Semi-Annual Report of ALTEO Nyrt. and its Subsidiaries

for H1 2023

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Table of Contents

ALTEO Group’s Semi-Annual Report for H1 2023

Introduction

Pursuant to Act CXX of 2001 on the Capital Market, the Regulation of the Budapest Stock Exchange Ltd. on Regulations on Listing and Continued Trading (hereinafter: “**Regulation**”), Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: “**MF Decree**”), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: “**Company**” or “**ALTEO**”) has prepared and **hereby discloses *“The Management Report and Analysis” on the consolidated semi-annual profit and the consolidated Semi-Annual Interim Financial Statements for H1 2023*** (hereinafter collectively: “**Semi-Annual Report**”; the Company and the consolidated entities specified in Section 2.10 of the Semi-Annual Report are hereinafter referred to as “**Subsidiaries**”; the Subsidiaries and the Company hereinafter collectively: “**Group**” or “**ALTEO Group**”).

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

The data contained in the consolidated Semi-Annual Report of the Company for H1 2023 were not audited by an independent auditor.

The Semi-Annual Report of ALTEO Nyrt. and its Subsidiaries for H1 2023 contains the following reporting systems:

The Management’s report and analysis, executive summary

Interim consolidated condensed report according to IFRS 34

Statements of the issuer

1 The Management's report and analysis for H1 2023

The results registered in H1 2023 have confirmed ALTEO's strategy and recent successful investment projects. In 2023, sales revenue and net profit after tax of the Group continued to increase: the 55% increase in revenue was accompanied by a 10% increase in profit after tax. Consolidated EBITDA increased by 8% compared to the same period last year, mainly due to (i) the outstanding profitability of Heat and Electricity Generation and Management, positively supported under favorable market conditions by the commissioning of the new electricity-fired boiler and the ramp-up of the Renewable Production Management (RPM) business line. (ii) The Retail segment has repositioned itself in the wake of the dramatic price increases in the global market in the previous year, resulting in an outstanding contribution to the Group profit with a moderate risk portfolio.

Last year, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate, which assesses the company's environmental, social and governance impacts. In the current year, Sustainalytics reviewed the company's ESG rating, as a result of which ALTEO improved its overall result from the previous "High" risk level to "Medium".

On June 22, 2023, Scope Ratings GmbH carried out another annual review of the Company's credit rating on its bonds issued under the Bond Funding for Growth Scheme, as a result of which ALTEO as issuer was upgraded from BB+ to BBB- with a stable outlook, and its short-term debt rating was upgraded from S-3 to S-2. The rating agency also confirmed the BBB-rating of the bonds. Furthermore, the rating agency gave a positive ESG rating to the Company's business model on several points, including the fact that the planned 20 MW solar power plant project in Tereske will improve the Company's ESG rating.

ALTEO's strategy remains focused on circular economy and sustainability. In 2023, ALTEO strengthened its position with the following measures and acquisitions:

In May 2023, the acquisition of EDELYN SOLAR Kft., a project company for the construction of a solar power plant with a nominal capacity of 20 MW, was concluded. The project company has a valid grid connection permit, and this year it has obtained all the necessary permits and reached ready-to-build state, so the so-called post-closing conditions under the sale and purchase contract were fulfilled on May 4, 2023. On July 6, 2023, the Company received authorization from the Board of Directors for the implementation of the solar power plant with a nominal capacity of nearly 20 MW, as its own investment and construction project.

In the first half of 2023, ALTEO concluded a share purchase contract for the purchase of shares representing 100% of the share capital of Energikum Zrt., and for the purchase of the business quota representing 33% of the issued capital of ECO-FIRST Kft. Energikum Zrt. holds a 99% stake in Energigas

Kft., which is the owner of the biogas plant in Nagykőrös. The parties completed the closing conditions of the Energikum Zrt. share transfer agreement on May 25, 2023, in accordance with which the ownership of the acquired companies was transferred to ALTEO. Through the indirect acquisition of Energigas Kft., ALTEO acquired a biogas plant with a nominal electricity production capacity of 2 MW. The transaction further strengthened ALTEO’s position in the circular economy.

On May 17, 2023, the Company announced that a framework agreement was concluded with MOL Nyrt. pursuant to which ALTEO provides industrial and power plant rotary machine maintenance services to MOL and its Hungarian and foreign subsidiaries (in particular Slovnaft or INA), thus exploits the synergies of the cooperation between the two companies.

On June 29, 2023, FE-GROUP Invest Zrt. concluded a service contract with the winner of the domestic waste concession for a period of two years and an option to extend for another two years. The service contract with MOHU MOL Hulladékgazdálkodási Zrt. is for the collection, transport, storage and pre-treatment of waste. With this contract, the Group has joined a nationwide system of circular waste management based on modern recycling concepts.

In addition to the acquisitions, the Group is continuously working on further developing its Virtual Power Plant, including the enhancement of IT capabilities, as well as the development of energy storage and energy production capacities.

In parallel, in H1 2023 ALTEO adopted several remuneration policies in the framework of the previously launched Employee Share Ownership Program. The aim of the Employee Share Ownership Program is to increase the management and financial motivation of staff based on an ownership approach. In accordance with legal provisions, the objectives of the remuneration policies adopted are in line with the Company’s profitability, and thus share benefit programs have created a common system of interests for owners and employees.

The statutory public takeover bid procedure, headed by MOL RES Investments Zrt. as designated offeror, was closed on March 13, 2023, as part of which a valid declaration of acceptance was made in respect of a total of 2,438,442 ALTEO Nyrt. ordinary shares, representing 12.237% of the voting rights in ALTEO. In view of the change in majority ownership, the Board of Directors of ALTEO was also restructured on April 3, 2023. For details of the offer procedure, see Section 2.9 The Company’s details.

1.1 Executive summary of the operating profit or loss statement

The following section presents the analysis of the comparative data of ALTEO Group for H1 2022 and H1 2023.

Consolidated Statement of Profit or Loss				
data in HUF million	6/30/2023 non-audited	6/30/2022 non-audited	Change million HUF over previous year	Change % over previous year
Sales revenues	**58 854**	**37 988**	**20 866**	***55%***
Material expenses	(37 945)	(22 015)	(15 930)	*72%*
Personnel expenses	(3 731)	(2 526)	(1 205)	*48%*
Depreciation and amortization	(2 088)	(1 955)	(133)	*7%*
Other revenues, expenses, net	(4 708)	(1 796)	(2 912)	*162%*
Capitalized own production	296	157	139	*89%*
Impairment loss	-	-	-	*N/A*
Operating Profit or Loss	**10 678**	**9 852**	**826**	***8%***
Net financial income	384	(356)	741	*(208%)*
Profit or loss before taxes	**11 063**	**9 496**	**1 567**	***17%***
Income tax expenditures	(2 190)	(1 425)	(765)	*54%*
Net profit or loss	**8 873**	**8 071**	**802**	***10%***
Of which the owners of the Parent Company are entitled to:	*8 961*	*8 067*	*894*	*11%*
Of which the minority interest is entitled to:	(88)	4	(92)	*(2 324%)*
Base EPS (HUF/share)	**451,41**	**409,11**	**42,29**	**10%**
Diluted EPS (HUF/share)	**449,59**	**408,98**	**40,60**	**10%**
EBITDA*	**12 766**	**11 808**	**959**	***8%***

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

The Group's **Revenues** increased by **55%** i.e. **HUF 20.9 billion to HUF 58.9 billion**, as compared to H1 2022. Sales revenue growth was driven most strongly by the heat and electricity generation and management segment, where both electricity revenue reached significantly higher levels compared to the base period. The impact of these factors was further strengthened by the ramp-up of the Renewable Production Management (RPM) business line and the revenue of FE-GROUP Zrt. – consolidated in 2023 – which was acquired in H2 2022.

The particularly high revenue growth (+55%) represented a surplus income of HUF 20.9 billion, which was accompanied by a HUF 15.9 billion (+72%) increase in **material expenses**. Correlations between sales revenue and material expenses are mainly, but not exclusively, attributable to the following effects:

- Its primary source is the heat and electricity generation and management segment, which is in line with the growth in heat and electricity sales revenue.
- The growth of the Renewable Production Management business presented in the above segment.
- Material expenses of FE-GROUP Zrt., consolidated from October 2022 onwards and not incurred in the base period.

The 48% (HUF 1.2 billion) rise in **personnel expenses** fundamentally reflects the impact of staff expansion, wage increases, and the recently launched incentive programs.

The 7% increase in **depreciation and amortization** of HUF 0.1 billion is due to an extraordinary depreciation of HUF ~140 million due to a gas engine failure in June 2023.

The balance of **other revenues, expenses, net** shows a HUF 2.9 billion increase in expenses. The most significant item in other expenses is the extra profit tax introduced in the second half of 2022, which is still in force, and the Renewable Production Management's scheduling surcharge for power plants producing more than 1,000 MW in the scheduled KÁT system. The increase caused by the rise in the world market price of CO_2 quotas also further boosts the increase in other expenses for the year.

The operating profit of ALTEO Group in H1 2023 amounted to HUF 10.7 billion, while its EBITDA stood at HUF 12.8 billion.

Net financial income increased by HUF 0.7 billion. During the reporting period, ALTEO 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. The interest revenue realized on available cash balances significantly exceeded previous year's figure, primarily due to higher deposit interest rates.

In H1 2023, ALTEO Group realized a profit before tax of HUF 11.1 billion, a 16% increase over 2022.

Income tax expenses exceeded the expenses of the comparative period by HUF 0.8 billion, mainly due to the increase in the Group's profits.

In H1 2023, the **after-tax profit, i.e. net profit, of the Group was HUF 8.9 billion**, representing an increase of 10% over the comparative period.

1.2 Executive summary on comprehensive income

Consolidated Comprehensive Statement of Profit or Loss	6/30/2023 non-audited	6/30/2022 non-audited	Change million HUF over previous year	Change % over previous year
Net profit or loss	**8 873**	**8 071**	**802**	***10%***
Other comprehensive income (after income tax)	**(1 845)**	**4 334**	**(6 180)**	***(143%)***
Comprehensive income	**7 027**	**12 405**	**(5 378)**	***(43%)***
Of which the owners of the Parent Company are entitled to:	7 115	12 401	(5 286)	*(43%)*
Of which the minority interest is entitled to:	(88)	4	(92)	*(104%)*

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of hedges** under other comprehensive income, which was a decrease of HUF 1.8 billion. Transactions are recognized, depending on comprehensive income or transaction profit nature, against the balance sheet items of other financial assets or other financial expenses.

The consolidated other **comprehensive income** was most impacted by the strengthening of the Hungarian forint and the favorable changes in the long-term interest rate environment. The majority of the Group's annual heat sales agreements are concluded at a fixed and regulated price level, the effect of which, however, cannot be included in other comprehensive income in accordance with the IFRS rules due to the impossibility of predicting the sales volume. The management estimates that fluctuations in the price of assets in kind required for regulated heat energy sales are eliminated through hedges by the Group under normal market conditions.

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

- The Group adapts its gas purchases to its regulated heat energy sales pricing system and, in some cases, concluded forward contracts to manage **foreign exchange rate volatilities**.
- The Group entered into interest rate swaps on the vast majority of its outstanding project loans in line with its risk management policy. **With interest rate swaps**, the Group aims to manage the interest rate risk on project loans.
- The Group presents the tax effect of the forward contracts shown in the comprehensive income by applying a corporate tax effect of 9%.
- Accounting principles are presented in Section 2.5.6 Uncertainty from estimates and disclosures on fair value measurement.

