ALTEO Nyrt.
consolidated and separeted

Annual Report

for the Fiscal Year
2023

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Consolidated Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság and its consolidated subsidiaries

for the fiscal year ended on
December 31, 2023
in accordance with the
International Financial Reporting Standards as adopted by the EU

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These financial statements consist of 115 pages.

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Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Asset retirement obligation under IAS16
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary;
BoD	Board of Directors
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
Capital Market Act	Act CXX of 2001 on the Capital Market
CGU	Cash-generating Unit
Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
EEOS	Energy efficiency obligation schemes under Section 12/A of Act LVII of 2015 (Energy Efficiency Act)
Electricity Act	Act LXXXVI of 2007 on Electricity
EPS	Earnings per Share
ESOP	Employee Share Ownership Program
EUA	European CO2 Emission Allowances
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HAS	Hungarian Accounting Standards
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
HUDEX	Hungarian Derivative Energy Exchange. HUDEX was founded by HUPX Zrt. in order to comply with the new legal provision that the derivatives of gas and electricity traded on the HUPX and CEEGEX futures platforms are to be considered as cash and cash equivalents.
HUF thousand	HUF thousand
HUPX	Electricity market organized by the power exchange – a trading system facilitating regional electricity trade operated by the organized electric power licensee (HUPX Zrt.)
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
KÁT	Electric power offtake system based on the provisions of the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII.23.) on the mandatory offtake and feed-in tariff of electricity produced from renewable energy sources or waste and cogenerated electricity

KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
METÁR	Mandatory offtake system for heat and electricity produced from renewable and alternative energy sources
O&M	Operation and Maintenance contract
PM	Ministry of Finances
SB	Supervisory Board

ESEF INFORMATION

Abbreviation	Explanation
Registered office	H-1033 Budapest, Kórház utca 6-12.
Legal form	Public limited company
Country	Hungary
Head office	H-1033 Budapest, Kórház utca 6-12.
Location of activity	H-1033 Budapest, Kórház utca 6-12.
Industry	Energy
Consolidating company	Alteo Nyrt.

I. NUMERIC REPORTS OF THE FINANCIAL STATEMENTS

consolidated statement of income for the year 2023 and consolidated statement of other comprehensive income for the year 2023

I.1. Comprehensive income

Comprehensive income (Negative values are denoted by parentheses)	Note	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Revenues	**1.**	**98 954 327**	**103 027 053**
Material expenses	2.	(63 869 082)	(70 448 829)
Personnel expenses	3.	(7 876 310)	(5 951 649)
Depreciation and amortization	9.	(4 268 473)	(3 527 162)
Other revenues, expenses, net	4.	(8 315 929)	(6 764 862)
Capitalized own production	5.	538 566	358 915
Operating profit or loss		**15 163 099**	**16 693 466**
Finance income	6.	6 245 001	3 010 721
Financial expenses	6.	(5 525 471)	(3 947 452)
Net financial income	6.	719 530	(936 731)
Profit or loss before taxes		**15 882 629**	**15 756 735**
Income tax expenditures	7.	(3 120 515)	(2 913 444)
Net profit or loss		**12 762 114**	**12 843 291**
Of which the owners of the Parent Company are entitled to:	20.6	12 797 396	12 887 893
Of which the minority interest is entitled to:	20.6	(35 282)	(44 602)
Base value of earnings per share (HUF/share)	34.	**644,75**	**653,61**
Diluted value of earnings per share (HUF/share)	34.	**642,07**	**653,40**
EBITDA	33.	**19 431 572**	**20 220 628**

I.2. Other comprehensive income

Other comprehensive income (Negative values are denoted by parentheses)	Note	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Other comprehensive income (after income tax)		**(4 458 269)**	**(3 237 186)**
Effect of cash flow hedges on other comprehensive income	*20.4*	(3 240 310)	1 892 853
Reclassification into profit or loss due to the closing of cash flow hedge	*20.4*	(1 217 959)	(5 130 039)
Of which the owners of the Parent Company are entitled to:	*20.4*	(4 458 269)	(3 237 186)
Of which the non-controlling interest is entitled to:	*20.4*	-	-
Comprehensive income		**8 303 845**	**9 606 105**

The notes constitute an integral part of the financial statements.

The references in the Notes refer to Chapters IV-V of the financial statements.

Consolidated statement of financial position
for December 31, 2023

I.3. Statement of financial position – Assets

Statement of financial position – Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Non-current assets		**43 572 926**	**34 941 457**
Property, plant and equipment	9.	35 108 875	27 843 737
Other intangible assets	9.	2 705 370	2 417 675
Operation contract assets	9.	799 504	925 860
Rights of use	9.	2 431 769	2 016 580
Goodwill	9.	1 019 181	735 913
Deferred tax assets	8.	335 537	31 990
Long-term deposits or loans given	11.	1 172 690	969 602
Long-term participation in associate	12.	-	100
Current assets and assets held for sale		**48 404 853**	**65 078 937**
Inventories	13.	989 904	1 779 133
Trade receivables	14.	10 863 760	24 562 537
Emission allowances	15.	1 051 198	1 521 340
Other cash and cash equivalents	16.	4 164 457	8 500 254
Other receivables and accruals	17.	6 827 020	12 057 221
Income tax receivables	7.	163 434	193 124
Cash and cash equivalents	18.	24 345 080	16 465 328
TOTAL ASSETS		**91 977 779**	**100 020 394**

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

Statement of financial position continued on the next page

Consolidated statement of financial position for December 31, 2023

I.4. Statement of financial position – Equity and liabilities

Statement of financial position – Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Equity		**33 854 114**	**26 687 862**
Equity attributable to the shareholders of the Parent Company		**33 810 529**	**26 602 913**
Issued capital	20.1	247 534	249 066
Share premium reserves	20.2	6 174 087	6 573 148
Reserve for share-based payments	20.3	(1 885 811)	(1 459 544)
Hedge reserve	20.4	(2 389 024)	2 069 245
Retained earnings	20.5	31 663 743	19 170 998
Non-controlling interest	20.6	43 585	84 949
Long-term liabilities		**28 653 389**	**26 716 632**
Debts on the issue of bonds	21.	12 658 274	12 658 274
Long-term loans and borrowings	22.	9 579 949	6 670 051
Finance lease liabilities	23.	2 160 081	1 848 597
Deferred tax liabilities	8.	825 573	2 248 154
Provisions	24.	1 221 555	1 247 765
Deferred income	25.	847 847	805 775
Other long-term liabilities	26.	1 360 110	1 238 016
Short-term liabilities		**29 470 276**	**46 615 900**
Short-term loans and borrowings	22.	1 703 817	7 185 732
Short-term finance lease liabilities	23.	530 566	391 600
Advances received	27.	29 281	1 499 254
Trade payables	28.	3 404 049	11 282 617
Other financial liabilities	29.	3 138 813	324 160
Other short-term liabilities and accruals	30.	17 900 512	24 885 619
Income tax liabilities	7.	2 763 238	1 046 918
TOTAL EQUITY and LIABILITIES		**91 977 779**	**100 020 394**

The notes constitute an integral part of the financial statements.

The references in the Notes refer to Chapters IV-V of the financial statements.

Consolidated Statement of Cash Flows for the year 2023

I.5. Statement of Cash Flows

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2023 HUF thousand	12/31/2022 HUF thousand
Profit or loss before taxes		**15 882 629**	**15 756 735**
(Interest income) and interest expenses, net	6.	(377 871)	1 047 392
Depreciation	9.	4 268 473	3 527 162
Recognition (reversal) of impairment in profit or loss	4.	(147 397)	354 801
Scrapping of production and other machinery	4.	4 723	2 298
Provisions recognized (released)	24.	(26 210)	265 959
Provisions for asset retirement obligations recognized and (released) – IAS 16	24.	(78 202)	(229 103)
Deferred income increase (decrease)	25.	42 072	211 910
Effect of other comprehensive income	20.4	(4 578 467)	(3 739 230)
Share-based payments recognized against equity	20.3	(10 594)	830 840
Changes in deferred taxes	7.	(1 285 200)	1 107 592
Effect of income taxes on profit or loss	7.	(3 120 515)	(2 913 444)
Net cash-flow of business activity without change in current assets		***10 573 441***	***16 222 912***
Change in inventories	13.	889 454	(552 051)
Changes in emission allowances	15.	470 142	874 185
Change in trade receivables, other receivables, accrued income and deferred charges	14.	19 506 898	(22 793 522)
Change in other cash and cash equivalents	16.	4 335 797	126 882
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	(11 142 174)	21 380 533
Advances received (final settlement)	27.	(1 469 973)	1 490 265
Cash flow from business activities (use of funds)		**23 163 585**	**16 749 204**
Interests received on deposits and investments	6.	3 132 340	533 791
Purchase of production and other machinery, and intangible assets	9.	(10 035 308)	(3 598 491)
Net cash flow used for acquiring businesses	32.	(1 114 338)	(505 930)
Revenue from the sale of production and other machinery, and intangible assets	9.	932	3 268
Repayment (lending) of long-term loans or deposits given	11.	(203 088)	(744 309)
Cash flow of investment activities (cash outflow)		**(8 219 462)**	**(4 311 671)**
Interest paid on bonds and loans	21., 6.	(2 146 468)	(895 240)
Assumption and prepayment of loans and borrowings, financial liabilities, lease liabilities	22.	(3 526 141)	5 639 348
Bonds repaid	21.	-	(2 343 630)
Own shares (purchase), capital increase	20.1	(1 129 143)	1 133 865
Treasury share transactions, consolidated cash-flow of IFRS2 transactions	20.3	(68 953)	(1 434 680)
Dividend payment	20.5	-	(1 933 001)
Cash flow from financing activities (cash outflow)		**(6 870 705)**	**166 662**
Changes in cash and cash equivalents		**8 073 418**	**12 604 195**
Opening cash and cash equivalents	18.	**16 465 328**	**3 679 253**
Exchange gains/losses on balance	18.	(193 666)	181 880
Closing cash and cash equivalents	18.	**24 345 080**	**16 465 328**

The notes constitute an integral part of the financial statements.

The references in the Notes refer to Chapters IV-V of the financial statements.

Consolidated statement of changes in equity for the period ending on December 31, 2023

Data in HUF thousand	Issued capital	Share premium reserves	Reserve for share-based payments		Hedge reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.					
***Reference for the various notes**	20.1	20.2	20.3		20.4	20.5		20.6	
January 1, 2022	**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 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)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2									
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)
Recognition of share benefits against profit or loss			184 073				184 073		184 073
Inclusion of the ESOP Organization in consolidated reporting									
Receivable from ESOP		2 063				(2 874)	(811)		(811)
Dividend paid to ESOP		63 145					63 145		63 145
Fe-Group Zrt. acquisition									
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
December 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 through shares	24	5 518					5 542		5 542
Acquisition of own shares	(5 201)	(1 123 942)	271	45 765			(1 083 107)		(1 083 107)
Capital movements related to the closing of the ESOP Program II (2020-2022)									
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss			(552 218)			552 218	-		-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred			866 672			(866 672)	-		-
Inclusion of the ESOP Organization in consolidated reporting									
ESOP Organization cash spent on operation and costs		(8 682)	8 077			2 874	2 269		2 269
ESOP (2020-2022) 2021 dividend transfer to beneficiaries		(63 145)					(63 145)		(63 145)
Shares transferred to ESOP organization	3 645	791 190		(794 835)			-		-
Other participation-related transactions									
Minaqua Kft. absorption capital settlement						(1 055)	(1 055)		(1 055)
Acquisition of ECO-FIRST Kft. participation						6 082	6 082	(6 082)	-
Re-entry of ECO-First Kft. prescribed dividend into profit or loss						1 900	1 900	-	1 900
Aggregate amount of rounding difference				1		2	3	-	3
Comprehensive income					(4 458 269)	12 797 396	8 339 127	(35 282)	8 303 845
December 31, 2023	**247 534**	**6 174 087**	**-**	**(1 885 811)**	**(2 389 024)**	**31 663 743**	**33 810 529**	**43 585**	**33 854 114**

The notes constitute an integral part of the financial statements. *Negative values are denoted by parentheses.*

The amount of issued capital is different from the value registered at the registry court. Differences are presented in Note 21 to the Separate Financial Statements.

II. GENERAL INFORMATION, SIGNIFICANT ACCOUNTING POLICIES AND THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

II.1 Statement of IFRS compliance

The management declares that the consolidated financial statements for the year 2023 were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the management's best knowledge, providing a true and reliable picture of the assets, liabilities, financial situation of the Group as an issuer, as well as of its profit and loss. Furthermore, the management declares that its consolidated financial statements for the year 2023 provide a true and fair view of the situation, development and performance of the issuer, outlining main risks and uncertainties. The management made this declaration in full awareness of its responsibility.

II.2 The activity of ALTEO Group

By today, the ALTEO Group, founded in 2008, has become an acknowledged comprehensive energy service provider in Hungary. The shares of the Company, having entered the Budapest Stock Exchange in 2010, have been listed on the Equities Prime Market of the BSE since 2018, but ALTEO is a member of the Hungarian stock exchange through its corporate bonds as well.

The corporate group is an energetics service provider and trading concern that represents a modern approach and is in Hungarian ownership. Its business activity covers energy production based on renewable energy carriers and on natural gas, energy trading, as well as personalized energy services, development projects and maintenance for corporate entities.

The company group considers spreading renewable resource-based electricity production in Hungary a priority task. Accordingly, we are striving for the development of an energy portfolio which strikes a careful balance between relying on renewable energy and small power plants burning hydrocarbons, as well as combining them with cogeneration technologies to achieve even higher efficiency. We are building a client-oriented, reliable and flexible energy trading business to provide assistance to small, medium and large corporations in our clientele in energy management, therefore minimizing environmental burdens and costs.

Our strategic goals are closely linked to our core values. When compiling our portfolio, our endeavor was to become a decisive energy service provider on several fronts through the optimal application of both wholesale and retail energy trading, decentralized energy production and efficient energy management. This way we provide our customers and partners with high quality and innovative services, and produce sufficient yields to our shareholders.

Global energy market trends have undergone significant changes in recent years: decarbonization has become a priority; decentralization in energy production continued; innovative technologies emerged in the energy industry as a result of digitalization. ALTEO not only intends to become a competitive market actor, but also wishes to take the lead in the transformation of the energy market.

Its 2023 results confirmed ALTEO's strategy and the successful investments of the past period. In 2023, the sales revenue and the net profit after tax of the Group were comparable to the figures in the previous year despite plummeting global energy prices. Sales revenues declined by 4% while profit after tax was 1% down from the corresponding figure in 2022. Consolidated EBITDA fell by 4% year-on-year, mostly due to changes in market prices. The Heat and Electricity Generation and Management segment produced results below those of last year, but was still outstanding relative to the period preceding the energy market crisis; this achievement was facilitated by the expansion of the Renewable Production Management (RPM) business and the commissioning of the new electric boilers. The profitability of the Renewables-based Electricity Production Segment decreased significantly due to a fall in energy prices and the expiry of the KÁT subsidization of certain power plants; however, this was offset by the Retail segment, which repositioned itself as a result of the dramatic price and risk increase experienced on the global market in 2022 and made an outstanding contribution to the profits of the Group. Furthermore, the performance of the segments that have produced lower profits than in 2022 was also offset by the growth of the Waste Management business, which contributed to maintaining profitability in line with the strategy.

II.3 ALTEO Group

II.3.1 Group members, group structure

The Group consists of ALTEO Nyrt. (Parent Company) and the subsidiaries. The Group includes all entities which are directly or indirectly controlled by the Parent Company. In the Group, control is exercised based on ownership share.

The Group's Parent Company is ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság, a company established (on April 28, 2008) under Hungarian law as governing law. As of September 6, 2010 the company was listed on the Budapest Stock Exchange.

The publicly issued shares of the Company are quoted on the Budapest Stock Exchange; the closing rate of the shares on the last trading day of 2023 (on December 29) was HUF 2850, the annual trading volume in 2023 amounting to 1,208,848 shares in the value of HUF 3,456 million.

Registered office and center of operations of ALTEO Nyrt.: H-1033 Budapest, Kórház utca 6-12.

Registered core activity of the Parent Company: Engineering activities and related technical consultancy (Hungarian NACE 7112).

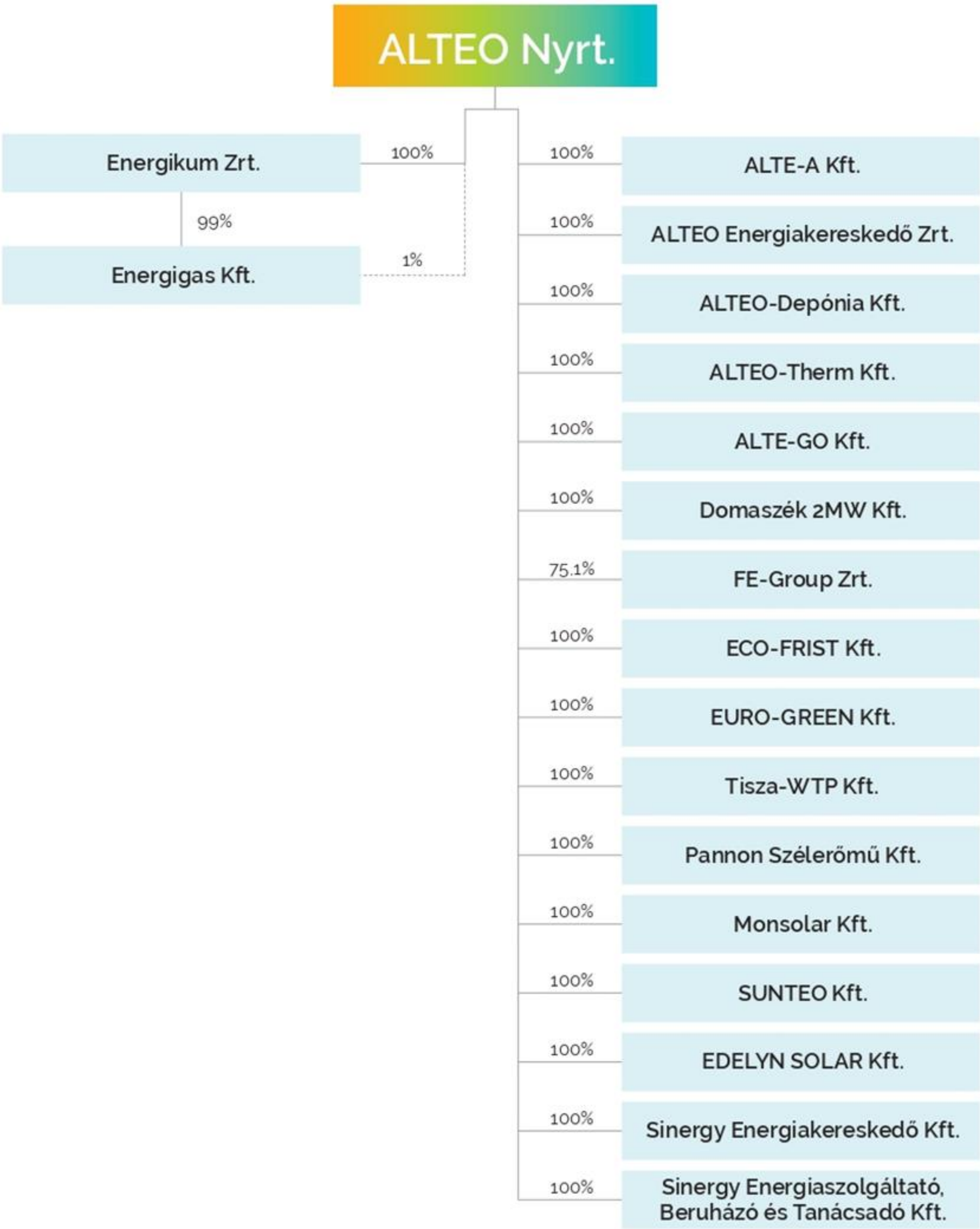
Majority shareholders of ALTEO Nyrt.:

- MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28.; company registration number: Cg.01-10-046154)
- Riverland Private Equity Fund (registered office: H-1133 Budapest, Váci út 110.; tax number: 19314961-2-41)
- Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25.; tax number: 19315357-2-41).

Ownership structure of the Parent Company based on the share register as at December 31, 2023:

Present shareholders of the Company based on the share register on 12/31/2023	Face value (HUF thousand) (Section 20.1)		Ownership ratio (%)	
	2023	2022	2023	2022
Consortium led by MOL RES Investments Zrt.	183 845	24 888	73,79%	9,99%
ALTEO ESOP Organization	10 186	14 478	4,09%	5,81%
Members of the Board of Directors, the Supervisory Board	4 788	11 429	1,92%	4,59%
Own shares	1 609	78	0,65%	0,03%
Wallis Asset Management Zrt. and its	-	128 475	N/A	51,57%
Free float	48 715	69 795	19,55%	28,01%
TOTAL	**249 143**	**249 143**	**100,00%**	**100,00%**

The ALTEO Group's organization and structure on the reporting date which include the companies with respect to which the turnover data of the current period and the balances of the statement of financial position closing the current period were filtered:



ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

Disclosure on Subsidiaries

The laws of Hungary are to be applied to the subsidiaries of the Group. The subsidiaries pay tax in accordance with the Hungarian regulations.

Name of companies in Group	Note	Registered office	Activity	Ownership acquisition date	Legal title	Rate of influence		Amount of equity (HAS)	Amount of revenue (HAS)
						12.31.2023	12.31.2022	12.31.2023	12.31.2023
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	property management	2011.08.02	Founding	100%	100%	8 868	0
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	electricity and gas trade	2011.12.05	Founding	100%	100%	525 225	19 768 319
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production	2008.10.01	Founding	100%	100%	128 543	289 456
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production, e-mobility services	2015.05.04	Purchase	100%	100%	5 529	250 330
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	2009.12.31	Purchase	100%	100%	3 570 817	41 414 388
Domaszék 2MW Naperőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2017.12.04	Purchase	100%	100%	48 400	114 641
ECO First Kft.	3	H-1033 Budapest, Kórház utca 6-12.	treatment and disposal of non-hazardous waste	2019.06.25	Purchase	100%	66,67%	54 374	322 722
Edelyn Solar Kft.		H-1034 Budapest, Kórház utca 6-12.	business and other consultancy activities	2022.07.21	Purchase	100%	100%	(512)	0
Energigas Kft.	2	H-1035 Budapest, Kórház utca 6-12.	electricity production (biogas)	2023.05.25	Purchase	100%	1%	(446 729)	1 143 029
Energikum Zrt.	1	H-1036 Budapest, Kórház utca 6-12.	business and other consultancy activities	2023.05.25	Purchase	100%	0%	221 453	0
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2019.05.28	Purchase	100%	100%	1 523 455	2 119 124
FE-Group Zrt.		H-1101 Budapest, Sírkert utca 2-4	wholesale of waste and scrap, recycling	2022.09.09	Purchase	75,10%	75,10%	243 790	4 324 909
Monsolar Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	2017.11.06	Purchase	100%	100%	55 776	237 796
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2020.10.14	Purchase	100%	100%	1 246 808	1 144 817
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity trading	2015.05.04	Purchase	100%	100%	833 761	51 773 481
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (hydropower plant)	2015.05.04	Purchase	100%	100%	561 640	366 271
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	2013.01.30	Founding	100%	100%	301 161	831 541
Tisza-WTP Kft.	4	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	2015.05.04	Purchase	100%	100%	101 735	2 873 256

1; Energikum Zrt. acquisition of 100% participation

2; Energigas Kft. purchase of 99% business quota through the acquisition of Energikum Zrt.

3; Eco-First Kft. acquisition of 33.33% minority business quota

4; 100% participation, economic entity disclosed as a lease asset; Mol Petrochemicals Zrt. includes the Company in its consolidated report as a 100% participation

II.4 The basis for the preparation of the financial statements

These financial statements present the financial position, performance and financial situation of the Parent Company ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság and its consolidated entities (collectively referred to as: the Group). The Group first published consolidated financial statements prepared under the IFRSs in 2010.

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB). The IFRSs were adopted by the Group as endorsed by the European Union. Where an IFRS does not provide detailed guidelines for certain rules but the Accounting Act has such rules, the provisions of the Accounting Act shall be applied. Beside the above, the Group prepared the financial statements considering the provisions of Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information obligation in connection with the securities trade on the stock exchange.

These financial statements contain information for a comparable period. The comparable data included in the report were prepared based on the same principles as the ones applied to the data of the reporting period.

II.4.1 Going concern requirement

The management of the Parent Company is not aware of any information or data which would imply that the Group intends to terminate or significantly reduce its operations in the foreseeable future (within one year from the reporting date).

II.4.2 Preparation, approval and publication of the financial statements

The financial statements of the Group and the related business report are prepared and approved by the management of ALTEO Nyrt. acting on behalf of the Board of Directors. The Board of Directors publishes the finished financial statements and the business report and submits them to the General Meeting after having it reviewed by the Supervisory Board.

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

II.4.3 The Group's places of disclosure

- www.alteo.hu
- e-beszamolo.im.gov.hu
- www.kozzetetelek.mnb.hu
- www.bet.hu

The persons authorized to jointly sign the consolidated annual report:

- **Attila László Chikán** (H-1144 Budapest, Gvadányi utca 15. 8. ép. B. lház. fszt. 2.), member of the Board of Directors, CEO
- **Zoltán Bodnár** (H-2045 Törökbálint, Honfoglalás utca 12.) Deputy CFO

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000:

- **Anita Magdolna Lénárt (registration number: 186427).**

II.5 Key elements of the accounting policies

II.5.1 Presentation of the financial statements

The Group prepares consolidated financial statements involving its controlled entities and the Parent Company (hereinafter: financial statements). The Group's financial statements are comprised of the following (parts):

- consolidated statement of income
- consolidated statement of financial position

The Group has decided to present the statement of income and the statement of other profit or loss in separate statements.

- consolidated statement of other comprehensive income

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

- consolidated statement of changes in equity;
- consolidated Statement of Cash Flows
- notes to the consolidated financial statements.
- **Management report**
  In the context of the financial statements but as a separate document, the Group prepares its ***Business report***, ***Management Report*** and ***Non-Financial Statements*** in accordance with the disclosure requirements relating to publicly traded securities.

II.5.2 Currency, accuracy and period of the presentation of the financial statements

- The reporting period and the fiscal year of the Group is identical with the calendar year.
- The reporting date of the report is December 31.
- The functional currency of the reporting Group is the Hungarian forint.
- The presentation currency of the report is the Hungarian forint.
- Indicated as: HUF; the figures displayed are in thousand HUF unless otherwise indicated.
- The foreign currency relevant to the Group is the Euro. Foreign exchange rates:

Currency	12.31.2023	2023 average	12.31.2022	2022 average
euro (EUR)	382,78	381,95	400,25	391,33

II.5.3 Decisions regarding presentation

Changes in comparative data

The previous IFRS consolidated financial statement of the Group was drawn up for the fiscal year of 2022. The consolidated financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening figures of the statement of financial position for the comparative period are also presented by the Group.

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

At the time of preparation of the report on 2023, there were no changes in comparative data.

Determining the structure of the Group

(i) Subsidiaries

Starting from 2014, consolidation has been performed by the Group in accordance with the provisions of IFRS 10. Before preparing financial statements for each period, the Group verifies whether

- it still has control over the entities which were previously in the Group;
- it acquired control over any new entities.

If the existence of control is established, then that unit is consolidated regardless of its legal form (full consolidation). Consolidation is to be performed using the acquisition method.

The Group's ability to control means (after the effective date of IFRS 10) that it is able to direct the subsidiary (has power over it), it has exposure, or rights, to variable returns, and is able to determine the use of such variable returns. Rights existing as at December 31, 2023 that were exercisable at that time or convertible to voting rights and provided substantial rights (i.e. actually provided control and there were no limitations which could restrict the exercise of such rights) were considered by the Group for the purpose of determining the extent of such control.

Control (power) is assessed based on the following factors which are usually indicators of control. These factors shall be assessed in their entirety and conclusion shall be derived by examining the factors together, not separately:

- Any member of the Group or the Group collectively holds 50% of voting shares or initial contributions plus one vote and there are no express agreements that would restrict the Group when voting. Where a subsidiary entity which is not wholly owned possesses a share in another entity, such share is considered in its entirety when determining the full extent of the share (second-tier subsidiaries and below).
- If any member of the Group exercises the right to appoint senior executives (senior executives include managers, as well as members of the Board of Directors and the CEO).
- If there is an agreement which provides conclusive evidence that the Group is able to make significant decisions in respect of a given entity by itself.
- If there is an entity whose assets or capacities are fully and consciously allocated by the Group. Control is not deemed to exist if this situation arises but not as a result of the Group's conscious decisions.

Control is not deemed to exist by the Group if the Parent Company has a share of over 50% in an entity but operates the assets of that entity at the specific direction and on behalf of someone else, or if the capacities of that entity are fully allocated by someone else. The net assets of such entities are treated by the Group as if such assets were leased to someone else (IFRS 16), which means that these entities are not consolidated.

The ability to control is not deemed by the Group to exist if such control is only on someone else's behalf in such a way that the controlling entity (apparent parent company) does not bear any risks in connection with the controlled entity.

Entities which are insignificant and subsidiaries whose operations are different from the Group's scope of activities are not exempted from consolidation by the Group.

The reporting date of the subsidiaries' financial statements was the same as the Parent Company's reporting date, and the accounting policies adopted by the subsidiaries were identical to the Parent Company's accounting policies. The accounting policies of the entities which have recently joined the Group have been harmonized with the Group's accounting policies and accounting policies have been developed in connection with the newly introduced activities and accounting events.

(ii) Associates

Associates are presented by the Group using the so-called equity method. The compensation paid for the share is recognized by the Group at initial recognition as the initial value. If the amount paid for the share exceeds the fair value of the net assets, then this difference is treated by the acquirer as goodwill in such a way that this difference is not shown in a separate line in the statement of financial position; instead, the amount will be the same as the value of the share. Any negative difference is immediately credited by the Group to profit or loss as negative goodwill.

Subsequent to initial recognition, the part proportional to the comprehensive income for the current year is recognized by the Group as an increase or decline in the value of the share. The effect of the change is recognized by the Group in a separate line in the statement of profit or loss and other comprehensive income (share of profit of associate) up to the part which is derived from net profit or loss. Any change in the net assets of the associate against other comprehensive income is presented by the Group in other comprehensive income, also in a separate line (share of other comprehensive income of the associate).

Should the value of the share turn negative as a result of the year-end valuation, then a liability arising from this position is recognized by the Group only if it is subject to a legal or constructive obligation to meet its liability. If no such obligation exists, then the Group merely discloses the value of unrecognized loss.

In the statement of financial position, balances with entities of the Group are not eliminated, but the part of the profit recognized by associates that has an effect on the comprehensive income and is attributable to the Group, need to be eliminated proportionally. Goodwill arising with the acquisition of these investments will not be recognized separately, but will be included in the value of the share.

Definition of segments

The Group discloses operating segment information in the notes to the financial statements. Operating segments are determined in accordance with the strategic expectations.

(iii) Activity based segments

The activity of the ALTEO Group can be classified in the following main groups (segments):

Name of segment	Segment activities
Retail Energy Trade	Retail trade in electricity and gas
Renewables-based Energy Production	Energy production of renewable solar, wind and hydropower plants
Heat and Electricity Production and Management	Heat and Non-renewable Electricity Production, Ancillary Services, Renewable Production Management
Waste Management	Total waste management services, collection, recovery and sale of organic and inorganic waste
Energy Services	Operation, maintenance of energy generating assets and construction-installation activity.
Other	Other non-segment activities and central administration.

