Board of UNICEF Hungary since October 2019. He is a board member of the Sustainability Section of the Hungarian Economic Association and a member of the Supervisory Board of Kék Bolygó Klímavédelmi Befektetési Alapkezelő Zrt. He is a member of the Presidential Committee on Sustainable Development of the Hungarian Academy of Sciences.

Domonkos Kovács has close to 30 years of experience in investment analysis, acquisition and capital markets. He graduated from the Faculty of Finance of the University of Economics of Budapest (now Corvinus University of Budapest) in 1993. After graduation he worked for 7 years in the Corporate Finance Department of CAIB Értékpapír Rt. where he was involved in many IPO and acquisition advisory projects. From 1997, he was the Director of the Corporate Finance Department at CAIB. He was the Investment Analysis Director of the Majority Owner from 2000 and then became Head of Controlling of the Majority Owner's group 2005. He was Director for Valuation & Modelling at the Financial Advisory Department of Deloitte Zrt. between April 2008 and March 2011. From March 2011, he is the Investment Director of the Issuer and an executive officer also responsible for the project management of the capital market transactions of the Issuer. On February 19, 2018 he became the Deputy CEO of the Company performing the duties of the capital market and M&A Director of the Company in that position.

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

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

Apart from the position held at the Issuer, **Gyula Zoltán Mező** is at present a Member of the Board of Directors of Graboplast Zrt. and FoxPost Zrt., and Managing Director of – among others – WALLIS Portfolió Kft., DAYTON-Invest Kft. and DAKRON-Invest Kft. Over the past 14 years, he has served as CFO of WALLIS ASSET MANAGEMENT Zrt. , and before that was a Finance Director at Citibank for eight years. He has a diploma in electrical engineering and engineering economics.

Ferenc Karvalits became a banker in 1990. from 1996 he was the Head of the Banking Department of the Central Bank of Hungary and moving on to hold the positions of Managing Director and a Member of the Board between 1998 and 2001. After that, he became Deputy CEO at Wallis Zrt. until 2002. Between 2002 and 2005, he was a Member of the Board of Directors there, while holding the position of co-CEO at CIB Bank. In April 2005, he became a Member of the Board of Directors of FHB Bank and then Chairman of the Bank in September. Between 2007 and 2013 he was the Deputy Governor of the Central Bank of Hungary and the Member of the Monetary Council. He has been the Strategic Director of WALLIS ASSET MANAGEMENT Zrt. from 2013.

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

7.1.2 Supervisory Board

Name	Position	Start of membership in the Supervisory Board	Termination of membership in the Supervisory Board
István Bakács	Chairman of the Supervisory Board	August 31, 2010	April 30, 2025
Dr. János Lukács	Member of the Supervisory Board	August 31, 2010	April 30, 2025
Dr. István Borbíró	Member of the Supervisory Board	August 31, 2010	April 30, 2025
Péter Jancsó	Member of the Supervisory Board	August 31, 2010	April 30, 2025
Attila Gyula Sütő	Member of the Supervisory Board, delegated by the Works Council	April 30, 2020	April 30, 2025

István Bakács is the chairman of the Issuer's Supervisory Board. Currently advisor to the President-CEO of MVM Zrt. Senior manager of ACCENTURE Kft. between 2011 and 2014. Previously he was a Member of the Board of Directors of E.ON Hungária Zrt., entitled to use the title of Deputy CEO, between 2001-2010. In this position, he was responsible for the management of the energy production, trading and sales areas. He was Director for Development and Strategic Director at Magyar Villamos Művek Zrt. between 1994 and 1998, and then its CEO between 1998 and 2000. He was chairman of the Board of Directors of Paksi Atomerőmű Rt. between 1992-1994, and of Tiszai Erőmű Rt. between 1994-1996. He held various executive positions at Paksi Atomerőmű and Erőmű Beruházási Vállalat from 1977 to 1989. He has a qualification in Engineering and Physics, having earned his degree at the Moscow University

of Energy Technology in 1974. István Bakács has held various management positions in a number of companies attached to the E.ON Group over the past ten years. He was a member of MVM Zrt.'s Board of Directors between 2015-2018. Currently, he is a member and Managing Director of CADENZIA Kft. He is the chair of EURELECTRIC's Hungarian Division and a member of the Board of Directors of EURELECTRIC (Brussels). He has been carrying out professional and social activities as chairman of the Hungarian Scientific Society of Energy Management between 2001 and 2022.