1.3 Executive summary on the performance of the segments

In relation to segment information, we present the detailed description, analysis and comparison of the segments in question. This is a segment-by-segment presentation of the main resources and risks for the business, related changes and uncertainties, as well as **quantitative and qualitative information and indicators** regarding performance measurement within the segments.

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

6/30/2023 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**47 567**	**2 611**	**2 162**	**2 008**	**9 532**	**3**	**(0)**	**(5 029)**	**58 854**
Material expenses	(31 805)	(756)	(831)	(1 573)	(7 307)	(293)	(408)	5 028	(37 945)
Personnel expenses	(793)	(147)	(966)	(424)	(80)	(543)	(777)	-	(3 731)
Other revenues and Other expenses	(4 904)	(32)	94	81	79	(19)	(5)	-	(4 708)
Capitalized value of own production	181	-	115	-	-	-	-	-	296
EBITDA*	**10 245**	**1 675**	**574**	**92**	**2 224**	**(853)**	**(1 191)**	**(0)**	**12 766**
	-	-	-	-	-	-			

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

06/30/2022 Comparative values *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**26 290**	**3 090**	**1 581**	**195**	**11 091**	**0**	**(0)**	**(4 259)**	**37 988**
Material expenses	(14 866)	(409)	(573)	(160)	(9 838)	(116)	(312)	4 259	(22 015)
Personnel expenses	(628)	(100)	(824)	(37)	(65)	(322)	(550)	-	(2 526)
Other revenues and Other expenses	(1 631)	(99)	0	-	(47)	(19)	(0)	-	(1 796)
Capitalized value of own production	59	-	99	-	-	-	-	-	157
EBITDA*	**9 223**	**2 482**	**283**	**(2)**	**1 141**	**(457)**	**(862)**	**(0)**	**11 808**

' For a definition of EBITDA, see Section 1.1 Executive summary of key operating results. The profit or loss obtained by distributing administrative costs among the segments is the profit category called EBITDA II, described in the following sections.The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. See the subsections of 1.3.*

1.3.1 Heat and Electricity Production and Management segment

This segment includes the **heat and electricity cogeneration**, the **Virtual Power Plant**, as well as the **Renewable Production Management (RPM) business**. The Virtual Power Plant is responsible for planning and managing the Group's market-based renewable electricity production, the electricity production by cogeneration equipment in heating power plants and the production by external partners connected to the Virtual Power Plant.

The Virtual Power Plant also grants access to the market of ancillary services through the integration of the units managed. The profit that can be realized on the electricity production portfolio with the electricity production integrated through the Virtual Power Plant, with the related electricity management functions, and with the production and sale of structured electricity products, greatly exceeds the levels that can be achieved by implementing conventional production strategies.

In 2020, ALTEO launched a smart, comprehensive and risk-free **renewables scheduling service (RPM)** to provide partners with a solution to the challenges faced by renewable energy producers. The market responded well to the business model underlying the new sub-business line.

Heat and electricity production and management				
data in HUF million	6/30/2023 non-audited	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**47 567**	**26 290**	**21 277**	**81%**
Material expenses	(31 805)	(14 866)	(16 939)	114%
Personnel expenses	(793)	(628)	(165)	26%
Other revenues and Other expenses	(4 904)	(1 631)	(3 274)	201%
Capitalized own production	181	59	123	209%
EBITDA*	**10 245**	**9 223**	**1 022**	**11%**
Allocated administrative expenses	(407)	(340)	(67)	20%
EBITDA II*	**9 838**	**8 883**	**955**	**11%**

* *For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The **revenue** of the segment was **81%** up compared to the base period.

Revenue from both electricity and heat energy sales increased significantly compared to the comparative period. In addition, there was considerable growth in the revenues realized by the Renewable Production Management subsegment, launched at the end of 2020.

The market share of the **Renewable Production Management** (RPM) business continued to rise compared to the base period, realized revenues and profits **increasingly contribute to the performance** of the segment. In addition, the launch of the **Renewable Virtual Power Plant** in Q2 2023 (see Section 2.12.1.4.4 for more details) further improves the profitability of the business line.

Material expenses in the segment include three major items: purchased gas, electricity purchased from third parties, and the operating costs of the division responsible for the operation and maintenance of the power plant portfolio.

In the current period, the segment sold heat energy not only to district heating suppliers but also to industrial customers, including Heineken Hungária Zrt. With respect to these contracts, ALTEO continued to provide a stable and predictable performance.

The EBITDA II value of the segment for H1 2023 was HUF 9.8 billion, a 11% increase over the previous period, primarily attributable to the following factors:

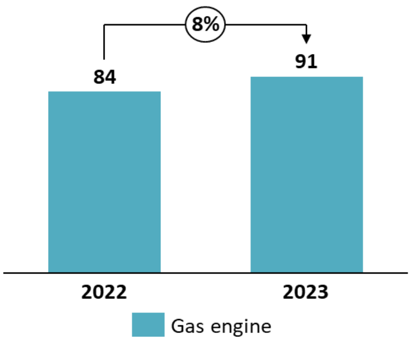
- High electricity market prices were coupled with an increase in the spark spread (specific coverage available from electricity generation with gas engines) of high-efficiency cogenerators, as a result of which the profit from electricity generation significantly exceeded the profit of the base period.
- In H1 2023, the Virtual Power Plant realized substantial profits on the balancing reserve capacity market.
- The Renewable Production Management (RPM) business showed a significant growth in this reporting period and has been increasingly contributing to the segment's results.

- The sales revenue of the FCR (formerly called primary) regulatory capacity produced by the electricity storage architecture increased by 73%, mainly due to higher average capacity prices.
- The achieved result arises from the aggregate effect of several external and internal factors. Increased market prices (for both electricity and gas) compared to the base period had a positive effect on profitability in the current period. The availability of major industry producers, the increasing ratio of weather-dependent capacities and, simultaneously, the higher volatility of the demand-supply side of the electricity market continue to lead to the appreciation of flexible electricity production capacities.
- The intensive capacity expansion projects of the previous period as well as the improvement of the Virtual Power Plant and the expansion of the RPM business received positive feedback from the market.

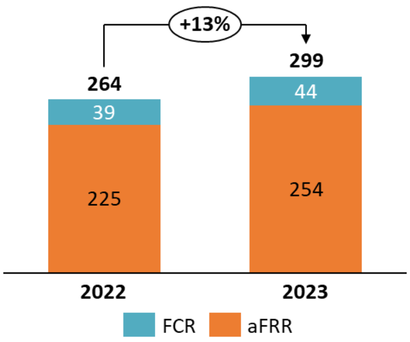
Presentation of the markets of the heat and electricity segment

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

The **8% increase in electricity production** is driven by higher spark spreads on electricity generation.



Own electricity production capacities (GWh) sold by the Virtual Power Plant in H1 2022 and H1 2023



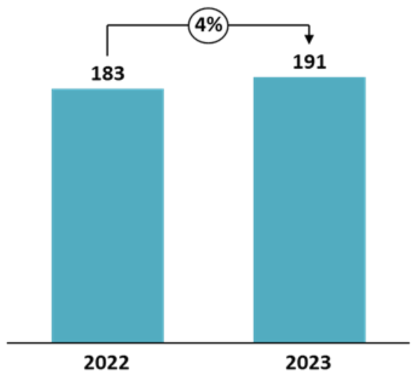
Electricity production capacities sold by the Virtual Power Plant in H1 2022 and H1 2023 (aFRR: GWh; FCR: GWh_{sym})

The **volume of balancing reserve capacity** sold by the Virtual Power Plant **increased,** primarily due to the involvement of new external partners.

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

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

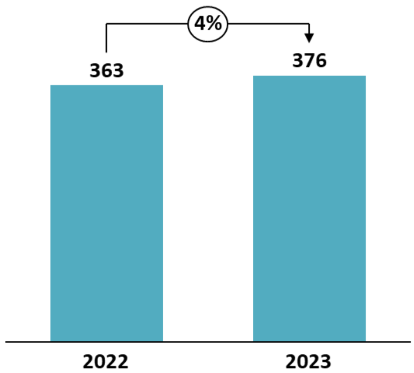
The **volume of heat energy sold by the segment increased by 4%** during the period. The 298% increase in revenues generated from heat sales is primarily attributable to considerably higher feed-in tariffs set by the authorities. As a result of the hedging policy applied by the Group, the costs to cover the estimated resource needs for retail heat sales to final consumers are fixed, ensuring low volatility for hedging in this the subsegment.



Amount of heat (GWh) sold by the segment in H1 2022 and H1 2023

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

The amount of natural gas used by the segment **increased by 4%**, in accordance with the growth of both heat and electricity production. The higher specific electricity production is mainly due to a different production mix (gas engine, boiler, electric boiler).



Amount of natural gas used by the segment (GWh_{GCV}) in H1 2022 and H1 2023

1.3.2 Renewables-Based Energy Production segment

Electricity production recognized in this segment comprises the profit or loss of all of ALTEO's power plants generating electricity from renewable sources (solar, wind, hydro, biomethane), with a part of their production falling under the KÁT subsidy system, a part under the METÁR system and another part within the balancing group managed by the ALTEO Virtual Power Plant. On May 25, 2023, the (indirect) acquisition of Energigas Kft. was concluded (consolidated from June), further expanding the portfolio of the renewable energy production segment.

Renewables-based energy production

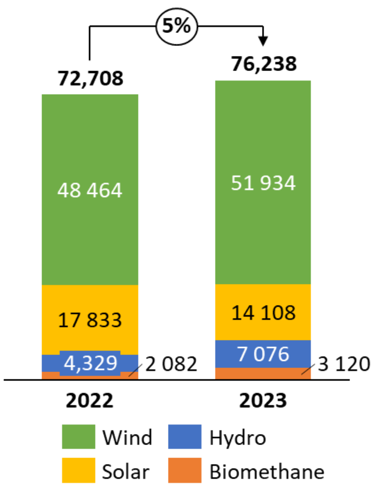
data in HUF million	6/30/2023 non-audited	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**2 611**	**3 090**	**(479)**	**(16%)**
Material expenses	(756)	(409)	(347)	85%
Personnel expenses	(147)	(100)	(47)	47%
Other revenues and Other expenses	(32)	(99)	67	(67%)
Capitalized own production	-	-	-	n.a.
EBITDA*	**1 675**	**2 482**	**(807)**	**(33%)**
Allocated administrative expenses	(117)	(88)	(29)	33%
EBITDA II*	**1 558**	**2 394**	**(836)**	**(35%)**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

Revenue from the Group's **electricity production plants selling electricity within the renewables segment** dropped by HUF 0.5 billion. The electricity production of power plants excluded from the mandatory offtake system on 30 June 2022 was sold on the long-term market in 2021, in line with the effort to minimize risks until the end of 2023, which is lower than the base period KÁT prices.

The HUF 0.3 billion increase in material expenses is due to material costs, mainly the cost of purchased electricity, rising in line with global market trends and higher biogas feedstock costs as a result of the acquisition of Energigas Kft. Maintenance contracts for wind farms have been renegotiated with a significantly higher service level, which further increases the value of material expenses relative to the base period.

The change in other expenses is mainly due to the price supplement effect specific to the METÁR system. One of the key differences between the KÁT and the METÁR systems is that, while fixed electricity feed-in tariffs are set for producers by MAVIR as Buyer under the KÁT selling system, power plants selling under the METÁR system sell the electricity they produce to any buyer on the free market at free-market prices. Under METÁR system, after free-market sales, MAVIR makes price adjustments with a view to the difference between the contractual METÁR price and the price considered as market price as laid down by law in order to pay the corresponding amount to or collect such amount from producers (collectively: "price supplement").