The principle of identifying segments is the formation of segment units by differences in risks and business models.

These activities are monitored by the strategic and operational decision-makers. The content and name of the single segments is continuously tracked by the management of the Group and is also clarified by the management of the Group as necessary. Since the management does not review the assignment of assets and resources to specific segments, the segment level breakdown of assets and resources is not published.

(iv) Geographic segments

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

II.5.4 Principles for performing consolidation

Treatment of business combinations

Business combinations include cases where the Group acquires control over a new entity and the goal of the transaction is to acquire the business operations of the acquiree and not only its assets. The acquisition of control is recorded as of the day after which any of the circumstances that result in the entity being treated as a subsidiary apply.

The value of goodwill or negative goodwill is determined for the date of the business combination. This value is the difference between the fair value of the assets transferred in return for the share (the consideration) and the fair value of the share of net assets acquired. The consideration includes previously held shares in the entity.

The consideration includes the following:

- money paid or due;
- the fair value of the stocks issued by the acquirer in relation to the combination (the fair value is derived from the stock price at the date of issue);
- the fair value of other assets transferred (reduced by any liabilities transferred);
- the fair value of any contingent consideration, i.e. the part of the consideration which is payable or refundable if certain future events occur (or do not occur).

If the actual amount transferred (returned) is different from the estimated value of the contingent consideration, then such difference is recognized by the Group in profit or loss in the period in which the value of the difference can be calculated.

Determining the acquired net assets

The assets and liabilities acquired as part of the business combination are measured at the fair value as at the date of the combination. The principles for determining fair value are described in the chapter on fair value. During valuation, assets and liabilities which are not included in the acquiree's separate financial statements but need to be recognized under the standards are recorded in the statement of financial position. In particular, this includes internally-generated intangible assets and owned by the acquiree; in addition, any contingent liabilities of the acquiree as at the date of the business combination are recognized (at fair value) as liabilities, regardless of the fact that these may not be recognized as liabilities in separate financial statements under IAS 37.

Goodwill

The difference between the consideration paid for the acquired subsidiary (cost of control) and the net assets acquired is recognized by the Group as an intangible asset which cannot be amortized, provided that such difference is greater than zero. If the value of the goodwill is negative, the procedure to be adopted is as follows:

- an organization that is different from the one that performed the original calculation (or, if none is available, a different person within the organization) recalculates the value of goodwill (does calculations and reviews the valuation, focusing on the undervaluation of liabilities and overvaluation of assets) and makes adjustments as required;
- if the result of the calculation is still a negative value, then such difference is credited to profit or loss in one lump sum as profit on a "bargain purchase" from the Group's perspective; such profit is attributable to the shareholders of the acquirer.

Measurement period

Determining the fair value of the assets acquired may take a long time. In accordance with the provisions of IFRS 3, the value of net assets acquired as well as the resulting goodwill or negative goodwill are finalized by the Group within one year from the date of acquisition (measurement period). The value of net assets and goodwill (negative goodwill) is recognized by the Group in the financial statements issued in the measurement period at a value that is based on its best estimate at the time of issue; however, such estimate may change considerably during the measurement period. In accordance with the rules under IFRS 3, these changes are treated by the Group not as corrections, but as adjustments relating to the measurement period. Note IV.9.4 shows changes in goodwill in the current year while Note IV.32 contains further details on acquisitions.

Impairment of goodwill

The Group recognizes goodwill when it participates in a business combination as a buyer and the value of assets handed over in order to obtain control (including the value of liabilities accepted from former owners) exceeds the fair value of its net assets concerning the purchased group. The Group assigns it to the cash-generating unit (Cash Generating Unit – CGU) and tests it every year whether the goodwill became impaired. In the course of the impairment test of the goodwill the recoverable amount of the CGU must be compared to the carrying amount of the CGU. If the recoverable amount is smaller than the carrying amount of the CGU then – if there are no clearly damaged assets – the goodwill must be written off first. The goodwill must not be reversed later.

The recoverable value of CGU is the greater one of the value in use and the fair value less point-of-sale costs. The measurement of goodwill in the current year is explained in detail in Note IV.9.4.

Treatment of non-controlling interests (NCI)

The net assets (assets and liabilities) of non-controlled interests are recognized by the Parent Company in their entirety. However, only the part of consolidated equity which is held after the acquisition and attributable to the Group is recognized by the Group as equity attributable to the Parent Company.

The value of the net assets of the subsidiaries attributable to non-controlling interests is recognized by the Group separately, in one line, as non-controlling interest. The non-controlling interest is part of the equity not attributable to the owners of the parent company.

Non-controlling interests are recognized by the Group in proportion to net assets (at carrying amount) at each reporting date and are not re-measured at fair value at the end of each reporting period. Disclosures relating to non-controlling interests are included in Note IV.20.6.

Changes in the structure of the Group (in respect of existing shares)

In the event that the Group sells a part of its share in a subsidiary, the following procedure must be used:

- if control is retained (the entity remains a subsidiary), then the difference between the change in non-controlling interest and the selling price (compensation) is accounted for in equity (no profit or loss is realized) and is recognized separately as a transaction with owners in the statement of changes in equity;
- if control is lost, then the difference between the value of the derecognized net assets and the selling price (compensation) is recognized in the consolidated financial statements as profit or loss. Any share that is retained is measured at fair value as at the date on which control is lost and shown as associate or financial instruments.

If the Group acquires an additional share in an entity in which it already has a share, and

- if control is not obtained even after the increase in its share, then the Group continues to account for its share in the relevant entity as a financial instrument or associate;
- if control is obtained as a result of the increase in share through the transaction in question, then the Group applies the rules if IFRS 3 to this step, consolidates the assets and liabilities of the relevant entity and recognizes goodwill or negative goodwill according to the provisions of the standard;
- if a share is increased in such a way that the entity associated with the share was already controlled by the Group before the increase, then the Group reduces the amount of non-controlling interests and the difference between this reduction and the compensation received is recognized directly in equity as a transaction of owners; no profit or loss is recognized with respect to these transactions and the value of goodwill (negative goodwill) remains unchanged.

II.5.5 Transactions with owners

No profit or loss or other comprehensive income may be realized with respect to transactions with shareholders of the Parent Company in which the other counterparty is the Group. This rule is applicable to transactions where ***the parties involved in the transaction acted in their capacity as members or determined the terms of the***

transaction with a view to their capacity as members. Such items are accounted for directly in equity as dividend payment or additional capital contribution (designated as a transaction with owners).

Besides the above the Group recognizes the difference between the value of the share recognized among non-controlling interests and the value of the capital increase in the case of ownership share obtained through contribution among the Transactions with owners.

II.5.6 Dividends

At its annual General Meeting, the Parent Company may decide on the payment of dividends. Dividend is paid only on the Company's registered, dematerialized ordinary "A" series shares with a face value of HUF 12.5, recorded with the identifier HU0000155726ISIN – excluding the treasury shares held by the Group, as well as other shares that do not entitle their holders to dividends pursuant to Section 3:298(3) of the Civil Code. For the draft resolution on the Group's dividends, see Section V.2.

II.5.7 Accounting policies relating to the statement of profit or loss

Revenues

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

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

According to the IFRS 15 standard, revenue elements shall be accounted for in accordance with the termination of performance obligations. Performance obligations shall be considered as terminated when an entity transfers the control over the goods or services to the buyer. Revenues must be accounted for when the Company realized them – that is, if the Company contractually performed towards its customers and the financial settlement of the claim (the realization of the economic advantage in connection with the transaction by the company) is likely, and the amount of that and the related costs can be adequately (reliably) measured.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

Items collected on behalf of other entities and to be recharged later, and excluded from revenues

The Group does not recognize items collected on behalf of other entities to be recharged later as part of revenue because the Group has no control over these items. The Group identified the following as such items:

Name	Content of item
Value added tax	Value added tax within the meaning of Act CXXVII of 2007.
Energy tax	The tax within the meaning of Act LXXXVIII of 2003 on Energy Tax.
Excise duty	The tax within the meaning of Act LXVIII of 2016 on Excise Duty.
Electric power system usage fees	Distribution fees within the meaning of Item c) of Section 142 (1) of Act LXXXVI of 2007 on electricity: the distributor's base fee, the distributor's performance fee, the distributor's traffic fee, the distributor's reactive energy fee, the distributor's loss fee and the distributor's schedule balancing fee.
Cash and cash equivalents	Cash and cash equivalents within the meaning of Section 147 of Act LXXXVI of 2007 on electricity: The fee payable for the structural transformation of the coal industry, the fee payable for supporting the discount price electric power and the related production structure transformation fee.
HHSA fee	Based on the Resolution No. 2/2016. (XII. 16.) of the General Meeting of the Hungarian Hydrocarbon Stockpiling Association a membership contribution payable after mineral oil products and natural gas, according to the provisions of Section 40(2) of Act XXIII of 2013 on the on Minimum Stocks of Imported Crude Oil and Petroleum Products and of Sections 8(1) and (2) of Act XXVI of 2006 on the Strategic Storage of Natural Gas.

Customer contracts

In connection with the customer contracts, the Group applied the 5-step model specified in the standard. In most of the existing contracts, the date of performance is not different from the billing period, therefore, the realization of the revenues is not different from the actual billing. Regarding contracts where several elements are transferred to the buyer at the same time or as recognized revenue for a period, the Group performs the realization of the revenue – the allocation to contractual elements or periods – by taking into consideration the underlying economic content. The following contracts or contractual elements are included in this category:

- **General construction-installation contracts**: In the case of general construction-installation contracts, revenues are accounted for depending on the stage of completion of the project in question. The determination of the stage of completion shall be performed proportionately to the ratio of any actually occurred costs to the total planned costs. If, in the case of the project as a whole, a loss may be expected, that expected loss must be accounted for immediately. All the estimates concerning the revenues accounted for must be prepared considering all the information that is available at that moment. If the amount of the planned (expected) profit changes in the course of a given project, then it involves the adjustment of the revenues accounted for. If a given project is expected to generate loss, then accounting for the loss in full becomes necessary in the earliest period when the related information becomes available the first time. Estimates concerning the revenues accounted for must be prepared considering all the information available at the time of publishing the report in question.
- The overhaul component of **flat-rate operation and maintenance contracts** (at present, this is relevant only in the intra-Group contract cases): For the appropriate operation of certain pieces of power plant equipment (e.g. gas turbines, gas engines etc.), overhaul repairs are required at predetermined

intervals. If an operation and maintenance contract concluded with an external party contains such a periodical element, the proportion of the related revenue must be separated and shall be realized against the respective costs.

- **Take-or-pay component in energy retail contracts:** Certain energy trade contracts may contain a provision determining that the consumer shall pay the contractual amount for the allocated reserve even if it was not consumed. If it can be safely assumed that the Group is entitled to such revenue and that revenue is realizable (enforceable), then that revenue must be settled. In the case of the Group, according to market experience, no such realizable revenue is available.

According to the opinion of the Group's management, the revenues to be settled do not differ from the invoiced amounts in the case of the following contracts:

- Energy retail transactions: Invoicing (settlement invoice) takes place on the basis of actual consumption.
- Energy wholesale transactions: The settlement takes place according to the contractual terms.
- Energy regulation, energy production: The settlement takes place on the basis of actual production.
- Open-book accounting: The settlement takes place for a given period on the basis of cost elements accepted by the parties.

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

Wherever a contract or a contractual element contains a significant financing element which is more favorable than the market practice, with the deferral of payment exceeding one year, then that financial component must be recognized separately. In such cases, only the present value of the invoiced consideration can be accounted for as revenue.

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

The Group **presents any proceeds from leases strictly related to its core activities as revenues**.

Expenses related to operation

In line with the presentation principles of the total cost method, non-finance expenses are to be classified as follows:

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

If a specific transaction belongs to the scope of a specific IFRS, then its recognition takes place in accordance with that standard

Changes in the inventory of assets produced by the Company

The Group develops industrial equipment and facilities (power plants, energy storage facilities) as well as control technology equipment and software, which are presented as assets produced by the Group.

Changes in the inventory of stocks produced by the Company

Expenditure allocated to the production of industrial equipment and facilities developed by the Group for third parties is presented as inventories until their delivery. From the perspective of heat and electricity produced by the Group, storage does not apply.

Other revenues and expenses

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

GHG emission allowance / revenue from sales of CO2 quota

The Group is allowed to sell its EUA quotas (emission allowances) under certain conditions. The profit or loss on such sales is recognized as other income/other expenditure.

Finance income and expenses

The Group accounted for its finance income and expenses in accordance with provisions of IFRS 9.

Dividend income and interest income not eliminated upon consolidation are recognized as finance income. Interest income is accounted for in a pro-rated manner and dividend income may only be recognized if a final decision on dividend payment has been made by the entity disbursing such dividend. Interest expenses are calculated using the effective interest rate method and are classified as financial expenses. Exchange differences on foreign currency items (if not a part of other comprehensive income under IAS 21 – The Effects of Changes in Foreign Exchange Rates) are recognized by the Group in financial income. The Group shows financial income in its statement of profit or loss and other comprehensive income on a net basis.

Income tax expenditures

The following are recognized as income tax:

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

Offsetting

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

Use of the EBITDA in the ALTEO Group

To facilitate the assessment of profit or loss, the Group management discloses the EBITDA figure with the content defined by the Group. The method of EBITDA calculation is presented below:

EBITDA = Net profit or loss +/- the following items:
+ Finance income
+ Income taxes
+ Depreciation, amortization
+ Impairment of fixed assets

where the Group modifies the net profit or loss with the following items:

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

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

Depreciation and amortization: the depreciation, amortization of assets belonging under IAS 16, IAS 40 and IAS 38 and assets recognized at the Group as assets and given to operating lease or concession is eliminated when calculating the indicator (they are "given back").

Impairment of assets: the non-systematic decrease of assets falling under IAS 16, IAS 40 and IAS 38 and assets recognized at the Group as assets subject to operating lease or concession (typically: impairment) is adjusted by the Group retroactively, similar to depreciation and amortization. (We do not adjust the impairment of other assets, e.g. financial instruments when calculating the indicator.)

EPS – earnings per share the shareholders are entitled to

When calculating earnings per share the "net profit or loss concerning the owners of the Parent Company" are divided for the shares in circulation. When calculating the diluted EPS indicator all the diluting factors (e.g. shares bought back, issued options, etc.) shall be considered.

II.5.8 Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities

Property, plant and equipment

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

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

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

The Group estimates the ARO using a percentage coefficient between 0% and 10%. The Group used a discount rate of 8.57% for discounting in 2023.

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

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

Fixed assets are measured subsequent to initial recognition using the cost model (initial value reduced by accumulated depreciation and accumulated impairment losses).

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

Depreciation is calculated on the basis of the depreciable value for each component.

The Group uses the hours of service for power plant equipment and the straight-line depreciation method for all other assets. The following depreciation rates are used for assets:

Asset group	Extent of depreciation
Land	non-depreciable
Buildings	1 – 6%
Power plant equipment	1 – 20% / or proportionate to production
Waste utilization equipment	1 – 20%
Non-production machinery	14–33%
Office equipment	14–50%

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

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

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

For the presentation of Fixed assets, see Chapter IV.9 **Fixed assets and intangible assets** *below.*

Description of the accounting policy regarding investment property

The Group owns no investment property.

Other intangible assets and goodwill

The Group determines whether any of its intangible assets have indefinite useful lives. Goodwill is classified as an asset with an indefinite useful life; such items arise upon consolidation.

The Group performed development activities concerning the production of other intangible assets that meet the recognition requirements of IAS 38 in the year 2017 the first time. In the opinion of the management of the Group, know-how that can generate income may be realized as the result of the development activity. Costs incurred in the course of the development project are recognized among intangible assets. If no asset could be produced as the result of development that meets the relevant requirements of IAS 38, recognition of impairment becomes necessary.

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

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

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

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

The Group has identified the acquired KÁT eligibility of the acquired KÁT permit holders as an asset The Group amortizes KÁT permits in proportion to production until the expiry of the KÁT permit. The KÁT permit gives the right to the Group to put the production of certain power plants to the state (the state is obligated to buy at a guaranteed price). KÁT permits connected to projects developed internally cannot be recognized with values.

Operation contracts (IFRIC 12)

Accounting for concession assets according to the IFRIC 12 standard: The Contracts for district heat production, investment and long-term heat supply with the entity under service obligation as of the inclusion in consolidation of the heating power plants of the Group in Kazincbarcika, Tiszaújváros, Ózd, and Budapest Füredi utca are presented in accordance with the IFRIC 12 standard. At the time of purchase, no value was allocated to concession assets in the course of allocating purchase price. Accounting for revenues is performed based on the “Intangible assets” model according to the standard. The Group decided on recognition in view of the expiry of the Long-term Heat Supply Contracts, which expiry is regularly verified at the time the statement of financial position is prepared. If a contract is extended, that event increases the value of the investments made by the Group and of the concession agreement. Amortization of the concession contract is time proportionate, in accordance with the duration of the contract.

Rights of use, leases (IFRS 16)

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

The IFRS 16 “Leases” standard entered into force on January 1, 2019. The Group applies the recognition exceptions provided by IFRS 16 for short-term leases and low value assets (below USD 5,000). No right-of-use asset and associated liability are recognized for leases where the indefinite duration and the related contractual termination conditions, or the absence of a fixed fee element, do not permit such a determination.

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

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

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

Leases and agreements that qualify as leases

The Group records assets and asset groups for which it transfers the right to use such assets and asset groups to other parties based on a contractual relationship and, at the same time, transfers control over such assets or asset groups. The latter means that, for the given asset or asset group

- the entire capacity is used by that other party;
- essentially all of the outputs are obtained by that other party;
- that other party has physical access;
- and the Group is essentially unable to change this situation or any change would be completely irrational from an economic perspective.

In such situations, in accordance with the provisions of IFRS 16 (formerly: IAS 17 and IFRIC 4), the Group does not recognize the underlying asset as an own fixed asset, but instead the contract is treated as a lease (despite the legal form) where the Group acts as a lessor in such cases.

In cases where the given asset group is organized in a separate legal entity, the subsidiary is not consolidated (i.e. individual assets and liabilities are not recognized); instead, the entire arrangement is treated as a lease contract.

Where the Group acts as a lessor, it

- recognizes the related receivable (which will first be the present value of future cash flows);
- splits subsequent cash flows into principal repayment and return using the implicit interest rate applied in the lease (the former reduces the asset, while the latter is recognized in profit or loss);
- and, if required, performs the foreign currency translation of the remaining asset according to the rules of IAS 21.

The return on the lease is recognized by the Group as revenue (in accordance with its content).

Policy on borrowing costs

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

An asset (project) is regarded as a qualifying asset (project) in the following cases:

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

The value of the given asset is irrelevant for the purpose of classification.

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

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

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

The Group discloses the capitalization rate used for determining the amount of the borrowing costs to be capitalized in the year of their capitalization, in Section IV.9.6.

Accounting for government grants

As a general rule, grants are recognized by the Group as income. Income is spread out over the periods in which the asset is used. The part that cannot be credited to profit or loss is recognized in liabilities as deferred income. Items to be credited to profit or loss are deducted from the related expenses where possible.

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

Grants may be accounted for if

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

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

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

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

Assets held for sale and discontinuing operations

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

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

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

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

According to the provisions of the standard, the Group recognizes its discontinuing operations separately, if they are significant. It does not qualify as a discontinuing operation if the legal form of a given activity gets changed but the underlying economic content does not change significantly (e.g. the amount of heat sold earlier as “district heating supplier licensee activity” is sold later as “district heating producer licensee activity”).

Inventories

Inventories are stated in the financial statements at the lower of initial recognition cost and net realizable value. Inventories are classified as inventories expected to be recovered within a year and those expected to be recovered after more than one year. Fuels are assumed to be used up within one year. The Group determines the closing value of inventories based on their average cost and the value of inventories includes all costs which are required for the use of inventories in the intended manner and at the intended location.

Emission allowances

GHG emission allowance

The emission units allocated based on the National Allocation Plan (EUA) are accounted for by the Group as Current assets and assets held for sale. When determining the initial cost of emission units, the price on the date on which the units are credited is taken into account. Emission units are derecognized against profit or loss on the basis of verified emission data at the time of use (when charging the cost of revenues).

The Group records values maintained for satisfying the return obligation among short-term assets. The values to be returned within one year and received without consideration are shown at cost by the Company.

If the Company holds emission assets for trading purposes or for investment purposes, the Group subjects them to an impairment test at the reporting date. Emission units are tested by the Group for impairment at the end of each calendar year.

Emission allowances are traded on a regulated market. The Group does not participate in market trading actively with its assets received without consideration; nevertheless, it obtains any additional quota required from the market.

Rights related to the energy efficiency obligation scheme

According to the provisions of Act LVII of 2015 on Energy Efficiency (Energy Efficiency Act), starting from 1 January 2021, electricity traders are required to introduce programs that result in energy savings for end-users. The party subject to the obligation may fulfil its energy saving obligation either through energy efficiency investments or energy efficiency improvement measures in its own sector of activity or in another sector outside its own sector of activity, as well as through certified energy savings by other obligated parties, energy efficiency service providers that are not obligated parties or other third parties.

The volume (GJ) of the energy saved by another obligor is recognized by the Group in Inventories at cost.

Accounting for impairment losses other than financial instruments and identifying CGUs

The Group tests its assets and cash-generating units for impairment each year.

The Group specifies its cash-generating units as follows:

- **Ancillary services asset group:** the most significant CGU comprising several legal entities of the Group (Alteo-Therm Kft., certain assets of Sinergy Energiakereskedő Kft. and Alteo Nyrt.) is the entirety of power plant equipment generating heat and electricity from natural gas under the AVPP.
- **Renewable power generation equipment** by site (sites of Sunteo Kft., Domaszék 2MW Erőmű Kft., Pannon Szélerőmű Kft., Monsolar Kft., Euro-Green Energy Kft., Energigas Kft., and Edelyn Solar Kft.)
- **Inorganic waste management** business line (Fe-Group Zrt)
- **Electromobility** business line (Alte-Go Kft.)
- **Business lines with no substantial assets:**
    - Retail trade (ALTEO Energiakereskedő Zrt.)
    - Renewable production management (as part of Sinergy Energiakereskedő Kft.)
    - External operation (certain assets of Alteo Nyrt.)
    - External maintenance (certain assets of Alteo Nyrt.)
    - Project implementation (certain assets of Alteo Nyrt.)

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

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

Should there be any indication that an asset is impaired, a calculation that allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use. In the absence of more precise estimations, the cost of disposal is deemed to be 10%.

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

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

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

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

The Group tests the value of goodwill generated in the course of acquisitions on every reporting date for impairment regardless of indications, as provided for in IAS 36.

Provisions

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

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

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

The following items are typically included in provisions:

- compensation payable in relation to legal cases;
- indemnification or compensation based on an agreement;
- warranty liabilities;
- asset decommissioning liabilities;
- severance pay and costs arising due to restructuring;
- CO_2 emission costs not covered by a quota.

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

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

A restructuring provision (e.g. for severance pay) may be recognized if there is a formal plan for the restructuring which has been approved and communicated to those affected. Provisions may be recognized only for costs associated with discontinued operations and not for continued operations (e.g. cost of retraining or relocation).

Guarantee granted by ALTEO Nyrt. to customers or banks of subsidiaries are covered by the evaluation procedures governing provisions.

No provisions may be recognized for:

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

If there is a CO_2 emission position at the end of the period that gives rise to a return obligation, provisions must be recognized for future liabilities not covered by the free allowance. The amount of the provision needs to be determined considering the market price of the emission unit at the end of the period.

Employee benefits

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

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

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

The Group operates the prescribed contribution retirement benefit plan only as required by law or undertaken voluntarily, and the contribution is calculated on the basis of salaries paid; therefore, such contribution is accounted for at the same time as salaries.

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

Financial instruments

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

Cash and cash equivalents and liabilities

Cash and cash equivalents are classified by the Group as follows:

- Cash and cash equivalents
- Debt
- Equity instrument
- Derivative

Cash and cash equivalents

Cash includes petty cash, cash in bank, as long as the Group has unlimited discretion to dispose of such, as well as any other highly liquid deposit and security the original term of which does not exceed three months; overdrafts are regarded as cash equivalents until proven otherwise. These include equity instruments of another entity, contractual rights which entitle the Group to future cash flows as well as those which entitle the Group to exchange financial instruments at potentially favorable conditions. In accordance with its investment policy, the Group does not purchase instruments acquired in order to earn short term profits.

Cash subject to restrictions (current account balances, deposits) are recognized among other cash and cash equivalents.

In the case of debt instruments:

Loans and receivables: this group includes cash and cash equivalents with fixed (or at least determinable) cash flows that are not quoted in an active market and are not classified into any of the remaining three categories. The Group typically records the following items in this category:

- Loans given and deposits
- Trade receivables
- Advances given
- Other receivables

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

Equity instruments include shares in other companies

These assets are held by the Group not for trading purposes, and not for achieving short-term profits based on these instruments. These assets are recognized at cost and the follow-up valuation is performed at fair value against profit. The Group performs the necessary impairment tests, using the approved business plans and long-term assumptions as a basis. If the carrying amount of the share is not substantially different from its fair value, no impairment needs to be recognized.

Derivatives

Derivatives include all instruments whose value is a function of a change in an underlying variable; their initial investment need is negligible and their settlement takes place in the future. The derivatives of the Group are typically derivative transactions.

If the hedge accounting rules are met, derivatives are recognized in Other Comprehensive Income on the basis of fair value.

Financial liabilities must be classified into the following groups:

Financial liabilities measured at fair value through profit or loss: derivatives and forward contracts acquired for trading purposes are included by the Group in this category. The Group does not typically engage in such transactions. If hedge accounting rules are applied, the valuation of interest rate swaps and forward foreign exchange contracts is recognized in Other comprehensive income.

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

- trade payables;
- credit, loan and lease liabilities;
- bond payables;
- advances received from customers.

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

With regard to the cash and cash equivalents and liability instruments, the Group classifies instruments as part of the initial valuation. The Group measures its cash and cash equivalents, and liability instruments at amortized cost. Transaction costs are capitalized by the Group.

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

Items not resulting in interest expense or interest income

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

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

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

Items resulting in interest expense or interest income

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

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

The Group derecognizes cash and cash equivalents when substantially all of the risks and rewards of ownership of the asset are permanently transferred to another entity or the asset is repaid or expired.

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

Definition of fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is the quoted market price at the end of the reporting period minus transaction costs. If no quoted price is available, the fair value of the instrument is determined using pricing models or discounted cash flow techniques. When using discounted cash flow techniques, the estimated future cash flow is based on the economic estimates of the Group, and the discount rate is a market rate that is effective, on the reporting date, for a given instrument under similar terms and conditions. When using pricing models, data are based on market valuations performed at the end of the reporting period.

IFRS 13 sets up a fair value hierarchy which categorizes the inputs used in the valuation techniques used to determine fair value into three levels:

- Level 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities (publicly available) that the Group can access at the measurement date.
- Level 2: Level 2 inputs are inputs other than quoted market prices included that are observable for the asset or liability, either directly or indirectly.
- Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The estimation of the fair value of derivatives not traded on a regulated market is based on the amount that the Group would obtain, under regular business conditions, upon the termination of the contract at the end of the reporting period, taking into consideration the effective market conditions and the current creditworthiness of the parties.

The Group measures the fair value of assets and liabilities based on the Level 3 inputs of the fair value hierarchy.

Expected impairment (ECL) model

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

The expected credit loss model (ECL) is applied in light of non-payment experienced. The extent of the impairments relating to electricity is low in the retail business line, due to the receivable management processes developed in the past years. The Group performed the segmentation of its revenues and studied the recovery of billings on this basis.

In the current year the Company reviewed the rates to be used in the model, and determined the ECL based on the adjusted value of publicly available databases. These items are presented in detail in Section IV.18.

Hedge accounting

The Group has adopted the hedge accounting provisions of IFRS 9.

Hedge transactions

In the case of cash flow hedge transactions, in accordance with IFRS 9, the difference in fair value, as of the reporting date, arising on hedge instruments satisfying hedging objectives is recognized in other comprehensive income, in the Equity hedge reserve line. The concerned part of the cash-flow hedge reserve is recognized in the statement of profit or loss when the hedged cash flow (e.g. interest) occurs or when the hedge fails to meet the hedging objective of the Group.

To qualify for hedge accounting, the relevant transaction must be formally designated and it must be assessed whether the hedge is effective. Effectiveness exists only when and as long as the aggregate effect of the hedge instrument and changes in the hedged item is within the range set by the Group.

Share-based payments

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

In 2022, following the management's decision, the Group granted Shares to employees who have become entitled to these on the basis of the Group's recognition plan. Such amounts granted as a reward are recognized in profit or loss on the date when the reward can be exercised. The benefit was distributed in the form of shares in 2023.

Current income tax expense and deferred taxes

The actual income tax for the current year is calculated by the Group in accordance with the tax laws that the legally separate economic entity is subject to and is recognized in current liabilities (or current receivables, as the case may be). In addition, deferred taxes are also estimated for each entity and are shown in long-term liabilities or non-current assets. Deferred taxes are calculated by the Group using the balance sheet method.

Deferred tax assets are recognized by the Group only if it is certain that the item in question will be realized (reversed). Deferred taxes are determined using the tax rate effective at the expected date of reversal.

Description of the accounting policy regarding fair value measurement

Fair value measurement cases are described in detail in the pervious sections of II.5.8. Fair value disclosure procedures may be called for in the case of the following assets and liabilities:

- assets held for sale, discontinued operations
- financial instruments held for trade /sale
- assets obtained through business combination
- assets other than financial instruments (CGU)
- derivative transactions

Description of the accounting policy regarding the impairment of assets

Asset impairment cases are described in detail in the pervious sections of II.5.8. The recognition of impairment may be called for in the case of the following assets and liabilities:

- goodwill
- property, plant and equipment
- other intangible assets
- inventories, emission allowances
- receivables and financial instruments
- CGUs

II.5.9 General accounting policies relating to the statement of cash flows

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

Foreign currencies

Transactions denominated in foreign currencies

The Group presents its consolidated financial statements in HUF. Each entity within the Group determines its functional currency. The functional currency is the currency which reflects the operation of the entity in question the most accurately.

The points to consider are as follows:

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

The above considerations are listed in order of importance.

An entity may incur exchange differences on translation only with respect to a foreign currency.

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

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

Significance, faults and fault effects

According to the rules of the IFRS, an item is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of those financial statements. Considering significance the Company uses the value limit of the fault with a significant amount as defined in Act C of 2000 on Accounting.

An item is always material if the total amount (regardless of sign) of faults and fault effects increasing or decreasing profits, equity, discovered in the year of discovering the fault, in the course of the series of reviews – concerning the same year – exceeds 2 percent of the Company' statement of financial position total of the fiscal year under review. If 2% of the statement of financial position total exceeds HUF 300 million, then the limit of significance is HUF 300 million. At the same time the management of the Company reserves the right to qualify an item of smaller amount significant, depending on the evaluation of the extent and nature of the omission or false presentation under the given circumstances. When evaluating an item the size and nature of the item in question or the combination of the two is the decisive factor.

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

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

III. CRITICAL ESTIMATES USED IN PREPARING THE FINANCIAL STATEMENTS AND OTHER SOURCES OF UNCERTAINTY

III.1 Critical accounting assumptions and estimates

Changes in accounting estimates is done by assessing the modification of the carrying amount of an asset or liability or the amount of the periodical use of the asset, performed based on the evaluation of the present situation of the assets and liabilities and the related expected future profits and commitments. Changes in accounting estimates are caused by new information or new developments, so, accordingly, these do not qualify as corrections. The changes in accounting estimates affect the report in the course of the preparation of which the future estimate was made (with no retroactive effect).