Prof. Dr. János Lukács, CSc in Economics, Head of the Department of Financial Accounting at the Corvinus University of Budapest. He received his economist/teaching degree from the legal successor of this institution in 1983. He is a certified auditor and tax advisor. Chairman of the Chamber of Hungarian Auditors. Mr. Lukács is the chairman of the Supervisory Board of Széchenyi Kockázati Tőkealap-kezelő Zrt., member of the Supervisory Board of Városi Alapkezelő Zrt. as well as a member of the Audit Committee of Aranykor Voluntary Pension Fund. He chaired MOL Nyrt.'s Supervisory Board between 1999 and 2002.

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

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

Attila Sütő graduated as a BSc from the Chemical Industry Automation College of the Technical University of Heavy Industries, after which he earned another degree as a Maintenance Planning Production Engineer at the Dunaújváros Faculty of Western Hungary University, followed by an HSE Engineer degree from the Budapest University of Technology and Economics. He began his professional career at MOL Nyrt.'s legal predecessor, where he had worked for 18 years, five of these in the Ukraine. He joined the Issuer on May 1, 2015 as an Occupational and Fire Safety Manager. Mr. Sütő was elected to ALTEO Nyrt.'s Works Council during the 2019 elections where he was elected chairman and became member of the Company's Supervisory Board as the representative of employees in April 2020.

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

7.1.3 Top management

Name	Position	Start of top management position	End of top management position
Attila László Chikán	Member of the Board of Directors, CEO	March 19, 2008	Indefinite
Domonkos Kovács	Deputy CEO for M&A and Capital Markets, member of the Board of Directors	May 1, 2011	Indefinite
Péter Luczay	Deputy CEO for Production Management and Business Development	March 8, 2017	Indefinite
Viktor Varga	Deputy CEO for energy production and energy supply	January 1, 2018	Indefinite
Zoltán Bodnár	CFO	February 19, 2018	Indefinite
Anita Simon	Deputy CEO for Sustainability and Circular Economy	June 1, 2021.	Indefinite

The CVs of Attila László Chikán and Domonkos Kovács are available in Section 7.1.1 above.

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

Viktor Varga is the Issuer's Deputy CEO for Energy Production and Energy Supply. In addition to his positions held with the Issuer and the Subsidiaries, he is a shareholder and managing director of SUNSET Ingatlan Kft. He started his career in the chemical industry, after which he amassed considerable experience in the fields of commissioning, operation and maintenance of power plants. He earned his technical degree at the Electric Engineering Faculty of Kandó Kálmán Technical College, his MBA at the Budapest University of Technology and Economics, and his degree as energy management specialist at Corvinus University.

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

Anita Simon is the Issuer's Deputy CEO for Sustainability and Circular Economy. After starting her career in agriculture and the feed industry, where she gained experience in foreign trade and purchasing, she switched to the environmental industry 15 years ago. She has extensive experience in waste management, and while her main area of expertise is the recovery and trade of organic material generated in biogas plants, she is also known as an expert of other waste streams. From 2009 to 2010, she represented Hungary in the organic waste area of FEAD in Brussels on behalf of the Association of Environmental Service Providers and Manufacturers

(AESPM). At ALTEO Group, she is responsible for sustainability and circular economy. Her key tasks include implementation of the ESG-based approach and the principles of sustainability in the business decisions of ALTEO, supporting the operation of the e-mobility division, and management of the waste management division.

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

7.1.4 Audit Committee

Name	Position	Start date of Audit Committee membership	End date of Audit Committee membership
István Bakács	Chair of the Audit Committee	August 31, 2010	April 30, 2025
Dr. János Lukács	Audit Committee member	August 31, 2010	April 30, 2025
Dr. István Borbíró	Audit Committee member	August 31, 2010	April 30, 2025

In the past 3 years no proceedings were initiated against members of the administrative, management or supervisory bodies or key employees with regard to their professional activities.