Quantities sold in H1 2022 and H1 2023 and their distribution (MWh)

The composition of the portfolio has not significantly changed. In the current year, the acquisition of Energigas Kft. resulted in a 2 MW capacity expansion on June 1, 2023. No major malfunction disrupted production either last year or this year.

1.3.3 Energy Services segment

As of 1/1/2023, the waste management business, previously presented under Energy Services, is presented as a separate segment.

The Energy Services segment includes power plant operation and construction services for third parties, maintenance services and e-mobility services. The Group also offers its customers engineering, project development and project management services, as well as main contractor construction services related to energy investments and developments, under individual orders and contracts, and contributes to increasing the production capacity of ALTEO's Energy Production division by providing project management support.

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

Energy services

data in HUF million	6/30/2023 non-audited	6/30/2022 comparison	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**2 162**	**1 581**	**1 777**	**580**	**37%**
Material expenses	(831)	(573)	(734)	(258)	45%
Personnel expenses	(966)	(824)	(861)	(142)	17%
Other revenues and Other expenses	94	0	-	94	25 796%
Capitalized own production	115	99	99	16	16%
EBITDA*	**574**	**283**	**280**	**291**	**103%**
Allocated administrative expenses	(472)	(352)	(374)	(120)	34%
EBITDA II*	**102**	**(69)**	**(94)**	**171**	**(247%)**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

This year, the segment realized an EBITDA II of HUF 0.1 billion. The increase in profit is attributable to a successful H1 of the external O&M business line and the high-volume external projects of the Business and Project Development division.

In the field of **operation and maintenance services provided for third parties**, ALTEO successfully compensated the increased costs due to the unfavorable inflationary environment with higher revenues from the favorable O&M contracts this year. In addition, the successful completion of the acquisition of Energigas Kft. resulted in an increase in EBITDA of more than HUF 0.1 billion due to the reversal of trade receivable impairment. As a result of the combination of the two effects, the segment closed a more profitable period in 2023.

The **Business and Project Development division** implemented more external (EPC) projects in 2023 compared to the same period in the previous year, including more design work with a much higher coverage than the industry average. In addition, the division continues to devote the majority of its resources to internal projects that increase ALTEO's production capacity and market position.

Maintenance business line The volume of external maintenance work is lower compared to the same period in the previous year, but this is a temporary effect that is expected to increase in the second half of the year. The growth is primarily due to the so-called rotary machine maintenance contract, which is the result of negotiations with MOL and which ensure long-term cooperation. Negotiations on strategic cooperation and synergy reconciliations are underway, and if successfully completed will bring additional MOL maintenance orders in the coming years.

1.3.4 Waste management segment

From 2023, the waste management segment generates significant revenue and is, thus, presented as a separate, stand-alone segment. The segment's activity is determined by the profits from the processing and management of organic and inorganic waste.

Waste management					
data in HUF million	6/30/2023 non-audited	6/30/2022 comparison	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**2 008**	**195**	**-**	**1 813**	**928%**
Material expenses	(1 573)	(160)	-	(1 412)	881%
Personnel expenses	(424)	(37)	-	(387)	1 044%
Other revenues and Other expenses	81	-	-	81	n.a.
Capitalized own production	-	-	-	-	n.a.
EBITDA*	**92**	**(2)**	**-**	**94**	**(4 796%)**
Allocated administrative expenses	(131)	(22)	-	(109)	488%
EBITDA II*	**(39)**	**(24)**	**-**	**(15)**	**60%**

The performance of the **Waste Management business line** was significantly impacted by the acquisition of FE-GROUP INVEST Zrt., which contributes to ALTEO's results from October 1, 2022 with its comprehensive inorganic waste management activities. In H1, these activities consisted mainly of the collection and processing of electronic, paper and foil waste and the trade in recyclable waste.

Starting from July 1, 2023, **MOHU MOL Hulladékgazdálkodási Zrt**. as a Concession Company collects and handles municipal solid waste in towns and villages in Hungary. FE-GROUP INVEST Zrt. participates in the business line process as a subcontractor of MOHU. The introduction of the concession also defined the activities of market operators in the first half of the year, characterized on the one hand by preparations for radically changing concession operations, and on the other hand, by low-key operation due to the uncertainty surrounding the development of the concession regulatory environment. It is expected that there will be a change in the composition of profit. A large reduction in raw material costs can be expected as a result of concession waste streams no longer being in the control of the processor.

Despite the market changes, the EBITDA of the business line increased significantly compared to the base period due to the inclusion of FE-GROUP INVEST Zrt. in the scope of consolidation.

1.3.5 Energy retail segment

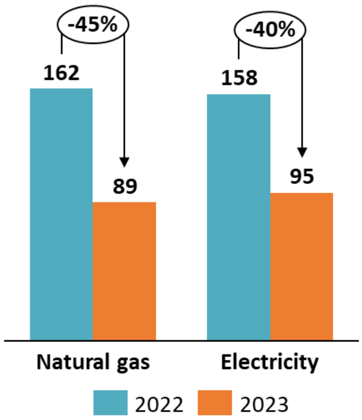
Energy trade by the Group involves selling electricity and natural gas on the free market. The Group does not pursue any sales activities under universal service.

Retail energy trade

data in HUF million	6/30/2023 non-audited	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**9 532**	**11 091**	**(1 559)**	**(14%)**
Material expenses	(7 307)	(9 838)	2 531	(26%)
Personnel expenses	(80)	(65)	(15)	23%
Other revenues and Other expenses	79	(47)	126	(267%)
Capitalized own production	-	-	-	n.a.
EBITDA*	**2 224**	**1 141**	**1 083**	**95%**
Allocated administrative expenses	(64)	(59)	(4)	7%
EBITDA II*	**2 160**	**1 082**	**1 079**	**100%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

As a result of changed world market conditions, a portfolio optimization was performed for the electricity segment, which led to a significant reduction in volume, but also to a higher electricity margin level.



Changes in the volume of natural gas and electricity sold in 2022 and 2023 (GWh)

The profitability of the segment was further enhanced by the fact that ALTEO has been able to react to extreme volatility more rapidly than its major competitors, due to its dynamic and flexible operating methods. The earnings surplus arising from the business line's successful energy efficiency quota procurement strategy causes further EBITDA growth. The **volume of natural gas sold** decreased from 162 GWh to 89 GWh **(-45%)**, mainly due to the portfolio clean-up last year to mitigate risks, the mandatory savings imposed by the government and the mild weather in January. The average sales price increased sharply (48%), which is attributable, in part, to higher system usage fees.

The **volume of electricity sold** decreased from 158 GWh to 95 GWh **(-40%)**, while the average sales price grew by 46%, following the after-effects of last year's price boom.

The H1 2023 sales revenue of the segment decreased by HUF 1.6 billion compared to the same period in 2022. **Within the segment, both natural gas and electricity sales revenues declined due to lower volumes, partially offset by the impact of significantly higher prices due to global market conditions.** This revenue decrease is largely attributable to the electricity trading business (HUF -1.1 billion), while the revenue decrease for the gas trading activity is HUF -0.5 billion.

Material-type items were dominant in the expenses of the Energy Retail segment. Natural gas and electricity procured and resold is presented under material expenses.

The segment **EBITDA was up by a total of HUF 1.1 billion** compared to H1 2022.

1.3.6 Other segments

The Other segment presents activities that cannot be directly attributed to any of the business lines, in part or in whole. These include activities relating to administration, presence on the capital markets or those necessary for leveraging future growth potential.

Other segments				
data in HUF million	6/30/2023 non-audited	6/30/2022 non-audited	Change HUF million over previous year	Change % over previous year
Revenue	**3**	**0**	**3**	**2 082%**
Material expenses	(293)	(116)	(177)	153%
Personnel expenses	(543)	(322)	(221)	69%
Other revenues and Other expenses	(19)	(19)	(0)	2%
Capitalized own production	-	-	-	n.a.
EBITDA*	**(853)**	**(457)**	**(396)**	**87%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

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

The increase in material expenses was mainly due to exceptionally high inflation, an increase in consultancy fees related to growth, primarily to acquisition efforts, and an increase in other costs in line with the growth of the company.

The personnel expenses of the segment increased by HUF 0.2 billion compared to the previous year, mainly due to the remuneration policies published on April 28, 2023 and adopted under the Employee Share Ownership Program, which incentivize senior and middle managers and talented young managers and experts. Further cost increases were due to wage increases and staff headcount increases related to the growing size of the company.

1.4 Executive summary on the consolidated statement of financial position

The Group's **balance sheet total as at June 30, 2023 was HUF 83 billion**, **down 17%** compared to December 31, 2022.

Consolidated Statement of Financial Position				
	6/30/2023	12/31/2022	Change between 6/30/2023 and 12/31/2022	
data in HUF million	non-audited	Comparison, audited	HUF million	%
Non-current assets	**37 926**	**34 943**	**2 983**	**9%**
Current assets	**45 198**	**65 078**	**(19 880)**	**(31%)**
of which financial assets	*25 074*	*16 465*	*8 609*	*52%*
TOTAL ASSETS	**83 124**	**100 021**	**(16 898)**	**(17%)**
Equity	**32 580**	**26 687**	**5 893**	**22%**
Long-term liabilities	**31 226**	**26 717**	**4 509**	**17%**
of which credit, loans, bonds, leasing	*25 342*	*21 177*	*4 165*	*20%*
Short-term liabilities	**19 318**	**46 617**	**(27 299)**	**(59%)**
of which credit, loans, bonds, leasing	*1 836*	*7 578*	*(5 742)*	*(76%)*
TOTAL EQUITY and LIABILITIES	**83 124**	**100 021**	**(16 897)**	**(17%)**

Assets

The change in the assets of the Group is attributable mostly to the **HUF 19.8 billion decrease in Current assets**, while within Current assets, **Financial assets increased by HUF 8.6 billion.**

Trade receivables, other receivables and accruals follow seasonal trends, as well as the general price change in the energy market, resulting in a decline of HUF 23.3 billion.

Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 2.3.

Liabilities and equity

The Group continued to repay its debts and leases.

The Group's **Trade payables** and changes in **Other short-term liabilities and accruals** also follow the seasonality of heating power plants. On account of the seasonality underlying the Group's activities, the portfolio of trade payables was **HUF 22.6 billion** lower in the end-of-year winter period than in the summer.

For a presentation of changes in **Equity**, see Section 2.4 Consolidated statement of changes in equity.