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

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

- Estimates concerning the depreciation of the fixed assets (e.g.: useful life)

The useful lives and residual values of fixed assets and the related decommissioning liability can be determined using estimates. Due to the high value of fixed assets, even slight changes in such estimates can have a considerable effect. The fair value of assets acquired in the course of business combinations is determined on a discounted cash flow basis, which requires several complex assumptions. Subsequent changes in estimated amounts can have a direct impact on profit or loss.

Permits disclosed in relation to an earlier business combination (KÁT) represent a significant asset value. This permit makes it possible for the Group to sell certain previously produced energy to the state. Although reception is guaranteed; however, the related prices may change and also the extension of this permit and the requirements depend on factors outside the Group's control. The permits were evaluated based on the presently available data, but the evaluation can change due to the above uncertainties.

The management of the Group uses estimates when preparing the financial statements. The estimates are always based on the best information available at that time.

The following significant items are determined using estimates.

Allocating the purchase price to assets in the case of acquisitions. The estimate concerning the distribution of the purchase price may change during the year of the measurement period if any new information arises.

The useful life of Power Plant equipment was determined considering the present market and regulatory environment. Possible negative changes in these factors may lead to impairment.

The present market and regulatory environment was also considered when determining the provision for the asset retirement obligation.

Revenues and profit or loss recognized in connection with the construction-installation projects were determined based on the present circumstances.

- The recovery of deferred tax assets recognized was accounted for based on the present market environment and tax legal regulations. Changes in any of these factors may modify actual recovery.
- Estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions)
- Estimates concerning the evaluation of inventories and receivables: The management's judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.

Estimates concerning fair value

In the case of an obligation arising from a conditional purchase price, the management estimates applied influence the size of the obligation.

Tax assets and liabilities in the statement of financial position: Deferred tax assets were recorded due to considerable deferred losses and are expected to be recovered according to the Group's plans; however, changes in the legal environment may result in a significant change in the value of such assets.

Changes or observations giving rise to the review of accounting estimates:

- Changes in laws,
- Changes in the economic environment,
- Changes in the operation or procedures of the companies.

The interest rate used for discounting could not be determined using actual market data; consequently, alternative methods had to be employed.

Many of the Group's assets can be tested for impairment at CGU level. Identifying CGUs requires complex professional judgement. In addition, when determining the recoverable value of CGUs, the Group's management is forced to rely on forecasts for the future which are uncertain by nature. The estimation of the recoverable value involves significant amounts even at the level of the financial statements.

The Group's profit or loss is heavily dependent on the global market price of energy carriers and indirectly on the exchange rates of the USD and the Euro in which the price of such commodities is denominated. The natural gas purchases of power plants are denominated in a currency other than the functional currency. The Group enters into forward contracts in order to hedge foreign exchange exposures. Similarly, the Group enters into hedge transactions to protect itself from changes in the price of energy carriers themselves.

For the electricity trade division, purchases are also made predominantly in EUR, while sales contracts are denominated mostly in HUF. The Group enters into hedging transactions and, where possible, uses foreign-currency-indexed customer price formulas in order to manage foreign exchange exposure.

Power plant units of the ALTEO Group:

- heating power plants (ALTEO-Therm Kft.),
- wind turbines (EGE Kft., Pannon Szélerőmű Kft.),
- hydropower plants (Sinergy Kft.)
- solar power plants (Domaszék 2MW Naperőmű Kft., Monsolar Kft., Sunteo Kft.)
- biomass power plants (Energigas Kft.)
- landfill gas power plants (Depónia Kft.)

The energy production of power plants relying on renewable energy sources depends on the weather, therefore, changes in certain elements of the weather (sunshine, wind force, temperature, water yield) can also have a significant impact on the efficiency of the units in question.

The profitability of the biomass-based power plants depends on the supply of the raw materials.

Certain entities in the Group are involved in the district heating production business.

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

The Group's operation and profitability depends on the government regulation of the market, especially on the **taxation policy** adopted by the state.

The Group presents in detail the risks relating to its operation in Notes No III.3 and III.4.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

III.2 Changes in accounting policies, potential impact of IFRSs and IFRICs not yet effective as at the reporting date of the financial statements and earlier application

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

New accounting policies as of January 1, 2023

The following standards and interpretations (and their respective amendments) became effective during the 2023 fiscal year

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

New and amended standards – to be applied for the financial years starting from January 1, 2023:	Effective date	EU endorsement	ALTEO Group
IFRS 17 Insurance Contracts (issued on May 18, 2017, endorsed by the EU)	2023.01.01	approved	none
Disclosure of material accounting policy information amending IAS 1 and IAS 8, and IFRS Practice Statement 2	2023.01.01	approved	none
Definition of accounting estimates amending IAS 8	2023.01.01	approved	none
Amendment of IAS 12 Income Taxes	upon approval	approved	none

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

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

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

Application for subsequent financial years:	Effective date	EU endorsement	ALTEO Group
IFRS 16 Leases (Amendment – Liabilities under leaseback)	2024.01.01	approved	No impact is expected
IAS 1 Presentation of financial statements (Amendment – Classification of liabilities as short or long-term)	2024.01.01	approved	No impact is expected
IAS 1 Presentation of financial statements (Amendment – Short-term liabilities with Covenants)	2024.01.01	approved	No impact is expected
IAS 7 and IFRS 7 Supplier financing agreements	2024.01.01	approved	No impact is expected

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

III.3 Risk matrix

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

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

Risk categories:

A/ Macroeconomic and legal system related risks

type	number	Risk	2023	2022	change
A	1	Risks stemming from the legal system	high	high	none
A	2	Macroeconomic factors	medium	medium	none
A	3	Taxation	high	high	none
A	4	State of danger in Hungary	high	high	none
A	5	Energy emergency	high	high	none

B/ Risks specific to the market and the industry

type	number	Risk	2023	2022	change
B	6	Energy market regulation	high	high	none
B	7	Regulated prices	high	high	none
B	8	Electricity balancing reserve capacity system risks	high	high	none
B	9	Changes to network connection rules	high	high	none
B	10	Government grants	high	high	none
B	11	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
B	12	Changes in technology	medium	medium	none
B	13	Competitive situation	medium	medium	none
B	14	Funding risk	medium	high	yes
B	15	Foreign exchange rate changes	medium	medium	none
B	16	Impact of international market developments on domestic trade	medium	medium	none
B	17	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
B	18	Environmental, sustainability and ESG regulations	medium	medium	none
B	19	Illness of the workforce	low	low	none
B	20	War risks	medium	medium	none

C/ Risks specific to the ALTEO Group:

type	number	Risk	2023	2022	change
C	21	Risks arising from operating the Virtual Power Plant	high	high	none
C	22	Political risks	high	high	none
C	23	Dependence on weather	high	high	none
C	24	The impact of weather on heat use	high	high	none
C	25	Risks of growth	high	high	none
C	26	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
C	27	Risks related to power plant project development and green-field investment	medium	medium	none
C	28	Large-scale, customized projects	medium	medium	none
C	29	Energy trade risks	high	high	none
C	30	Operating risks	medium	medium	none
C	31	Fuel risk	medium	medium	none
C	32	Renewing and/or refinancing outstanding debts	low	medium	yes
C	33	Information technology systems	medium	medium	none
C	34	Wholesale partner risks	medium	medium	none
C	35	Dependence on third-party suppliers	medium	medium	none
C	36	Buyer risk	medium	medium	none
C	37	The risk of key managers and/or employees leaving the Company	medium	medium	none
C	38	The risk of introducing and using new power plant technologies	medium	medium	none
C	39	Authority risk	low	low	none
C	40	Key licenses and qualifications	low	low	none
C	41	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
C	42	Risks related to the RPM business	medium	medium	none
C	43	Options to purchase certain means of production	low	low	none
C	44	Business relationships associated with the Owners	low	low	none
C	45	The risk of being categorized as a de facto group of companies	low	low	none
C	46	Taxation	low	low	none
C	47	Environmental risks	low	low	none
C	48	Risk of bankruptcy and liquidation proceedings	low	low	none
C	49	Any discrepancies between the data in the consolidated and IFRS reports, and the data in the reports prep	low	low	none
C	50	The risk of entering new geographical markets	low	low	none

Type of changes:

Updating and clarification of text and wording in the items below.

The quantitative effects of risks are presented in Sections III.3.15 and III.4.6.

A/ Macroeconomic and legal system related risk factors

III.3.1 Risks stemming from the legal system

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

III.3.2 Macroeconomic factors

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

III.3.3 Taxation

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

III.3.4 State of danger in Hungary

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

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

III.3.5 Energy emergency

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

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

B. Risks specific to the market and the industry

III.3.6 Energy market regulation

The operation and profitability of the ALTEO Group greatly depend on the energy market regulations in Hungary and in the European Union, as well as on the application of such regulations, including in particular laws, authority and court practice, Hungarian and international processes, trade and operational regulations, as well as other applicable regulations relating to electricity generation, electricity trade, the market of ancillary services in the electricity industry, the utilization of renewable energy sources, energy and heat produced in cogeneration power plants, district heat generation and district heating services, natural gas trade, as well as allowance allocation and trade.

III.3.7 Regulated prices

The various affiliates of the ALTEO Group engage in activity whose price is determined or capped through laws or authority regulations (including in particular those of the HEPURA, ministries and municipalities). These prices, which are prescribed by law or set by an authority, and any modifications in the material scope of official price regulation may have a significant impact on the profitability and competitiveness of the Company, as well as its various Subsidiaries.

III.3.8 Electricity balancing reserve capacity system risks

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

III.3.9 Changes to network connection rules

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

III.3.10 Government grants

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

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

III.3.11 CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices

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

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

III.3.12 Changes in technology

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

III.3.13 Competitive situation

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

III.3.14 Funding risk

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

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

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

The growing volatility of energy prices increased the deposit and bank guarantee requirements associated with the conclusion and maintenance of forward products. Additionally, potential late payments embodied in shorter trade payment dates and the larger trade receivable portfolio arising from higher specific prices may increase the working capital financing needs of ALTEO Group members. As a result, the ALTEO Group must use a larger proportion of its cash and cash equivalents to finance the increased deposit and bank guarantee, and working capital needs than in previous years.

III.3.15 Foreign exchange rate changes

The part of ALTEO Group's sales revenue generated in HUF and, on the expenditure side, to be settled in FX or subject to foreign exchange rates, the Group may incur a gain or loss, due to changes in HUF and FX prices. As a consequence, any change in foreign exchange rates that is unfavorable for the ALTEO Group might have a negative effect on the business activity and profitability of the ALTEO Group. ALTEO Group manages this exposure through hedging of the mentioned items, however, even so the resulting risks cannot be completely excluded.

The quantitative effect of exchange rate changes on the receivables and payables of the Group is shown in the table below:

Financial instrument	EUR	Effect of 5% change in exchange rate (HUF thousand)
Assets:		
Long-term deposits or loans given	2 020 839	38 677
Trade receivables	5 777 341	110 573
Other cash and cash equivalents	4 910 020	93 973
Other receivables and accruals	4 479 977	85 742
Cash and cash equivalents	3 896 523	74 576
Liabilities:		
Finance lease liabilities	(1 534 604)	(29 371)
Advances received	-	-
Trade payables	(7 174 646)	(137 316)
Other long-term liabilities	(247 500)	(4 737)

III.3.16 Impact of international market developments on domestic trade

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

III.3.17 Risk of changing natural gas, electricity and heat energy price margins

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

III.3.18 Environmental, sustainability and ESG regulations

Unfavorable changes in the environmental regulations applicable to the ALTEO Group, and compliance with the ever stricter sustainability and ESG requirements may give rise to surplus operating costs or additional investment requirements for the ALTEO Group and its business partners.

III.3.19 Illness of the workforce

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

III.3.20 War risks

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

C. Risks specific to the ALTEO Group:

III.3.21 Risks arising from operating the Virtual Power Plant

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

III.3.22 Political risks

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

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

III.3.23 Weather-dependent energy production

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

In the case of weather-dependent energy production, the Company relies on meteorological forecasts to estimate (schedule) the quantity of electricity that can potentially be generated. If the weather is not as predicted, there will be changes in the amount of electricity produced as compared to the plans (Day-Ahead or Intra-Day schedules), which may cause a significant loss for the ALTEO Group. See also Electricity balancing reserve capacity system risks.

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

III.3.24 The impact of weather on heat use

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

III.3.25 Risks of growth

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

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

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

III.3.26 Risks stemming from acquisitions, buying out projects and companies

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

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

III.3.27 Risks related to power plant project development and green-field investment

In ALTEO Group’s business plans, licensing and implementation of energy investments and the resulting expansion of its power plant portfolio play an important role. A significant share of the ALTEO Group’s revenue growth comes from new investments, mostly large-scale, customized projects. Consequently, completing or not implementing just a few projects may already make a big difference in terms of the Company’s future revenues and profitability.

These large-scale projects are frequently long-term (may take even several years), require a long-term allocation of significant resources and are implemented using subcontractors.

Although the ALTEO Group draws up careful technical, legal and profitability plans when preparing for project implementation, there is always a possibility that the authorization of specific projects becomes unreasonably long or impossible. During implementation phases, the ALTEO Group strives to contract subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.

Any of the potential risk events associated with investments or development projects in power plants may result in stagnation of the ALTEO Group’s growth.

III.3.28 Large-scale, customized projects

In line with the characteristics of the industry, a significant share of ALTEO Group’s revenues comes from large-scale, customized projects. Consequently, completing or not implementing just a few projects may already make a big difference in terms of the Company’s future revenues and profitability. These large-scale projects are frequently long-term (may take even several years), require a long-term allocation of significant resources and are, in several cases, implemented using subcontractors. An eventual failure of or loss on such large-scale investments may have a significant negative impact on ALTEO Group’s profitability.

III.3.29 Energy trade risks

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

During ALTEO Group’s energy trading activities, portfolio planning is done on the basis of data service from consumers and the Group’s calculations. A planning error or incorrect data report may lead to an inappropriate procurement strategy, where a subsequent correction can cause losses to the ALTEO Group.

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

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

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

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

III.3.30 Operating risks

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

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

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

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

III.3.31 Fuel risk

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

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

III.3.32 Renewing and/or refinancing outstanding debts

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

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

III.3.33 Information technology systems

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

III.3.34 Wholesale partner risks

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

III.3.35 Dependence on third-party suppliers

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

III.3.36 Buyer risk

A significant share of the ALTEO Group's revenues comes from a small number of buyers making large purchases. Consequently, winning or losing a client contract may already make a big difference in terms of the Company's future revenues and profitability.

As a consequence of having significant buyers, the ALTEO Group is exposed to non-payment risk. If an important buyer of the ALTEO Group fails to pay or pays lately, that might cause a significant loss to the ALTEO Group.

The ALTEO Group has fixed-term contracts with its significant buyers, suppliers and financing partners. There is no guarantee that after the expiry of these contracts, the parties can reach an agreement regarding the extension of these contracts. Even fixed-term contracts offer no guarantee against their termination before the end of their specified term due to some unexpected or exceptional event.

ALTEO Group sells electricity and provides district heating services for certain public institution users. Upon request from such users, the relevant Subsidiary is obliged to provide an exemption from termination due to late payment (a moratorium), for a specified period, subject to the conditions laid down by law. Costs occurred due to the moratorium must be borne by the relevant Subsidiary.

III.3.37 The risk of introducing and using new power plant technologies

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

III.3.38 The risk of key managers and/or employees leaving the Company

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

III.3.39 Official decisions

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

III.3.40 Key licenses and qualifications

For performing their activities, members of the ALTEO Group need numerous permits and licenses (e.g. electricity trading license, natural gas trading license, small power plant consolidated permit, district heating production license, KÁT permit, as well as environmental and water rights licenses), qualifications (such as conformity documentation) and certificates (such as ISO certifications). If these certificates, qualifications and licenses were revoked, if they were not renewed, or the requirements were substantially altered, the business of the ALTEO Group would be profoundly limited. Therefore, this could have a significant negative impact on the Group's profitability.

III.3.41 The risk of not fulfilling the obligations associated with operating its own balancing group

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

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

III.3.42 Risks related to the RPM business

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

III.3.43 Options to purchase certain means of production

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

On the basis of the investment and long-term heat supply contracts concluded between the legal predecessors of ALTEO-Therm Kft. and the local municipalities of Kazincbarcika, Ózd and Tiszaújváros, the municipalities are entitled to buy these heating power plants upon the expiry of such contracts, at the value specified in the accounting records. The Tiszaújváros contract has been extended until 2035, while the Kazincbarcika and Ózd contract until 2032 and 2030, respectively. Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business quota, MOL Petrochemicals Co. Ltd. is entitled to purchase, until June 30, 2027 at the latest, the Tisza-WTP business quota at a price calculated according to the methodology specified in the contract.

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

III.3.44 Business relationships associated with the Owners

The ALTEO Group is part of the participations of the Owners' Group exceeding 20%, and there are several business relationships between the two groups. A portion of the ALTEO Group's revenues, services used and material expenses relates to those owners. There is no guarantee that in the case of an eventual future change in the ownership structure of the Company or of these businesses the relationship of the ALTEO Group with these businesses remains unchanged. The termination of these buyer, financing and supplier relationships may have a negative effect on the profitability of the ALTEO Group and limit its options to access funding in the future.

III.3.45 The risk of being categorized as a de facto group of companies

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

III.3.46 Taxation

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. Such an event occurred in 2023. In the course of the 2023 audit of the Group by the National Tax and Customs Administration regarding the fiscal year of 2022, the company (Energigas Kft.) was called on to voluntarily perform its tax obligation in 2023. There were no findings resulting from the audits of the Group in 2023.

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

III.3.47 Environmental risks

During their activities the ALTEO Group's companies use materials and apply technologies that could be harmful to the environment if used inappropriately, not complying with the laws or the applicable licenses. Members of the ALTEO Group have the necessary environmental licenses and policies in place, and their expert staff do their job with special care as required by the nature of this business. But there could be extraordinary events which may entail invoking the environmental remediation obligation of the affected company or imposing a fine, or may lead to enforcing claims against the affected company. The ALTEO Group's insurance policies may not provide any cover or full cover for damages and costs resulting from such events, which may result in a loss for ALTEO Group.

III.3.48 Risk of bankruptcy and liquidation proceedings

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

III.3.49 Discrepancies (if any) between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)

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

III.3.50 The risk of entering new geographical markets

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

III.4 Financial risks and their management

Over and above the listing of risks in Section III.3, in this Section the Group presents its risks related to cash and cash equivalents and receivables, the way they are managed, and it analyzes its risk management objectives in the current period.

III.4.1 Recovery risk and its management

The policy and procedures in effect have the objective of laying down the framework and fundamental principles of the trade debtors and debt collection for the Group so as to minimize credit risk from late payment or non-payment of customers, as well as to continuously monitor risks and to provide financial assistance to sales processes, in line with the Group’s sales strategy and risk-bearing capacity.

The Group has classified its products and services into the following risk categories: The Group employs various systems of collateral tailored to categories of products and services, see table.

Assessed risk categories managed collectively	Group Risk characteristics of the category, risk management procedures
Retail trade in natural gas and electricity	In establishing a customer portfolio, diversification by industry and company size reduces risk. Before establishing trade relations, our partners undergo a customer rating based on internal and external information, and the rating is reviewed annually. For hedging pure customer credit risk, the preferred types of collaterals include credit insurance, bank guarantees, cash and deposits. Since 2022, we have purchased insurance from a credit insurer to cover our receivables. We monitor our receivables on a daily basis. In the event of default, the act regulating the electricity sector allows, as the last resort, partners to be excluded from consumption.
District heating	Customers are typically municipality-owned heat suppliers; they are monitored continuously. In addition to maintaining the level of trade receivables, we continuously consult with Customers to ensure recovery.
Business and project development	Customers are subjected to a pre-qualification assessment; non-payment related risk is managed by requiring financial performance guarantees (bank guarantee, security deposit).
Large corporate clients (energy services)	Customers possess the critical infrastructure of the Hungarian corporate sector; they are mostly listed companies operating in a transparent manner. Customers are monitored continuously.
Wholesale trade in electricity	The settlement of sales through the power exchange is assured by the regulations of the exchange. Trading partners (may) use performance guarantees vis-à-vis each other.
System Operator (MAVIR Zrt.) – KÁT	The risk rating of the system operator is the same as that of Hungary. All the generators in Hungary that sell in the KÁT system are required to be members solely of this balancing group; the consideration for their production is covered by the fee component allocated to non-retail users as specified in Section 13/A of the Electricity Act. The system has been operating for over one decade without any financial problems.
System Operator (MAVIR Zrt.) – ancillary services	With regard to the collection of the consideration payable for those services, see the comments on KÁT above.
Lease receivables	The value of the receivables is guaranteed by the title of the assets concerned.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

During the current year, it was not necessary to draw down bank guarantees or any other collateral pledged by clients.
The details of the Group's receivables and the expected losses relating to such receivables are presented in Sections IV.14 and IV.19.

III.4.2 Liquidity risk and its management

The Group makes liquidity plans, in which it examines liquidity positions and, having analyzed the plans, ensures in advance, in due time, that sufficient liquidity is maintained.

- The Group has a cash pool system settled through banks, available to its members, which is successful in managing cash use and demand within the Group at different times and in different amounts.
- Furthermore, the Group has shared bank liquidity facilities, the availability of which assures sufficient and flexible liquidity options for the Group.
- The 10-year bonds issued in 2019 and 2020 changed the composition of the sources of the liquid cash assets available to the Group; the shift of liabilities towards long term has considerably improved short- and medium-term liquidity.

The future cash flows of the borrowings and bonds, and also the credit terms are explained in detail in Sections IV.21 and IV.22.

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

Financial instruments	Maturity		
	within 1 year	2-5 years	more than 5 years
Assets:			
Long-term deposits or loans given	-	1 172 690	-
Trade receivables	10 863 760	-	-
Other cash and cash equivalents	4 164 457	-	-
Other receivables and accruals	6 827 020	-	-
Income tax receivables	163 434	-	-
Liabilities:			
Debts on the issue of bonds	-	760 000	11 898 274
Loans and borrowings	1 703 817	5 039 466	4 540 483
Finance lease liabilities	530 566	1 043 506	1 116 575
Advances received	29 281	-	-
Trade payables	3 404 049	-	-
Other long-term liabilities	-	1 009 689	350 421
Other short-term liabilities and accruals	17 900 512	-	-
Income tax liabilities	2 763 238	-	-

III.4.3 Interest rate risk and its management

The Group is financed through fixed-interest bonds and variable-interest project loans.

- To fix the interest rates of project loans, the Group has entered into interest rate swaps, in which it agrees to exchange the variable cash flows, for a predefined period, to fixed cash flows with respect to the principal amount. The effects of these swaps are considered by the Group to be cash flow hedges.
- The Group regards hedging transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.
  There is no interest rate risk in the case of loans hedged by interest rate hedging transactions.

At present the Group has no variable rate loans not covered by interest rate hedges.

III.4.4 Foreign exchange risk and its management

The Group's exposure to foreign exchange risk arises when the income from and expenses of transactions are denominated in different currencies. The Group has no significant hidden foreign exchange risks (embedded derivatives) regarding its activities.

Risk to be managed	Hedge transaction	Objective
Change in the exchange rate of electricity purchase and sale in the retail trade	Hedging of the net foreign exchange position (EUR) through forward contracts (mostly to buy)	The target is 95%.
Change of the components of district heat production (gas, CO_2) relative to the regulated (fixed) exchange rate	Foreign exchange forward transactions to hedge the EUR consideration for energy carriers required for heat production	Total hedging of the FX exposure of the regulated heat price

III.4.5 Risk arising from changes in energy product prices and its management

Due to its scope of activities, the Group is considerably exposed to the variations in the prices of energy carriers, but such risk is managed by appropriate pricing and by hedging transactions.

Risk to be managed (hedged transaction)	Hedge transaction	Objective
Volume and price components of the gas necessary for the production of district heating subject to regulated price	Entering into forward gas hedging transactions when the HEPURA district heating rate is established	Maximum hedging for the gas price specified in the decree regulating the district heating price, as well as for the necessary volumes
Market-priced heat generation	Use of price formulas to reflect the inputs necessary for the heat generated (gas) as well as other features of production	Sustainable heat generation through optimizing the co-generation of electricity

III.4.6 Description of hedge relationships – objectives and procedures relevant for hedges and hedging policy

IFRS 9 provides for the terms of hedge accounting, and the Group complies with the requirements set out in IFRS 9: the Group keeps a register of the hedged items and hedging instruments, the hedging relationships have been identified, the hedging relationships exist and are effective.

- *With respect to the volume and price risk of energy products,* the Group has set up plans and risk management models regarding the various business segments. These models calculate the type and value of the necessary hedge transactions in accordance with the contracts and plans in effect. Hedge transactions are concluded on that basis.
- In the case of district heating, due to the non-obligatory volume purchase, the Group continuously assesses the relationship of hedged items and hedging instruments relating to the production of heat. The volume to be hedged is based on historic data of several years as well as on consumption forecasts. In the current period, the relationship was effective, with no relationships discontinued.
- In the case of FX risk, the Group covers the foreign exchange risk of its future purchases to be settled in a foreign currency in the next 12-24 months by concluding hedging transactions. The maturity date of the hedging transactions is as close to the date of expected payment as possible.
- The Group regards interest rate hedging (IRS) transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.

III.4.7 Managing capital

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

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

Equity to issued capital ratio	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Issued capital	247 534	249 066
Equity	33 854 114	26 687 862
Equity to issued capital ratio	136,77	107,15

IV. NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

IV.1 Revenue

Revenues	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Electricity production	28 594 679	28 850 234
Heat sales	26 470 446	26 117 359
Electricity ancillary services	17 006 105	17 249 264
Electric power trade	11 501 947	19 482 859
Gas trade	4 853 764	4 257 203
Waste management	4 588 118	1 257 917
Operation and maintenance (O&M)	3 983 134	3 624 369
Trade commission	1 240 637	574 203
Energy industry service fees and projects	333 076	1 338 169
E-mobility service	243 036	183 011
Other revenues	112 407	66 134
Operating lease income	26 978	26 331
Total	**98 954 327**	**103 027 053**

Revenue contains returns attributable to the Group's core activity.

Activities of the Group:

Electricity production: In the course of production, the Group produces the energy sold through its own power plants. The operations of the Virtual Power Plant are recognized among the revenues of production, including the full management of scheduling services, HEPURA and MAVIR data reporting and administration, and real-time production monitoring activities for our contracted partners' power generation units.

Heat sales: In the course of production, the Group produces the heat energy in its own power plants, and sells it to district heating companies under long-term contracts.

Electricity ancillary services: in order to maintain balance in the system, the Hungarian system operator (MAVIR) procures various types of balancing reserve capacities (FCR, aFRR, mFRR) from market actors with the appropriate authorization; capacity charge is paid as the consideration. The consideration for the ability of the Group's generation facilities to alter such reserved, accredited load is recognized here. The revenue from renewable production management is also included here.

Electricity and gas trade: the retail activity of the purchase and resale of electricity and gas to final consumers. The commercial segment purchases energy from within the Group and also from other trading partners.

Waste management: the revenue of the waste management activity launched in 2019 is presented here.

Operation and maintenance (O&M): The Group carries out operation and maintenance activities related to power plants and energy generating equipment.

Energy industry service fees and projects: For energy industry project activities, revenue is presented by stage of completion.

E-mobility service: operation of licensed charging equipment and e-mobility services for residential and corporate customers

Operating lease income: The Group gives certain parts of its properties at the sites of Alteo-Therm Kft. in Sopron and Győr to operating lease (based on lease agreements). Lease contracts are concluded for an indefinite term. The Group does not have any separate dedicated assets for leasing purposes; however, it leases some of its own assets. The Group does not sublease its leased assets.

Other revenues: accounting services provided to third parties and revenues that are not classifiable in other activities are recognized as other revenues.

Additional information:

Other activities in the business period requiring special principles of presentation:

- In the current year the Group had no discontinuing operations.
- The Group did not have interest, royalty or dividend, which should be recognized as revenue.

Turnover items not recognized in the revenue:

- The Group leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes them as items decreasing expenses (consolidates revenues and expenses). For an itemized list, see Section II.5.7

IV.2 Material expenses

Material expenses include items attributable to the Group's core activity only, as they are not considered expenses connected to discontinued activities.

Material expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Energy carrier – electricity	(15 772 470)	(35 313 433)
Energy carrier – gas	(37 653 248)	(28 777 446)
Material and service needs of maintenance and projects	(4 707 324)	(3 162 453)
Waste management services	(2 055 607)	(851 883)
Other overhead costs	(1 667 083)	(1 193 553)
Expert services (counselling, auditing, IT)	(1 520 895)	(896 233)
Agent's commission	(492 455)	(253 828)
Total	**(63 869 082)**	**(70 448 829)**

Other overhead costs include rent, administration and office costs, bank and insurance costs, IMS costs, marketing and other expenses.

IV.3 Personnel expenses

The personnel expenses line contains the wages, other disbursements of the Group and the related benefit expenses.

Personnel expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Wages	(5 554 241)	(4 065 501)
Other personnel expenses	(765 002)	(452 972)
IFRS 2 remuneration	(723 816)	(830 840)
Contributions	(833 251)	(602 336)
Total	**(7 876 310)**	**(5 951 649)**

IFRS 2 remuneration: the profit effects of the shares granted to the employees as benefit and recognized as part of the personnel expenses. For more details on related presentations see Section IV.35.

Information concerning employees

Average statistical headcount	2023	2022
ALTEO Nyrt.	327	291
FE-Group Invest Zrt.	90	92

The closing headcount of the Group on 12/31/2023 was 454 people.

IV.4 Other revenues, expenses, net

Profit or loss from other revenues and expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Other expenses:	(9 079 995)	(6 533 779)
CO2 expenses	(3 329 563)	(2 385 689)
Fines, compensation, default interest	(3 900 135)	(1 808 019)
Parafiscal contributions, fees, payment obligations	(1 474 449)	(2 057 062)
Gas contract-related penalties	(220 683)	-
EEOS quota expense (and release)	(73 405)	7 380
Grants, released receivables	(45 995)	(32 952)
METÁR overcompensation	(23 736)	(258 134)
Sale of fixed and intangible assets	(7 306)	2 995
Scrapping of fixed and intangible assets	(4 723)	(2 298)
Other revenues:	764 066	(231 083)
Subsidies and grants received	434 173	65 960
Impairment of inventories and receivables	194 952	(310 138)
Provisions released (recognized)	104 391	(36 856)
Income from (expenses of) loss events	13 828	17 618
Other settlements	10 955	11 880
Fines, compensation, default interest received	5 767	20 453
Total	**(8 315 929)**	**(6 764 862)**

- CO2 expenditure includes the current year's expenditure on CO2 emission allowances related to electricity production.