7.2 Parties holding a capital share or voting right

The Majority Shareholder owns 61.56% of the Issuer's shares, and controls the Issuer by virtue of this controlling interest. Current Board of Directors members, Supervisory Board members and executive employees hold an additional 4.6% of the Shares. The fact that most Supervisory Board and all Audit Committee members are independent serves to counterbalance the Majority Shareholder's control.

Ownership structure	Ownership ratio based on Shares
Majority Shareholder	61.56%
Free float	32.25%
Own shares	0.03%
ALTEO ESOP Organization	5.81%
Total:	100.00%

To the Issuer's knowledge, only the Majority Shareholder and the ALTEO ESOP Organization holds a stake reaching or exceeding 5% in the Issuer.

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

7.3 Different voting rights

The Issuer has issued no shares entitling the holder to different voting rights.

8. FINANCIAL INFORMATION

- 8.1** The audited separate financial report for 2021 (including the business report and other attachments), and the related Auditor's Report is attached to this Basic Information Memorandum as Annex 3, and the consolidated annual financial report for 2021 and the related Auditor's Report, as Annex 4.
- 8.2** The Issuer's report on H1 2022 is attached as Annex 5 to this Basic Information Memorandum.

9. ONGOING JUDICIAL, ARBITRATION OR OTHER REGULATORY (E.G. TAX-RELATED) PROCEEDINGS INVOLVING A VALUE IN EXCESS OF 10% OF EQUITY

There are no such proceedings in progress.

10. RELEVANT AGREEMENTS

The Issuer has no knowledge of any substantial contract concluded outside the scope of the general business activity pursuant to which any member of ALTEO Group would have a liability or an entitlement which would affect the Issuer's ability to perform its obligations in respect of the Bonds towards the Investors.

11. INFORMATION ON THE ISSUE

11.1 Reasons for the offer and the use of the proceeds

The Issuer will use the funds raised primarily to fund investments into energy projects, to achieve its growth objectives, to meet its working capital needs and to build up reserves. The Issuer intends to use a part of the funds raised under the bond scheme to finance climate-friendly green investments and, as such, green bonds may be issued during the term of the scheme's. The Green Framework for this type of bonds and the related independent rating (Second Party Opinion) will be available on the Issuer's website in due course.

11.2 The planned financial cover for obligations based on the bond

The planned financial cover for the payment obligations based on the Bond is provided by the permanent free cash flow generated by the Issuer and available at all times.

12. INFORMATION CONCERNING THE SECURITIES (“BOND TERMS”)

The Bond Terms are set out in the Final Terms and Conditions relating to the given Placement. This Basic Information Memorandum is to be read in conjunction with the related Final Terms and Conditions.

In compliance with Section 7(2) and Section 9(1) of the Capital Markets Act, the Issuer issues and deposits with KELER a document that is not treated as a financial instrument (hereinafter: “**Document**”) containing the terms and particulars of the Bond. The Document remains in deposit at KELER or, if applicable, its legal successor until such time when all the claims of the Bondholders arising from the Bond are satisfied. A draft of the Document (proposed text of the Bond) is contained in Annex 1 to the related Final Terms and Conditions.

13. OTHER KEY INFORMATION

The Issuer is not aware of any other key information.

14. AUCTION PROCEDURE AND ALLOCATION

In Section 5(1)5 of the Capital Markets Act, auction is defined as a method of placement where the Issuer provides an opportunity for making offers subject to the conditions specified by it, and where the counter-offers received compete according to specific criteria.

The Issuer sells the Bonds by way of an offer to the public of securities without the obligation to publish a Prospectus, in an auction with a non-public order book organized by the Distributor (hereinafter: “**Auction**”) through the so-called auction module, a part of the MMTS1 Trading System operated by the BSE (hereinafter: “**Auction Trading System**”), as described in this Chapter.