Interim Consolidated Financial Statements prepared according to the International Financial Reporting Standards for the reporting date June 30, 2023

2 Disclosures of the Interim Consolidated Financial Statements under IAS 34

2.1 Interim consolidated statement of income

Consolidated Statement of Profit or Loss

data in HUF million	2023 H1 non-audited	2022 H1 non-audited comparison	Change million HUF over previous year	Change % over previous year
Sales revenues	**58 854**	**37 988**	**20 866**	***55%***
Material expenses	(37 945)	(22 015)	(15 930)	*72%*
Personnel expenses	(3 731)	(2 526)	(1 205)	*48%*
Depreciation and amortization	(2 088)	(1 955)	(133)	*7%*
Other revenues, expenses, net	(4 708)	(1 796)	(2 912)	*162%*
Capitalized own production	296	157	139	*89%*
Operating profit or loss	**10 678**	**9 852**	**826**	***8%***
Net financial income	384	(356)	740	*(208%)*
Profit or loss before taxes	**11 063**	**9 496**	**1 567**	***17%***
Income tax expenditures	(2 190)	(1 425)	(765)	*54%*
Net profit or loss	**8 873**	**8 071**	**802**	***10%***
Of which the owners of the Parent Company are entitled to:	*8 961*	*8 067*	*894*	*11%*
Of which the minority interest is entitled to:	(88)	4	(92)	*(2 300%)*
Base value of earnings per share (HUF/share)	**451,41**	**409,11**	**42,29**	**10%**
Diluted value of earnings per share (HUF/share)	**449,59**	**408,98**	**40,60**	**10%**
EBITDA*	**12 766**	**11 808**	**959**	***8%***

***Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

Consolidated Comprehensive Statement of Profit or Loss

	2023 H1 non-audited	2022 H1 non-audited comparison	Change million HUF over previous year	Change % over previous year
Net profit or loss	**8 873**	**8 071**	**802**	***10%***
Other comprehensive income (after income tax)	**(1 845)**	**4 334**	**(6 179)**	***(143%)***
Comprehensive income	**7 027**	**12 405**	**(5 378)**	***(43%)***
Of which the owners of the Parent Company are entitled to:	7 115	12 401	(5 286)	*(43%)*
Of which the minority interest is entitled to:	(88)	4	(92)	*(104%)*

***Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

The results are analyzed in detail in Sections 1.1 and 1.2.

2.2 Consolidated statement of financial position

ALTEO Group **closed H1 2023** with a balance sheet total of **HUF 83 billion**.

Consolidated Statement of Financial Position					
data in HUF million		6/30/2023	12/31/2022	Change between 6/30/2023 and 12/31/2022	
		non-audited	Comparison, audited	HUF million	%
Non-current assets	Ref.*	**37 926**	**34 943**	**2 983**	***9%***
Property, plant and equipment	22	30 068	27 844	2 224	*8%*
Other intangible assets	23	2 603	2 418	185	*8%*
Operation contract assets	24	863	926	(63)	*(7%)*
Rights of use	25	2 412	2 017	395	*20%*
Goodwill	26	936	736	200	*27%*
Deferred tax assets	27	79	32	47	*147%*
Long-term deposits or loans given	28	964	970	(6)	*(1%)*
Current assets and assets held for sale		**45 198**	**65 078**	**(19 880)**	***(31%)***
Inventories	30	1 196	1 779	(583)	*(33%)*
Trade receivables	31	5 728	24 563	(18 835)	*(77%)*
Emission allowances	33	935	1 521	(586)	*(39%)*
Other financial assets	34	4 691	8 500	(3 809)	*(45%)*
Other receivables and accruals	35	7 574	12 057	(4 483)	*(37%)*
Income tax receivables	36	-	193	(193)	*(100%)*
Cash and cash equivalents	37	25 074	16 465	8 609	*52%*
TOTAL ASSETS		**83 124**	**100 021**	**(16 897)**	**(17%)**
Equity	38	**32 580**	**26 687**	**5 893**	***22%***
Equity attributable to parent company interests	*39*	**32 583**	**26 602**	**5 981**	***22%***
Issued capital	*40*	248	249	(1)	*(0%)*
Share premium reserves	*41*	5 860	6 573	(713)	*(11%)*
Reserve for share-based payments	*42*	(1 883)	(1 460)	(423)	*29%*
Hedge reserve	*43*	224	2 069	(1 845)	*(89%)*
Retained earnings	*44*	28 134	19 171	8 963	*47%*
Non-controlling interest	*45*	(3)	85	(88)	*(104%)*
Long-term liabilities		**31 226**	**26 717**	**4 509**	***17%***
Debts on the issue of bonds	46	12 658	12 658	-	-
Long-term loans and borrowings	47	10 460	6 670	3 790	*57%*
Finance lease liabilities	48	2 224	1 849	375	*20%*
Deferred tax liabilities	49	2 224	2 248	(24)	*(1%)*
Provisions	50	1 493	1 248	245	*20%*
Deferred income	51	963	806	157	*19%*
Other long-term liabilities	52	1 204	1 238	(34)	*(3%)*
Short-term liabilities		**19 318**	**46 617**	**(27 299)**	***(59%)***
Short-term loans and borrowings	54	1 415	7 186	(5 771)	*(80%)*
Short-term finance lease liabilities	55	421	392	29	0
Advances received	56	678	1 499	(821)	*(55%)*
Trade payables	57	1 525	11 283	(9 758)	*(86%)*
Other financial liabilities	58	1 787	324	1 463	*n/a*
Other short-term liabilities and accruals	59	11 972	24 886	(12 914)	*(52%)*
Income tax liabilities	60	1 520	1 047	473	*45%*
TOTAL EQUITY and LIABILITIES		**83 124**	**100 021**	**(16 897)**	**(17%)**

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

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

Non-current assets:

The value of Non-current assets increased by HUF 3.0 billion. There were no significant individual investments in the current period, and the increase is primarily due to the (indirect) acquisition of Energigas Kft., mitigated by depreciation and amortization recognized in the current period.

Current assets:

The change in **Current assets** of HUF **19.9 billion** represents a **31% decrease** compared to the 2022 closing value.

- The **64% decrease** in **Trade receivables** and **Other receivables and accruals** of HUF 23.3 billion is mainly the natural consequence of seasonal fluctuations typical of the industry, exacerbated by the downward trend in energy prices. For more information on the interim seasonal events and their occurrence in the activities of ALTEO Group, see Section 2.5.7 on Seasonality.
- Decreasing energy prices also had a lowering effect on the level of deposits and collaterals required, which contributed significantly to the 45% **decrease** in **Other financial assets** by HUF 3.8 billion. In addition, the differences between the revaluation of hedging derivative transactions outstanding on the reporting dates also had a significant impact. The impact of hedges is presented in the section on comprehensive income, see Section 1.2.
- There was a **52% increase in the portfolio of financial assets**. The Group plans to use the financial assets mostly for investments and capital expenditures. Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 2.3.
- The HUF 0.6 billion portfolio of **Emission allowances** represents a 39% decline, which is the result of the performance of the annual return obligation of the CO_2 quota and its de-recognition.

Equity components:

The **Equity** of the Group **showed a HUF 5.9 billion increase in H1 2023**. The growth of equity resulted from the profit of 2023 and the effects of hedging transactions. For more information, see Section 2.4 of the Equity table.

Long-term liabilities:

The **Long-term liabilities** increased by HUF 4.5 billion, **by 17%**.

- A HUF 4 billion long-term loan was drawn down from K&H Bank for Pannon Szélerőmű Kft. and EURO GREEN ENERGY Kft.
- Long-term **Finance lease liabilities** rose by HUF 0.4 billion to HUF 2.2 billion. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line. The liabilities relating to the lease right in 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 in land belonging to the Zugló and Kazincbarcika heat power plants, and liabilities relating to the rights of use in other leased property, office space and vehicles have changed.
- **Provisions** increased by HUF 0.2 billion.
- **Deferred tax liabilities** decreased by HUF 24 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.

Short-term liabilities:

On aggregate, **Short-term liabilities** declined by a total of HUF 27.3 billion, that is by **59% at Group level**.

- The **HUF 6 billion parent company loan** received from **Wallis Asset Management Zrt.** in December 2022 has been repaid.
- In line with the seasonality typical of the industry, **Trade payables and Other short-term liabilities and accruals** for the summer period **fell sharply** by **HUF 22.7 billion**, or **63%**, compared to the year-end.
- The revaluation of derivative transactions on the reporting date resulted in an increase of HUF 1.5 billion in **Other financial liabilities**.

2.3 Consolidated statement of cash-flows for the 6-month-period ending on June 30, 2023

The Group closed the first six months of 2023 with a **HUF 8.7 billion increase in financial assets.** The Group's business operations generated an increment of **HUF 16.1 billion**, while **HUF 1.9 billion** was spent on investment **projects.**

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

Consolidated Statement of Cash Flows	Ref.		
data in HUF million		6/30/2023 HUF million	6/30/2023 HUF million
Profit or loss before taxes	9	**11 063**	**15 757**
(Interest income) and interest expenses, net	-	(282)	1 047
Depreciation	4	2 088	3 527
Recognition of impairment in profit or loss	-	(117)	355
Scrapping of production and other machinery	-	1	2
Provisions recognized (released)	-	(78)	266
Provisions for asset retirement obligations recognized and (released) - IAS 16	-	(38)	(229)
Deferred income increase (decrease)	51	157	212
Exchange rate effect of other comprehensive income	18	(1 785)	(3 739)
Share-based payment cost	42	-	831
Changes in deferred taxes	26; 47	(72)	1 108
Effect of income taxes on profit or loss	10	(2 190)	(2 913)
Net cash-flow of business activity without change in current assets	-	**8 747**	**16 223**
Change in inventories	30	682	(552)
Changes in emission allowances	33	587	874
Change in trade receivables, other receivables, accrued income and deferred charges	30;33	23 963	(22 794)
Change in other financial assets	34	3 810	127
Change in trade payables, other liabilities, accrued expenses and deferred income	57;59;60	(20 887)	21 381
Advances received (final settlement -)	56	(822)	1 490
Cash flow from business activities (use of funds)		**16 079**	**16 749**
Interests received on deposits and investments	-	1 785	534
Purchase of production and other machinery, and intangible assets	-	(2 679)	(3 598)
Investment in acquiring businesses (net of cash)	-	(1 049)	(506)
Change in long-term loans or deposits given	28	12	(744)
Cash flow of investment activities (cash outflow)	-	**(1 931)**	**(4 312)**
Interest paid on bonds and loans		(1 135)	(895)
Assumption and prepayment of long-term loans and borrowings, financial liabilities, lease liabilities	-	(3 208)	5 639
Bonds repaid	-	-	(2 344)
Capital increase, purchase of own shares	-	(1 083)	1 134
Treasury share transactions, consolidated cash-flow of IFRS2 transactions		(53)	(1 435)
Dividend payment	44	-	(1 933)
Cash flow from financing activities	-	**(5 479)**	**167**
Changes in cash and cash equivalents	-	**8 669**	**12 604**
Opening cash and cash equivalents	45	**16 465**	**3 679**
Cash exchange gains/losses	-	**(60)**	**182**
Closing cash and cash equivalents	45	**25 074**	**16 465**

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

2.4 Consolidated statement of changes in equity for the 6-month-period ending on June 30, 2023

In contrast with other tables in the report, this table is **shown in HUF thousands**, in consideration of the presentability of the low-amount items in the capital structure.