- Surcharges, legal consequences include the surcharge fees imposed by MAVIR relating to the regulation of renewable power plants.
- The special tax payable by the Group as balance reserve capacity provider stipulated in Section 3/A of Government Decree 197/2022. (VI. 4.) on windfall taxes is recognized among tax-type expenses. The tax base is the (financially realized) revenue received as consideration for the service. In 2023 the tax rate was 10% of the tax base. In 2024 the rate of that tax will remain unchanged at 10%.
- Gas contracts-related penalties
- The difference of the obligation of the Group and release of the same for the year 2023 under the Energy Efficiency Obligation Scheme has been recognized as an EEOS quota expense (and release)
- METÁR overcompensation includes the amounts claimed by the MAVIR Group under the rules of the support system.
- Grants, released receivables: grants provided without consideration pursuant to contracts or agreements, and time-barred VAT receivables
- Sale and scrapping of fixed and intangible assets
- It contains the pro rata temporis amount of grants received from the grants awarded for the establishment of the assets. (Energy storage renovation in Füredi u. in Felsődobsza and industrial development grant for the development of the Waste Management business)
- Impairment of inventories and receivables includes the depreciation of inventories to their market value and the individual impairment, and impairment recognized based on the ECL model for receivables
- Detailed description of the information concerning the preparation and release of provisions is in Note II.5.7.
- Other items include income and expenses not categorized elsewhere, such as settlements on partner and tax current accounts, rounding differences, levies not classified as income tax and derecognition of time-barred liabilities.
- The most significant items among the items in the Fines, compensation, default interest received line were penalties, contract termination penalties received for non-performance of the schedule keeping obligation related to energy production and trade, and the amount of refunds relating to the KÁT system.

IV.5 Capitalized own production

Capitalized own production	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Capitalized production from material expenses	(12 158)	-
Capitalized production from personnel expenses	550 724	358 915
Total	**538 566**	**358 915**

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

The change in the work in progress related to the production of the biomass plant in the current year resulted in a cost increase of HUF 12,158 thousand.

IV.6 Finance income, expenditures, net

Within finance income and expenses, the main element in exchange differences was the unrealized exchange loss at year-end. Exchange differences incurred on the foreign currency transactions of the Group.

Other financial settlements include the write-off of the 33.33% business share in ECO-FIRST Kft.

Net financial income	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Finance income	6 245 001	3 010 721
Received/receivable interest	3 132 340	547 319
Exchange rate gains	3 110 018	2 463 402
Other finance income	2 643	-
Financial expenses	(5 525 471)	(3 947 452)
Interests paid/payable	(2 754 469)	(1 594 711)
Exchange rate losses	(2 743 937)	(2 337 542)
Other financial expenses	(27 024)	(13 886)
Indemnification for terminated contract	(41)	(1 313)
Net finance income	719 530	(936 731)
Net interest expenses	377 871	(1 047 392)
Net exchange rate profit or loss	366 081	125 860
Other financial settlements	(24 422)	(15 199)
Total	**719 530**	**(936 731)**

IV.7 Taxes

IV.7.1 Taxes in the profit or loss – types of tax expenses

The Group's members pay tax under Hungarian tax law. Taxes presented as tax expense:

Taxes	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Local business tax expenditure	(1 386 603)	(1 052 567)
Innovation contribution expenditure	(213 596)	(156 413)
Corporate tax expenses	(2 542 220)	(185 572)
Special tax of energy producers	(263 295)	(411 300)
Deferred tax expenses	1 285 199	(1 107 592)
Total	(3 120 515)	(2 913 444)

IV.7.2 Income taxes in the statement of financial position

Income tax receivables in the Statement of financial position:

Income taxes in the statement of financial position	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Corporate tax overpayment	22 130	187 384
Energy suppliers' income tax overpayment	106 690	-
Innovation contribution overpayment	56	32
Local business tax overpayment	34 558	5 708
Income tax receivables	163 434	193 124

Income tax liabilities in the statement of financial position:

Income taxes in the statement of financial position	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Corporate tax liability	2 318 270	172 560
Innovation contribution liability	123 356	103 871
Energy suppliers' income tax liability	(25 870)	331 062
Local business tax liability	347 482	439 425
Income tax liabilities	2 763 238	1 046 918

IV.7.3 Taxation information

Presentation of Tax Group members

On January 1, 2019 the following companies set up a Corporate Tax Group; in the 2023 tax year the following Companies are members:

Corporate Tax Group	
Head of group:	**Members:**
Sinergy Energiakereskedő Kft.	Alte-A Kft.
	Alte-Go Kft.
	Alteo Energiakereskedő Zrt.
	ALTEO-Depónia Kft.
	Alteo-Therm Kft.
	Domaszék 2MW Kft.
	Euro-Green Energy Kft.
	Monsolar Kft.
	Pannon Szélerőmű Kft.
	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.
	Sunteo Kft.

On November 1, 2023 the Companies set up a VAT group headed by ALTEO Energiaszolgáltató Nyrt. VAT Group member Companies:

VAT Group	
Head of group:	**Members:**
ALTEO Energiaszolgáltató Nyrt.	Alte-A Kft.
	Alte-Go Kft.
	Alteo Energiakereskedő Zrt.
	ALTEO-Depónia Kft.
	Alteo-Therm Kft.
	Domaszék 2MW Kft.
	Edelyn-Solar Kft.
	Euro-Green Energy Kft.
	ECO-FIRST Kft.
	Energigas Kft.
	Energikum Zrt.
	FE-Group Zrt.
	Monsolar Kft.
	Pannon Szélerőmű Kft.
	Sinergy Energiakereskedő Kft.
	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.
	Sunteo Kft.
	Tisza-WTP Kft.

List of tax audits

The tax authorities carried out the following audits concerning the Group:

Taxable entity	Type of 2023 review, tax type, period
Alteo Nyrt.	Incoming invoice (2020 tax year CABERO Kft.) compliance review (closed)
Alteo Zrt.	October to December 2022 compliance review (closed)
Euro-Green Energy Kft.	March 2023 compliance review (closed)
Alteo-Therm Kft.	November 2022 energy tax review (closed)
Alteo-Therm Kft.	December 2022 energy tax review (closed)
Alteo-Therm Kft.	January 2023 energy tax review (closed)
Alteo-Therm Kft.	February 2023 energy tax review (closed)
Edelyn-Solar Kft.	January 2023 compliance review (closed)
FE-Group Zrt.	2020 compliance review (closed)
FE-Group Zrt.	December 2021 VAT review (closed)
FE-Group Zrt.	Q2 2022 compliance review (closed)
FE-Group Zrt.	Q3 2022 compliance review (closed)
FE-Group Zrt.	Q2 and Q3 2022 new compliance review (in progress)
Energigas Kft.	2022 compliance review (closed)

In the course of the 2022 compliance review of Energigas Kft., the National Tax and Customs Administration called on the Company to perform a self-audit pursuant to the interpretation of Government Decree 197/2022. (VI. 4.) on windfall taxes. The Company performed its tax calculation, reporting and payment obligations in accordance with the notice.

The Tax Authority communicated no findings regarding the other audits completed.

IV.7.4 Taxes in the profit or loss – income tax calculations

Elaboration of the tax base	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
IFRS profit or loss before taxes	15 882 629	15 756 735
Effect of differences	(980 699)	2 024 641
HAS profit or loss before taxes	14 901 930	17 781 376
Increasing items	5 243 239	4 521 703
Total provisions recognized	1 013 869	112 147
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	3 857 029	3 146 073
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	119 650	1 779
Amount of impairment recognized regarding receivables	96 473	143 772
individual)	-	163 999
Other	156 219	123 093
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	-	830 840
Decreasing items	4 721 434	20 259 599
Amount written off from the loss carried forward (negative tax base) from previous years	472 110	847 101
Provision recognized in the tax year due to the use of	119 761	1 200
Depreciation recognized in accordance with the tax	3 266 120	2 675 676
Amount of development reserve recognized as allocated reserve on the last day of the tax year	-	13 660 786
but not more than the amount of the profit or loss before taxes	939 000	2 502 000
Impairment reversed regarding receivables in the tax year, irrecoverable portion of the cost of receivables	3 564	24
Determined amount of grant, benefit	8 316	17 435
Credit recognized as other revenue in connection with tax donation	1 562	3 096
Other	-	-
Amount of individual local business taxes, innovation contrib	525 452	515 272
instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	-	297 983
Negative tax base of the Group	(614 450)	(260 973)
Tax base	15 423 735	2 043 480
Tax (9%)	1 388 136	183 913
Difference due to group corporate tax	(9 537)	(150)
Tax pursuant to the Corporate Tax Act	(1 378 599)	(183 763)
Acquisition corporate tax difference	2 766	5 559
Amendment of corporate tax for previous years	(1 166 386)	(7 365)
Effect of corporate tax on profit or loss	(2 542 220)	(185 569)

Elaboration of the tax base	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Deferred tax due to changes in the statement of financial position:		
Recognition of deferred tax assets (tax gain)	335 537	31 990
De-recognition of deferred tax assets (tax loss)	(31 990)	(71 395)
Recognition of deferred tax liability (tax loss)	(825 573)	(2 248 154)
De-recognition of deferred tax liability (tax gain)	2 248 154	1 487 761
Deferred taxes recognized in Other comprehensive income:		
Deferred taxes recognized in Other comprehensive income	(236 278)	204 651
Deferred taxes derecognized in Other comprehensive income	(204 651)	(524 812)
Acquired deferred tax liability		12 367
Effect of deferred taxes on profit or loss	1 285 199	(1 107 592)
of which recognized in Comprehensive income:	1 726 128	(799 798)
of which recognized in Other comprehensive income:	440 929	(320 161)
Local business tax expenditure	(1 386 603)	(1 052 567)
Innovation contribution expenditure	(213 596)	(156 413)
Special tax of energy producers	(263 295)	(411 300)
Effect of income taxes on profit or loss	(3 120 515)	(2 913 441)

IV.7.5 Information regarding taxes other than income tax

The Group recognized its windfall tax expenditures among Other expenses.

Pursuant to Section 3/A of Government Decree 197/2022. (VI. 4.) on windfall taxes, the tax is payable

- by the balance reserve capacity provider. The tax base is the (financially realized) revenue received as consideration for the service. In 2023 the rate of that tax was 10%.
- by producers of electricity generated from renewable sources or waste and eligible for KÁT (Energigas Kft.) that did not make use of such KÁT eligibility. The rate of the tax is 65% of the revenue realized as the difference between market-based revenue and KÁT revenue, which is applicable even if the revenue minus tax does not cover the cost of acquisition of the waste energy raw material.

IV.8 Deferred taxes

Deferred tax assets and liabilities were calculated by the Group for each taxpayer. The change in deferred taxes was recognized by the Group in the statement of profit or loss or in other comprehensive income.

Deferred tax changes	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Deferred tax asset		
opening assets	31 990	71 395
increase	335 537	31 990
decrease	(31 990)	(71 395)
	335 537	31 990
Deferred tax liability		
opening liability	2 248 154	1 487 761
acquired	-	12 367
increase	825 573	2 235 787
decrease	(2 248 154)	(1 487 761)
	825 573	2 248 154
Deferred taxes in other comprehensive income		
opening assets	204 651	524 812
increase	(440 929)	-
decrease	-	(320 161)
	(236 278)	204 651

Elaboration of deferred taxes	Year ending on 12/31/2023 HUF thousand				Year ending on 12/31/2022 HUF thousand			
	Tax value	Accounting value	Deferred tax asset base	Deferred tax liability base	Tax value	Accounting value	Deferred tax base	Deferred tax liability base
Property, plant and equipment	27 271 864	35 108 875	-	(7 837 011)	20 851 849	27 843 737	-	(6 991 888)
Other intangible assets	1 244 273	2 705 370	-	(1 461 097)	782 555	2 417 675	-	(1 635 120)
Operation contract assets	-	799 504	-	(799 504)	-	925 860	-	(925 860)
Rights of use	1 251 099	2 431 769	-	(1 180 670)	1 031 186	2 016 580	-	(985 394)
Goodwill	699 521	1 019 181	-	(319 660)	735 913	735 913	-	-
Deferred tax assets	335 537	335 537	-	-	31 990	31 990	-	-
Long-term deposits or loans given	1 157 577	1 172 690	15 113	-	781 285	969 602	188 317	-
Long-term participation in associate	-	-	-	-	100	100	-	-
Inventories	989 904	989 904	-	-	1 779 133	1 779 133	-	-
Trade receivables	10 082 865	10 863 760	780 895	-	23 895 617	24 562 537	666 920	-
Emission allowances	1 051 198	1 051 198	-	-	1 521 340	1 521 340	-	-
Other cash and cash equivalents	3 414 715	4 164 457		(749 742)	6 550 518	8 500 254		(1 949 736)
Other receivables and accruals	6 756 238	6 827 020	70 782	-	12 029 246	12 057 221	27 975	-
Income tax receivables	163 434	163 434	-	-	57 133	193 124	(135 991)	-
Cash and cash equivalents	24 345 080	24 345 080	-	-	16 465 328	16 465 328	-	-
Losses carried forward		-	-	-	-	-	-	-
Issued capital	247 534	247 534	-	-	249 066	249 066	-	-
Share premium reserves	6 174 087	6 174 087	-	-	6 510 002	6 573 148	63 146	-
Reserve for share-based payments	(1 885 811)	(1 885 811)	-	-	(1 459 544)	(1 459 544)	-	-
Retained earnings	31 780 384	31 663 743	(116 641)	-	19 170 998	19 170 998	-	-
Hedge reserve	(2 389 024)	(2 389 024)	-	-	2 069 245	2 069 245	-	-
Allocated reserves	2 000 000	-		(2 000 000)	16 117 856	-		(16 117 856)
Non-controlling interest	43 585	43 585	-		84 949	84 949	-	
Long-term loans and borrowings	9 615 209	9 579 949		(35 260)	6 710 880	6 670 051		(40 829)
Debts on the issue of bonds	12 658 274	12 658 274	-		12 658 274	12 658 274	-	
Finance lease liabilities	798 966	2 160 081	1 361 115	-	704 260	1 848 597	1 144 337	-
Deferred tax liabilities	821 467	825 573	4 106		2 248 154	2 248 154	-	
Provisions	-	1 221 555	1 221 555	-	-	1 247 765	1 247 765	-
Deferred income	847 847	847 847	-		805 775	805 775	-	
Other long-term liabilities	648 635	1 360 110	711 475	-	591 259	1 238 016	646 757	-
Short-term liabilities	28 811 168	29 470 276	659 108	-	49 988 592	46 615 900	(3 372 692)	-
Short-term loans and borrowings	1 703 817	1 703 817	-	-	7 185 732	7 185 732	-	-
Short-term bond payables		-	-	-	-	-	-	-
Short-term finance lease liabilities	530 566	530 566	-	-	391 600	391 600	-	-
Advances received	29 281	29 281	-	-	1 499 254	1 499 254	-	-
Trade payables	3 404 049	3 404 049	-	-	15 528 500	11 282 617	(4 245 883)	-
Other financial liabilities		3 138 813	-	(3 138 813)	-	324 160	-	(324 160)
Other short-term liabilities and accruals	17 052 764	17 900 512	847 748	-	24 725 787	24 885 619	159 832	-
Income tax liabilities	2 854 767	2 763 238	(91 529)	-	1 056 599	1 046 918	(9 681)	-
Deferred tax position of balance sheet items			5 463 727	(17 521 757)			(3 619 198)	(28 970 843)
Differences not qualifying as returning			-	-			-	-
Net deferred tax position of consolidation units			3 728 185	(9 173 032)			355 447	(24 979 484)
Of which part of the comprehensive income:			-	(2 625 301)			-	(2 273 896)
Deferred tax assets (9%)	9%		335 537	-	9%		31 990	-
Of which part of the comprehensive income:	9%		-	-	9%		-	-
Deferred tax liability (9%)	9%		-	825 573	9%		-	2 248 154
Of which part of the comprehensive income:	9%		-	236 278	9%		-	204 651

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IV.9 Fixed assets and intangible assets

IV.9.1 Table on the movement of assets

Cost of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
January 1, 2022	**35 864 890**	**-**	**5 409 203**	**1 881 298**	**2 189 096**	**45 344 487**
Acquisition put to use	2 860 783	735 913	687 646	-	567 874	4 852 216
Acquisition	2 871 752	-	-	-	-	2 871 752
Reclassification	(1 200)	-	1 200	-	-	-
De-recognition, sale	(792)	-	-	-	-	(792)
De-recognition due to lease amendment	-	-	-	-	(14 401)	(14 401)
De-recognition, scrapping	(5 009)	-	-	(60 836)	(21 514)	(87 359)
December 31, 2022	**41 590 424**	**735 913**	**6 098 049**	**1 820 462**	**2 721 055**	**52 965 903**
Acquisition put to use	8 704 486		736 557	-	900 984	10 342 027
Acquisition	1 774 825	340 103	1 592	-	-	2 116 520
Reclassification	(7 899)	-	-	-	-	(7 899)
De-recognition, sale	(5 065)	-	-	-	-	(5 065)
Adjustment due to lease amendment	-	-	-	-	(52 653)	(52 653)
De-recognition, scrapping	(332 637)	-	(2 658 474)	-	-	(2 991 111)
December 31, 2023	**51 724 134**	**1 076 016**	**4 177 724**	**1 820 462**	**3 569 386**	**62 367 722**

Accumulated depreciation and amortization of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
January 1, 2022	**(10 126 802)**	**-**	**(2 892 383)**	**(829 082)**	**(422 594)**	**(14 270 861)**
Acquisition	(1 318 652)	-	-	-	-	(1 318 652)
De-recognition, sale	520	-	-	-	-	520
De-recognition due to lease amendment	-	-	-	-	2 658	2 658
De-recognition, scrapping	2 961	-	-	60 836	20 586	84 383
Depreciation and amortization	(2 304 714)	-	(787 991)	(126 356)	(305 125)	(3 524 186)
December 31, 2022	**(13 746 687)**	**-**	**(3 680 374)**	**(894 602)**	**(704 475)**	**(19 026 138)**
Goodwill adjustment in evaluation period	-	(56 835)	-	-	-	(56 835)
De-recognition, sale	5 007	-	-	-	-	5 007
Adjustment due to lease amendment	-	-	-	-	52 305	52 305
De-recognition, scrapping	262 960	-	2 658 474	-	-	2 921 434
Depreciation and amortization	(3 136 539)	-	(450 454)	(126 356)	(485 447)	(4 198 796)
December 31, 2023	**(16 615 259)**	**(56 835)**	**(1 472 354)**	**(1 020 958)**	**(1 137 617)**	**(20 303 023)**

Net value of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
12.31.2021	25 738 088	-	2 516 820	1 052 216	1 766 502	31 073 626
12.31.2022	27 843 737	735 913	2 417 675	925 860	2 016 580	33 939 765
12.31.2023	35 108 875	1 019 181	2 705 370	799 504	2 431 769	42 064 699

IV.9.2 Valuation of assets

- For the accounting policy on the valuation of assets, see in the chapter on Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities and the recognition and measurement of assets and liabilities.
- Intangible assets include no assets with indefinite lifecycles. The Group does not possess assets regarding which it would employ the revaluation model.
- The acquisition of Energikum Zrt. was closed with the recognition of goodwill, see Section IV.32 Presentations on acquisitions of companies. The Company tested the recoverable amount of the goodwill.
- The goodwill determined in the course of the acquisition of ECO-First Kft. was recognized as impairment loss by the Group.
- Discounts applied to decommissioning reserve (2023: 8.57%; 2022: 8.57%).
- The management of the Group performs the necessary tests for CGUs as at each reporting date to determine whether the recognized value can be considered recoverable.
- In the current year, the Group did not recognize or derecognize impairment for its individual assets or CGUs.

IV.9.3 Depreciation and amortization in the current period

Depreciation and amortization	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Recognized depreciation, amortization	(4 268 473)	(3 527 162)

IV.9.4 Asset types

a, Property, plant and equipment

Property, plant and equipment	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Power plant properties	4 858 016	3 738 748
Energy generation equipment:		
Gas engine, heat cogeneration	8 222 808	4 995 840
Energy storage block	1 726 327	2 052 261
Solar panel farm	7 515 918	4 718 485
Wind turbine	7 166 686	7 491 167
Hydropower Plant	570 901	621 862
Auxiliary systems	2 553 710	1 867 609
E-charger	50 217	50 382
Waste utilization equipment	797 422	1 082 105
Machines, transport equipment	280 387	198 814
Control technology assets	856 661	644 436
Other assets	449 082	382 028
Total	**35 048 135**	**27 843 737**

The Group created the above assets using its own capacity as main contractor, engineering, maintenance, business, legal and economic advisor. The table above excludes the increase in intangible assets related to the investments (KÁT, R&D, Concession).

The contractual assets as per IFRS 15 recognized among intangible assets are presented in detail in Section IV.11.

In the Other assets item, the Group recognizes its office and IT equipment.

b, Recoverable value test of goodwill

Goodwill	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Edelyn Solar Kft.	699 521	735 913
Energikum Zrt.	319 660	-
Total	**1 019 181**	**735 913**

Due to partial compliance with the payment terms of the remaining purchase price as set out in the Edelyn Solar Kft. Quota Sale and Purchase Contract, the purchase price specified in the contract was amended, reducing the value of goodwill by HUF 36,392 thousand.

The recoverable value of Edelyn Solar Kft. was based on the discounted cash flow model prepared for the cash flow generation activity. The cash flow is based on the cash flows of the construction of the power plants and, subsequently, of the energy production of the assets. As evidenced by the planned cash flows of the project up to 2049, the investment value is expected to be recovered based on the tests for the time of acquisition and for the reporting date.

The recoverable value of Energigas Kft. was based on the discounted cash flow model prepared for the cash flow generating capabilities of the construction of the biomethane technology, the launch of the related business line as well as entry into the biomethane market. As evidenced by the planned cash flows of the project up to 2036, the investment value is expected to be recovered based on the tests for the time of acquisition and for the reporting date.

Recoverable value	Edelyn Solar Kft.	Energikum Zrt.
Present value of discounted cash flows (HUF thousand)	3 749 208	3 018 701
Cash flow production projected for first year	2024	2026
WACC	10,50%	10,38%
Growth rate	3,00%	3,00%
Investment value (HUF thousand)	700 420	1 815 311

The recoverable value of CGUs is determined based on the discounted cash flows. Pre-tax discount rates of 9.39-12.44% were used to discount the cash flows of CGUs. The recoverable value exceeds the carrying amount for each CGU. From the goodwill impairment test and the sensitivity analysis the management concluded that no impairment needed to be recognized for the CGUs.

c, Other intangible assets

Carrying amount of other intangible assets	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Internally developed control software	844 603	393 563
Other legal instrument	622 969	695 397
KÁT instrument	592 735	660 838
R&D intellectual property	260 115	307 270
Purchased software	207 044	170 769
Contractual asset (IFRS15)	168 600	181 959
Trade license	7 300	7 300
License, connection charge	2 004	579
Total	**2 705 370**	**2 417 675**

d, Operation contracts (IFRIC 12 concessions)

Carrying amount of operation contracts	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Füredi út Heating Power Plant operation (IFRIC12)	703 940	813 744
Tiszaújváros Heating Power Plant operation (IFRIC12)	55 072	60 579
Tisza-WTP operation contract	40 492	51 537
Total	**799 504**	**925 860**

e, Rights of use (IFRS 16 presentation, the Group as Lessee)

Carrying amount of rights of use	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Office, assembly hall rental Alteo Nyrt.	884 773	786 011
Vehicle rental Alteo Nyrt.	366 326	245 175
Ground rent Zugló Power Plant	271 566	314 162
Land lease EGE Kft.	231 794	243 439
Land lease Győr GM installation	193 881	-
Land lease Edelyn Solar Kft.	168 206	-
Lease of power plant asset Felsődobsza/Gibárt	130 699	142 586
Land lease Pannon Szélerőmű Kft.	73 908	80 628
Land lease FE-Group Zrt.	66 627	166 706
Rental of machinery, equipment FE-Group Zrt.	43 989	37 873
Total	**2 431 769**	**2 016 580**

- There is no right of use where the Group would sublease the underlying asset.
- Rights of use are written off in a straight-line manner over the term of the contract granting the right.
- The Group does not keep any separate assets for leasing purposes. Rent income is presented in Section IV.1.
- The following items are recognized under rights of use in IFRS 16:
  - the 1,965.64 m^2 of office space rented in the Globe 3 Office Building.
  - the 903.32 m^2 warehouse in Polgár intended for use by Maintenance as well as the attached 112.24 m^2 office space.
  - the 456 m^2 assembly hall constructed in Százhalombatta.
- The items recognized under rights of use in IFRS 16 include the Tereske solar power plant under implementation and the lease of the land for the gas engine implementation project in Győr.
- Lease liability is presented in Sections IV.10 and IV.23.

IV.9.5 Construction of assets in the current period

The Group performed the following priority power plant investments:

Investments	Value (in HUF thousand)
Installation of solar power plant (Edelyn Solar Kft.)	3 034 824
Acquisition, overhaul and renovation of gas engines in heating pow	2 967 162
Installation of electric boilers	1 297 800

IV.9.6 Capitalization of borrowing costs

In 2023, the Group did not take out any loans for which additional costs were capitalized.

IV.9.7 Environmental effects statement

The Group does not possess assets which are expected to cause environmental damage that the Group would be required to neutralize.

IV.9.8 Assets as borrowing collaterals

For power plants financed using borrowings, a lien is attached to the assets and the capital contribution of the entity owning the asset under the loan contract. For a full asset hedging presentation, see Section IV.22.2.

IV.9.9 Assets, repurchase and reverse repurchase agreements

The Group does not possess assets subject to repurchase agreements.

IV.10 Lease assets

IV.10.1 Finance lease (Group as Lessor)

The Group presents the contract of Tisza-WTP Kft. concluded with customers as a finance lease.

Presentation of finance lease activities, considered terms and results of evaluations performed on specific contracts:

- ✓ no other, unidentified future conditions may be linked to guaranteed residual values
- ✓ there are no contingent fees
- ✓ the lessee has a call option on the assets
- ✓ the asset meets special customer needs and is not available to entities other than the buyer
- ✓ during the period of use, the contract is terminated with the transfer of title in the asset, which happens by exercising the option

Lease asset values

With regard to Tisza WTP Kft., the Group is entitled to no lease income; the value of the lease receivable is zero.

IV.10.2 Operating leases

The Group grant operating lease on certain property parts of its sites in Győr and Sopron; the agreements are for an indefinite period. These items form part of the Group revenue. The Group keeps no separate assets for leasing purposes; i.e. it leases exclusively some of its own assets under such arrangement. See Section IV.1.

Expected lease revenues in 2024-2028:

Operating lease income					
year	2024	2025	2026	2027	2028
HUF thousand	27 248	27 520	27 795	28 073	28 354

IV.11 Loans given and deposits

Long-term deposits or loans given	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Loans given	-	188 317
Clearing house deposit	1 024 014	958 966
Deposits given for development	163 789	-
Employee loan	-	22 144
Recognized impairment of loans given	-	(161 444)
Recognized ECL for long-term deposits	(15 113)	(38 381)
Total	**1 172 690**	**969 602**

- Loans given include the loan to Energigas Kft., which was incorporated into the Group upon the acquisition of Energikum Zrt.
- Clearing house deposits are KELER deposits related to the power exchange presence of Sinergy Energiakereskedő Kft. and Alteo Energiakereskedő Zrt.
- Deposits given for development include the deposit given for the gas network expansion relating to the gas engine project implemented by ALTEO-Therm Kft.
- The items relating to the ECL impairment are presented in detail in Section IV.19 Application of the expected loss model (ECL) to cash and cash equivalents.

IV.12 Long-term participation in affiliated companies

Long-term participation in associate	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Energigas Kft. share	-	100
Total	**-**	**100**

Upon the acquisition of the share of Energikum Zrt. (parent company of Energigas Kft.), the 1% business quota of Energigas Kft. recognized among long-term participations, became a 100% controlled subsidiary of the ALTEO Group.

IV.13 Inventories

The parts and materials used for operation, maintenance and energy production relating to its economic activities are shown in the inventories of the Group.

Inventories	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Spare parts, operating materials	788 259	684 579
Projects	88 427	857 486
Inventories of waste management	62 655	282 761
Inventories of energy production	46 050	-
Fuels	38 074	40 036
Impairment loss of inventories	(33 561)	(85 729)
Total	**989 904**	**1 779 133**

Inventory types:

- *Spare parts, operating materials:* These include the stock of spare parts relating to the maintenance of power plant equipment and, inter alia, work clothing, empties and auxiliary materials.
- *Project inventories:* Inventories related to projects are the value of materials and services not received by the buyer on the reporting date.
- *Inventories of waste management*: goods not yet sold as the end product of waste processing
- *Inventories of energy production*: the inventory of raw materials and of work in progress necessary for the production process of the biogas plant
- *Fuels:* Inventories include the fuels (fuel oil) used by power plants.
- *Impairment of inventories*: difference of the inventory value and fair market value of waste management

Impairment loss of inventories	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening balance	85 729	20 761
Impairment reversed	(64 968)	(10 648)
Impairment recognized	12 800	75 616
Closing balance	**33 561**	**85 729**

Valuation of inventories: inventories are evaluated by the Group on a case by case basis, with the average price method.

IV.14 Trade receivables

The trade receivables of the Group are the reporting date balances of the items of energy production and energy services, trade and project development contracts recognized by the buyers but not yet financially settled.

Trade receivables	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Gross value of trade receivables	11 311 724	25 229 457
Impairment	(447 964)	(666 920)
Total	10 863 760	24 562 537

Trade impairment losses	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening balance	666 920	360 665
Impairment/ Reversal	(281 919)	-
Impairment recognized	62 963	306 255
Closing balance	(447 964)	666 920

- The impairment of receivables and write-offs are accounted for in other expenses.
- Buyers are qualified on a case by case basis.
- A significant part of trade receivables is unsecured because they are not covered by deposits, bank guarantees, etc.
- The trade receivables of the retail trade business line are secured
- The Group has guarantees from buyers of construction projects. No guarantees had to be enforced during the presentation periods.
- The maximum credit risk is equal to the carrying amount of trade receivables.
- The items relating to the ECL impairment applied to cash and cash equivalents are presented in detail in Section IV.19.

The largest buyers of the Group based on the proportion of the sales revenue realized in the current year are:

In 2023	Revenue %	In 2022	Revenue %
MAVIR Zrt.	13,29%	MAVIR Zrt.	19,01%
E2 Hungary Kft.	12,59%	Lego Manufacturing Kft.	11,10%
Barcika Szolg Vagyonkezelő és Szolgáltató Kft.	8,20%	Barcika Szolg Vagyonkezelő és Szolgáltató Kft.	8,66%
BKM Nonprofit Zrt.	7,37%	MET Austria Energy Trade GmbH	10,31%
MET Austria Energy Trade GmbH	7,07%	BKM Nonprofit Zrt.	6,71%

Presentation of trade receivables as per due dates (2023):

Trade receivables	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Not overdue:		
1 to 30 days	5 703 659	12 450 099
31 to 60 days	3 965 776	12 121 216
61 to 90 days	142 820	236 483
91 to 180 days	8 811	9 916
Past due trade receivables:		
1 to 30 days	1 322 176	235 219
31 to 60 days	46 605	35 720
61 to 90 days	27 026	17 265
91 to 180 days	4 198	106 985
180 to 365 days	70 647	2 047
over 365 days	20 006	14 507
Total	**11 311 724**	**25 229 457**

IV.15 Emission allowances

Emission allowances	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Emission allowances CO2 quota	699 364	1 366 340
EEOS quota	351 834	155 000
Total	**1 051 198**	**1 521 340**

CO2 quota	Quantity (of shares)	Value HUF thousand
2022.12.31	**56 239**	**1 366 340**
Quota taken over without charge	14 281	464 618
Purchased quota	65 500	2 130 334
Quota returned without charge	(113 422)	(3 261 928)
2023.12.31	**22 598**	**699 364**

EEOS quota	Quantity (GJ)	Value HUF thousand
2022.12.31	**7 119**	**155 000**
Purchased quota	17 076	239 930
Utilization	(2 428)	(43 096)
2023.12.31	**21 767**	**351 834**

IV.16 Other cash and cash equivalents

Other cash and cash equivalents	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Derivative transactions	640 576	2 598 056
Deposits and security deposits	3 078 385	4 971 658
Separate bank accounts	445 496	930 540
Total	**4 164 457**	**8 500 254**

The receivable balance of derivative transactions includes the non-realized profit balance of hedging transactions (EUR/HUF FX forward, interest rate swaps, gas price swap) at the end of the year.