The contents of this Chapter are in line with the provisions of Resolution No. 300/2022 of the Executive Officer of the Budapest Stock Exchange issued on February 30, 2022 “on the trading rules regarding the auction board in the MMTS1 Trading System effective as of February 1, 2022” (hereinafter: “**BSE Auction Rules**”).

Considering that the Auction Trading System may be used only by members of the Exchange and persons with access to the Auction Trading System, the offer for the sale of the Bonds to be sold is made, on behalf of the Issuer, by the Distributor’s contributor that is a member of the stock exchange, i.e. Erste Befektetési Zrt. (registered office: 1138 Budapest, Népfürdő utca 24-26. 8. em.; company registration number: Cg.01-10-041373; tax number: 10361966-4-44) as a bidder at the auction (hereinafter, any reference to the Distributor includes such contributor as well).

At the Auction, auction counter-offers may be made on behalf of potential Investors only by the Distributor.

Detailed rules relating to the Auction procedure and the allocation are set out in the related Final Terms and Conditions.

15. DOCUMENTS TO BE VIEWED

Documents to be viewed:

The following electronic documents (or their copies) can be viewed on the Issuer's website, www.alteo.hu (no information published on the website (except for information incorporated by reference via a link) constitutes a part of this Basic Information Memorandum or has been verified and approved by the competent authority):

- (a) https://bet.hu/newkibdata/128720041/ALTEO_ASZ_20220421_signed.pdf
- (b) the Issuer's Articles of Association;
- (c) the Rules of Procedure of the Board of Directors;
- (d) the Rules of Procedure of the Supervisory Board;
- (e) the Rules of Procedure of the Audit Committee;

Documents incorporated by reference (available at <https://investors.alteo.hu/>, or in the annexes to this Information Memorandum):

- (f) The Issuer's audited, IFRS-based consolidated report for the 2021 financial year;
- (g) The Issuer's report for H1 2022

16. DEFINITIONS

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

Accounting Act	Act C of 2000 on Accounting;
ALTE-A	ALTE-A Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-901186);
ALTE-GO	ALTE-GO Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-998498);
ALTEO Energiakereskedő	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-10-047253);
ALTEO ESOP Organization	the ALTEO Employee Share Ownership Program Organization;
ALTEO Group	the Issuer and the Subsidiaries together;
ALTEO-Depónia	ALTEO-Depónia Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-906261);
ALTEO-Therm	ALTEO-Therm Korlátolt Felelősségű Társaság (formerly Győri Erőmű Kft.), fully owned by the Issuer (registered office: H-1033, Kórház utca 6-12; company registration number: Cg. 01-10-047253);
Articles of Association	the Articles of Association of the Issuer effective as of April 21, 2022, in a consolidated structure with amendments;
Audit Committee	the Issuer's Audit Committee;
Audit Committee Procedure	procedures of the Issuer's Audit Committee effective from March 24, 2017;
Bankruptcy Act	Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings;
BGS	The Bond Funding for Growth Scheme launched by the Central Bank of Hungary, the details of which are available on the website of the Central Bank of Hungary;
Board of Directors	the Issuer's Board of Directors;
Board Procedures	rules of procedure of the Issuer's Board of Directors effective from June 15, 2020;