Data in HUF thousand	Issued capital	Share premium reserves	Reserve for share-based payments I.	Reserve for share-based payments II.	Hedge reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
*Ref**	40	41	42		43	44	39	45	38
12/31/2021	**242 235**	**5 375 369**	**(206 875)**	**-**	**5 306 431**	**8 282 127**	**18 999 287**	**10 031**	**19 009 318**
Implementation of employee share award program through shares	16	2 645					2 661		2 661
Capital increase through private placement	6 815	1 129 927					1 136 742		1 136 742
Dividend payment (approval)						(1 996 146)	(1 996 146)		(1 996 146)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Cash transferred to ESOP I.			(300 000)				(300 000)		(300 000)
Cash transferred to ESOP II.				(1 136 742)			(1 136 742)		(1 136 742)
Dividend paid to ESOP		63 145					63 145		63 145
Recognition of share benefits against profit or loss			184 073				184 073		184 073
Receivable from ESOP		2 063				(2 874)	(811)		(811)
Acquisition of FE-Group Invest Zrt.									
Equity of non-controlling interest							-	119 520	119 520
Aggregate amount of rounding difference		(1)				(2)	(3)		(3)
Comprehensive income					(3 237 186)	12 887 893	9 650 707	(44 602)	9 606 105
12/31/2022	**249 066**	**6 573 148**	**(322 802)**	**(1 136 742)**	**2 069 245**	**19 170 998**	**26 602 913**	**84 949**	**26 687 862**
Implementation of employee share award program through shares	24	5 518					5 542		5 542
Acquisition of own shares	(4 925)	(1 078 181)					(1 083 106)		(1 083 106)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Shares transferred to ESOP	3 424	742 918		(746 342)			-		-
Transfer of dividends paid to ESOP		(63 145)					(63 145)		(63 145)
ESOP share transfer (ESOP 2020)		(314 454)	314 454				-		-
Cash transferred for ESOP operation		(5 774)	8 078			2 874	5 178		5 178
Minaqua Kft. absorption						(1 055)	(1 055)		(1 055)
Comprehensive income					(1 845 375)	8 960 895	7 115 520	(88 252)	7 027 268
Aggregate amount of rounding difference			(1)				(1)		(1)
6/30/2023	**247 589**	**5 860 030**	**(271)**	**(1 883 084)**	**223 870**	**28 133 712**	**32 581 846**	**(3 303)**	**32 578 543**

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

Comparative period: December 31, 2020-June 30, 2022

Data in HUF thousand	Issued capital	Share premium reserves	Reserve for share-based payments	Retained earnings	Hedge reserve	Conversion reserve	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
12/31/2020	**232 972**	**4 962 084**	**62 819**	**2 882 216**	**399 801**	**-**	**8 539 892**	**7 765**	**8 547 657**
Implementation of employee share award program through shares	48	4 252					4 300		4 300
Purchase of own shares	(3 118)	(290 601)					(293 719)		(293 719)
Dividend payment				(455 275)			(455 275)		(455 275)
Employee Share Ownership Program implementation	7 221	267 160					274 381		274 381
Employee Share Ownership Program option value		62 819	(62 819)				-		-
Own shares transferred to ESOP	5 112	(5 112)	-				-		-
Cash transferred to ESOP		(100 000)					(100 000)		(100 000)
Non-controlled ESOP participation		575 020	(575 020)				-		-
Receivable from ESOP		6 618					6 618		6 618
Recognition of share benefits against profit or loss			261 274				261 274		261 274
Transfer between capital element		(106 871)	106 871				-		-
Aggregate amount of rounding difference				2			2		2
Comprehensive income				5 855 184	4 906 630		10 761 814	2 266	10 764 080
12/31/2021	**242 235**	**5 375 369**	**(206 875)**	**8 282 127**	**5 306 431**	**-**	**18 999 287**	**10 031**	**19 009 318**
Implementation of employee share award program through shares	16	2 645					2 661		2 661
Capital increase through private placement	6 815	1 129 927					1 136 742		1 136 742
Dividend payment (approval)				(2 015 942)			(2 015 942)		(2 015 942)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Cash transferred to ESOP I.			(298 540)				(298 540)		(298 540)
Cash transferred to ESOP II.		(1 136 742)					(1 136 742)		(1 136 742)
Dividend paid to ESOP				63 145			63 145		63 145
Recognition of share benefits against profit or loss			91 280				91 280		91 280
Aggregate amount of rounding difference		(1)					(1)		(1)
Comprehensive income				8 066 929	4 334 435		12 401 364	3 968	12 405 332
6/30/2022	**249 066**	**5 371 198**	**(414 135)**	**14 396 259**	**9 640 866**	**-**	**29 243 254**	**13 999**	**29 257 253**

Statement of changes in equity in the period between 1/1/2023 – 6/30/2023

Implementation of the employee share award program:

The Company distributed 1,911 ALTEO ordinary shares (ISIN: HU0000155726) to employees who were eligible under the Company's recognition plan. The transfer was successfully completed on February 7, 2023.

Dividend payment

Pursuant to Resolution No. 9/2023. (IV.21.) of the General Meeting, the Company does not pay any dividends for 2022, and the profit not paid as dividend is transferred to retained earnings.

Purchase of own shares:

The Company purchased 208,328 own shares worth HUF 1,083 million.

Capital movements related to the Employee Share Ownership Program (ESOP):

Pursuant to the provisions of IFRS 12, the Company presents the asset items of the ALTEO Employee Share Ownership Program Organization (hereinafter the **ALTEO ESOP Organization**) in its consolidated statements. The ALTEO ESOP Organization, as the manager of the Issuer's employee share ownership program, is in the process of implementing the following ESOP remuneration policies:

- Remuneration Policy of the ALTEO ESOP Organization for 2020 (Reserve for share-based payments I)
- Remuneration Policy of the ALTEO ESOP Organization for 2024 (Reserve for share-based payments II)
- Remuneration Policy of the ALTEO ESOP Organization for 2025 (Reserve for share-based payments II)
- Remuneration Policy for senior and middle management Senior Management ESOP Remuneration Policy 2025 Publication (Reserve for share-based payments II)
- Remuneration Policy for talented young managers and experts (Reserve for share-based payments II)

Shares transferred to the ALTEO ESOP Organization: Within the framework of the remuneration policy for senior and middle managers and talented young managers and experts launched in 2023, ALTEO has transferred 88,287 shares worth HUF 746 million to the ALTEO ESOP Organization as coverage for the programs.

The Remuneration Policies are accounted for in profit or loss in accordance with IFRS 2, as fair value liabilities recognized as pro-rated personnel expenses.

Until the Liabilities are settled, the Company provides coverage for these outstanding and future liabilities by realigning the Reserves. The **HUF 746 million capital component stated in the accounts is**

intended to cover the benefits of the remunerated employees. Once the benefits are transferred, they are stated in the Company's books as financially settled liabilities.

- *Transfer of dividends paid to the ALTEO ESOP Organization* The ALTEO ESOP Organization is entitled to receive dividends on the own shares received and on the ALTEO ordinary shares obtained from the capital markets for cash, the ultimate beneficiaries of which are the participants of the ESOP remuneration policies. The capital income from the dividends were transferred by the ALTEO ESOP Organization to the participants of the 2020 remuneration policy in 2023 upon the fulfilment of the remuneration policy, as a result of the successful settlement.
- *ESOP share transfer (2020 ESOP Remuneration Policy):* Upon the provision of shares to the 2020 ESOP Remuneration Policy by the Company. The reserve for share-based payments represented an acquisition cost of HUF 314 million in addition to the fair value presented as an equity component.
- *Financial assets transferred for the operation of the ALTEO ESOP Organization*: the operation of the ALTEO ESOP Organization is financed by the Company, which is settled in line with the expenses incurred by the ALTEO ESOP Organization.

Comprehensive income:

In line with its hedging strategy, ALTEO Group entered into forward transactions in order to hedge transactions to be realized in the coming years. As of the reporting date, the aggregated fair value of open forward hedging transactions was HUF 246 million, with a decrease of HUF 1.8 billion.

The increment deriving from the after-tax **profit for the parent company** amounted to **HUF 8.96 billion** in H1 2023.

2.5 Other financial information

2.5.1 Disclosure obligations of the IAS 34 16A, IFRS 8 Operating Segments

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

6/30/2023 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**47 567**	**2 611**	**2 162**	**2 008**	**9 532**	**3**	**(0)**	**(5 029)**	**58 854**
Material expenses	(31 805)	(756)	(831)	(1 573)	(7 307)	(293)	(408)	5 028	(37 945)
Personnel expenses	(793)	(147)	(966)	(424)	(80)	(543)	(777)	-	(3 731)
Other revenues and Other expenses	(4 904)	(32)	94	81	79	(19)	(5)	-	(4 708)
Capitalized value of own production	181	-	115	-	-	-	-	-	296
EBITDA*	**10 245**	**1 675**	**574**	**92**	**2 224**	**(853)**	**(1 191)**	**(0)**	**12 766**
	-	-	-	-	-	-			

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

06/30/2022 Comparative values *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Waste management	Retail energy trade	Other segments	Administration costs	Items eliminated due to consolidation	Total
Revenue	**26 290**	**3 090**	**1 581**	**195**	**11 091**	**0**	**(0)**	**(4 259)**	**37 988**
Material expenses	(14 866)	(409)	(573)	(160)	(9 838)	(116)	(312)	4 259	(22 015)
Personnel expenses	(628)	(100)	(824)	(37)	(65)	(322)	(550)	-	(2 526)
Other revenues and Other expenses	(1 631)	(99)	0	-	(47)	(19)	(0)	-	(1 796)
Capitalized value of own production	59	-	99	-	-	-	-	-	157
EBITDA*	**9 223**	**2 482**	**283**	**(2)**	**1 141**	**(457)**	**(862)**	**(0)**	**11 808**

* *For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The segment-related information provided to the Chief Decision Officer was made available and disclosed in Section 1.3 of this document – Executive summary on the performance of the segments. That section includes a description of the deviations in the segmentation basis or the measurement basis of the segment result as compared to the data included in the latest annual financial statements. The aggregate "Totals" of segment data correspond to the descriptions and amounts stated in the consolidated interim statements of income presented in this document.

"Items eliminated due to consolidation" represent the turnover between individual segments.

Measures of the segment result: revenue, EBITDA (interoperable segment measures and financial indicators), kWh, Mwh, Gwh, natural measures (non-interoperable segment measures, non-financial indicators).

Employee headcount describes the Group, rather than being a financial indicator.

The assets and liabilities of individual segments are not presented to the Chief Decision Officer; consequently, there is no content to be displayed as part of the statements.

The Group presents the key clients of each segment in accordance with the economic interests of the Group.

2.5.2 The basis for preparation of the financial statements

These interim financial reports *were prepared in line with the IAS 34 Interim Financial Reporting standard*. *The Group exercises the option available to it under IAS 34,* whereby it does not repeat any data or information disclosed prior to the date of the financial statement. These interim financial statements are to be interpreted together with the financial statements for the business year ended on December 31, 2022 (hereinafter: complete financial statements). Moreover, the contents of any significant events or disclosures published through the Group's disclosure points are deemed disclosed. By exercising this option, the Group avoids all unnecessary repetitions in its interim statements, whereby the Group believes to improve the transparency of its financial statements. In consideration of the integrated nature of the report, the content of Section 1 is not repeated in the content of the section on IFRS 34.

Along with its financial reports, the Group ensures the appropriate availability of such disclosed data. The Group's interim financial statements do not contain any information that has already been presented in the end-of-year financial statements – prepared in accordance with the IAS 1 Presentation of Financial Statements standard – and published in the Group's places of disclosure.

In relation to its interim financial statements, the Group's management makes the declarations and statements stipulated in the Decree of the Minister of Finance in its Semi-Annual Report.

2.5.3 Accounting policies and changes to standards

The Group's accounting policies are identical with those disclosed for the reporting date of 12/31/2022. The Group does not repeat the data disclosed up to the H1 2023 report, and makes a clear reference to such data when omitting such repetition [IAS 34.10A].

2.5.4 Impact of construction and installation contracts

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

2.5.5 Changes in the reporting system

The Group's management is committed to the transparent presentation of the Group statement of financial position, profits and segment profit or loss. The comprehensibility of presentation and the segmenting of activities are reviewed each year and in each report. No changes were made in the reporting period.