The aggregate values for derivative transactions and the valuation procedure for the transactions are set out in subsection IV.20.4.

Deposits and security deposits are cash and cash equivalents pledged as collateral for gas forward transactions and electricity trading transactions with the Group's trading partners.

Separate bank accounts contain cash, the use of which is limited in time or is conditional. These are cash and cash equivalents set aside for debt servicing, on the one hand, and cash and cash equivalents set aside in a bank account to cover future gas purchase transactions, on the other. These assets are not treated as cash or cash equivalents in the financial statements. The cash and cash equivalents in the separate bank accounts involve variable interest credits.

IV.17 Other receivables and accruals

Other receivables and accruals	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Accrued revenues	4 043 807	6 258 939
Advances paid (related to projects)	1 902 326	246 601
Accrued expenses	652 045	562 183
Projects – Receivables due from customers	137 189	29 041
Other receivables	143 260	557 648
Receivables from employees	4 154	1 481
Gas contracts-related advances	-	4 429 303
ECL impairment for other receivables	(55 761)	(27 975)
Total	**6 827 020**	**12 057 221**

- Advances given are related to the construction-installation projects in progress.
- The amount due from the clients of the projects is presented in detail in Section IV.31 Accounting for project development contracts under IFRS15.
- Other receivables include certain tax assets in various tax types, the claim of the VAT Group from Tisza-WTP and various settlements of minor individual value. Other receivables are not past due, or are not considered doubtful by the management.

The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19 Application of the expected loss model (ECL) to cash and cash equivalents.

IV.18 Cash and cash equivalents

Cash and cash equivalents	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Bank accounts – HUF	22 940 117	12 027 652
Bank accounts – foreign currency	1 404 640	4 437 015
Cash in hand	323	661
Total	**24 345 080**	**16 465 328**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. In 2023 the Group exploited the high interest rate conditions, and tied up its free cash as short-term deposits. The fixed deposits earned market interest rates.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

Changes in Cash are influenced by the revaluation difference (HUF 193,666 thousand) attributable to exchange rate fluctuations.

IV.19 Application of the expected loss model (ECL) to cash and cash equivalents

The management of the Group has performed the risk analysis of its cash and cash equivalents (ECL modeling). Risks of cash and cash equivalents are presented in Section III.4. Taking into account the risks presented, cash and cash equivalents are classified into the following categories:

Category	Definition	Application of ECL
Performing	The partner is trustworthy and non-payments did not occur in the past. All related items are considered performing.	Recognition of 12-month expected credit loss.
Doubtful	Delay exceeding 60 and 365 days by an external partner but no direct evidence of risk of non-payment.	Recognition of full lifetime expected credit loss.
Non-performing	Item past due for 365+ days in the case of an external partner.	Recognition of full lifetime expected credit loss.

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

Application of the expected loss model to financial assets	External credit rating	Internal credit rating	ECL%	Gross value	ECL amount	Net amount
Customers – with large corporate background	N/A	Performing	3,54%	2 841 476	(99 217)	2 742 259
Customers – public sector	N/A	Performing	3,54%	5 362 217	(189 823)	5 172 394
Customers – retail energy trade	N/A	Performing	3,54%	1 111 860	(37 571)	1 074 289
Customers – energy production	N/A	Performing	1,20%	1 151 288	(14 029)	1 137 259
Customer – scheduling service	N/A	Performing	3,54%	322 806	(11 427)	311 379
Customer – other	N/A	Performing	3,54%	239 963	(8 495)	231 468
Customer – waste management	N/A	Performing	3,54%	201 570	(6 908)	194 662
Customer – employees	N/A	Performing	3,54%	50	-	50
Customer – Condominium	N/A	non-performing	100,00%	2 285	(2 285)	-
Customer – critical	N/A	non-performing	100,00%	67 379	(67 379)	-
Customer – retail energy trade under legal proceec	N/A	non-performing	100,00%	10 830	(10 830)	-
Other receivables	N/A	non-performing	100,00%	25 201	(25 201)	-
Other receivables	N/A	Performing	1,20%	71 583	(859)	70 724
Other financial assets	N/A	Performing	1,50%	2 683 750	(40 256)	2 643 494
Advances given	N/A	Performing	1,20%	1 902 326	(29 701)	1 872 625
Deposits, security deposits given	N/A	Performing	1,20%	1 187 803	(15 113)	1 172 690

In current year's valuation, the management of the Group uses the data available in public databases to determine ECL rates.

IV.20 Equity

IV.20.1 Issued capital and own shares

Issued capital	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**249 066**	**242 235**
Implementation of employee share award through shares	24	16
Capital increase through private placement	-	6 815
Acquisition of own shares	(5 201)	-
Shares transferred to ESOP organization	3 645	-
closing	**247 534**	**249 066**

Issued capital includes the face value of the shares issued (in circulation).

As of the reporting date, all issued shares are from one series (series A).

The face value is HUF 12.5 per share.

Number of treasury shares in 2023:

Date	Event	Number of shares
12.31.2021	**Closing balance**	**7 487**
2.4.2022	Transfer of employee share ownership program	(1 267)
12.31.2022	**Closing balance**	**6 220**
2.7.2023	*Transfer of employee share award*	*(1 911)*
5.16.2023	*Share purchase other than OTC*	*394 000*
5.16.2023	*Transfer of own shares to ESOP due to the ESOP Program Watt*	*(4 309)*
5.16.2023	*Transfer of own shares to ESOP due to the ESOP Program Watt*	*(27 933)*
5.16.2023	*Transfer of own shares to ESOP due to the ESOP Program Szikra*	*(122 717)*
5.16.2023	*Transfer of own shares to ESOP due to the ESOP Program Manag*	*(119 000)*
7.4.2023	*Shares purchased from ESOP*	*22 073*
7.4.2023	*ESOP Program 2022-2024 transfer of own shares to ESOP*	*(17 640)*
12.31.2023	**Closing balance**	**128 783**

Shares traded:

- On December 31, 2023, the Group held 128,783 own shares.
- The Company reports its registered capital less the value of the redeemed own shares in the Issued capital line.
- There are no other agreements between owners or with other parties which would require the Company to issue new ordinary shares or repurchase existing ones.

IV.20.2 Share premium reserves

Share premium reserves	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**6 573 148**	**5 375 369**
Implementation of employee share award through shares	5 518	2 645
Capital increase through private placement	-	1 129 927
Acquisition of own shares	(1 123 942)	-
ESOP Organization cash spent on operation and costs	(8 682)	2 063
beneficiaries	(63 145)	63 145
Shares transferred to ESOP organization	791 190	-
Amounts spent on ESOP operation	-	-
Comprehensive income	-	(1)
closing	**6 174 087**	**6 573 148**

The following items are recognized among transactions with owners in the current year:

- HUF 5,518 thousand as the above-par part of the 1,911 shares transferred to the employee reward program
- HUF 1,123,942 thousand as the above-par part of the acquisition of 394,000 own shares.
- HUF 2,874 thousand as the part of the cash previously transferred to the ESOP Organization that can be used for operation
- HUF 63,145 thousand as release of dividends due to members of the ESOP Organization
- HUF 791,190 thousand as the above-par part of the shares transferred to the ESOP Organization for the implementation of ESOP Programs
- HUF 5,808 thousand as the part of the cash transferred to the ESOP Organization for operation that has been used

IV.20.3 Share-based payments reserve, share-based benefits

Reserve for share-based payments	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**(1 459 544)**	**(206 875)**
Acquisition of own shares	46 036	-
Cash transferred to ESOP I.	-	(300 000)
Cash transferred to ESOP II.	-	(1 136 742)
Recognition of share benefits against profit or loss	-	184 073
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	(552 218)	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	866 672	-
ESOP Organization cash spent on operation and costs	8 077	-
Shares transferred to ESOP organization	(794 835)	-
Aggregate amount of rounding difference	1	
closing	**(1 885 811)**	**(1 459 544)**

The ESOPs are described in detail in Section IV.35 Presentation of share-based and equity settled benefit schemes.

IV.20.4 Hedge reserve

The fair value of future transactions existing on the reporting date is presented by the Group based on hedging combinations and achieved hedging objectives in other comprehensive income and equity.

Hedge reserve	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**2 069 245**	**5 306 431**
Hedge reserve	(4 458 269)	(3 237 186)
closing	**(2 389 024)**	**2 069 245**

The hedge reserve has the following movement in its balance:

Name	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening	**2 069 245**	**5 306 431**
Remeasurement in other comprehensive income	(3 240 310)	1 892 853
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	(1 217 959)	(5 130 039)
Total	**(2 389 024)**	**2 069 245**
of which, derivative position recognized against OCI	*(2 625 301)*	*2 273 896*
of which, deferred tax recognized against OCI	*236 277*	*(204 651)*
Reclassification to income tax	(120 457)	(507 367)
Reclassification to financial expenses	559 259	457 241
Reclassification to other expenses	-	-
Reclassification to material expenses	779 157	5 180 165
Reclassification to the statement on profit or loss	**1 217 959**	**5 130 039**

- The amounts recognized in Other comprehensive income reflect the fair value of open transactions on the reporting date.
- The profitability of the transactions closed during the current period has been maintained.
- Profitable transactions recorded at opening value and closed during the current period have been reclassified to comprehensive income.

The effect of Other comprehensive income on the equity in 2023:

Other comprehensive income (after income tax)	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Remeasurement in other comprehensive income	(3 240 310)	1 892 853
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	(1 217 959)	(5 130 039)
Of which the owner of the Parent Company is entitled to:	(4 458 269)	(3 237 186)
Of which the non-controlling interest is entitled to:	-	-

The Group evaluated its existing hedging positions; the balances of the various types as of reporting date are shown in the table below:

Exposure	Interest rate- BUBOR	Foreign exchange rate – EUR/HUF	Foreign exchange rate – price of gas	Option for gas purchase	Foreign exchange rate CO_2 quota	Total	Effect of deferred taxes	Total with deferred tax effect
Nature of the risks being hedged	Increase in the BUBOR rate	EUR/HUF rate increase	Rate of gas increase	Rate of gas increase	Increase in CO_2 quota prices			
Description of the hedging activity	Transactions to fix the interest rates	Future purchases	Purchasing products in the future	Purchasing products in the future	Purchasing products in the future			
Description of the financial instruments designated as hedging instruments	Interest rate swap derivative	Forward deals	Asian swap deals, options	Options	Forward deals			
OCI as at 12/31/2022	**1 806 911**	**(312 172)**	**779 157**	**-**	**-**	**2 273 896**	**(204 651)**	
De-recognition against net profit or loss	**(871 431)**	**312 172**	**(779 157)**	**-**	**-**	**(1 338 416)**	**120 457**	**(1 217 959)**
De-recognition due to revaluation	**(935 480)**	**-**	**-**	**-**	**-**	**(935 480)**	**84 193**	**(851 287)**
Revaluation of CF hedge positions	**513 512**	**(1 501 773)**	**(1 246 996)**	**(346 817)**	**(43 227)**	**(2 625 301)**	**236 277**	**(2 389 024)**
OCI as at 12/31/2023	**513 512**	**(1 501 773)**	**(1 246 996)**	**(346 817)**	**(43 227)**	**(2 625 301)**	**236 277**	
Value recognized against profit/loss in 2023:								**(4 458 269)**

IV.20.5 Retained earnings

Retained earnings	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**19 170 998**	**8 282 127**
Dividend payment (approval)	-	(1 996 146)
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	552 218	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	(866 672)	-
ESOP Organization cash spent on operation and costs	2 874	(2 874)
Minaqua Kft. absorption capital settlement	(1 055)	
Acquisition of ECO-FIRST Kft. participation	6 082	-
Re-entry of ECO-First Kft. prescribed dividend into profit or loss	1 900	-
Aggregate amount of rounding difference	2	(2)
Comprehensive income	12 797 396	12 887 893
closing	**31 663 743**	**19 170 998**

The retained earnings show the part of the profit from the profit of the Group after taxes attributable to the ownership share of ALTEO Nyrt.

IV.20.6 Non-controlling interest

The Group owns 75.1% of Fe-Group Invest Zrt. The Group considers its non-controlling interests to be immaterial.

In 2023 the Group acquired 33.33% of ECO-First Kft., thereby becoming the sole owner of the Company.

Profit or loss attributable to non-controlling interests	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Profit or loss of ECO First Kft. in the current period	**-**	**(11 845)**
Alteo Nyrt. Participation %	-	66,67%
Attributable to ALTEO Nyrt. Participation	-	(7 897)
Attributable to non-controlling interests	-	(3 948)
Current period profit/loss of FE-Group Zrt.	**(141 694)**	**(163 268)**
Alteo Nyrt. Participation %	75,10%	75,10%
Attributable to ALTEO Nyrt. Participation	(106 412)	(122 614)
Attributable to non-controlling interests	(35 282)	(40 654)
Of which the owners of the Parent Company are e	**(106 412)**	**(130 511)**
Of which the minority interest is entitled to:	**(35 282)**	**(44 602)**

Non-controlling interest	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening	**84 949**	**10 031**
Profit or loss of Eco First Kft. in the current period attributable to non-controlling interests	-	(3 948)
Acquisition of ECO-FIRST Kft. participation	(6 082)	-
Profit or loss of FE-Group Zrt. in the current period attributable to non-controlling interests	(35 282)	(40 654)
Equity of non-controlling interest	-	119 520
closing	**43 585**	**84 949**

IV.21 Debts on the issue of bonds

For the purpose of uniform presentation, the detailed terms of the bonds are listed in the notes entitled Terms of borrowings in Section IV.36.

Nominal liabilities also include interest accrued on bonds, as well as principal.

Debts on the issue of bonds	Interest terms	Issue value HUF thousand	Face value	Currency	Maturity date	Nominal liabilities 12/31/2023 (HUF thousand)	Nominal liabilities 12/31/2022 (HUF thousand)
ALTEO Nyrt NKP/2029	Interest payment per annum	8 818 285	8 600 000	HUF	2029.10.28	8 600 000	8 600 000
Alteo Nyrt NKP/2031	Interest payment per annum	3 912 499	3 800 000	HUF	2031.10.08	3 800 000	3 800 000

Bond cash flow	2023	2024	2025	2026	2027	2028	up to 2031
ALTEO Nyrt NKP/2029	(270 900)	(270 900)	(270 900)	(270 900)	(270 900)	(270 900)	(8 870 900)
Alteo Nyrt NKP/2031	(93 100)	(93 100)	(93 100)	(93 100)	(473 100)	(473 100)	(3 319 300)

Bonds	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening principal and interest	12 658 274	14 970 412
ALTEO Nyrt. NKP1 2029	8 762 151	8 762 151
ALTEO Nyrt. "2022/II" bond	-	1 663 087
ALTEO Nyrt. "2022/I" bond	-	649 051
Alteo Nyrt. NKP1 2031	3 896 123	3 896 123
Interest recognized in the current period	335 884	368 101
ALTEO Nyrt. NKP1 2029	251 789	252 324
ALTEO Nyrt. "2022/II" bond	-	30 543
ALTEO Nyrt. "2022/I" bond	-	949
Alteo Nyrt. NKP1 2031	84 095	84 285
Principal and interest payments in the current period	(364 000)	(2 707 630)
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
ALTEO Nyrt. "2022/II" bond	-	(1 693 630)
ALTEO Nyrt. "2022/I" bond	-	(650 000)
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 630 158**	**12 630 883**
Recognized interest rate change of short-term liabilities	**(28 116)**	**(27 391)**
Debts on the issue of bonds	12 658 274	12 658 274
Short-term bond payables	-	-
	12 658 274	**12 658 274**

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

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

IV.22 Borrowings

IV.22.1 Long-term loans and their collaterals

The terms of the borrowings and loans are presented in the table in Note IV.36.

Loans and borrowings used to finance the Group:

Credits (in HUF)	Financing party	Frequency of repayments	Amounts paid (HUF thousand)	Maturity date	Liabilities to banks (HUF thousand) 12/31/2023	Capitalized lending cost 2023	Liability disclosed in the statement of financial position (HUF thousand) 12/31/2023	Liability disclosed in the statement of financial position (HUF thousand) 12/31/2022
Principal and interest liabilities								
ALTEO Energiaszolgáltató Nyrt.	MFB	monthly	249 265	2034.07.25	241 646	-	241 646	-
Monsolar Kft.	MKB	six-monthly	656 575	2034.03.31	522 696	(3 692)	519 004	556 323
Monsolar Kft. (legal predecessor: IT-Solar Kft.)	MKB	six-monthly	656 575	2034.03.31	522 696	(3 698)	518 998	575 420
Domaszék Kft.	OTP	quarterly	601 000	2034.06.30	465 300	(8 016)	457 284	491 396
Sunteo Kft (legal predecessor: Péberény Kft.)	K&H	quarterly	2 147 328	2035.06.30	1 744 461	(9 657)	1 734 804	1 857 766
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	K&H	quarterly	1 449 748	2035.09.30	1 190 810	-	1 190 810	1 270 957
Sunteo Kft. (legal predecessor: True Energy Kft.)	K&H	quarterly	1 459 872	2035.09.30	1 199 465	-	1 199 465	1 280 067
Sinergy Kft.	K&H	quarterly	744 000	2034.06.30	628 234	(10 197)	618 037	657 254
Pannon Szélerőmű Kft.	K&H	quarterly	1 200 000	2027.12.31	1 020 000	-	1 020 000	-
Euro-Green Energy Kft.	K&H	quarterly	2 800 000	2027.12.31	2 380 000	-	2 380 000	-
Energigas Kft.	MFB	monthly	1 581 772	2032.01.05	1 095 772	-	1 095 772	-
Energigas Kft.	MFB	quarterly	85 288	2026.09.15	9 146	-	9 146	-
Fe-Group Zrt.	RFF	quarterly	500 000	2030.06.30	-	-	-	467 000
Fe-Group Zrt.	CIB	at maturity	600 000	2023.11.30	-	-	-	600 000
Liabilities to banks in the statement of financial position					**11 020 226**	**(35 260)**	**10 984 966**	**7 756 183**
Principal and interest liabilities								
ALTEO Nyrt. parent company loan	Wallis	at maturity	6 000 000	2023.04.23	-	-	-	6 000 000
Fe-Group Zrt. member's loan	Blue Planet Foundation	at maturity	99 600	2025.05.31	298 800	-	298 800	99 600
Liabilities to other enterprises in the statement of financial position					**298 800**	**-**	**298 800**	**6 099 600**
Long-term loans and borrowings							**9 579 949**	**6 670 051**
Short-term loans and borrowings							**1 703 817**	**7 185 732**

- Borrowings are measured at amortized cost. The fair value of the items above does not materially differ from their amortized cost.
- A borrowing is classified as non-current in the financial statements only if at the end of the year the Group had a unilateral right not to repay the amount before the next reporting date. The instalments for the next year are included in current liabilities.
- Repayments due in 2023 were reclassified to short-term borrowings and loans in the amount of HUF 1,703,817 thousand.
- Pannon Szélerőmű Kft. borrowed HUF 1,200,000 thousand, and Euro-Green Energy Kft., HUF 2,800,000 thousand from K&H Bank, for a term of 5 years, to ensure the excess liquidity requirement for the refinancing of the unincumbered assets of the Group, to cover increased working capital needs and to finance new investments.
- ALTEO Nyrt. took out a loan of HUF 249,265 thousand from MFB, for a term of 11 years, to finance its RDI activities under the GINOP-2.1.2-8.1.4-16 tender.
- ALTEO Nyrt. repaid the short term parent company loan of HUF 6,000,000 thousand from Wallis Asset Management Zrt. together with the related interest on March 16, 2023.
- In 2023, FE-Group Invest Zrt. made the final repayment for its loans from CIB Bank and RFF Zrt. in the total amount of HUF 1,067,000 thousand.
- FE-Group Invest Zrt. received HUF 298,800 thousand shareholder loans in total from the Blue Planet Foundation, a minority shareholder with a 24.9% share, recognized among long-term loans. The credit has a fixed interest rate of 17.91% for 2023.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

The Group has provided the following collaterals to meet its credit obligations:

Company	Designation of the collateral
ALTEO Energiakereskedő Zrt.	a lien on claim, surety and lien on bank accounts
ALTEO Energiaszolgáltató Nyrt.	pledge on claims, surety, lien on movable property
Monsolar Kft.	prohibition of alienation and encumbrance, mortgage on movable property, mortgage on receivables, surety and mortgage on bank accounts
Sunteo Kft.	purchase option and mortgage on a business quota, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on receivables, surety and lien on bank accounts
Domaszék 2MW Kft.	mortgage on a business quota, mortgage on real property, mortgage on movable property, lien on receivables, surety and lien on bank accounts
Sinergy Energiakereskedő Kft.	pledge on claims
Sinergy Kft.	mortgage on a business quota, mortgage on movable property, lien on receivables, surety and lien on bank accounts
FE-Group Zrt.	pledge on bank accounts
Pannon Szélerőmű Kft.	purchase option and mortgage on a business quota, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on rights and receivables, surety and lien on payment accounts
Euro Green Energy Kft.	and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on rights and receivables, surety and lien on payment accounts
Energigas Kft.	mortgage on real property, mortgage on movable property, mortgage on receivables, surety and lien on bank accounts

IV.22.2 Borrowing cash flow

The cash flows of borrowings of the Group are as follows:

Borrowing cash flow	2023	2024	2025	2026	2027	2028	until 2032
ALTEO Energiaszolgáltató Nyrt.	241 645	(22 860)	(22 860)	(22 860)	(22 860)	(22 860)	(91 433)
ALTEO Energiaszolgáltató Nyrt.	(6 000 000)	-	-	-	-	-	-
Monsolar Kft.	(57 384)	(40 702)	(42 487)	(44 677)	(47 065)	(47 065)	(222 825)
Monsolar Kft. (legal predecessor: IT-Solar Kft.)	(38 554)	(40 359)	(42 482)	(44 671)	(47 060)	(47 060)	(224 794)
Domaszék Kft.	(35 500)	(37 500)	(39 500)	(41 500)	(44 000)	(44 000)	(208 500)
Sunteo Kft (legal predecessor: Péberény Kft.)	(124 400)	(160 859)	(134 767)	(140 391)	(146 232)	(146 232)	(449 277)
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	(80 148)	(106 309)	(89 884)	(93 654)	(97 568)	(97 568)	(550 759)
Sunteo Kft. (legal predecessor: True Energy Kft.)	(80 602)	(107 025)	(90 512)	(94 308)	(98 249)	(98 249)	(452 414)
Sinergy Kft.	(40 771)	(54 609)	(46 574)	(49 402)	(52 378)	(52 378)	(257 052)
Energigas Kft.	(130 000)	(130 000)	(135 000)	(139 000)	(146 000)	(154 000)	(391 772)
Energigas Kft.	(3 593)	(3 593)	(3 702)	(1 851)	-	-	-
Euro-Green Energy Kft.	2 380 000	(700 000)	(560 000)	(560 000)	(560 000)	-	-
Pannon Szélerőmű Kft.	1 020 000	(300 000)	(240 000)	(240 000)	(240 000)	-	-
Fe-Group Zrt.	(1 067 000)	-	-	-	-	-	-
Fe-Group Zrt.	-	-	298 800	-	-	-	-

The ALTEO Group has variable rate borrowings where the rate of interest is based on the BUBOR, with premiums between 1% and 2.3%.

The investment loans of Energigas Kft. bear fix interest rates of 2.5% and 4.4%.

The member's loan extended to Fe-Group Zrt. has a fixed interest rate of 17.91%.

All borrowings are recognized in the statement of financial position at amortized cost.

In order to mitigate interest rate risks relating to its borrowings, the Group has entered into interest rate swaps. Pursuant to the IRS agreements, the interest rate received is in the range of 1.5%-12.05%; the expiry of the agreements coincides with the term of the borrowings.

The interest rate sensitivity assessment of loans not hedged by interest rate swaps is included in Section III.4.3 Interest rate risk and its management.

The following overdraft facilities are available to Group members:

Overdraft facility 12/31/2022	Bank	Amount HUF thousand	Utilization rate, HUF thousand
Alteo Energiakereskedő Zrt.	OTP	2 000 000	-
ALTEO Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	500 000	-

IV.23 Lease liabilities

The Group recognizes its obligations arising from contracts on long-term leases of land, area and assets under leases.

Finance lease liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Long-term liabilities relating to rights of use (over 5 years)	1 116 575	893 134
Long-term liabilities relating to rights of use (1-5 years)	1 043 506	955 463
	2 160 081	**1 848 597**
Instalments due within a year	530 566	391 600
Total	**2 690 647**	**2 240 197**

The following table represents the leasing conditions:

Leases	Leasing partner	type	Exposure 12/31/2023 (HUF thousand)	Exposure 12/31/2022 (HUF thousand)	Currency	Interest	Maturity date
Sinergy Kft.	ÉMÁSZ	lease of power plant asse	221 628	234 511	HUF	5,30%	12.31.2035
Alteo Nyrt.	Multiple partners	vehicles	383 304	256 104	HUF	BUBOR + 2.9%	individual
Alteo Nyrt.	HSP 612 Kft.	Office space rent	792 805	705 753	HUF	3,73%	6.30.2031
Alteo Nyrt.	Pallér Csarnok Kft.	assembly hall rental	94 179	101 961	HUF	3,73%	2.28.2029
Alteo Nyrt.	EFO Kiadó és Nyomda Kft.	assembly hall rental	35 595	N/A	HUF	17,67%	6.30.2028
Alteo Therm Kft. (legal predecessor: Zugló Therm Kft.)	Főtáv	land lease	292 300	332 989	HUF	3,39%	5.31.2030
Alteo-Therm Kft.	Aquacomet Holding Kft.	land lease	202 721	N/A	EUR	BUBOR + 2.5%	2.29.2033
Euro Green Energy Kft.	Multiple partners	land lease	278 606	288 426	EUR	3,39%	3.31.2035
FE-Group Zrt.	Multiple partners	machinery rental	75 577	68 933	EUR	2.15% -6.49%	individual
FE-Group Zrt.	Metalloglobus Zrt.	land lease	65 346	167 667	HUF	3,73%	9.30.2024
Pannon Szélerőmű Kft.	Multiple partners	land lease	78 092	83 853	HUF	3,39%	7.31.2035
Edelyn-Solar Kft.	Sára Zemberi-Lakati	land lease	170 494	N/A	EUR	BUBOR + 2.5%	6.30.2053
Total			**2 690 647**	**2 240 197**			
of which:							
Amounts due within a year			530 566	391 600			
Amounts due between 2 and 5 years			1 043 506	329 972			
Amounts due in more than 5 years			1 116 575	609 606			

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

The Group uses the benefits of presentation options as per IFRS 16. Accordingly, it recognizes the following items as lease payments: car leases maturing within one year and the lease of certain IT equipment of small value. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses.

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

IV.24 Provisions

The provision recognized for the existing onerous contracts of the Group (non-terminable, causes losses) and for elements of similar nature is recognized among provisions with a significant value.

Provisions	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
opening balance	**1 247 765**	**944 136**
of which:		
Future costs, onerous contracts	195 401	231 822
Regarding asset decommissioning	941 417	712 314
EEOS quota	110 947	-
Provisions released	**(259 272)**	**(75 291)**
Provisions recognized	**233 062**	**341 250**
Recognition of provisions during acquisition	-	**37 670**
closing balance	**1 221 555**	**1 247 765**
of which:	**1 221 555**	**1 247 765**
Future costs, onerous contracts	58 860	195 401
Regarding asset decommissioning	1 019 619	941 417
EEOS quota	-	110 947
Provisions for expected liabilities	143 076	-

Presentation of provisions for the current period by type and term:

Provisions recognized and released	In 2023
ARO interest (IFRS)	78 202
Expected liabilities	143 076
Future costs	11 784
Total	233 062
EEOS provisions released	(110 947)
Provisions for onerous contracts	(139 511)
Provisions for costs released	(8 814)
Total	(259 272)

Expected use of provisions		Within 1 year	2-5 years	more than 5 years
Future costs, onerous contracts		21 100	37 760	-
Regarding asset decommissioning		-	-	1 019 619
	-	-	-	-

The creation and release of provisions is affected by the characteristics listed in Section III.3.30 Operating risks.

IV.25 Deferred income

Deferred income	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Deferred income related to subsidized assets	847 847	805 775
Total	**847 847**	**805 775**

The part of grants received not yet recognized in income was stated as deferred income, the main terms and conditions of which are as follows:

	RDI 1
Purpose of the grant	Systemic integration and innovative application model of an electricity storage architecture
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: The creation of one newly developed product, technology, service or prototype The preparation of one know-how Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million One appearance at a domestic and an international forum (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) 2 publications
Grant period	5 years starting from July 2019
	RDI 2
Purpose of the grant	Integration into the electricity system of storage facilities with battery cells of various parameters
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 subsidized undertaking for the manufacture of the new product In the 2 financial years following implementation, the amount of R&D expenditures amounts to 30% of grants as evidenced in the corporate tax returns
Grant period	End of 2027
	RDI 3
Purpose of the grant	Development of real-time autonomous energy information and production management system
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 new product developed involvement of 3 enterprises in development publication of the project achievements on domestic forums on 3 occasions 3 publications 1 publication resulting from private-public cooperation 3 undertakings making use of the project achievements 9 researchers/developers and 2 other employed project participants 1 additional agreement with universities or research institutes
Grant period	End of 2027

	Tender for industrial development in 2019
Purpose of the grant	Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials
Conditions of the grant	Complex development of waste treatment and recovery technologies taking the circular economy into account purchase of 1 shredder and mechanical separator purchase of 3 material handling equipment units purchase of 1 technological line for cable processing purchase of 1 line for processing flat image display equipment purchase of 1 line of wire processing machines purchase of 1 pipe extruder purchase of 1 silo feeder and 1 color separator Integration of separation technologies in electronic waste processing lines
Implementation due date	6.30.2023
Maintenance period	3 years

	Tender for industrial development in 2021
Purpose of the grant	Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials
Conditions of the grant	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 baler purchase of compactor container systems purchase of 1 production line for the manufacture of wire conduit products
Implementation due date	12.31.2023
Maintenance period	5 years
	Tender for industrial development in 2022
Purpose of the grant	On ad hoc industrial development grants for waste management related to waste from products subject to product charges
Conditions of the grant	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 aluminum packaging waste baling line purchase of 1 dismantling line for electric motor from electronic waste
Implementation due date	6.30.2023
Maintenance period	5 years
	Tender for industrial development in 2023
Purpose of the grant	Support, development, technology development of businesses engaged in the treatment/pre-treatment/recovery of waste arising from products subject to product charges
Conditions of the grant	Development of treatment-related technologies, transitioning of waste from products subject to product charges collected in the deposit refund system to the circular economy. Procurement of technological line suitable for the mechanical pre-treatment of waste collected in the deposit refund system.
Implementation due date	6.30.2023
Maintenance period	5 years

IV.26 Other long-term liabilities

Other long-term liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
ESOP Programs	711 475	646 766
Conditional purchase price liabilities	238 481	267 448
Contractual support obligation	165 867	310 064
Interest rate swaps liabilities	127 066	-
Interest payment obligation during the loan moratorium	117 221	13 738
Total	**1 360 110**	**1 238 016**

- liabilities relating to the ESOP program see Section IV.35 Presentation of share-based and equity settled benefit schemes
- Conditional purchase price means the liability recognized with regard to the participation of Zugló-Therm Kft.
- Contractual grants and subsidies include liabilities arising from long-term grant agreements with entities other than the Group’s partners.
- The liabilities from interest rate swaps include the liabilities relating to loans covered by interest rate hedges, outstanding at the reporting date.
- Interest payment obligation due to a loan moratorium includes the interest accumulated during the moratorium at Monsolar Kft and Energigas Kft.