Bond Decree	Government Decree no. 285/2001 (XII. 26.) (or any other piece of legislation amending or replacing it);
Bonds	the registered dematerialized securities representing the payment obligation of the Issuer (debt securities) issued under the 2022/2023 issuance scheme, with the exact names set out in the Final Terms and Conditions drawn up for the given Placement;
BSE or Budapest Stock Exchange	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (registered office: H-1013 Budapest, Krisztina körút 55; company registration number: Cg. 01-10-044764);
Capital Markets Act	Act CXX of 2001 on the Capital Market;
CEEAG	Communication from the Commission – Guidelines on State aid for climate, environmental protection and energy (2022/C 80/01)
Central Bank of Hungary	the Central Bank of Hungary (Magyar Nemzeti Bank);
Civil Code	Act V of 2013 on the Civil Code;
Clean Energy For All Europeans	revision of the EU’s energy policy framework, which entails eight pieces of legislation and/or draft legislation including the RED2 Directive (see: https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans);
Commission Guidelines on State Aid for Energy	Guidelines of the European Commission 2014/C 200/01 on State aid for environmental protection and energy 2014-2020;
Distributor	Erste Bank Hungary Zrt. (registered office: H-1138 Budapest, Népfürdő u. 24-26.);
Domaszék	Domaszék 2MW Naperómű Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-278226);
DVP	(Delivery versus Payment) A transaction defined in the effective regulations of KELER, whereby a specific security is debited to the security account in exchange for the crediting of the financial consideration to a cash account, in such a manner that the crediting and the debiting take place at the same time;
ECO-FIRST	ECO-FIRST Hulladék Kereskedelmi Korlátolt Felelősségű Társaság, 66% of which is owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-344380);

EDELYN SOLAR	EDELYN SOLAR Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-2183 Galgamácsa, Kiskút utca 11; company registration number: Cg. 13-09-218939);
EFET	European Federation of Energy Traders;
Electricity Act	Act LXXXVI of 2007 on Electricity;
Energy Efficiency Act	Act LVII of 2015 on Energy Efficiency;
Energy Efficiency Directive	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC;
ETS	The European Union's trading system for emission units (<i>EU Emissions Trading Scheme</i>);
ETS Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC;
EU ETS	The European Union's trading system for emission permits (<i>EU Emissions Trading Scheme</i>);
EURO GREEN ENERGY	EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-921340); into which the following companies also fully owned by the Issuer were merged as of July 1, 2022 (date of legal succession: WINDEO, e-Wind, HIDROGÁZ, Kazinc-BioEnergy, Tisza-BioEnergy and Tisza BioTerm;
European Climate Law	Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law');
European Commission	the European Commission, the executive body of the European Union;
e-Wind	e-Wind Szélenergetikai Korlátolt Felelősségű Társaság, fully owned by the Issuer, which merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
FE-GROUP	FE-GROUP INVEST Vagyonkezelő, Tanácsadó és Nagykereskedelmi Zártkörűen Működő Részvénytársaság, 75.1% of which is owned by the Issuer (registered office: H-1108 Budapest, Sírkert utca 2-4; company registration number: Cg. 01-10- 043873);

Final Terms and Conditions	The document containing the final terms and conditions / unique details of the various Placements under the 2022/2023 issuance scheme;
Government Decree implementing the Electricity Act	Government Decree no. 273/2007 (X. 19.) on the implementation of the Electricity Act;
Green Bond Framework	Green bonds differ from conventional bonds mainly in that they are used to finance investments that have some direct or indirect environmental or climate protection benefit. The basic type of green bond is the so-called 'Green Bond', whose funds can only be used for green economic activities that are acceptable according to international standards and taxonomies. In order to ensure sustainable objectives, green bond issuance requires additional documentation to set sustainable use targets before the bond issue, and to demonstrate the appropriate use of resources and the impact of environmental objectives after the issue, as opposed to a conventional issue. The Green Bond Framework is designed to set out these requirements and to ensure that the funds raised from the green bond are used for the appropriate purposes.
Greenhouse Gas Act	Act XV of 2005 on the Trading in Emission Allowances of Greenhouse Gases;
HAS	the Hungarian Accounting Standards;
HEPURA	the Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
HIDROGÁZ	HIDROGÁZ Energiatermelő Korlátolt Felelősségű Társaság, fully owned by the Issuer, and merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
HUF or forint	the Hungarian forint, the legal tender of Hungary;
HUPX	the organized Hungarian electricity market operated by HUPX Zrt.;
IFRS	International Financial Reporting Standards;
Investor	Investors, as defined in Chapter 14 (Auction Procedure and allocation), to whom the Basic Information Memorandum and the Final Terms and Conditions relating to the given Placement are delivered for the purpose of purchasing Bonds, including any person who makes a counter-offer in the Auction and any person who acquires Bonds at the Auction.
Issuer or Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-10-045985);