2.5.6 Uncertainty from estimates and disclosures on fair value measurement

The Company's management uses estimates in several areas when preparing its financial statements. Pursuant to IAS 34, the Group is required to disclose its information on fair value measurement. These accounting estimates reflect the management's best and most up-to-date knowledge in all cases. The purpose of accounting estimates is to generate the financial statements of the reporting period with the best possible information content available at the time of the preparation of the report. Any changes in the values of estimates have an effect on the reporting period and the subsequent period, but they have no retroactive effect.

In the preparation of the Group's financial statements, we relied on estimates for presenting assets and liabilities. The estimates applied give rise to uncertainties, and future changes in estimates may cause significant deviations in the following items:

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

Reasons for the review of accounting estimates:

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

Procedures for the above estimates remained unchanged in the reporting period.

Material impacts of the above estimates in the current period:

- For the purposes of this report, the estimate for forward gas price transactions was prepared using the prevailing gas futures prices. Gas futures are TTF stock market prices quoted for the maturity date of the transaction.
- Public link: https://www.theice.com/products/27996665/Dutch-TTF-Gas-Futures/data?marketId=1660891&span=2
- For the gas year commencing on October 1, 2023, the Group has entered into a gas price hedging option transaction with a fair value loss cap of the amount recognized in OCI.
- The valuation of interest rate swaps resulted from the change in BUBOR. Public link: https://www.mnb.hu/monetaris-politika/penzpiaci-informaciok/referenciamutato-jegyzesi-bizottsag/bubor
- The Group has concluded forward transactions to hedge its FX liabilities. The impact of significant fluctuations in the HUF/EUR exchange rate in 2022 is reflected in the OCI value.

The changes in both estimation procedures were recognized in other comprehensive income. In view of the dynamics of market prices and changes in the environment, additional future changes cannot be ruled out; consequently, changes in estimates may exert a material impact in the coming periods as well. For the impact on accounting, see Section 1.2 Executive summary on comprehensive income.

Fair value changes recognized against profit/loss, current fair value estimates

- Goodwill valuation:

  The Issuer considers the value of goodwill arising from its acquisitions during the year to be substantiated, the end of the reporting period precedes the end of the valuation period and, therefore, information not yet available in the reporting period will impact the future value of goodwill.
- Off-balance sheet forward transactions classified to have production purpose

  The Company has forward transactions for energy products classified as having an open production purpose in a total of EUR 33,032 thousand, of which EUR 29,857 thousand are within one year and EUR 3,175 thousand longer than one year.

2.5.7 Seasonality, cyclicality, unusual activities

The Group publishes its financial statements in accordance with IAS 34. There are certain seasonal factors relating to its business to be aware of. Important factors relating to the interpretation of the periodical financial figures of ALTEO:

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

The production of the power plants listed above is described in detail in Section 1.3.

The Issuer did not identify any events in its activity that may have an impact on assets, liabilities, equity, net P&L or cash-flows and can be deemed unusual due to their nature, amount or frequency.

2.6 Employee headcount

The Group's closing number of employees on 6/30/2023 was 432 persons. It's statistical headcount in H1 2023 was 410.65 persons on average.

2.7 EPS indicator

Calculation of earnings per share (EPS)	Period ending on 06/30/2023 HUF thousand	Period ending on 12/31/2022 HUF thousand
Number of shares for EPS	19 851 116	19 718 079
Number of shares for diluted EPS	19 931 474	19 724 417
Profit or loss attributable to controlled interests	8 960 895	12 887 893
Base value of net earnings per share (HUF/share)	451,41	653,61
Diluted value of net earnings per share (HUF/share)	449,59	653,40

As the ALTEO shares owned by the ALTEO ESOP Organization are eligible for dividend, they are also included in the diluted share number.

The change in the number of shares can be attributed to the equity transactions listed in Section 2.12.

2.8 Extraordinary financial management or economic environment impacts and events

In H1 2023, the Group no longer considers the COVID events to be an extraordinary operational environment impact.

2.9 The Company's details

The Company's name	**ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság**
The Company's abbreviated name	**ALTEO Nyrt.**
The Company's name in English	**ALTEO Energy Services Public Limited Company**
The Company's abbreviated name in English	**ALTEO Plc.**
The Company's registered office	**H-1033 Budapest, Kórház utca 6-12**
The Company's telephone number	**+36 1 236 8050**
The Company's central electronic mailing address	**info@alteo.hu**
The Company's web address:	**www.alteo.hu**
The Company's place of registration,	**Budapest**
date of registration and	**April 28, 2008**
company registration number	**Cg.01-10-045985**
The Company's tax number:	**14292615-2-44**

The Company's EU VAT number:	**HU14292615**
The Company's statistical code	**14292615-7112-114-01**
Duration of the Company's operation	**indefinite**
The Company's legal form	**public limited company**
Governing law	**Hungarian**
The Company's share capital	**HUF 249,143,425**
Date of the effective Articles of Association	**May 11, 2023 (effective from April 21, 2023)**
The Company's core activity	**Engineering activities and related technical consultancy**
Business year	**same as the calendar year**
Place of publication of notices	**The Company discloses its notices regarding regulated information on its website https://investors.alteo.hu/, on the website of the BSE at www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary (hereinafter: MNB); furthermore, if specifically required by relevant laws, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 shares of the Company have been listed on the BSE in Premium category.**
Other securities	**Bonds** **ALTEO NKP/2029: registered bonds with a fixed coupon rate, issued by private placement, having a face value of HUF 50,000,000 and 10 years maturity, total face value: HUF 8,600,000,000, listed on the BSE. ISIN code: HU0000359252** **ALTEO2031: registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, listed on the BSE. ISIN code: HU000036003**

The Company’s Board of Directors	**Attila László Chikán, Chairman of the Board of Directors, CEO**
	Dr. György Bacsa, Deputy Chairman of the Board of Directors
	Ágnes Bencsik, Member of the Board of Directors
	Álmos Mikesy, Member of the Board of Directors
The Company’s Supervisory Board	**Dr. Ákos Székely, Chairman of the Supervisory Board**
	Péter Kaderják, Member of the Supervisory Board
	Márton Oláh, Member of the Supervisory Board
	Attila Gyula Sütő, Member of the Supervisory Board
The Company’s Audit Committee	**Dr. Ákos Székely, Chairman of the Audit Committee**
	Péter Kaderják, Member of the Audit Committee
	Márton Oláh, Member of the Audit Committee
The Company’s Auditor	**The Company’s current auditor is BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: H-1103 Budapest, Kőér utca 2/A. C. ép.; company registration number: Cg. 01-09-867785). The mandate of the auditor is for the period from April 21, 2023 until the date of adoption of the General Meeting’s resolution on the report for the business year ending on December 31, 2023 or until May 31, 2024, whichever occurs earlier. The auditor personally responsible for auditing the Company is Péter Kékesi.**
Shareholders of the Company with a share exceeding 5%	**MOL RES Investments Zártkörűen Működő Részvénytársaság**
	Riverland Private Equity Fund
	Főnix Private Equity Fund

2.10 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 6/30/2023	Activity	Rate of influence		
		6/30/2023	12/31/2022	6/30/2022
ALTE-A Kft.	asset management (holding)	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trading	100%	100%	100%
ALTEO-Depónia Kft.	electricity production	100%	100%	100%
ALTE-GO Kft.	electricity production	100%	100%	100%
ALTEO-Therm Kft.	electricity production, heat energy production	100%	100%	100%
Domaszék 2MW Kft.	electricity production (solar power plant)	100%	100%	100%
ECO-FIRST Kft.[1]	treatment and disposal of non-hazardous waste	100%	66.67%	66.67%
EURO GREEN ENERGY Kft.	electricity production (wind turbine)	100%	100%	100%
Monsolar Kft.	electricity production (solar power plant)	100%	100%	100%
Pannon Szélerőmű Kft.	electricity production (wind turbine)	100%	100%	100%
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	steam supply, air conditioning, electricity production	100%	100%	100%
SUNTEO Kft.	electricity trading, electricity production	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
EDELYN SOLAR Kft.	Business and other consultancy activities	100%	100%	-
FE-GROUP INVEST Zrt.	Wholesale of waste and scrap, recycling	75.1%	75.1%	-
Energigas Kft.[2]	Electricity production	100%[3]	1%	1%
Energikum Zrt.[4]	Business and other consultancy activities	100%	-	-

2.11 Changes in the structure of the Group

2.11.1 Energikum, Energigas, ECO-FIRST acquisition in 2023

ALTEO – as buyer – has concluded a share purchase contract with the owners of Energikum Zrt. (registered office: H-3011 Heréd, Kökényesi út 8, company registration number: Cg. 10-10-020308; hereinafter: "**Energikum**") to acquire shares embodying 100% of the share capital of Energikum. Energikum holds the stake embodying 99% of the issued capital of Energigas Kft. (registered office: H 1055 Budapest, Kossuth Lajos tér 18, company registration number: Cg. 01-09-715418; hereinafter: "**Energigas**"), which owns the biogas plant in Nagykőrös. ALTEO was at the time the 1% minority shareholder of Energigas, which also operated the Nagykőrös biogas plant, which produces electricity from biomethane generated from organic waste.

The acquisition of the biogas plant with a nominal electricity generation capacity of 2 MW is fully in line with ALTEO's strategy and will also strengthen its role in the circular economy. Beyond the current mode of operation, it is worth noting that the biomethane produced is suitable, under certain

[1] ALTEO was already the owner of 66.67% of the ECO-FIRST Kft. shares, but as of May 25, 2023, the ownership of the 33.33% stake of the share capital of ECO-FIRST Kft. was also transferred to ALTEO.
[2] ALTEO was already previously a 1% minority owner of Energigas Kft. and Energikum Zrt. was a 99% majority owner, but with ALTEO's acquisition of Energikum Zrt.'s shares, ALTEO indirectly became 100% owner of Energigas Kft.
[3] indirect control
[4] The ownership of Energikum Zrt. shares was transferred to ALTEO on May 25, 2023.

conditions, to be a substitute for natural gas and can even feed into the natural gas distribution system. This represents valuable potential for appreciation in the future.

Furthermore, ALTEO as buyer has concluded a business quota purchase contract for the acquisition of the business quota representing 33% of the issued capital of **ECO-FIRST Kft.**, in which ALTEO was already a 67% shareholder at the time. ECO-FIRST Kft. is an active player in waste trade and, as such, plays an important role in the procurement of raw materials for the Nagykőrös biogas plant.

The conditions precedent to closure stipulated in the purchase contract were fulfilled on May 25, 2023, and the closure process was successfully concluded and, as such, the ownership of the Energikum shares and of the business quota of ECO-First Kft. was transferred to ALTEO as of May 25, 2023.

2.12 Description of significant events at the Company and its Subsidiaries between January 1, 2023 and the publication date of this Semi-Annual Report

This section is intended to describe other financial information and events with a financial impact that are either prescribed by the applicable accounting standards or deemed by the management to be material for shareholders.

Any material information that may have a significant impact on the activity of ALTEO Group – outside of ordinary day-to-day business operations – has been disclosed by the Board of Directors continuously through the Company's official disclosure points.

2.12.1 Material events of H1

2.12.1.1 Events at the Company relevant under company law

2.12.1.1.1 Statutory public takeover bid

On December 17, 2022, the Company received the statutory public takeover bid of MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: 01-10-046154; hereinafter: "**Offeror**") as designated offeror under Section 68 of the Capital Market Act, for all series 'A' ordinary shares of ALTEO Nyrt. (HU0000155726) issued by the Company – as specified in the bid – with a face value of HUF 12.5 (twelve point five) each. The Offeror qualifies as a designated offeror pursuant to Section 68(3) of the Capital Market Act, acting in the course of the bid pursuant to the syndicate and coordination agreements concluded with Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt. and with Riverland Private Equity Fund managed by Indotek-Investments Zrt. (hereinafter collectively: "**Acquirers**") on December 16, 2022.