IV.27 Advances received

Advances received	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Advances received	29 281	1 499 254
Total	**29 281**	**1 499 254**

Advances received include the cash received from the partners of the Group before the settlement period relating to the Group's activities.
In accordance with its contractual practice, the Group stipulates the payment of an advance in the general contracts, which is presented in the line of advances received.

IV.28 Trade payables

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

Trade payables	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Past due trade payables		
past due for 1-30 days	80 765	165 630
past due for 31-60 days	31 670	20 364
past due for 61-90 days	311	8 987
past due for 91-120 days	-	6 432
past due for 121-365 days	2 959	6 820
past due for more than 365 days	20 017	9 250
Trade payables not yet due		
due within 30 days	2 470 311	10 942 436
due in 31-60 days	767 688	89 478
due in 61-90 days	2 458	-
due in 91-120 days	-	-
due in 121-365 days	15 147	11 084
due in more than 365 days	12 723	22 136
Total	**3 404 049**	**11 282 617**

The largest suppliers of the Group are:

Major suppliers	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
MVM Next Energiakereskedő Zrt.	16 231 483	16 781 098
MET Magyarország Kft.	15 495 218	42 115 863
MVM Partner Zrt.	8 036 958	3 481 746
MAVIR Magyar Villamosenergia Rendszerirányító Zrt.	4 422 191	2 231 399
European Commodity Clearing Luxembourg (ECC)	3 842 776	9 756 605
PPD Hungária Energiakereskedő Kft.	3 639 855	4 146 691

IV.29 Other financial liabilities

Other financial liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Liabilities arising from derivative transactions	3 138 813	324 160
Total	**3 138 813**	**324 160**

Year-end market value of derivatives due to hedge transactions, the contents of which are explained in Notes IV.40 and III.4 Financial risks and their management.

IV.30 Other short-term liabilities and accruals

Other short-term liabilities and accruals	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Cost accruals	12 259 116	15 862 488
Other tax liabilities	3 422 603	5 283 174
Other short-term liabilities	1 768 102	3 289 481
Income settlement	325 844	234 967
Income accruals	124 847	153 643
Projects – amounts due to customer	-	61 866
Total	**17 900 512**	**24 885 619**

Other short-term liabilities include non-interest-bearing items. This is where the Group discloses its liabilities relating to the 2024 ESOP, any interest liabilities accrued before, but not settled by the reporting date, advances on industrial development grants as well as other short-term liabilities of minor individual value.

IV.31 Accounting for project development contracts under IFRS15

Name	12.31.2023	12.31.2022	Recognized current year revenue total	Revenue adjustment against statement of financial position	Invoiced revenue
Business and project development projects	104 929	(32 825)	954 176	137 754	816 422
Maintenance projects	32 260	-	36 299	32 260	4 039
Projects – Receivables due from customers	**137 189**				
Projects – amounts due to customer	-				

- The Group recognized contractual assets and liabilities opened in the previous year against the revenues of the current year.
- The amounts due from the customer are included in the line Other receivables and accruals (presented in Section IV.17), while the amounts due to the customer are included in the balance sheet line Other short-term liabilities and accruals (presented in Section IV.30).

IV.32 Presentations on acquisitions of companies

Name	Energikum Zrt.
Start date of control/Date of acquisition of share	5.25.2023
Included in consolidation:	6.1.2023
Share of the Group:	*100,00%*
Share of non-controlling interest:	-
	HUF thousand
Consideration paid in cash:	660 000
Total:	660 000
Fair value of financial assets and liabilities identified:	
Non-current assets	1 776 417
Long-term receivables	-
Inventories	100 225
Short-term receivables	380 490
Cash flow effect of cash and cash equivalents	49 633
Accrued income and deferred expenses	-
Provisions	-
Long-term liabilities	(1 179 476)
Short-term liabilities	(786 949)
Deferred income and accrued expenses	-
Total:	340 340
Deferred tax liability (9%)	-
Total assets identified in acquisitions:	*340 340*
Asset value for the Group:	*340 340*
Identified goodwill	*319 660*
Cash flow effect of acquisition	*(610 367)*
Revenue in the period following the acquisition	653 485
Earnings in the period following the acquisition	(279 721)

Acquisition of Energikum Zrt.:

- the purpose of the acquisition was to introduce the biomethane technology and launch the biomethane business within the Group
- The net asset value of the subsidiary acquired through the business combination was HUF 340 million; during initial consolidation, the Group added to its books the assets and liabilities of the acquired entity as required by the IFRSs, and recognized them at fair value as of June 1, 2023.
- The Group recognized goodwill of HUF 319 million regarding the acquisition.
- In the course of the acquisition the Group obtained a 100% business share.
- The entire purchase price has been paid.

If the acquisition had occurred on January 1, 2023, it would have added HUF 1,143,139 thousand of revenue and HUF 403,375 thousand of after-tax loss to the Group’s consolidated profit or loss
The goodwill identified in the acquisition expresses the cash flow generating capacity of the Company based on the establishment of the biomethane technology, the launch of the biomethane business and entry into the biomethane market.

Acquisition of other participations, settlement of purchase prices:

Other participations and contingent purchase prices	HUF thousand
Eco-First Kft. acquisition of 33.33% business quota from minority shareholder	20 443
Edelyn Solar Kft. payment of conditional purchase price	483 728
Cash flow effect of acquisitions total:	*504 171*

IV.33 EBITDA

The Group discloses its EBITDA indicator. The process of the calculation is in the accounting policies summary. The detailed analysis of EBITDA is included in the Management Report for the period.
Elaboration of EBITDA:

Elaboration of EBITDA	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Operating profit	15 163 099	16 693 466
Recognized depreciation, amortization	4 268 473	3 527 162
Recognized impairment of fixed assets	-	-
EBITDA	**19 431 572**	**20 220 628**

IV.34 Calculation of earnings per share (EPS)

Calculation of earnings per share (EPS)	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Number of shares for EPS	19 848 490	19 718 079
Number of shares for diluted EPS	19 931 474	19 724 417
Profit or loss attributable to controlled interests	12 797 396	12 887 893
Base value of net earnings per share (HUF/share)	644,75	653,61
Diluted value of net earnings per share (HUF/share)	642,07	653,40

IV.35 Presentation of share-based and equity settled benefit schemes

ALTEO Nyrt. developed an equity settled share-based incentive scheme for ALTEO employees (ESOP program) subject to the following conditions:

		Option II/ 2020
Theoretical share number (maximum as per invitation)		*612 940*
results of valuation:		
valuation no.		612 940
fair value of share HUF		900,93
total fair value of program valuation on reporting date, HUF thousand		552 218
service recognized on the closing date of the 2022, %		100,00%
Recognized service value: HUF thousand, of which:		552 218
	2020	106 871
	2021	261 274
	2022	184 073

Chart of changes in share program obligation	ESOP Watt	ESOP Szikra	ESOP Management	ESOP 2022-2024 Program		ESOP 2022-2025 Program	
	2023	2023	2023	2023	2022	2023	2022
PCS.							
Outstanding at the beginning of the period	-	-	-	120 475	-	88 317	-
Granted during the current period	-	-	-	-	-	-	-
Vested	11 422	43 475	38 362	112 343	120 475	69 709	88 317
Exercised during the current period					-	-	-
Expired during the current period	-	-	-	-	-	-	-
Forfeited during the current period	-	-	-	-	-	-	-
Outstanding at the end of the current period	11 422	43 475	38 362	232 818	120 475	158 026	88 317
of which:							
Available for exercise at the end of the current period	-	-	-	-	-	-	-
Value (HUF thousand)							
Outstanding at the beginning of the period	-	-	-	373 192	-	273 575	-
Granted during the current period	-	-	-	-	-	-	-
Vested	32 347	123 118	108 638	285 916	373 192	173 796	273 575
Exercised during the current period		-	-	-	-	-	-
Expired during the current period	-	-	-	-	-	-	-
Forfeited during the current period	-	-	-	-	-	-	-
Outstanding at the end of the current period	32 347	123 118	108 638	659 108	373 192	447 371	273 575
of which:							
Available for exercise at the end of the current period	-	-	-	-	-	-	-

Description of the programs:

ESOP Program II (2020-2022)

Chart of changes in share program	ESOP II/2020-2022			
	2023	2022	2021	2020
Stocks (No)				
Outstanding at the beginning of the period	612 940	408 627	118 623	-
Granted during the current period	-	-	-	-
Vested	-	204 313	322 264	118 623
Exercised during the current period	(612 940)	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	(32 260)	-
Outstanding at the end of the current period	-	612 940	408 627	118 623
of which:				
Available for exercise at the end of the current period	-	612 940	-	-
Value (HUF thousand)				
Outstanding at the beginning of the period	552 218	368 145	106 871	-
Granted during the current period	-	-	-	-
Vested	-	184 073	261 274	106 871
Exercised during the current period	(552 218)	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	-	552 218	368 145	106 871
of which:				
Available for exercise at the end of the current period	**-**	**552 218**	**-**	**-**

The drawdown of the grant and the settlement of the program was concluded on May 9, 2023.

- The part of the Company's grants calculated in accordance with IFRS2 and recognized against profit or loss in the 2020-2022 period totaled at HUF 552,218 thousand.
- The transfer value of all the assets granted by the Company for those receiving benefits in the program was HUF 866,672 thousand.

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

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

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

The ESOP applies to the 8 executive Employees specified in the 2020 Remuneration Policy. The Employee is eligible to acquire the Available Shares if their legal relationship making them eligible to participate in the Remuneration Policy for 2020 is in place with the Company on the day of publication of the Company's consolidated financial statement for 2022.

The subject of the ESOP is a maximum of 612,940 Available Shares which may be distributed – provided the below criteria are met – after the closing of the 2022 fiscal year of the Company (following the adoption of the consolidated financial statement). The Available Shares are acquired by Employees without consideration.

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

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

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

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

The drawdown of the grant and the settlement of the program was concluded in 2023.

Principles of presentation

Considering that ESOP is a transaction related to services received from employees, the fair value of which cannot be measured reliably, their fair value was determined based on the fair value of the equity instrument provided.

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

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

Calculation principles for fair valuation

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

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

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

The Company recognizes expenses when they are provided by the employee during the vesting period, that is, between the beginning of the program (January 01, 2020) and the date of vesting (December 31, 2022). The settlement of the grant and the drawdown of the program took place in 2023. As of December 31, 2023, there is no liability relating to the Program recorded in the statement of financial position.

ESOP 2022-2024 and ESOP 2022-2025 programs

Chart of changes in share program obligation	ESOP 2022-2024 Program		ESOP 2022-2025 Program	
	2023	2022	2023	2022
PCS.				
Outstanding at the beginning of the period	120 475	-	88 317	-
Granted during the current period	-	-	-	-
Vested	112 343	120 475	69 709	88 317
Exercised during the current period	-	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	232 818	120 475	158 026	88 317
of which:				
Available for exercise at the end of the current period	-	-	-	-
Value (HUF thousand)				
Outstanding at the beginning of the period	373 192	-	273 575	-
Granted during the current period	-	-	-	-
Vested	285 916	373 192	173 796	273 575
Exercised during the current period	-	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	659 108	373 192	447 371	273 575
of which:				
Available for exercise at the end of the current period	659 108	-	-	-

Under the ESOP 2022-2024 and 2022-2025 programs time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period does not contain any amounts regarding cash with vested rights. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the programs:

- Certain employees of the Company receive share-based benefits starting from April 20, 2022 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's Remuneration Policy for 2022-2024 and 2022-2025, published and effective from April 20, 2022.

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2024-Javadalmazasi-Politika.pdf

https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202024%20Javadalmaz%C3%A1si%20Politika.pdf

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2025-Javadalmazasi-Politika.pdf

https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202025%20Javadalmaz%C3%A1si%20Politika.pdf

- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the 2022 to 2024 Remuneration Policy, employees are eligible to the benefit if their legal relationship making them eligible to participate in the Remuneration Policies is in effect with the Company on the day of publication of the Company's consolidated financial statement for 2023. In the case of the 2022 to 2025 Remuneration Policy, the aforesaid condition must be satisfied on the day of publication of the Company's consolidated financial statement for 2024.
- In the case of both ESOPs, the subject of the benefit is cash, the amount of which depends of the price of the Company's shares. The vested cash may be distributed, provided that the performance condition set out below is met, after the closing of the 2023 and 2024 fiscal years of the Company, respectively (following the adoption of the consolidated financial statement).
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.
- Pursuant to the 2022-2024 Remuneration Policy, the performance condition is met if the value of the equity, excluding other comprehensive income (OCI), as at December 31, 2023 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of the equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2021 as the comparative period.
- Pursuant to the 2025 Remuneration Policy, the performance condition is met if the value of equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2022 as the comparative period.
- The Remuneration Policies allow the Company to reduce the benefit given to Employees based on performance assessment.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2022 and December 31, 2023 (2024 ESOP), and January 1, 2022 and December 31, 2024 (2025 ESOP). The emphasis is on meeting the 2023 and 2024 target figures. Given that the above conditions may be met by December 31, 2023 and December 31, 2024, respectively, the dates of vesting are those dates.
- Early exercise of the option is not possible.

ESOP Szikra, Watt, Senior Management Programs

Chart of changes in share program obligation	ESOP Watt	ESOP Szikra	ESOP Management
	2023	2023	2023
PCS.			
Outstanding at the beginning of the period	-	-	-
Granted during the current period	-	-	-
Vested	11 422	43 475	38 362
Exercised during the current period			
Expired during the current period	-	-	-
Forfeited during the current period	-	-	-
Outstanding at the end of the current period	11 422	43 475	38 362
of which:			
Available for exercise at the end of the current period	-	-	-
Value (HUF thousand)			
Outstanding at the beginning of the period	-	-	-
Granted during the current period	-	-	-
Vested	32 347	123 118	108 638
Exercised during the current period		-	-
Expired during the current period	-	-	-
Forfeited during the current period	-	-	-
Outstanding at the end of the current period	32 347	123 118	108 638
of which:			
Available for exercise at the end of the current period	-	-	-

Under the ESOP Szikra, Watt and Senior Management Programs time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period does not contain any amounts regarding cash with vested rights. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the programs:

- Certain employees of the Company receive share-based benefits starting from April 21, 2023 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's Szikra 2025, Watt 2025 and Senior Management ESOP Remuneration Policy for 2025, published and effective from April 27, 2023.
  https://investors.alteo.hu/egyeb-kozlemenyek/tajekoztatas-uj-hosszu-tavu-osztonzo-rendszer-bevezeteserol-2023-04-28/
- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the ESOP Szikra, Watt and Senior Management 2025 Remuneration Policy, employees are eligible for the benefit if the legal relationship pursuant to which they are eligible to participate in the Remuneration Policies is in effect with the Company on the day of publication of the Company's consolidated financial statement for 2024.
- In the case of all three ESOPs, the benefit is given in the form of cash, the amount of which depends on the price of the Company's shares. The vested cash may be distributed, provided that the performance condition set out below is met, after the closing of the 2024 fiscal year of the Company (following the adoption of the consolidated financial statement).
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.

- Pursuant to the Remuneration Policy, the performance condition is met if the value of the equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of the equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2023 as the comparative period.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2023 and December 31, 2024 for all three programs. The emphasis is on meeting the 2024 target figures. Given that the above conditions may be met by December 31, 2024, the date of vesting is that date.
- Early exercise of the option is not possible.

Recognition of the ESOP in Equity :

Name of program	Share-based benefits reserve (HUF thousand)	12.31.2023	Change	12.31.2022
ESOP Program II (2020-2022)				
	ESOP Program II obligation requirement 2020	106 871	-	106 871
	ESOP Program II obligation requirement 2021	261 275	-	261 275
	ESOP Program II obligation requirement 2022	184 073	-	184 073
	ESOP Program II share transfer	(475 021)	-	(475 021)
	ESOP program II transfer of cash and cash equivalents/share purchase	*(400 000)*	-	*(400 000)*
	ESOP Program II return of cash and cash equivalents	*8 077*	-	-
	ESOP Program II share repurchase	*271*	-	-
	ESOP program II reserve de-recognition de-recognized carrying amount of shar	*866 672*	-	-
	ESOP II remuneration formerly recognized against profit or loss	*(552 218)*	-	-
total		**-**	**-**	**(322 802)**
ESOP Program 2024				
	ESOP program II transfer of cash and cash equivalents/share purchase	(544 138)	(2 727)	(541 412)
total		**(544 138)**	**(2 727)**	**(541 412)**
ESOP Program 2025				
	ESOP 2025 program transfer of cash and cash equivalents	(595 330)	-	(595 330)
total		**(595 330)**	**-**	**(595 330)**
ESOP Program Watt				
	ESOP Watt Program share transfers	(88 633)	(88 633)	-
total		**(88 633)**	**(88 633)**	**-**
ESOP Program Szikra				
	ESOP Szikra Program share transfers	(337 349)	(337 349)	-
total		**(337 349)**	**(337 349)**	**-**
ESOP Program Management				
	ESOP Management Program share transfers	(320 361)	(320 361)	-
total		**(320 361)**	**(320 361)**	**-**
	Closing balance	**(1 885 811)**		**(1 459 544)**

Employee reward program

Employee rewards	2023	2022
Stocks (No)		
Opening liabilities in the statement of financial position	1 911	1 267
Exercised by transfer	(1 911)	(1 267)
Awarded as benefit	-	1 911
Closing	-	1 911
Value (HUF thousand)		
Opening liabilities in the statement of financial position	5 700	2 550
Exercised by transfer	(5 700)	(2 645)
Awarded as benefit	-	5 795
Closing	-	5 700

In the employee reward program, the Group distributes shares to the employees who have become entitled to these on the basis of the recognition plan applied at the Group.

IV.36 Financial liabilities and conditions

In the notes on each instrument, we present the interest rate conditions associated with the instrument.

Highly probable forecasted gas purchases in 2024 worth HUF 1,593,813 thousand, foreign exchange forward transactions in 2024 worth HUF 1,501,773 thousand, interest rate swaps in 2024 and beyond worth HUF 513.512 thousand.

IV.37 Segments

12/31/2023	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
data in HUF thousand									
Revenue	75 521 246	5 210 509	4 902 937	4 268 327	18 040 986	4 866	(43)	(8 994 503)	98 954 327
Material expenses	(50 321 502)	(1 845 736)	(2 180 713)	(2 715 167)	(14 086 043)	(737 173)	(977 250)	8 994 501	(63 869 082)
Personnel expenses	(1 694 352)	(342 179)	(2 048 034)	(887 359)	(192 127)	(1 007 624)	(1 704 635)	-	(7 876 310)
Other revenues and Other expenses	(8 317 079)	(324 996)	84 952	69 181	338 885	(151 563)	(15 309)	-	(8 315 929)
Capitalized value of own production	276 785	(12 158)	273 939	-	-	-	-	-	538 566
EBITDA*	15 465 100	2 685 440	1 033 081	734 982	4 101 702	(1 891 493)	(2 697 237)	(2)	19 431 572

12/31/2022 Comparative values	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
data in HUF thousand									
Revenue	80 897 483	5 162 533	3 866 214	1 221 607	24 938 509	369	(205)	(13 059 466)	103 027 053
Material expenses	(56 631 495)	(966 626)	(1 636 483)	(1 038 593)	(22 202 258)	(323 100)	(709 460)	13 059 187	(70 448 829)
Personnel expenses	(1 435 935)	(218 972)	(1 838 072)	(277 950)	(168 209)	(716 888)	(1 295 621)	-	(5 951 649)
Other revenues and Other expenses	(6 446 710)	(242 819)	(57 236)	(36 048)	33 000	(8 378)	(6 671)	-	(6 764 862)
Capitalized value of own production	141 384	-	206 254	11 277	-	-	-	-	358 915
EBITDA*	16 524 727	3 734 116	540 676	(119 708)	2 601 042	(1 047 998)	(2 011 958)	(279)	20 220 628

'*Details in Section IV.33

The Business (Annual) Report presents the performance and contents of the individual segments in detail.

The Other segment contains administrative costs.

Pursuant to the Management's decision, as of 2023, the operating profit of Waste Management has been reported in a segment separate from Energy Services.

IV.38 Related party disclosures

Disclosures concerning key management personnel

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

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

Executive Board

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

Members in 2023: Attila Chikán Jr., Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga, Anita Simon, Magdolna Tokai, László Hegedűs

Remuneration paid to related parties (executive officers):

2023	Wages, commissions, benefits	Reimbursement of costs	Share purchase
Board of Directors	20 100	-	-
Supervisory Board	33 650	2 158	-
Executive Board non-BoD members	486 346	48 113	1 055 616
Total	**540 096**	**50 271**	**1 055 616**

The Group has no doubtful receivables due from related parties; the detailed presentation of the ECL model applied to related receivables is included in Section IV.19.

In the current year, the Group had trade receivables of HUF 132,045 thousand and VAT receivables of HUF 24,371 thousand **from affiliated companies** as of 12/31/2023; the Group recognized HUF 919,916 thousand of sales revenue and HUF 5,058 thousand of interest revenue in its profit for 2023.

According to the judgement of the management of the Group, transactions with related parties are transactions concluded under market terms, with market based pricing. There are no other securities attached to the transactions, which are settled in cash.

IV.39 Contingent liabilities, guarantees, commitments

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

For certain products (electricity, gas), the suppliers of the energy trading division require guarantees as part of the normal course of business. In 2023, guarantees were provided by OTP Bank Nyrt. and ERSTE Bank Hungary Zrt., the banks used for funding the retail and wholesale trading business.

ERSTE Bank provides an advance repayment and good performance bank guarantee for the customers in connection with its construction-installation contract.

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

The following bank guarantees existed as at the reporting date.

Guarantee limits 12/31/2023	Bank	Guarantee and overdraft facility (HUF thousand)	Utilization rate (thousand HUF)
Alteo Energiakereskedő Zrt.	OTP	10 000 000	4 728 000
ALTEO Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	15 250 000	4 613 000
ALTEO Energiaszolgáltató Nyrt.	K&H	2 000 000	-
ALTEO Energiaszolgáltató Nyrt.	Allianz Biztosító	500 000	-

Alteo Nyrt. as the parent company of the Group, has an outstanding guarantee granted to its subsidiary Alteo-Therm Kft. for its liabilities under a natural gas purchase agreement on the reporting date:

Beneficiary	Subject of guarantee	Amount (EUR)	Maturity
MET Magyarország Zrt.	Payment guarantee	1 080 000	10/31/2024
MVM CEEnergy Kft.	Payment guarantee	695 000	12/15/2024

The hedged liabilities are recognized in the financial statements of the Group.

The details of relationships with other banks that have no value in the financial statements are presented in Note IV.22.2 attached to these financial statements.

The Group has no unfulfilled liabilities relating to government assistance.

Pursuant to the agreement between co-owners, Blue Planet Climate Protection Venture Capital Fund, which has a 24.90% share in FE-Group Invest Zrt, has a put option, with Alteo Nyrt. as its beneficiary. The put option may be exercised starting from the year 2028.

Economic relations subject to legal proceedings

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 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 publishing this document.

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

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

IV.40 Fair value measurement disclosures

Other than the derivative transactions and ESOP liabilities, on the reporting date the Group has no financial instruments that would be measured at fair value.

12.31.2023	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Assets:					
Long-term deposits or loans given	-	-	1 172 690	1 172 690	1 172 690
Trade receivables	-	-	10 863 760	10 863 760	10 863 760
Other cash and cash equivalents	-	640 576	3 523 881	4 164 457	4 164 457
Other receivables and accruals	-	-	6 827 020	6 827 020	6 827 020
Cash and cash equivalents	-	-	24 345 080	24 345 080	24 345 080
Total:	-	640 576	46 732 431	47 373 007	47 373 007
Liabilities:					
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Loans and borrowings	-	-	11 283 766	11 283 766	11 283 766
Finance lease liabilities	-	-	2 690 647	2 690 647	2 690 647
Advances received	-	-	29 281	29 281	29 281
Trade payables	-	-	3 404 049	3 404 049	3 404 049
Other financial liabilities	-	3 138 813	-	3 138 813	3 138 813
Other long-term liabilities	711 474	127 064	521 572	1 360 110	1 360 110
Other short-term liabilities and accruals	659 108	-	17 241 404	17 900 512	17 900 512
Total:	1 370 582	3 265 877	47 828 993	52 465 452	52 465 452

12.31.2022	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Assets:					
Long-term deposits or loans given	-	-	969 602	969 602	969 602
Trade receivables	-	-	24 562 537	24 562 537	24 562 537
Other cash and cash equivalents	-	2 598 056	5 902 198	8 500 254	8 500 254
Other receivables and accruals	-	-	12 057 221	12 057 221	12 057 221
Cash and cash equivalents	-	-	16 465 328	16 465 328	16 465 328
Total:	-	2 598 056	59 956 886	62 554 942	62 554 942
Liabilities:					
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Loans and borrowings	-	-	13 855 783	13 855 783	13 855 783
Finance lease liabilities	-	-	2 240 197	2 240 197	2 240 197
Advances received	-	-	1 499 254	1 499 254	1 499 254
Trade payables	-	-	11 282 617	11 282 617	11 282 617
Other financial liabilities	-	324 160	-	324 160	324 160
Other long-term liabilities	646 767	-	591 249	1 238 016	1 238 016
Other short-term liabilities and accruals		-	24 885 619	24 885 619	24 885 619
Total:	646 767	324 160	67 012 993	67 983 920	67 983 920

The fair value of derivative transactions is HUF 640.576 thousand (previous year: HUF 2,598,056 thousand), while the fair value of liabilities is HUF 3,138,813 thousand (previous year: HUF 324.160 thousand). These qualify as expert estimates built-up from observable inputs, therefore they are on Level 2 of the fair value hierarchy.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2023 Data in HUF thousand

Name	12.31.2023	12.31.2022
Derivative assets (in hedge relationship)	-	791 145
Obligations from loan IRS Derivatives (for hedge)	640 576	1 806 911
Assets evaluated at fair value through profit and loss (FVTPL)	**640 576**	**2 598 056**
Liabilities from loan IRS Derivatives (for hedge)	127 064	-
Liabilities from derivatives (for hedge)	3 138 813	324 160
Liabilities evaluated at fair value through profit and loss (FVTPL)	**3 265 877**	**324 160**

No differences were identified between the carrying amount and fair value of the remaining financial instruments; the carrying amount is a reasonable approximation of fair value. For valuation purposes, all other assets are on Level 3 of the fair value hierarchy.

The expiry dates of the financial instruments presented are disclosed in Section III.4.2 Liquidity risk and its management.

The Group has not reclassified its financial instruments in 2023.

The Group measures the fair value of assets and liabilities based on the Level 3 inputs of the fair value hierarchy.

12.31.2023	Level 1	Level 2	Level 3
Assets:			
Long-term deposits or loans given	-	-	1 172 690
Trade receivables	-	-	10 863 760
Other cash and cash equivalents	-	640 576	3 523 881
Other receivables and accruals	-	-	6 827 020
Cash and cash equivalents	24 345 080	-	-
Total:	24 345 080	640 576	22 387 351
12.31.2023	**Level 1**	**Level 2**	**Level 3**
Liabilities:			
Debts on the issue of bonds	-	-	12 658 274
Loans and borrowings	-	-	11 283 766
Finance lease liabilities	-	-	2 690 647
Advances received	-	-	29 281
Trade payables	-	-	3 404 049
Other financial liabilities	-	3 138 813	-
Other long-term liabilities	-	127 064	1 360 110
Other short-term liabilities and accruals	-	-	17 900 512
Total:	-	3 265 877	49 326 639

V. OTHER INFORMATION

V.1 Disclosure of interests in other entities

The Group was not faced with any uncertainty and was not forced to decide on complex matters when making a judgment about how to treat its investments. All controlled entities qualify as subsidiaries. The subsidiaries are controlled by the Parent Company, since control, operative daily tasks and exposure to variable return can be justified easily and in full. Where the Group does not control the entity, it is not consolidated but treated another way.

The Group has no associates, it does not participate in joint organizations and has no share in joint ventures.

The Group has to face no limitations concerning any of its entities that would influence access to net assets, the profit or the cash flow. The Group has no consolidated or not consolidated interests in which control is not established through voting rights or where voting rights are not for controlling relevant activities leading to control (structured entities). None of the members of the Group qualify as or have shares in an investment entity.

V.2 Significant events after the reporting date

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

<u>January 10, 2024:</u> László Hegedűs, former Director of Strategic HR and Communications, will continue as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications.

<u>January 18, 2024:</u> FE-GROUP INVEST Zrt. has won a HUF 300 million grant in the call for applications announced by the Energy Strategy Institute, which it will use to ensure technological support in the transitioning of waste from products subject to product charges collected in the deposit refund system – introduced from January 2024 – to the circular economy. This enables the ALTEO subsidiary to implement an investment project that will allow it to appropriately sort and treat more than 15 thousand tons of waste collected in the deposit refund system per year.

<u>February 2, 2024:</u> In the course of the 2022 compliance review of Energigas Kft., the National Tax and Customs Administration called on the Company to perform a self-audit pursuant to the interpretation of Government Decree 197/2022. (VI. 4.) on windfall taxes. The Company performed its tax calculation, reporting and payment obligations in accordance with the notice.

<u>Dividend payment</u>: The Board of Directors recommends to the General Meeting that a total sum of HUF 7,972,589,600 shall be paid out as dividend in 2024. The dividend on treasury shares shall be distributed to those shareholders eligible for such dividend, in proportion to their number of shares.

V.3 The auditor, the audit fee and non-audit services

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

The fee for auditing the unconsolidated annual report and the IFRS consolidated annual report is HUF 15,900,000 + VAT.

In the fiscal year 2023, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by **BDO Magyarország Könyvvizsgáló Kft**., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

V.4 Approval of the disclosure of the financial statements

On March 28, 2024, the Board of Directors of the Group's parent company approved the disclosure of the financial statements in their current form.

Budapest, March 28, 2024

On behalf of ALTEO Nyrt.:

Attila László Chikán
Member of the Board of Directors
CEO

Zoltán Bodnár
CFO

Annual Report of ALTEO Nyrt.

and its subsidiaries

for the financial year 2023

Published on: March 28, 2024

Annual Report of the ALTEO Group for 2023

Introduction

Pursuant to Act CXX of 2001 on the Capital Market (hereinafter: "**Capital Market Act**"), the Regulation of the Budapest Stock Exchange Ltd. on the Rules of Listing and Continued Trading (hereinafter: "**Regulation**") and Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and ***hereby publishes "The Management Report and Analysis" for the Fiscal Year 2023 on the consolidated annual profit and the consolidated Annual Financial Statements for the Fiscal Year 2023*** (hereinafter collectively: "**Annual Report**"; the Company and the consolidated entities specified in Section 1.13 of the Annual Report hereinafter: "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

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

In view of the above, the Annual Report constitutes also **a business report under Act** C of 2000 on Accounting.

The data presented in the Company's consolidated Annual Report for 2023 were verified by an independent auditor.

The 2023 Annual Report of ALTEO Nyrt. and its subsidiaries includes the following reporting systems:

- Business report, included in this document;
- Management report, included in this document;
- Non-financial statements, included in this document;
- Statements of the issuer;
- Consolidated Financial Statements

Business Report,

Management Report and

Non-Financial Statements of ALTEO Nyrt. and its Subsidiaries for the Financial Year 2023

Tartalom

1 The Management's report and analysis of business activities for 2023

Executive summary on events yielding significant results over the period

The Company continued to perform excellently in a challenging macroeconomic environment, which confirms the appropriateness of the strategic direction set in 2019 and revised in 2022, and the successful investments made in the past period.