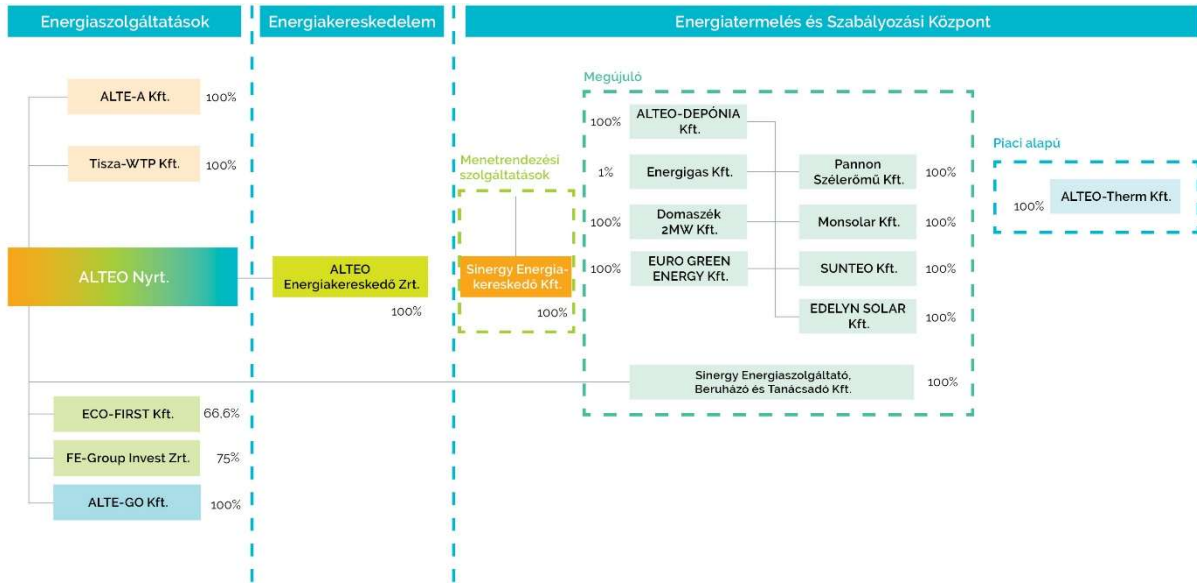
KÁT	electric power offtake system based on the provisions of the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII.23.) on the mandatory reception and reception price of electricity produced from renewable energy sources or waste and cogenerated electricity (repealed in the meantime);
Kazinc-BioEnergy	Kazinc-BioEnergy Korlátolt Felelősségű Társaság, fully owned by the Issuer, and merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
KELER	KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (registered office: H-1074 Budapest, Rákóczi út 70-72.; company registration number: Cg. 01-10-042346);
Majority Shareholder	WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529);
MAVIR	a MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság (registered office: H-1031 Budapest, Anikó utca 4.; company registration number: Cg. 01-10-044470);
METÁR	obligatory system of taking over heat energy and electricity generated out of renewable and alternative sources;
METÁR Amendment	Act LXXXVI of 2007 on Electricity, and Act LXXXII of 2016 amending Act XXIX of 2011 Amending Legislation on Energy;
METÁR Decree	Government Decree no. 165/2016 (VI. 23.) on the subsidies for the obligatory dispatch and premium type purchase of electricity generated from renewable sources;
Monsolar	Monsolar Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-291864);
National Climate Change Strategy-2	Hungary's second National Climate Change Strategy for 2018 to 2030 offering an outlook up to 2050, adopted by the Parliament in Parliament Decision no. 23/2018 (X. 31.) OGY;
New METÁR Decree	Government Decree no. 299/2017 (X. 17.) on the subsidies for the obligatory dispatch and premium type purchase of electricity generated from renewable sources;