During the approval procedure relating to the statutory public takeover bid, with MNB Resolution No. H-KE-III-77/2023 dated February 3, 2023, the Central Bank of Hungary approved the takeover bid (hereinafter: "**Bid**") of December 17, 2022, as amended on February 2, 2023, which the Company received on February 6, 2023 and published the same day. Subsequently, on February 8, 2023, the Board of Directors of the Company published the opinion of the Board of Directors on the Bid, which also incorporated the opinion of the representatives of employees and the assessment of an independent financial advisor.

On March 6, 2023, ALTEO was informed that all applications for the competition authority permits specified in the Bid have been submitted to the competent competition authorities, and on March 10, 2023 the Hungarian Competition Authority issued the official certificate – under number ÖB/9-6/2023 – in which the Competition Authority certifies, pursuant to Section 43/N(1)(b) of Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices, that there are no circumstances on the basis of the merger notification that would justify the ordering of an audit as per Section 67(4) of the Act concerning the merger through acquisition of joint control of ALTEO by the Acquirers. On March 13, 2023, the Serbian Competition Authority also issued its permit, and thus the Acquirers received all competition authority permits specified in the Bid from the competent competition authorities.

The statutory public takeover bid procedure was closed on March 13, 2023, as part of which a valid declaration of acceptance was made in respect of a total of 2,438,442 ALTEO Nyrt. ordinary shares, representing 12.237% of the voting rights in ALTEO. Given that all competition authority permits specified in the Bid have been obtained, the share purchase contracts specified in the Bid were concluded and became effective on the closing date of the bid acceptance period, i.e. March 13, 2023.

As a result of the successful statutory public takeover bid procedure, with the execution of the transactions referred to in Section 2.5.2 of the Bid, the Offeror acquired 4,902,536 ALTEO ordinary shares, Főnix Private Equity Fund acquired 4,902,535 ALTEO ordinary shares and Riverland Private Equity Fund acquired ALTEO ordinary 4,902,535 shares on March 21, 2023, thus the Acquirers' joint share increased to 73.791%, while their control over the own shares of the Company increased to 73.807%.

2.12.1.1.2 Resignation of members of the Board of Directors, Extraordinary General Meeting

On March 3, 2023, ALTEO informed Investors that Board members Zsolt Müllner, Gyula Mező, Ferenc Karvalits and Domonkos Kovács submitted their letters of resignation from their seats on the Board to the Chair of the Board of Directors. The resignations relate to the transaction described in the Company's announcement of December 17, 2022, whereby MOL RES Investments Zrt, Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt., and Riverland Private Equity Fund managed by Indotek-Investments Zrt. signed share purchase contracts with WALLIS ASSET MANAGEMENT Zrt., ALTEO's majority shareholder, on December 16, 2022 for the purchase of ALTEO ordinary shares held by WALLIS representing a total stake of 61.557%. In view of the letters of resignation, the Board of Directors of the Company convened an Extraordinary General Meeting on April 3, 2023, at which the following resolutions were adopted:

a) The General Meeting amended the Articles of Association of the Company by deleting the section limiting the right to recall the members of the Board of Directors in Section 13.2 of the Articles of Association.

b) The General Meeting **acknowledged the resignation of members of the Board of Directors** Zsolt Müllner, Gyula Zoltán Mező, Ferenc Karvalits and Domonkos Kovács, subject to and with effect from the election of the new members of the Board of Directors replacing the resigning members.

c) The General Meeting **elected** Dr. György Bacsa, Álmos Mikesy and Ágnes Bencsik as **members of the Board of Directors** of the Company with joint signatory rights for a fixed term of office until April 3, 2028, and also decided on the manner of exercising their signatory rights.

d) The General Meeting resolved <u>not to adopt</u> the proposal that the members of the Board of Directors continue to perform their duties for the same remuneration, i.e. HUF 300,000 gross/month for the chairman of the Board of Directors and HUF 250,000 gross/month for all other BoD members.

e) The General Meeting resolved that the members of the Board of Directors receive a gross monthly remuneration of HUF 750,000 for **their services**.

f) The General Meeting established that Zsolt Müllner, Gyula Zoltán Mező, Ferenc Karvalits and Domonkos Kovács performed their duties arising from their position as members of the Board of Directors with the best interests of the Company in mind until the termination of their position, and in view of this, **granted them the discharge** in accordance with Section 3:117(1) of Act V of 2013 on the Civil Code, with the conditions described therein.

g) The General Meeting resolved <u>not to adopt</u> the proposal to amend Section 14.1 of the Articles of Association of the Company by deleting the provision on the maximum number of members of the Supervisory Board.

h) The General Meeting resolved <u>not to adopt</u> the proposal to recall Péter Jancsó from his position on the Supervisory Board of the Company with effect from the date of the General Meeting resolution.

i) The General Meeting resolved to **recall** István Zsigmond Bakács, Dr. János Lukács, Dr. István Borbíró and Péter Jancsó **from their positions on the Supervisory Board** of the Company with effect from the date of the General Meeting resolution.

j) The General Meeting resolved to **recall** István Zsigmond Bakács, Dr. János Lukács and Dr. István Borbíró **from their positions on the Audit Committee** of the Company with effect from the date of the General Meeting resolution.

k) The General Meeting resolved to **elect** Dr. Ákos Székely, Márton Oláh and Péter Kaderják **as new members of the Supervisory Board** of the Company for a fixed term of office until April 3, 2028.

l) The General Meeting resolved that the members of the Supervisory Board receive a gross monthly remuneration of HUF 500,000 for **their services**.

m) From among the members of its Supervisory Board, the General Meeting resolved to **elect** Dr. Ákos Székely, Márton Oláh and Péter Kaderják **as members** of the Audit Committee of the Company for a fixed term of office until April 3, 2028.

n) The General Meeting resolved not to adopt the proposal to amend Appendix 1 of the Remuneration Policy in force at the Company in a form consolidated with the amendments, as proposed by the Board of Directors.

o) The General Meeting resolved to **amend Appendix 1 of the Remuneration Policy** in force at the Company in accordance with the draft annexed to the request of MOL RES Investments Zrt. dated March 10, 2023, consolidated with the amendments.

p) The General Meeting resolved not to adopt the proposal for the amendment of the Articles of Association as proposed by the Board of Directors.

q) The General Meeting adopted the Company's **Articles of Association** in a form consolidated with the amendments, with the content presented at the General Meeting.

2.12.1.1.3 The Company held its ordinary General Meeting on April 21, 2023, where the following resolutions were adopted:

a) The General Meeting **approved the Statement of Financial Position** proposed for acceptance by the Company's auditor regarding the Company's fiscal year ending on December 31, 2022, along with the separate Financial Statement (comprehensive income: HUF 14,026,987 thousand, total assets: HUF 55,135,404 thousand), the business (annual) report and the report of the Board of Directors prepared in line with the provisions of the Accounting Act applicable to entities preparing their annual report under the EU IFRS standards, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

b) The General Meeting **approved** the Consolidated Statement of Financial Position proposed for acceptance by the Company's auditor for the Company's fiscal year ending on December 31, 2022, along with its Consolidated Financial Statement (comprehensive income: HUF 9,606,105 thousand and total assets: HUF 100,020,394 thousand) and the Company's business (annual) report prepared in accordance with the IFRS standards, the report of the Board of Directors, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

c) The General Meeting **adopted** the **Corporate Governance Report** relating to the Company's 2022 operations with the proposed content.

d) The General Meeting adopted the Integrated Report of the ALTEO Group for 2022 with the proposed content.

e) The General Meeting resolved that the Company **does not pay any dividends** for 2022, and that the profit not paid as dividend be transferred to retained earnings.

f) The General Meeting has given the **discharge** to Attila László Chikán in accordance with Section 3:117 (1) of Act V of 2013 on the Civil Code of Hungary, with the conditions described therein.

g) The General Meeting has appointed BDO Magyarország Könyvvizsgáló Kft. (registered office: H-1103 Budapest, Kőér utca 2/A. C. ép.; company registration number: 01-09-867785; registration number with the Chamber of Hungarian Auditors: 002387) as the **permanent auditor** of the Company, and Péter Krisztián Kékesi (mother's name: Piroska Gelics, address: H-1133 Budapest, Pannónia utca 70, 7. em. 9., registration number with the Chamber of Hungarian Auditors: 007128) as the auditor personally responsible for the Company's audit, as suggested in the proposal, for a total remuneration of HUF 15,900,000 + VAT, from April 21, 2023 until the date of the General Meeting's resolution approving the financial statements of the fiscal year ending on December 31, 2023, but until no later than May 31, 2024.

h) The General Meeting has given its consent to the extension of the scope of the 2024 and 2025 ESOP Remuneration Policies to include Attila László Chikán, Member of the Board of Directors, and approved the **amendment of the Remuneration Policy in a consolidated structure** as per the proposal, in particular the extension of the Policy to include Deputy CEO Anita Simon.

i) The General Meeting adopted the Company's Remuneration Report for 2022 with the proposed content.

j) The General Meeting acknowledged and accepted the information provided on **transactions involving treasury shares** with the proposed content.

k) The General Meeting **decided** to extend the **authorization** given to the Board of Directors regarding **treasury share transactions** for eighteen months starting from April 21, 2023 with the proposed conditions.

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

2.12.1.2 Events at the Company's subsidiaries relevant under company law in the period between January 1, 2023 and the publication date of this Semi-Annual Report

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

In March 2023, ALTEO approved the annual reports of the subsidiaries for 2022. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 500,000,000
Monsolar Kft.	HUF 40,000,000
Pannon Szélerőmű Kft.	HUF 250,000,000
Domaszék 2MW Erőmű Kft.	HUF 29,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 20,000,000
SUNTEO Kft.	HUF 100,000,000

2.12.1.3 Securities issued by the Company and their credit rating

2.12.1.3.1 Own share transactions

The Company distributed 1,911 ALTEO ordinary shares (ISIN: HU0000155726) to employees who were eligible under the Company's **recognition plan**. The transfer was successfully completed on February 7, 2023.

On May 16, 2023, the Company signed over-the-counter **share purchase contracts** in respect of 394,000 ALTEO ordinary shares for a purchase price of HUF 2,749 per share with several persons discharging managerial responsibilities, such as Attila László Attila Chikán, Domonkos Kovács, Péter Luczay, Zoltán Bodnár, Anita Simon and Viktor Varga, as well as other non-manager ALTEO employees, who have received their shares thus sold by successfully meeting the criteria of the ESOP Remuneration Policy for 2020[5]. The majority of the shares, a total of 275,000 shares, were immediately transferred by ALTEO to the ALTEO ESOP Organization **in order to implement the remuneration policies** specified in Section 2.12.1.8.

[5] For details see Section 2.12.1.8.

The remaining shares, i.e. the shares not transferred to the ALTEO ESOP Organization as yet, continued to be held by ALTEO as own shares to cover the share requirements of additional ESOP remuneration policies planned to be launched in the future.

In July 2023, ALTEO **executed own share transactions related to the 2020 and 2024 ESOP remuneration policy** launched under the ESOP. The transactions relate, on the one hand, to settlement with the ALTEO ESOP Organization in connection with the closure of the 2020 ESOP Remuneration Policy and, on the other, to the settlement – with regard to the 2024 ESOP Remuneration Policy – of the fate of the shares linked to the membership stakes of participating employees whose remuneration has been forfeited due to the discontinuation/termination of their employment.