ALTEO Group's sales revenue decreased slightly, but still **reached close to HUF 99 billion.** Thanks to its structure, diversified portfolio, the risk management measures put in place earlier, its ability to react quickly, profitable strategic investments and outstanding professionals, ALTEO **achieved an EBITDA of HUF 19.4 billion in 2023.**

Despite falling energy prices, profit after tax in 2023 was similar to that in last year, down just by 1% year-on-year, despite dropping sales revenue.

Consolidated EBITDA fell by 4% year-on-year, mostly due to changes in market prices. The Heat and Electricity Generation and Management segment produced results below those of last year, but was still outstanding relative to the period preceding the energy market crisis; this achievement was facilitated by the expansion of the Renewable Production Management (RPM) business and the commissioning of the new electric boilers. The profitability of the Renewables-based Electricity Production Segment decreased significantly due to a fall in energy prices and the expiry of the KÁT subsidization of certain power plants; however, this was offset by the Retail segment, which repositioned itself as a result of the dramatic price and risk increase experienced on the global market in 2022 and made an outstanding contribution to the profits of the Group. Furthermore, the performance of the segments that have produced lower profits than in 2022 was also offset by the growth of the Waste Management business, which contributed to maintaining profitability in line with the strategy.

In a challenging funding environment, at the end of 2022 management decided to increase the amount of liquid assets available to reduce the impact of potential risks, and to ensure the security of long-term operations. In the exceptional interest rate environment in 2023, ALTEO generated significant interest income, which compensated for the negative impact of the energy price drop on earnings.

The HUF 6 billion parent company loan taken out in December 2022 was repaid in March 2023. Two members of ALTEO Group and K&H Bank concluded the first loan transaction of ALTEO Group that is fully compliant with the so-called Taxonomy Regulation, which entered into force in 2022. Pursuant to the agreement, **K&H granted a HUF 4 billion loan**.

Back in 2022, 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".

Key economic events at ALTEO in 2023:

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

- In July 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 closed. The project company has a valid grid connection permit, and during the year 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 Nyrt. concluded a share purchase contract with respect to the purchase of shares representing 100% of the share capital of Energikum Zrt., and the purchase of the business quota representing 33% of the issued capital of ECO-FIRST Kft. The closing conditions of the share transfers were fulfilled by the contracting parties by the end of May 2023, thus the participations inthe acquired companies have been transferred to ALTEO Nyrt.
- Energikum Zrt. holds a 99% participation in Energigas Kft. Energigas Kft. owns the Nagykőrös biogas plant with a nominal electricity generation capacity of 2 MW, which as of June 2023 has strengthened ALTEO's role in the circular economy.
- On May 17, 2023, the Company announced that a framework agreement was signed with MOL Nyrt. pursuant to which ALTEO provides industrial and power plant rotary machine maintenance services for MOL and its Hungarian and foreign subsidiaries (in particular Slovnaft or INA), thus exploiting 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.

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 assigned 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**. During the year, the Company developed and set up its own green financing framework, with respect to which Deloitte Zrt. provided external expert opinion.

In 2023, ALTEO also added innovative, unconventional solutions to its energy production and regulation portfolio:

- In fall 2023, two electric hot water boilers with a capacity of 6 MW each were commissioned in Kazincbarcika and Tiszaújváros. The hot water produced by the boilers installed in the power plants in Kazincbarcika and Tiszaújváros is utilized in the local district heating system. With these investments, ALTEO adds additional balancing capacities to the electricity system, further expanding its flexible portfolio that can contribute to ensuring system balance.
- It was announced on November 29, 2023 that ALTEO is implementing an additional, overall HUF 5.5 billion self-funded investment project in Sopron and Győr. This involves the commissioning of an 8MW/15MWh battery electricity storage facility and a 3MW and a 6MW gas engine in the first half of next year at the two sites. ALTEO will thus further increase the capacity and flexibility of its Virtual Power Plant, which also supports the increased use of renewable energy.

ALTEO has made organizational and remuneration changes to ensure the continued successful fulfilment of the strategy:

- In an effort to reinforce ALTEO's strategic positions, as of October 2023 Magdolna Tokai joined ALTEO's management as Deputy CEO for Corporate Support, and from January 2024 László Hegedűs as Deputy CEO for Strategic HR and Communications.
- In 2023, ALTEO adopted several remuneration policies within the framework of the already running 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. 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.

  ALTEO has launched two human resources retention programs for the years 2022-2024 and 2025 that are subject to the Group's performance, with the primary objective of increasing the financial motivation of existing human resources through strengthening the ownership approach to promote the Company’s profitability.

Change in ALTEO’s ownership structure:

- 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 ordinary shares of ALTEO Nyrt., 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.

1.1 Executive summary of the operating profit or loss

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

Consolidated Statement of profit or loss

data in HUF million	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenues	**98 954**	**103 027**	**(4 073)**	***(4%)***
Material expenses	(63 869)	(70 449)	6 580	*9%*
Personnel expenses	(7 876)	(5 952)	(1 925)	*32%*
Depreciation and amortization	(4 268)	(3 527)	(741)	*21%*
Other revenues, expenses, net	(8 316)	(6 765)	(1 551)	*23%*
Capitalized own production	539	359	180	*(50%)*
Impairment loss	-	-	-	*N/A*
Operating Profit or Loss	**15 163**	**16 693**	**(1 530)**	***(9%)***
Net financial income	720	(937)	1 656	*(177%)*
Profit or loss before taxes	**15 883**	**15 757**	**126**	***1%***
Income tax expenses	(3 121)	(2 913)	(207)	*7%*
Net profit or loss	**12 762**	**12 843**	**(81)**	***(1%)***
Of which the owners of the Parent Company are entitled to:	*12 797*	*12 888*	*(94)*	*(1%)*
Of which the minority interest is entitled to:	*(35)*	(45)	3	*7%*
Base EPS (HUF/share)	**644,75**	**653,61**	**(8,55)**	***(1%)***
Diluted EPS (HUF/share)	**642,07**	**653,40**	**(11,03)**	***(2%)***
EBITDA*	**19 432**	**20 221**	**(789)**	***(4%)***

**In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (a profit category from which finance income, income tax, depreciation, amortization and impairment have been removed).*

The Group's **Revenues** decreased by **4%, i.e. from HUF 103 billion to HUF 99 billion**, as compared to 2023. The drop in revenues was brought about by a number of factors:

- The decrease in sales revenue is mainly due to lower energy prices in the market. The rate of decrease is significant in the Heat and Electricity Generation and Management and the Retail Energy business lines.
- This effect was mitigated by the expansion of the project development and maintenance activities for third parties in the Energy Services business and an increase in revenues in the Waste Management business compared to the base period. The growth of both businesses was aligned with the company's strategy.

The decrease in sales revenue was accompanied by a reduction in **material expenses**. Correlations between revenue and material expenses are mainly, but not exclusively, attributable to the following economic effects.

- The decrease in electricity market revenues was accompanied by a drop in material expenses.

- One of the characteristics of the retail segment is that the decline in sales revenue is accompanied by a significant fall in COGS, but the decrease in turnover is smaller relative to the COGS, in other words the margin has increased.
- In addition to a decrease in the revenue generated by Renewables-based Electricity Production Plants, material expenses increased to a greater extent, mainly due to the cost of feedstock for the purchased biogas plant and increased operating costs.
- In the Waste Management business, the consolidation of FE-Group Zrt. and the launch of the concession system on July 1, 2023 contributed significantly to the growth in sales revenue. In the Waste Management business, the increase in material expenses and the accompanying increase in turnover had a significant positive impact on profits.

In addition to the long-term incentive programs launched and the wage hikes following market trend, the 32% (HUF 1.9 billion) increase in **personnel expenses** is mainly driven by the increase in headcount, a result of the acquisitions made in 2023.

The 21% (HUF 0.7 billion) increase of **depreciation and amortization** is due to the commissioning of new high-value production equipment, the acquisition of a biogas plant in the second half of the year and a one-off extraordinary depreciation of HUF ~140 million due to the breakdown of a gas engine.

The balance of **other revenues, expenses, net** shows a HUF 1.6 billion increase in expenses. The increase is mainly due to the restructuring of the portfolio of the Renewable Production Management sub-business (re-entry to the KÁT Regime of producers that have previously exit the regime) and the increase in the KÁT surcharge payable for scheduling deviations, in parallel with the increase in the managed portfolio, and the increase in the average annual price of CO_2. The increase is moderated by the compensation the retail segment received with respect to customers purchasing at state fixed prices. Among other expenses, the most prominent items are the extra profit tax on capacity sales revenue introduced in 2022 and the extra tax burden imposed on producers exiting the KÁT Regime, arising in connection with the acquisition of Energigas Kft. in 2023.

ALTEO Group generated an operating profit of HUF 15.2 billion and an EBITDA of HUF 19.4 billion in 2023.

Net financial income increased by HUF 1,656 million. 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 the 2022 figure, primarily due to higher deposit interest rates.

In 2023, the ALTEO Group realized a profit of HUF 15.9 billion before taxes, a 1% increase over 2022.

Income tax expenses exceeded the expenses of the comparative period by HUF 0.2 billion. The income tax expenditure increased due to the change in the distribution of the Group's profit between subsidiaries, which slightly raised the specific tax liability.

In 2023, the **after-tax profit, i.e. net profit, of the Group was HUF 12.8 billion**, representing a decrease of 1% over the comparative period.

1.2 Executive summary on comprehensive income

Consolidated Comprehensive Statement of Profit or Loss				
	12.31.2023 **audited**	**12.31.2022** **audited**	**Change HUF million over previous year**	**Change % over previous year**
Net profit or loss	**12 762**	**12 843**	**(81)**	***(1%)***
Other comprehensive income (after income tax)	**(4 458)**	**(3 237)**	**(1 221)**	***(38%)***
Comprehensive income	**8 304**	**9 606**	**(1 302)**	***(14%)***
Of which the owners of the Parent Company are entitled to:	8 339	9 651	(1 305)	*(14%)*
Of which the minority interest is entitled to:	(35)	(45)	3	*8%*

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 4.5 billion. Transactions are recognized, depending on comprehensive income or transaction profit nature, against the balance sheet items of other financial assets or other financial liabilities.

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 regime 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%.

For accounting principles, see section III.1. Critical accounting assumptions and estimates in the Consolidated Financial Statement of Alteo Group, while disclosures on fair value measurements are presented in Section IV.40 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 presentation of the quantitative and qualitative information and indicators regarding performance measurement within the segments.

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2023 *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	**75 521**	**5 211**	**4 903**	**4 268**	**18 041**	**5**	**-**	**(8 995)**	**98 954**
Material expenses	(50 322)	(1 846)	(2 181)	(2 715)	(14 086)	(737)	(977)	8 995	(63 869)
Personnel expenses	(1 694)	(342)	(2 048)	(887)	(192)	(1 008)	(1 705)	-	(7 876)
Other revenues and Other expenses	(8 317)	(325)	85	69	339	(152)	(15)	-	(8 316)
Capitalized value of own production	277	(12)	274	-	-	-	-	-	539
EBITDA*	**15 465**	**2 685**	**1 033**	**735**	**4 102**	**(1 891)**	**(2 697)**	**-**	**19 432**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12/31/2022 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	**80 897**	**5 163**	**3 866**	**1 222**	**24 939**	**-**	**-**	**(13 059)**	**103 027**
Material expenses	(56 631)	(967)	(1 636)	(1 039)	(22 202)	(323)	(709)	13 059	(70 449)
Personnel expenses	(1 436)	(219)	(1 838)	(278)	(168)	(717)	(1 296)	-	(5 952)
Other revenues and Other expenses	(6 447)	(243)	(57)	(36)	33	(8)	(7)	-	(6 765)
Capitalized value of own production	141	-	206	11	-	-	-	-	359
EBITDA*	**16 525**	**3 734**	**541**	**(120)**	**2 601**	**(1 048)**	**(2 012)**	**-**	**20 221**

** 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.*

1.3.1.1 Heat and Electricity Production and Management segment

This segment includes the **electricity production activity from heat and non-renewable sources**, the **Virtual Power Plant**, as well as the **Renewable Production Management (RPM) business**. The Virtual Power Plant is responsible for planning and managing the production of electricity and/or heat generation and storage facilities owned by the Group and by external partners connected to the Virtual Power Plant.

The Virtual Power Plant also grants access to the Ancillary Services market through the integration of the units managed. The profit that can be realized on the electricity production portfolio with the electricity production integrated through the 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.

Using its competences, ALTEO provides a smart, comprehensive **scheduling service** involving moderate risks for partners, with the help of which it offers them a solution to the challenges faced by renewable energy producers. Based on several years of operation, the market provided positive feedback for the business model underlying the new business line. The **Renewable Production Management** (RPM) business **has become a major player** in Hungary by the end of 2023, with ~1,800 MW of scheduled capacity since its launch in 2020.

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

In December 2022, the Group's first **boiler that generated heat using electricity** was commissioned in Sopron, basically utilizing the seasonal excess energy from renewable electricity production. Subsequently, in the course of 2023, two additional boilers that produce heat with electricity were implemented in **Kazincbarcika and Tiszaújváros each, delivered in November 2023**.

Heat and electricity

data in HUF million	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**75 521**	**80 897**	**(5 376)**	**(7%)**
Material expenses	(50 322)	(56 631)	6 310	(11%)
Personnel expenses	(1 694)	(1 436)	(258)	18%
Other revenues and Other expenses	(8 317)	(6 447)	(1 870)	29%
Capitalized own production	277	141	135	96%
EBITDA*	**15 465**	**16 525**	**(1 060)**	**(6%)**
Allocated administrative expenses	(911)	(796)	(115)	14%
EBITDA II*	**14 554**	**15 729**	**(1 175)**	**(7%)**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

The **revenue** of the segment was **7%** down compared to the base period.

The drop in energy prices caused a significant decrease, and the sales revenue realized by the **Renewable Production Management** sub-segment on electricity sales also decreased. The latter is the sales revenue from the production of the third-party solar power plants in the scheduled portfolio, which previously sold within the KÁT regime and which only flows through the business, which has decreased significantly due to the high number of scheduled third-party power plants re-entering the KÁT regime in 2023. This decrease affected both the sales revenue and material expenses rows to almost the same extent, and thus the profitability of the sub-business was not negatively affected.

Material expenses in the segment include three major items: purchased gas, electricity purchased from third parties (including electricity purchased and resold by Renewable Production Management, as mentioned above), and the operating costs of the division responsible for the operation and maintenance of the power plant portfolio. The decrease was mainly due to dropping global energy prices and change in the portfolio of the Renewable Production Management business.

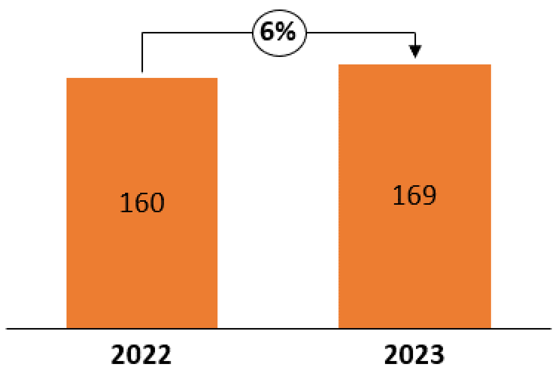
The segment's EBITDA II for 2023 was HUF 14.5 billion, down 7% from the previous period, primarily attributable to the following factors:

- The specific margin available from electricity production by high-efficiency cogenerators (the so-called spark-spread), although steadily declining during 2023 compared to the 2022 peaks, still remained well above pre-boom energy price levels. ALTEO has been able to offset the impact of the ongoing spark-spread decline in 2023 by fixing the price of electricity sold and the natural gas required to produce it in line with the Group's risk management policy. The margin realized is still below that realized in 2022, although it is still significantly above the pre-crisis energy price level.
- In parallel with energy prices, the revenues, and margins available in the market for ancillary services have fallen significantly due to significantly lower price levels compared to 2022.
- In 2023, the Renewable Production Management (RPM) business became the market leader in terms of installed capacities of solar power plants, and as a result it increasingly contributed to the profit realized by the segment.
- The intensive capacity expansion projects of the previous period as well as the development of the Virtual Power Plant received positive feedback from the market.
- The profits on heat production and sales activities subject to price regulation continue to make a moderate positive contribution to the segment's results.

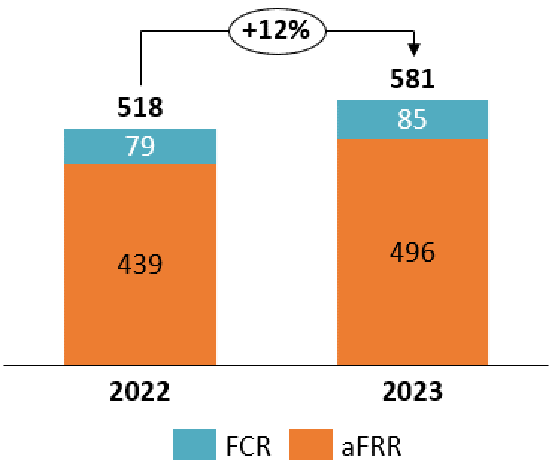
Presentation of the markets of the heat and electricity segment

The quantitative impact of structured electricity product sales on the segment's profit

Electricity production with own gas engines **increased by 6%**.



Electricity produced by our own gas engines and sold by the Virtual Power Plant (GWh) in 2022 and 2023



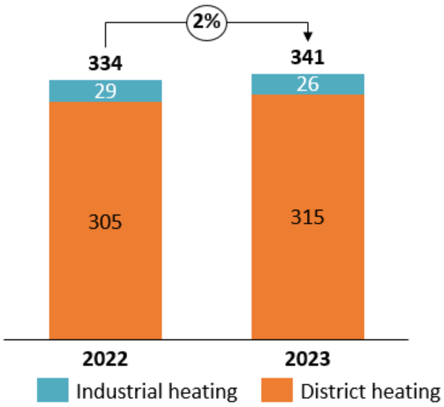
Electricity production capacities sold by the Virtual Power Plant in 2022 and 2023 (aFRR: GWh; FCR: GWh_{sym})

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 and industrial heating) and sale on the segment's profit

The economic performance of the Heat Energy Production subsegment under review closed at a level comparable to that of the previous period.

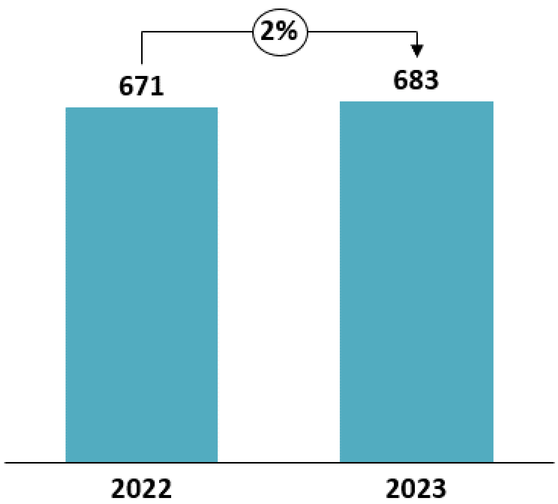
The **volume of heat energy** sold by the segment **increased by 2%** during the period, essentially due to weather conditions. As a result of the hedging policy applied by the Group, the costs to cover the estimated resource needs for retail heat sales to final consumers are fixed, ensuring low volatility for hedging in this the subsegment.



Amount of heat sold by the segment (GWh) in 2022 and 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 2%**, in accordance with the growth of both heat and electricity production.



Amount of natural gas used by the segment (GWh$_{GCV}$) in 2022 and 2023

1.3.1.2 Renewables-Based Energy Production segment

Electricity production recognized in this segment comprises the profit/loss of all of ALTEO's power plants generating electricity from renewable sources (solar, wind, hydro, biogas), with a part of their production still falling under the KÁT subsidy system, a part under the METÁR system, and another part belongs to the balancing group managed by the ALTEO's Renewable Production Management (RPM) business line. As of June 2023, the portfolio of the renewable energy production segment has been further expanded as a result of the acquisition of Energigas Kft., concluded on May 25, 2023.

Renewables-based energy production

data in HUF million	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**5 211**	**5 163**	**48**	**1%**
Material expenses	(1 846)	(967)	(879)	91%
Personnel expenses	(342)	(219)	(123)	56%
Other revenues and Other expenses	(325)	(243)	(82)	34%
Capitalized own production	(12)	-	(12)	n.a.
EBITDA*	**2 685**	**3 734**	**(1 049)**	**(28%)**
Allocated administrative expenses	(261)	(205)	(56)	27%
EBITDA II*	**2 424**	**3 529**	**(1 105)**	**(31%)**

* *For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

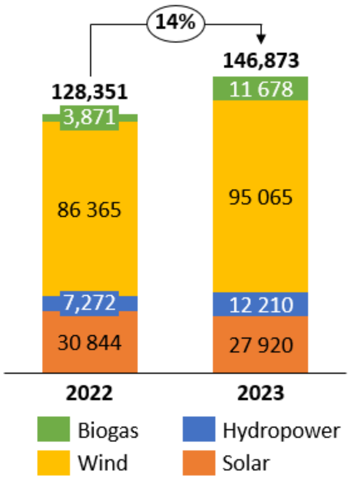
The EBITDA II of the Group's **electricity production plants selling electricity within the Renewables segment** decreased by HUF 1.1 billion compared to the base period, where the key contributing factor was the fact that on June 30, 2022, the production opportunities within the subsidized system (KÁT) expired for several of the power plants in ALTEO's renewable portfolio. The change affects the revenue generated by the wind, biogas, and hydro power plants in the segment. The transition went smoothly with the assistance of ALTEO's Virtual Power Plant, and production remained balanced even after the transition.

The segment's revenues were negatively affected by the decline in world market prices and the lower level of realized market prices compared to subsidized prices. The acquisition of the Nagykőrös biogas plant had a positive impact on sales revenue.

In addition to the HUF 48 million increase in revenue, material expenses grew by nearly HUF 0.9 billion. The production technology employed by Energigas Kft. is a biogas-based electricity production plant based on purchased feedstocks. This was recognized in the segment expenditures as feedstock cost. The increase in costs is justified by the conclusion of maintenance contracts with expanded technical content as wind farms age. The higher risk of malfunction and higher financial risk associated with advanced plant age is significantly reduced by extending the scope of maintenance contracts to reflect technical age.

The portfolio was expanded through the aforementioned acquisition, which resulted in a significant increase in biogas-based energy production compared to the previous period. In addition to opportunities for acquisition expansion, ALTEO is constantly monitoring opportunities to increase production efficiency. In 2023, the network of landfill wells was developed, and an experimental aerodynamic upgrade of a wind farm was carried out, with the potential for further similar investment projects based on positive experience.

The volume of ALTEO Group's renewable electricity production segment increased by 18 thousand MWh (14%) compared to the base period. Contributing to this was an 8 thousand MWh increase in the biogas area through acquisitions, as well as higher utilization of hydropower plants compared to the previous year, with one of the factors influencing this was the fact that water yield in 2023 was higher than in the base period. The volume produced by wind turbines was strongly influenced by the fact that the plant with the highest installed capacity suffered a loss of production in 2022 due to earlier storm damage, which no longer had an effect by 2023, and the weather in 2023 was also favorable.



Quantities sold and their breakdown for 2022 and 2023 (MWh)

ALTEO Group's solar power plants operated without any loss of production, but the volume produced fell short of the base period, mainly due to the fact that the hours of sunshine in 2022, which is the base period, was exceptionally high compared to the past 10 years.

In relation to the extra profit tax affecting the Nagykőrös biogas power plant acquired by ALTEO, which taxes the difference between the KÁT price, and the market price of power plants excluded from KÁT, the NTCA has conducted a compliance review. The audit report drew attention to the need to review our procedure for determining the extra profit tax liability. The impact of the tax on ALTEO's EBITDA in 2023 is approximately HUF 145 million.

1.3.1.3 Energy Services segment

The Energy Services segment includes construction, power plant operation and maintenance services for third parties, as well as e-mobility services. ALTEO 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. Furthermore, it contributes to expanding the production capacity of other ALTEO segments offering 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, 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	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**4 903**	**3 866**	**1 037**	**27%**
Material expenses	(2 181)	(1 636)	(544)	(33%)
Personnel expenses	(2 048)	(1 838)	(210)	(11%)
Other revenues and Other expenses	85	(57)	142	248%
Capitalized own production	274	206	68	(33%)
EBITDA*	**1 033**	**541**	**492**	**91%**
Allocated administrative expenses	(1 073)	(817)	(256)	(31%)
EBITDA II*	**(40)**	**(276)**	**236**	**86%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

In 2023, the segment realized EBITDA II that was HUF 236 million higher. The increase compared to last year was partly due to higher profitability in operations for third parties, higher profitability from external projects in the Business and Project Development Division and cost reductions from the separation of Business Development activity, which increased raw EBITDA.

Operation and maintenance for third-parties closed the year with a higher result compared to 2022, mainly due to the cost increase falling short of the indexation enforceable in contracts.

The Business and Project Development Division provided project management services to external partners in increasing volumes and with higher profit than in the previous year. The successfully implemented EPC projects ensured the Division's profit this year.

Business Development activity is active within the segment. The costs of Business Development are presented in the "Allocated Administrative Costs" rows of the corresponding segments. By exploiting future opportunities, Business Development aims to ensure that both the segment and ALTEO's other segments are able to successfully create future value. By separating the cost of business development activities, the annual segment result and the values invested in the future provide a transparent overview of the segment's profit-generating ability.

In the Maintenance business, this year ALTEO started to increase the potential of maintenance services provided to external parties within the framework of an organizational development project, parallel to which it also commenced the construction of a new maintenance site in Százhalombatta. The costs related to the operation of the site and the expansion of the business line have negatively impacted this year's profits, and ALTEO is seeking to enter into strategic partnerships that can substantially increase the business line's profits over a 1-2-year time horizon.

ALTEO signed a framework agreement with MOL Nyrt. pursuant to which ALTEO provides industrial and power plant rotary machine maintenance services for MOL, and its domestic and foreign subsidiaries (in particular Slovnaft or INA), thus exploiting the synergies of the cooperation between the two companies.

In 2023, the e-mobility business delivered a higher profit relative to the previous year.

1.3.1.4 Waste Management

From 2023, the waste management segment generates significant revenue and profit and is, thus, presented as a 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	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**4 268**	**1 222**	**3 047**	**249%**
Material expenses	(2 715)	(1 039)	(1 677)	(161%)
Personnel expenses	(887)	(278)	(609)	(219%)
Other revenues and Other expenses	69	(36)	105	292%
Capitalized own production	-	11	(11)	(100%)
EBITDA*	**735**	**(120)**	**855**	**714%**
Allocated administrative expenses	(308)	(52)	(255)	(487%)
EBITDA II*	**427**	**(172)**	**599**	**348%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

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 since October 1, 2022, with its broad value chain inorganic waste management activities.

The concession system, which transformed the entire Hungarian waste management market, was launched on July 1, 2023, and also had an impact on the preceding first six months, both in terms of the volume of waste streams entering the processing sector and the commercial price of waste materials. H1 EBITDA was lower than expected and lower than H2 at HUF 92 million on account of preparations for concession operations, and the low-key operation due to the uncertainty surrounding the development of the concession regulatory environment.

Starting from July 1, 2023, **MOHU MOL Hulladékgazdálkodási Zrt**. as a Concession Company collects and handles waste streams covered by the concession scope. FE-GROUP INVEST Zrt. participates in the business line process as a subcontractor of MOHU. As expected, the transition to concession operations started more slowly for electronic waste streams, but by the end of the year the processed was running smoothly. For packaging waste streams (paper and film), a significant volume has been collected and processed since the start of the concession, thus significantly increasing FE-GROUP's profits.

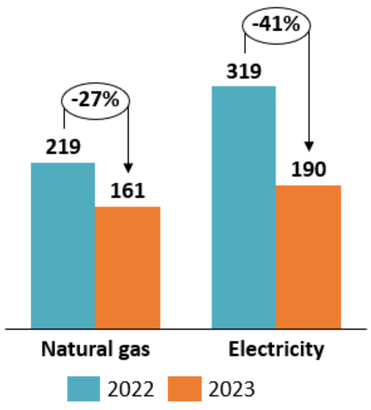
1.3.1.5 Energy retail segment

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

Retail energy trade				
data in HUF million	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**18 041**	**24 939**	**(6 898)**	**(28%)**
Material expenses	(14 086)	(22 202)	8 116	(37%)
Personnel expenses	(192)	(168)	(24)	14%
Other revenues and Other expenses	339	33	306	927%
Capitalized own production	-	-	-	n.a.
EBITDA*	**4 102**	**2 601**	**1 501**	**58%**
Allocated administrative expenses	(144)	(142)	(2)	2%
EBITDA II*	**3 957**	**2 459**	**1 498**	**61%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

In 2022, as a consequence of the price boom in the world market, the income and expense figures for the segment increased significantly, and then moderated in 2023. In the electricity segment, portfolio optimization was implemented in response to the changed global market conditions, resulting in a significant reduction in volumes with higher specific electricity margin levels.



Changes in the amounts 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 moderate EBITDA growth.

The volume of natural gas sold decreased from 219 GWh to 161 GWh (-27%), 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 (58%), which is attributable, in part, to higher system usage fees.

The volume of electricity sold decreased from 319 GWh to 190 GWh (-41%), while the average sales price grew by 10%, in line with the after-effects of the 2022 price boom.

The segment's revenue in 2023 dropped by HUF 6.9 billion. Within the segment, electricity sales revenues declined due to lower volumes, partially offset by the impact of significantly higher prices in 2022 due to global market conditions, while natural gas sales revenue increased slightly. The revenue decrease is attributable to the electricity trading business (HUF -7.5 billion), while the revenue in gas trading activity increased by HUF 0.6 billion.

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

The significant increase in Other revenues and Other expenses is due to the one-off effect of the better-than-expected price of purchased EEOS (Energy Efficiency Obligation Scheme) quotas and the state compensation for the 200 EUR/MWh price cap on fixed-price contracts introduced from July 1, 2023. The latter is not a significant part of the portfolio and has no impact on the segment's results, with the state compensating the loss of revenue in full.

The segment's EBITDA was up by a total of HUF 1.5 billion compared to 2022.

1.3.1.6 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	12.31.2023 audited	12.31.2022 audited	Change HUF million over previous year	Change % over previous year
Revenue	**5**	**-**	**5**	**n.a.**
Material expenses	(737)	(323)	(414)	128%
Personnel expenses	(1 008)	(717)	(291)	41%
Other revenues and Other expenses	(152)	(8)	(143)	1 709%
Capitalized own production	-	-	-	n.a.
EBITDA*	**(1 891)**	**(1 048)**	**(843)**	**80%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

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 0.3 billion compared to the previous year, mainly due to the Group's long-term performance-based 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.

Other revenue and expenses include default interest recognized due to the unused development reserve and donations made as a result of the Company's CSR activities.

1.4 Executive summary on the consolidated statement of financial position

The Group's closing **statement of financial position total was HUF 91,978 million** as at December 31, 2023. The statement of financial position total was HUF 100,020 million as at December 31, 2022. The balance sheet total **decreased by 8%**.