New Shares	The 545,200 (that is five hundred forty-five thousand two hundred) Series ‘A’ dematerialized ordinary shares issued by the Issuer, with a face value of HUF 12.5 (that is twelve point five forints) each, and an issue value of HUF 2,085 (that is two thousand eighty-five forints and an aggregate issue value of HUF 1,136,742,000);
NTCA	the National Tax and Customs Authority;
Pannon	Pannon Szélerőmű Villamosenergia Termelő és Értékesítő Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-374969);
Paris Agreement	the international agreement adopted in the framework of the 21st conference of conference of the States Parties to the United Nations Framework Convention on Climate Change held in Paris between November 30 and December 11, 2015, ratified by the European Union on October 5, 2016;
Paying Agent	Erste Bank Hungary Zrt. (registered office: H-1138 Budapest, Népfürdő u. 24-26.);
Placement	the public offer – exempted from the obligation of publication of a prospectus – of Bonds under the 2022/2023 issuance scheme, implemented through an auction procedure;
Price Decree	Decree of the Minister of National Development no. 50/2011 (XI. 30.) NFM determining the price of distance heating sold to distance heating suppliers, and the fee for distance heating supply for household users and institutions handled separately;
Private Placement	a private placement of shares, where the shares are offered as part of a non-public placement.
Recent METÁR Amendment	Government Decree no. 393/2016 (XII. 5.) amending certain Government Decrees on energy efficiency and operating subsidies for electricity generated out of renewable sources;
RED Directive	Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC;
RED2 Directive	Directive (EU) 2018/2001 of the European Parliament and of the Council of December 11, 2018 on the promotion of the use of energy from renewable sources;
REMIT Regulation	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of October 25, 2011 on wholesale energy market integrity and transparency;
Remuneration Policies	the Remuneration Policies of the ALTEO Employee Share Ownership Organization for 2024 and 2025 together;

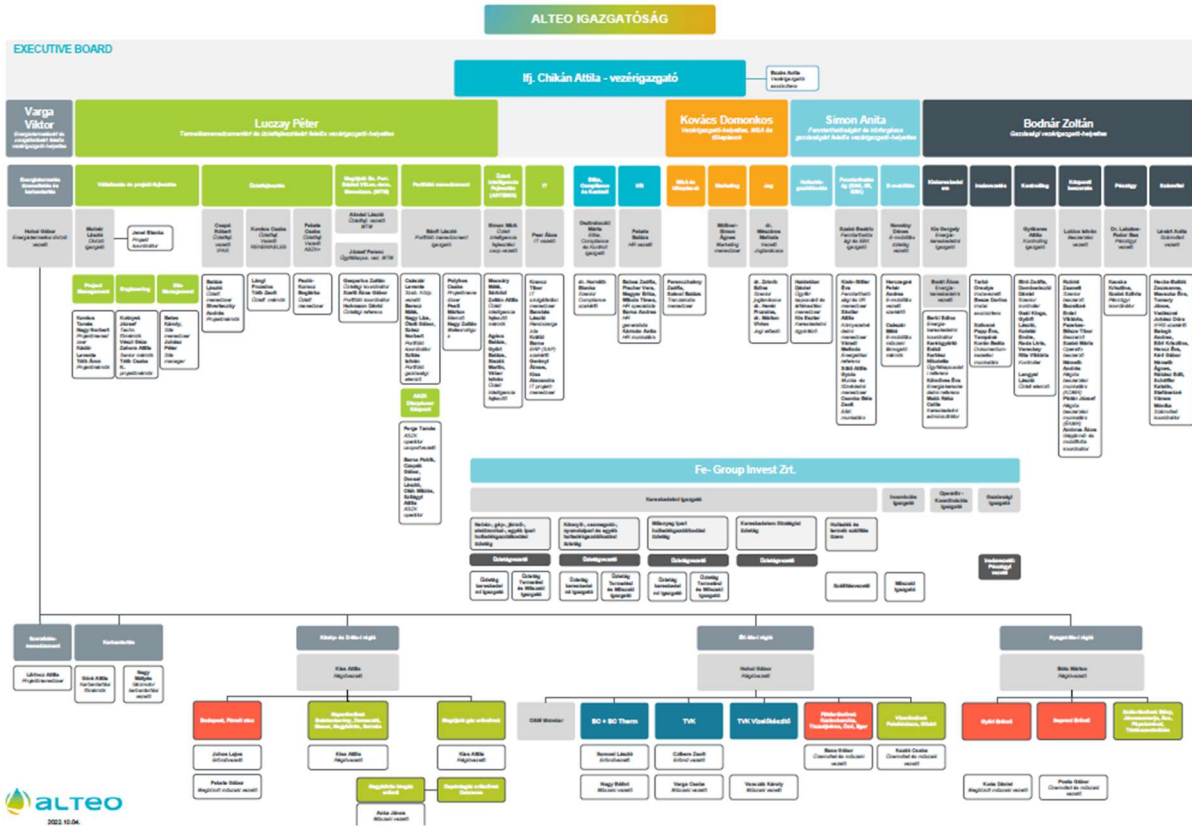
Retail SMP Decision	Decision no. 114/2009 of the HEPURA dated in April 2009, imposing obligations on licensees identified as having significant market power based on the market analysis conducted in electricity retail markets;
RPM Business	the name of the renewable production management business line;
Shareholder Group	the aggregate of business companies controlled directly or indirectly, via another company, by the Ultimate Private Individual Shareholder, whether independently or jointly, in which respect control will mean exercising more than 50% of voting rights in the main bodies of the business companies, and the right to appoint the majority of executive officers and members of the Supervisory Board;
Shares or Share	all or any of the series ‘A’ registered dematerialized ordinary shares issued by the Issuer at any time, each with a face value of HUF 12.5;
Sinergy	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-680396);
Sinergy Energiakereskedő	Sinergy Energiakereskedő Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-178667);
Subsidiaries or Subsidiary	all or any of the following companies owned by the Company: <ol style="list-style-type: none"> 1. ALTE-A; 2. ALTEO-Depónia; 3. ALTEO Energiakereskedő; 4. ALTEO-GO; 5. ALTEO-Therm; 6. Domaszék; 7. ECO-FIRST; 8. EDELYN SOLAR; 9. EURO GREEN ENERGY; 10. FE-GROUP; 11. Monsolar; 12. Pannon; 13. Sinergy; 14. Sinergy Energiakereskedő; 15. SUNTEO; and 16. Tisza-WTP.
Subsidy Decree	Decree of the Minister of National Development no. 51/2011 (IX. 30.) NFM on distance heating service subsidies;