In view of the legal requirements, as a result, on June 21, 2023, ALTEO as buyer signed over-the-counter share purchase contracts with the ALTEO ESOP Organization as seller for 22,073 ALTEO ordinary shares at a price of HUF 2,694 per share.

At the same time, however, a decision was also adopted on June 21, 2023 by the CEO to expand the scope of participants in respect of the 2024 ESOP Remuneration Policy, as a result of which, by amending the 2024 ESOP Remuneration Policy and the Articles of Association of ALTEO's ESOP Organization, ALTEO made 17,640 ALTEO ordinary shares available to the ALTEO ESOP Organization as in-kind contribution.

The transactions were concluded in July 2023, resulting in ALTEO owning a total of 128,783 ALTEO ordinary shares.

2.12.1.3.2 Annual review of the credit rating

Scope Ratings GmbH carried out an annual review of the Company's credit rating on its bonds issued under the Bond Funding for Growth Scheme announced by the MNB, as a result of which ALTEO as issuer was **upgraded** from BB+ to BBB- with a stable outlook, and its short-term debt rating was upgraded from S-3 to S-2. The rating agency also confirmed the BBB- rating of the bonds. Furthermore, the rating agency gave a positive ESG rating to the Company's business model on several points, including the fact that the 20 MW solar power plant project in Tereske will improve the Company's ESG rating.

The report of the credit rating agency is available at the links below:
https://www.scoperatings.com/ratings-and-research/rating/EN/174535
https://www.scopegroup.com/ScopeGroupApi/api/analysis?id=91252deb-7011-4d55-890e-aee0a14f0981

2.12.1.3.3 Stock tracking

Kalliwoda Research GmbH updated its model on March 19, 2023 **following the results for 2022**, and is available at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2022_Q4.pdf

2.12.1.3.4 Company analysis

Erste Group Research updated its company analysis of the Company based on the **statutory public takeover bid**, which is available at the following link:

https://www.bet.hu/site/newkib/hu/2023.02./Az_Erste_Group_Research_ALTEO_Nyrt.-re_vonatkozo_frissitett_vallalatelemzese_128843358

2.12.1.4 Major investment projects and contracts

2.12.1.4.1 New solar power plant investment project and construction

ALTEO acquired the solar power plant development project of EDELYN SOLAR Kft. in 2022. In May 2023, the Company informed investors that it had achieved ready-to-build status, and in July 2023, the Company announced that the ALTEO Board has approved the construction plans. The self-financed development project will be able to produce 31 GWh of electricity per year, equivalent to the annual electricity consumption of more than 10,000 households. The development project, worth more than EUR 17 million, will double the size of ALTEO's own solar power plant portfolio. The plans are that following the completion of the construction, which is expected to start in September, ALTEO's 20 MWe nominal capacity solar power plant in Tereske, Nógrád County, will start electricity production from H2 2024.

2.12.1.4.2 Waste management concession

FE-GROUP INVEST Zrt. signed a two-year service contract, renewable for an additional two years, with MOHU MOL Hulladékgazdálkodási Zrt., the winner of the 35-year waste concession in Hungary, for the collection, transport, storage and pre-treatment of waste. ALTEO is thus taking a major step towards modern recycling-based waste management, which is also crucial in the transition to a circular economy.

2.12.1.4.3 Expansion of the operation and maintenance business line

ALTEO entered into a framework contract with MOL Nyrt. (registered office: H-1117 Budapest, Dombóvári út 28, company registration number: 01-10-041683; hereinafter "**MOL**") to provide industrial and power plant rotary machine maintenance services to MOL and its Hungarian and foreign subsidiaries (in particular Slovnaft or INA), thus exploiting the synergies of the cooperation between the two companies. In addition to the above contract, ALTEO's Board of Directors decided to expand the Company's operation and maintenance business and to restructure its organization in order to respond to the increase in demand for high value-added, quality industrial and power plant maintenance services in recent years and to operate more efficiently. The aim of the expansion is to significantly increase the Company's maintenance capacities and sales revenue, and in order to serve the needs faster, the Company intends to establish a new maintenance site in the Budapest catchment area in addition to the existing civil site.

2.12.1.4.4 Renewables Virtual Power Plant

As the first company in Hungary, ALTEO has established an aFRR-capable[6] Virtual Power Plant integrating purely renewable power plants, modelled on its gas engine-based virtual power plant. Not only does this expand the Company's balancing reserve market opportunities, but it also provides the domestic electricity system with substantial additional flexibility, which could facilitate the establishment of further weather-dependent renewable energy utilizing, primarily solar and wind turbine capacities. ALTEO is planning to significantly expand in the near future its new virtual power plant, which currently has a capacity of ~160 MW, and it intends to add considerable additional flexible capacity to the electricity system.

2.12.1.4.5 RDI project

The new electrical boiler installed at ALTEO's Sopron Power Plant started operating, further increasing the flexibility of ALTEO's Virtual Power Plant and creating a possibility to convert electricity generated from renewable energy sources into heat. The consortium of ALTEO and the Alfréd Rényi Institute of Mathematics won funding for the development of the system as part of tender no. 2020-1.1.2-PIACI KFI, entitled "Support for Market-driven Research/Development and Innovation Projects", announced by the Hungarian National Research, Development and Innovation Office. Through its rapid load switching capability, the electrical boiler commissioned in March 2023 provides a high level of flexibility for ALTEO's Virtual Power Plant. The Company's first electrical boiler has an output of 5 MW and the steam it produces is utilized by the heat consumers of the Sopron Power Plant.

2.12.1.5 Financing agreements

The two members of ALTEO Group have entered into the first credit transaction of ALTEO Group with K&H Bank Zrt. (registered office: H-1095 Budapest, Lechner Ödön fasor 9; company registration number: Cg.01-10-041043) that is fully compliant with the so-called Taxonomy Regulation of the European Union in force since 2022. Under the agreement, K&H Bank Zrt. provides a loan of HUF 4 billion (approximately EUR 10.3 million) for the purpose of partially refinancing the wind farm of ALTEO Group with a total integrated capacity of 47.5 MW. The loan was disbursed on January 31, 2023.

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[6] aFRR (automatic Frequency Restoration Reserve): one of the key pillars of system balance. A standard product of the Ancillary Services market that meets the applicable requirements of the System Operation Guideline. A unit with such accreditation is capable of implementing the System Operator's control commands/instructions in real time through telemechanics and process control systems, i.e. it can be controlled.

On March 16, 2023, ALTEO prepaid the HUF 6 billion loan granted by WALLIS ASSET MANAGEMENT Zrt. in fall 2022 in full.

2.12.1.6 ESG certification and Green Financing Framework

Last year, ALTEO obtained its first voluntary, independent third-party ESG (Environmental Social and Governance) certification, which assessed the Company's environmental, social and governance impacts. This year, the ESG rating was reviewed by Sustainalytics, and ALTEO scored 26.1 points on a risk scale of 0 to 50 for the overall results. This **improved** ALTEO's risk rating from 'high' last year to 'medium' this year. ALTEO manages its high industry exposure with a strong risk management-based approach.

The Sustainalytics report is available at the link below:
https://www.sustainalytics.com/esg-rating/alteo-energy-services-plc/2003159536

Green Financing Framework

The Company has developed and set up its own green financing framework, whose second party opinion (SPO) has been provided by Deloitte Zrt. (registered office: H-1068 Budapest, Dózsa György út 84/C, company registration number: Cg.01-10-044100).

The Company has, thereby, established the possibility to issue green bonds or take out green loans linked to green objectives, as set out in the framework. The Company also emphasizes its sustainability efforts through its qualified green loan framework and other related commitments. The pursuit of sustainability is an integral part of the Company's strategy, and the entry into force of the Green Financing Framework is an important step towards the implementation of this strategy.

2.12.1.7 Best of BSE Awards

Based on its performance last year, ALTEO was recognized in two categories at the Best of BSE Awards, one of the most important events of the Budapest Stock Exchange. A key player in the Hungarian energy sector, ALTEO came out on top in both "The Issuer of the Year with the **Highest Share Price Increase** in the Premium Category" and the "**Responsibility, Sustainability, Corporate Governance**" categories.

2.12.1.8 ALTEO ESOP Remuneration Policies

In April 2023, the Company's Board of Directors adopted both the **remuneration policy for the senior and middle management levels** and the **remuneration policy for talented young managers and experts**.

The aim of the remuneration policies adopted is to put in place a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the ALTEO Group's performance and, thereby, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates (including members of senior management) with an attractive long-term incentive program. The remuneration policies also facilitate the enhancement of employee engagement and help them become interested parties in representing ALTEO's values by making their remuneration subject to an increase in corporate performance and, consequently, to an expected increase in shareholder value.

The ALTEO ordinary shares required for the implementation of the Remuneration Policies were provided by the Company to the ALTEO ESOP Organization through the own share transactions described in Section 2.12.1.3.1.

On May 9, 2023, the Company informed investors and ALTEO's Board of Directors that the conditions set out in the 2020 ESOP Remuneration Policy adopted as part of the ESOP launched by ALTEO had been met, and as such, the shares allocated for this purpose at the ALTEO ESOP Organization (612,940 shares) became allottable to eligible persons under the 2020 ESOP Remuneration Policy who at the time had an employment relationship with ALTEO.

2.12.2 Events after the interim period not reflected in the interim statements

As it has already been noted in Section 2.12.1.6, ALTEO has **improved its ESG rating**.

The Board of Directors of the Company approved the plans for the construction of ALTEO Group's **new solar power plant project**, as described in more detail in Section 2.12.1.4.1.

2.13 The business environment of ALTEO and classification of risks according to their characteristics

As the risk factors associated with the ALTEO Group are described in detail in Sections III.3 and III.4 of the Consolidated Financial Statements constituting a part of the Consolidated Annual Report of ALTEO Nyrt. and its subsidiaries published by the Company on April 21, 2023, the risks presented in this section are limited to those which have changed in the meantime.

Additional information on the risk factors arising from the macroeconomic environment and the legal system

While the textual description of the risks involved remains unchanged, the classification of the risks has been changed as follows:

Type	Number	Risk	H1 2023	2022
B	20	Risks related to the spread of COVID-19	low	medium
C	34	Renewing and/or refinancing outstanding debts	low	medium

2.14 Pending lawsuits

Subject to the letter of VPP Magyarország Zrt. (registered office: H-1117 Budapest, Budafoki út 91-93; company registration number: Cg. 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018, at the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the virtual power plant are not in violation of the patent "Decentralized energy production system, control tool and procedure, controlling the energy production of the system" registered for VPP Magyarország Zrt. as holder under number E031332.

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

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

2.15 Authorization to publish the Semi-Annual Report

This Semi-Annual Report was discussed by the Group's Board of Directors and authorized to be published on August 28, 2023.

3 Statements of the issuer

The Company declares that its ***consolidated Interim Financial Statements and Semi-Annual Report for H1 2023*** were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation and profit or loss of the Company as an issuer and of the companies included in the consolidation. The Company also declares that its **consolidated Semi-Annual Report for H1 2023** provides a true and fair view of the situation, development and performance of the issuer and of the companies included in the consolidation, outlining the risks and uncertainties that are likely to arise in the remainder of the fiscal year. The Company declares that the data of this Semi-Annual Report were not audited by an independent auditor.

Budapest, August 28, 2023

On behalf of ALTEO Nyrt.:

Attila László Chikán
Chairman of the Board of Directors, CEO

Zoltán Bodnár
CFO