SUNTEO	SUNTEO Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09- 997687);
Supervisory Board	the Issuer’s Supervisory Board;
Supervisory Board Procedures	rules of procedure of the Issuer’s Supervisory Board effective from September 6, 2010;
Tisza BioTerm	Tisza BioTerm Korlátolt Felelősségű Társaság, fully owned by the Issuer, and merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
Tisza-BioEnergy	Tisza-BioEnergy Korlátolt Felelősségű Társaság, fully owned by the Issuer, and merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
Tisza-WTP	Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság, fully owned by the Issuer (registered office: H-3580 Tiszaújváros, Ipartelep 2069/3.; company registration number: Cg. 05-09-009864);
Ultimate Private Individual Shareholder	Tibor Veres;
Virtual Power Plant	Sinergy Energiakereskedő’s activity, in the framework of which it organizes certain electricity generator units of the ALTEO Group in a system operation unit;
WINDEO	WINDEO Korlátolt Felelősségű Társaság, fully owned by the Issuer, and merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);

Annex 1 Subsidiaries of the Issuer



Annex 2 Organigram of the Issuer



Annex 3

The audited separate financial report for 2021 (including the business report and other attachments), and the related Auditor's Report

https://investors.alteo.hu/wp-content/uploads/2022/04/Alteo_2021_egyedi_penzugyi_Jelentes_auditalt_HU.pdf

Annex 4

the consolidated annual financial report for 2021 and the related Auditor's Report

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO-konsz_2021_HU_ESEF.pdf

Annex 5

The Issuer's report on the first half of 2022

https://investors.alteo.hu/wp-content/uploads/2022/08/ALTEO-konszolidalt-Manncom_0829.pdf