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

Statement of financial position – Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand	change %	diff. value
Non-current assets		**43 572 926**	**34 941 457**	***25%***	**8 631 469**
Property, plant and equipment	9.	35 108 875	27 843 737	26%	7 265 138
Other intangible assets	9.	2 705 370	2 417 675	*12%*	287 695
Operation contract assets	9.	799 504	925 860	*(14%)*	(126 356)
Rights of use	9.	2 431 769	2 016 580	*21%*	415 189
Goodwill	9.	1 019 181	735 913	*0%*	283 268
Deferred tax assets	8.	335 537	31 990	*949%*	303 547
Long-term deposits or loans given	11.	1 172 690	969 602	*21%*	203 088
Long-term participation in associate	12.	-	100	*(100%)*	(100)
Current assets and assets held for sale		**48 404 853**	**65 078 937**	***(26%)***	**(16 674 084)**
Inventories	13.	989 904	1 779 133	*(44%)*	(789 229)
Trade receivables	14.	10 863 760	24 562 537	*(56%)*	(13 698 777)
Emission allowances	15.	1 051 198	1 521 340	*(31%)*	(470 142)
Other cash and cash equivalents	16.	4 164 457	8 500 254	*(51%)*	(4 335 797)
Other receivables and accruals	17.	6 827 020	12 057 221	*(43%)*	(5 230 201)
Income tax receivables	7.	163 434	193 124	*(15%)*	(29 690)
Cash and cash equivalents	18.	24 345 080	16 465 328	*48%*	7 879 752
TOTAL ASSETS		**91 977 779**	**100 020 394**	***(8%)***	**(8 042 615)**

Non-current assets:

Non-current assets increased by HUF 8.6 billion, mainly driven by the acquisition of the biogas plant in Nagykőrös (Energigas Kft.), the solar power plant construction launched in the area of Tereske, and capacity-increasing (electrical boilers) and efficiency improvement investment projects delivered during the year. The value of non-current assets is further increased by lease contracts presented as leasing assets under IFRS.

Current assets:

Current assets of HUF 48 billion represent **a HUF 16.7 billion (26%) decrease** compared to the 2022 closing value, resulting from significant changes in the following items:

Cash increased by HUF 7.9 billion compared to the closing assets of the previous period. The closing cash position for the current year reflects a significant part of the profit generated during the year and the temporary timing difference between customer and supplier payments. Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 1.5.

Trade receivables, and Other receivables and accruals show a HUF 18.9 billion decrease compared to the base period, primarily attributable to the significant decrease in energy prices.

The HUF 1 billion portfolio of **Emission allowances** represented a drop of 31%, due to a decrease in the price of CO_2 quotas, and higher EEOS quota purchases than before in a favorable price environment.

Other financial assets from the valuation of forward transactions stood at HUF 4.2 billion, a HUF 4.3 billion (51%) decrease compared to the closing assets of the base year. The change in the balance is attributable to the differences between the revaluation of hedging derivative transactions outstanding on the reporting dates, the change in the composition of positions on the reporting date and changes in other payment accounts kept separately. The impact of hedges is presented in the section on comprehensive income, see Section 1.2.

Statement of financial position – Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand	change %	diff. value
Equity		**33 854 114**	**26 687 862**	***27%***	**7 166 252**
Equity attributable to the shareholders of the Parent Company		**33 810 529**	**26 602 913**	***27%***	**7 207 616**
Issued capital	20.1	247 534	249 066	*(1%)*	(1 532)
Share premium reserves	20.2	6 174 087	6 573 148	*(6%)*	(399 061)
Reserve for share-based payments	20.3	(1 885 811)	(1 459 544)	*29%*	(426 267)
Hedge reserve	20.4	(2 389 024)	2 069 245	*(215%)*	(4 458 269)
Retained earnings	20.5	31 663 743	19 170 998	*65%*	12 492 745
Non-controlling interest	20.6	43 585	84 949	*(49%)*	(41 364)
Long-term liabilities		**28 653 389**	**26 716 632**	***7%***	**1 936 757**
Debts on the issue of bonds	21.	12 658 274	12 658 274	*0%*	-
Long-term loans and borrowings	22.	9 579 949	6 670 051	*44%*	2 909 898
Finance lease liabilities	23.	2 160 081	1 848 597	*17%*	311 484
Deferred tax liabilities	8.	825 573	2 248 154	*(63%)*	(1 422 581)
Provisions	24.	1 221 555	1 247 765	*(2%)*	(26 210)
Deferred income	25.	847 847	805 775	*5%*	42 072
Other long-term liabilities	26.	1 360 110	1 238 016	*10%*	122 094
Short-term liabilities		**29 470 276**	**46 615 900**	***(37%)***	**(17 145 624)**
Short-term loans and borrowings	22.	1 703 817	7 185 732	*(76%)*	(5 481 915)
Short-term finance lease liabilities	23.	530 566	391 600	*35%*	138 966
Advances received	27.	29 281	1 499 254	*(98%)*	(1 469 973)
Trade payables	28.	3 404 049	11 282 617	*(70%)*	(7 878 568)
Other financial liabilities	29.	3 138 813	324 160	*N/A*	2 814 653
Other short-term liabilities and accruals	30.	17 900 512	24 885 619	*(28%)*	(6 985 107)
Income tax liabilities	7.	2 763 238	1 046 918	*164%*	1 716 320
TOTAL EQUITY and LIABILITIES		**91 977 779**	**100 020 394**	***(8%)***	**(8 042 615)**

Note references *in the table refer to sections in* ***Chapters IV and V*** *of the ALTEO Group's 2023 IFRS statements.*

Equity components:

The **equity** of the Group **showed a HUF 7.2 billion increase in 2023**. The growth of equity resulted from the profit of 2023 and the effects of hedging transactions. For more information, see Section 1.6 of the Equity table.

Long-term liabilities:

The Group's **long-term liabilities rose** by HUF 1.9 billion, i.e. by **7.2%.**

Long-term loans and borrowings increased by HUF 2.9 billion to HUF 9.6 billion, mainly due to the drawdown in 2023 of the HUF 4 billion loan agreement concluded with K&H Bank in 2022.

Deferred tax liabilities decreased by HUF 1.4 billion 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, as well as the release of the unused development reserve created in previous years.

Long-term **Financial lease liabilities** rose by HUF 311 million to HUF 2.2 billion. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line. Liabilities arising from the lease of the land for the Tereske solar power plant project, as well as new liabilities arising from the right of use of the new Győr and new Százhalombatta sites, and other liabilities relating to the rights of use in other leased property, office space and vehicles.

Short-term liabilities:

Short-term liabilities decreased by a total of **HUF 17.1 billion, i.e. by 36.8%,** compared to the 2022 closing value, driven by significant changes in the following items:

- **Short-term loans and borrowings** decreased by **HUF 5.5 billion** compared to the closing portfolio of the previous period. The HUF 6 billion parent company loan disbursed at the end of 2022 was repaid in the current year.
- **Trade payables, and Other short-term liabilities and accruals show a HUF 14.9 billion decrease** compared to the base period, mainly due to the decrease in energy prices as mentioned above.

1.5 Consolidated statement of cash flows for the 12-month-period ending on December 31, 2023

The Group closed 2023 with a **cash increase of HUF 8.1 billion.** The Group's business operations generated an increment of **HUF 23.1 billion**, while **HUF 8.2 billion** cash and cash equivalents were spent on investment **projects.** The Group presents the cash flow changes arising from changes in the statement of financial position (indirect cash flow).

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2023 HUF thousand	12/31/2022 HUF thousand
Profit or loss before taxes		**15 882 629**	**15 756 735**
(Interest income) and interest expenses, net	6.	(377 871)	1 047 392
Depreciation	9.	4 268 473	3 527 162
Recognition (reversal) of impairment in profit or loss	4.	(147 397)	354 801
Scrapping of production and other machinery	4.	4 723	2 298
Provisions recognized (released)	24.	(26 210)	265 959
Provisions for asset retirement obligations recognized and (released) – IAS 16	24.	(78 202)	(229 103)
Deferred income increase (decrease)	25.	42 072	211 910
Effect of other comprehensive income	20.4	(4 578 467)	(3 739 230)
Share-based payments recognized against equity	20.3	(10 594)	830 840
Changes in deferred taxes	7.	(1 285 200)	1 107 592
Effect of income taxes on profit or loss	7.	(3 120 515)	(2 913 444)
Net cash-flow of business activity without change in current assets		***10 573 441***	***16 222 912***
Change in inventories	13.	889 454	(552 051)
Changes in emission allowances	15.	470 142	874 185
Change in trade receivables, other receivables, accrued income and deferred charges	14.	19 506 898	(22 793 522)
Change in other cash and cash equivalents	16.	4 335 797	126 882
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	(11 142 174)	21 380 533
Advances received (final settlement)	27.	(1 469 973)	1 490 265
Cash flow from business activities (use of funds)		**23 163 585**	**16 749 204**
Interests received on deposits and investments	6.	3 132 340	533 791
Purchase of production and other machinery, and intangible assets	9.	(10 035 308)	(3 598 491)
Net cash flow used for acquiring businesses	32.	(1 114 338)	(505 930)
Revenue from the sale of production and other machinery, and intangible assets	9.	932	3 268
Repayment (lending) of long-term loans or deposits given	11.	(203 088)	(744 309)
Cash flow of investment activities (cash outflow)		**(8 219 462)**	**(4 311 671)**
Interest paid on bonds and loans	21., 6.	(2 146 468)	(895 240)
Assumption and prepayment of loans and borrowings, financial liabilities, lease liabilities	22.	(3 526 141)	5 639 348
Bonds repaid	21.	-	(2 343 630)
Own shares (purchase), capital increase	20.1	(1 129 143)	1 133 865
Treasury share transactions, consolidated cash-flow of IFRS2 transactions	20.3	(68 953)	(1 434 680)
Dividend payment	20.5	-	(1 933 001)
Cash flow from financing activities (cash outflow)		**(6 870 705)**	**166 662**
Changes in cash and cash equivalents		**8 073 418**	**12 604 195**
Opening cash and cash equivalents	18.	**16 465 328**	**3 679 253**
Exchange gains/losses on balance	18.	(193 666)	181 880
Closing cash and cash equivalents	18.	**24 345 080**	**16 465 328**

Note references *in the table refer to sections in* ***Chapters IV and V*** *of the ALTEO Group's 2023 IFRS statements.*

1.6 Consolidated statement of changes in equity for the 12-month-period ending on December 31, 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		Hedge reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.					
**Reference for the various notes*	20.1	20.2	20.3		20.4	20.5		20.6	
January 1, 2022	**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 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)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2									
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)
Recognition of share benefits against profit or loss			184 073				184 073		184 073
Inclusion of the ESOP Organization in consolidated reporting									
Receivable from ESOP		2 063				(2 874)	(811)		(811)
Dividend paid to ESOP		63 145					63 145		63 145
Fe-Group Zrt. acquisition									
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
December 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 through shares	24	5 518					5 542		5 542
Acquisition of own shares	(5 201)	(1 123 942)	271	45 765			(1 083 107)		(1 083 107)
Capital movements related to the closing of the ESOP Program II (2020-2022)									
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss			(552 218)			552 218	-		-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred			866 672			(866 672)	-		-
Inclusion of the ESOP Organization in consolidated reporting									
ESOP Organization cash spent on operation and costs		(8 682)	8 077			2 874	2 269		2 269
ESOP (2020-2022) 2021 dividend transfer to beneficiaries		(63 145)					(63 145)		(63 145)
Shares transferred to ESOP organization	3 645	791 190		(794 835)			-		-
Other participation-related transactions									
Minaqua Kft. absorption capital settlement						(1 055)	(1 055)		(1 055)
Acquisition of ECO-FIRST Kft. participation						6 082	6 082	(6 082)	-
Re-entry of ECO-First Kft. prescribed dividend into profit or loss						1 900	1 900	-	1 900
Aggregate amount of rounding difference				1		2	3	-	3
Comprehensive income					(4 458 269)	12 797 396	8 339 127	(35 282)	8 303 845
December 31, 2023	**247 534**	**6 174 087**	**-**	**(1 885 811)**	**(2 389 024)**	**31 663 743**	**33 810 529**	**43 585**	**33 854 114**

***Note references** in the table refer to sections in **Chapters IV and V** of the ALTEO Group's 2023 IFRS statements.*

Statement of changes in equity in the period between 1/1/2023 – 12/31/2023

Implementation of the employee share ownership program: In the context of ALTEO's employee program in 2022, the awardees of the program received share benefits. Under the Company's employee share ownership program, the Company distributed 1,911 ALTEO ordinary shares in February 2023 to employees who were eligible under the Company's recognition plan.

Purchase of own shares: In 2023, ALTEO purchased 394,000 shares in an over-the-counter transaction for the purpose of transferring them to the ESOP Organization to implement the announced Remuneration Policies.

Capital movements related to the closing of the ESOP Program II (2020-2022): After closure, the capital items recognized for the Program were settled in 2023.

Consolidated reporting on the ESOP Organization: The economic events and operating expenses related to the Remuneration Policies of the ESOP Organization are recognized in equity.

Other participation-related transactions: Equity includes the transfer between equity items due to the acquisition of the minority interest in Eco-First Kft. and the capital change resulting from the merger of Minaqua Kft. into FE-Group Zrt.

Comprehensive income: The **increment from** comprehensive **income** amounted to **HUF 8.3 billion** in 2023.

1.7 Other financial information

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

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES									
12/31/2023	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
data in HUF million									
Revenue	**75 521**	**5 211**	**4 903**	**4 268**	**18 041**	**5**	**-**	**(8 995)**	**98 954**
Material expenses	(50 322)	(1 846)	(2 181)	(2 715)	(14 086)	(737)	(977)	8 995	(63 869)
Personnel expenses	(1 694)	(342)	(2 048)	(887)	(192)	(1 008)	(1 705)	-	(7 876)
Other revenues and Other expenses	(8 317)	(325)	85	69	339	(152)	(15)	-	(8 316)
Capitalized value of own production	277	(12)	274	-	-	-	-	-	539
EBITDA*	**15 465**	**2 685**	**1 033**	**735**	**4 102**	**(1 891)**	**(2 697)**	**-**	**19 432**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES									
12/31/2022 Comparative values	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
data in HUF million									
Revenue	**80 897**	**5 163**	**3 866**	**1 222**	**24 939**	**-**	**-**	**(13 059)**	**103 027**
Material expenses	(56 631)	(967)	(1 636)	(1 039)	(22 202)	(323)	(709)	13 059	(70 449)
Personnel expenses	(1 436)	(219)	(1 838)	(278)	(168)	(717)	(1 296)	-	(5 952)
Other revenues and Other expenses	(6 447)	(243)	(57)	(36)	33	(8)	(7)	-	(6 765)
Capitalized value of own production	141	-	206	11	-	-	-	-	359
EBITDA*	**16 525**	**3 734**	**541**	**(120)**	**2 601**	**(1 048)**	**(2 012)**	**-**	**20 221**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating profit or loss.*

The segment-related information provided to the chief operating decision maker 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 changes 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 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.

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.

In the previous annual report for 2022, the profit achieved by the Waste Management business was shown under the Energy Services segment. Due to the increasing size of the business line, it is presented as a separate segment starting from January 1, 2023.

1.7.2 The basis for the preparation of the financial statements

Disclosure by the Group is in compliance with the rules described in the "Introduction" part. Along with its financial reports, the Group ensures the appropriate availability of such disclosed data.

1.7.3 Accounting policies and changes to standards

The Group's accounting policies are identical with those disclosed for the reporting date of December 31, 2022, and have been supplemented with the mandatory elements pursuant to the VAT Act applicable to ALTEO Nyrt. as the VAT Group representative.

1.7.4 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.

1.7.5 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. Clarifications were made in the reporting period as presented in the description of each segment.

Reclassification of the Energy services and Waste management segments in 2022

data in HUF million	12.31.2022 Energy services reclassified audited	12.31.2022 Waste Management reclassified audited	12.31.2022 Energy services audited
Revenue	**3 866**	**1 222**	**5 088**
Material expenses	(1 636)	(1 039)	(2 675)
Personnel expenses	(1 838)	(278)	(2 116)
Other revenues and Other expenses	(57)	(36)	(93)
Capitalized own production	206	11	218
EBITDA*	**541**	**(120)**	**421**
Allocated administrative expenses	(817)	(52)	(869)
EBITDA II*	**(276)**	**(172)**	**(448)**

1.7.6 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 the IFRSs, 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 laws,
- 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 natural gas price transactions was prepared using the prevailing gas futures prices. Natural gas futures are TTF and VTP 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

  The revaluation of natural gas price hedging transactions had a material impact. Natural gas prices disclosed on December 31, 2022 decreased significantly in 2023 (for example, at the reporting date of December 31, 2022, prices ranged from 81.19-84.2 EUR/MW for the maturity date of Q4 2023, but were actually between 35.46 and 42.82 EUR/MW in the 2023 Q4. Indeed, the price change exceeded 100%). Changes in the fair value measurement of hedging transactions are influenced by the changes in gas futures illustrated above.

- 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 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.

1.7.7 Seasonality, cyclicality, unusual activities

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 profit or loss or cash flows and can be deemed unusual due to their nature, amount or frequency.

1.8 Headcount data for 2023

The Issuer's closing headcount on December 31, 2023 was 454 employees. It's statistical headcount in 2023 was 416.9 employees on average.

1.9 EPS indicator

See Consolidated Annual Report, Section IV.34.

1.10 Environmental factors

Environmental factors are presented in Section III.3 of the Consolidated Financial Statement.

1.11 Non-financial report

Section 1.15 of this Annual Report presents major changes in the Group's structure, while Section 1.16 of the Annual Report addresses other major events.

1.12 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	**14292615-4-44**
The Company's EU VAT number:	**HU17783893**
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**
Financial 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; furthermore, if specifically required by the applicable law, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 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 **<u>ALTEO2031:</u> registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, 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 fiscal 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 Zrt.** **Riverland Private Equity Fund** **Főnix Private Equity Fund**

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

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

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

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

1.13.2 Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Company's Articles of Association, the shareholder or the holder of voting rights (hereinafter, for the purposes of this Section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Section 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written statement to the Board of Directors concerning the composition of the shareholder group and the nature of the relationship between the members of such shareholder group, taking into account the relevant provisions of the Capital Market Act. Such notification obligation applies to shareholders only if there has been a change in the shareholder group since the publication of the previous notice. In the event of failure to provide notification or full notification regarding the composition of the shareholder group as required in the previous sentence, or where the acquisition of control is subject to a regulatory approval or acknowledgement, which the shareholder had failed to obtain, or if there is reason to assume that the shareholder has deceived the Board of Directors concerning the composition of the shareholder group, the voting right of the shareholder will be suspended by the decision of the Board of Directors at any time even after its entry into the share register, and may not be exercised until the above requirement has been fully satisfied. Furthermore, at the request of the Board of Directors, shareholders are required to promptly make a statement specifying who the ultimate beneficial owner with respect to the shares owned is. If the shareholder fails to act upon such request or if there is reason to assume that the shareholder has deceived the Board of Directors, the voting right of the shareholder is suspended and may not be exercised until the above requirements have been fully satisfied. For the purposes of this Section, "shareholder group" means, with respect to a particular shareholder, such shareholder and the persons specified in Section 61 of the Capital Market Act, whose voting rights related to their share must be regarded as the voting rights of the shareholder concerned. For the purposes of this Section, "beneficial owner" means the person specified in Section 3(38) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

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

1.13.3 Presentation of investors with a significant share

The majority shareholders of ALTEO as at December 31, 2023 are MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: Cg.01-10-046154), Riverland Private Equity Fund (registered office: H-1133 Budapest, Váci út 110; tax number: 19314961-2-41) and Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25; tax number: 19315357-2-41).

Ownership structure of the parent company (ALTEO Nyrt.) based on the share register as at December 29, 2023.

Present shareholders of the Company based on the share register on 12/29/2023	Face value (HUF thousand)		Ownership ratio (%)	
	2023	2022	2023	2022
Wallis Asset Management Zrt. and its subsidiaries	-	128 475 113	0,00%	51,57%
MOL RES Investments Zártkörűen Működő Részvénytársaság, Riverland Private Equity Fund (Riverland Magántőkealap) and Főnix	183 845 075	24 889 438	73,79%	9,99%
Members of the Board of Directors, the Supervisory Board and the Executive Board	4 788 163	11 429 050	1,92%	4,59%
Repurchased own shares	1 609 788	77 750	0,65%	0,03%
ALTEO ESOP Organization	10 185 613	14 478 288	4,09%	5,81%
Free float	48 714 788	69 793 786	19,55%	28,01%
TOTAL	**249 143 425**	**249 143 425**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2023 (on December 29) was HUF 2,850, which is 11% lower than the same value in the preceding year (HUF 3,200). The annual turnover was HUF 3.455 billion, 43% lower than in 2022.

The number of shares held by the executive officers of the parent company (ALTEO Nyrt.):

Share of the members of the Board of Directors, the Executive Board and the Supervisory Board (number of pieces)			
Board	**Name**	**12.29.2023**	**12.30.2022**
Board of Directors	Álmos Mikesy	-	-
	Dr. György Bacsa	-	-
	Ágnes Bencsik	-	-
	Gyula Zoltán Mező*	-	45 000
	Zsolt Müllner*	-	409 600
	Ferenc Karvalits*	-	8 000
	Attila László Chikán	208 443	300 967
Executive Board	Domonkos Kovács	108 296	149 535
	Péter Luczay	10 034	-
	Magdolna Tokai	-	-
	Anita Simon	10 760	1 222
	Viktor Varga	10 000	-
	Zoltán Bodnár	20 328	-
Supervisory Board	Péter Kaderják	15 192	-
	Attila Gyula Sütő	-	-
	Dr. Ákos Székely	-	-
	Márton Oláh	-	-
	István Zsigmond Bakács*	-	-
	Dr. István Borbíró*	-	-

*no longer members of the above bodies as of April 3, 2023

1.13.4 Powers of senior executives

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

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

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

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

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

The General Meeting of the Company adopted Resolution No. 15/2023 (IV.21.) to provide the Board of Directors with an authorization for a period of 18 (eighteen) months starting on April 21, 2023, to adopt resolutions on the acquisition by the Company of shares of all types and classes and of any face value, issued by the Company, supported by at least three quarters of the votes that can be cast by the members of the Board of Directors, and to enter into and perform such transactions for and on behalf of the Company, or to engage a third party for the conclusion of such transactions. The number of shares that can be acquired based on this authorization shall not exceed the number of shares with a total face value of twenty-five percent of the share capital, and the total face value of own shares owned by the Company may not exceed this rate at any time. The own shares can be acquired for or without consideration, on the stock market and through public offering or – unless the possibility is excluded by the law – in over-the-counter trading. In the event of acquiring own shares for consideration, the minimum amount of consideration payable for one share may be HUF 1 (one Hungarian forint) and the highest amount may be HUF 5,000 (five thousand Hungarian forints). The authorization shall also cover share purchases by the Company's subsidiaries in such a way that the Company may authorize the management of any subsidiary of the Company by means of resolutions of the members or shareholders (resolutions adopted by the members' meeting or the general meeting) to acquire the shares issued by the Company according to a resolution adopted by the Board of Directors under the above authorization.

1.14 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 12/31/2023	Activity	Rate of influence		
		12/31/2023	6/30/2023	12/31/2022
ALTE-A Kft.	asset management (holding)	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trade, electricity trade	100%	100%	100%
ALTEO-Depónia Kft.	electricity production (landfill gas power plant)	100%	100%	100%
ALTE-GO Kft.	E-mobility services	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]	property management	100%	100%	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 trade and energy management	100%	100%	100%
Sinergy Kft.	electricity production (hydropower plant)	100%	100%	100%
SUNTEO Kft.	electricity production (solar power plant)	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
EDELYN SOLAR Kft.	electricity production (solar power plant)	100%	100%	100%
FE-GROUP INVEST Zrt.	wholesale of waste and scrap, recycling	75.1%	75.1%	75.1%
Energigas Kft.[2]	electricity production	100%[3]	100%	1%
Energikum Zrt.[4]	business and other consultancy activities	100%	100%	-

1.15 Changes in the structure of the Group

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 representing 100% of the share capital of Energikum. Energikum holds the business quota 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 biogas 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

[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.

mode of operation, it is worth noting that the biomethane produced is suitable, under certain conditions, for being used as a substitute for natural gas, and can even be fed 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** to acquire 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.

1.16 Major events

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.

Major events at the Company relevant in terms of company law

1.16.1 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%.

1.16.2 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 to purchase 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 not to adopt 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's 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's 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's 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 <u>not to adopt</u> 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 <u>not to adopt</u> 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.

1.16.3 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 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: Cg. 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 consolidated with amendments** 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 **own 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.

1.16.4 Events at the Company's subsidiaries relevant under company law in the period between January 1, 2023 and the date of publication of this 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.

Moreover, this chapter does not present events that have already been presented in Section 1.15.

In 2023 ALTEO Nyrt. adopted 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

In 2024 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2023. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 180,000,000
Monsolar Kft.	HUF 49,000,000
Pannon Szélerőmű Kft.	HUF 90,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 50,000,000

1.16.5 Securities issued by the Company and their credit rating

1.16.5.1 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 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. The majority of the shares, a total of 275,000 shares, was immediately transferred by ALTEO to the ALTEO ESOP Organization **in order to implement the remuneration policies** specified in Section 1.15.6.

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, with regard to the 2024 ESOP Remuneration Policy to the settlement 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 group 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, and as a result ALTEO became the owner of a total of 128,783 ALTEO ordinary shares.

1.16.5.2 Annual review of the credit rating

Scope Ratings GmbH carried out the 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.

For the report of the credit rating agency, follow 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

1.16.5.3 Stock tracking

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

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

Kalliwoda Research GmbH updated its model on October 18, 2023 **following the results for 2023 H1**, and it is available at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2023_Q2.pdf

1.16.5.4 Company analysis

Erste Group Research has 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

1.16.6 Major investment projects and contracts

1.16.6.1 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. ALTEO's 20 MWe nominal capacity solar power plant in Tereske, Nógrád County is scheduled to start electricity production from 2024 H2.

1.16.6.2 Waste management concession

FE-GROUP INVEST Zrt. has 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.

1.16.6.3 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 agglomeration area in addition to the existing site in Polgár.

1.16.6.4 Renewables Virtual Power Plant

As the first company in Hungary, ALTEO has established an **aFRR-capable[5] 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.

1.16.6.5 RDI Project

The new electrical boiler installed at ALTEO's **Sopron Power Plant** has commenced operation, further increasing the flexibility of the 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. The announcement is available via the following link:

https://bet.hu/newkibdata/128852789/KFI%20R%C3%A9nyi%20k%C3%B6zlem%C3%A9ny_230306.pdf

1.16.6.6 Electrical boiler

After the electrical boiler installed at its Sopron power plant, ALTEO has integrated two more devices into its Virtual Power Plant, which will enable the conversion of electricity generated from renewable energy sources into heat. The hot water produced by the boilers installed in the **heating power plants in Kazincbarcika and Tiszaújváros** is fed into the local district heating system. The announcement is available via the following link:

[5] 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.

https://bet.hu/site/newkib/hu/2023.11./Tajekoztatas_ujabb_villamos_kazan_uzembe_allitasarol_-_2023.11.16._128979650

1.16.6.7 Additional gas engines and battery electricity storage facilities

ALTEO Nyrt. is making a self-financed investment of HUF 5.5 billion in **Sopron and Győr**. This will involve the commissioning of an 8 MW/15 MWh **battery electricity storage facility** and a 3 MW and a 6 MW **gas engine** in the first half of 2024 at the two sites. The announcement is available via the following link:

https://bet.hu/site/newkib/hu/2023.11./Sajtokozlemeny_-_Tovabb_boviti_az_ALTEO_a_Szabalyozasi_Kozpontjat_-_2023.11.29._128985403

1.16.6.8 FE-GROUP INVEST Zrt. subsidy

FE-GROUP INVEST Zrt. has won a HUF 300 million **subsidy** in the call for applications announced by the Energy Strategy Institute, which it will use to ensure technological support in the transitioning of waste from products subject to product charges collected in the deposit refund system, introduced from January 2024, to the circular economy. This enables the ALTEO subsidiary to implement an investment project that will allow it to appropriately sort and treat more than 15 thousand tons of waste collected in the deposit refund system per year. The announcement is available via the following link:

https://bet.hu/site/newkib/hu/2024.01./ALTEO_Csoport_leanyvallalata_tobb_millio_forintos_tamogatast_nyert_el_-_2024.01.18._129006999

1.16.6.9 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), which 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.

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

The details of existing financing agreements and financing agreements amended in 2023 due to specific circumstances (including, for example, budget increase) are included in Section IV.22 of the Annual Report.

1.16.7 ESG certification and Green Financing Framework

1.16.7.1 ESG certification

In 2022, ALTEO obtained its first voluntary, independent third-party ESG (Environmental Social and Governance) certification, which assessed the Company's environmental, social and governance impacts. In 2023, 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

1.16.7.2 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.

1.16.7.3 Best of BSE Awards

Based on its performance in 2022, 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.

Moreover, based on its performance in 2023, the Company also won in the "**Company with Long-term Share Price Increase**" category at the 2023 Best of BSE Awards.

1.16.8 ALTEO ESOP Organization Remuneration Policies and personal changes

1.16.8.1 ALTEO ESOP Organization Remuneration Policies

In April 2023, the Company's Board of Directors adopted both the **remuneration policy for 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 1.15.3.1.

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 were employed by ALTEO.

1.16.8.2 Changes in senior management positions

As of October 2, 2023, **Magdolna Tokai** has joined the Company's management as Deputy CEO for Corporate Support. Magdolna Tokai is responsible for establishing and operating two new corporate units: the project portfolio management area, which will primarily support resource planning and allocation at ALTEO level, and the BoD cabinet, which will coordinate the work of decision-making bodies, and will also include the areas of IT, purchasing, legal and office management.

László Hegedűs, formerly Director of Strategic HR and Communications, continues as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications starting from January 10, 2024. László Hegedűs is responsible for HR and Communications, in particular for the development of the HR area and active support for the flow of information between partner departments.

1.16.9 MNB fine

The Central Bank of Hungary (registered office: H-1013 Budapest, Krisztina körút 55, business site: H-1122 Budapest, Krisztina körút 6, hereinafter: "**MNB**"), with its Resolution No. H-PJ-III-B-2/2023 issued on November 3, 2023, has prohibited the Issuer from repeatedly violating Article 18(2) of the EU Market Abuse Regulation and has ordered it to pay a supervisory fine of HUF 5,000,000 (that is five million Hungarian forint), in view of the fact that ALTEO failed to inform the natural persons on its transaction-specific insider lists in several cases, or only informed them subsequently, of the fact that they were included on the Issuer's transaction-specific insider lists, in other words that they were persons possessing insider information. The MNB has issued the above resolution concerning the data of ALTEO's 2021 Integrated Report and 2021 Annual Report that was not included in the Investor Presentation on the preliminary financial data for 2021, as well as other transaction-specific insider lists connected to General Meeting proposals. In this context, the Company informed investors in an announcement that it has started a review of its insider trading practices in 2022, as a result of which it issued a revised Insider Trading Policy and a new Disclosure Policy in June 2023.

1.17 Events after the period described above not reflected in the end-of-the-year statements

1.17.1 New role as of Deputy CEO for Strategic HR and Communication

As detailed in Section 1.15.7., László Hegedűs, formerly Director of Strategic HR and Communications, **continues** as ALTEO Nyrt.'s **Deputy CEO** for Strategic HR and Communications with effect from January 10, 2024.

1.17.2 Subsidy for deposit refund system

As detailed in Section 8.15.5.1, FE-GROUP INVEST Zrt. has **won a HUF 300 million subsidy** in the call for applications announced by the Energy Strategy Institute, which it will use to ensure technological support in the transitioning of waste from products subject to product charges collected in the deposit refund system, introduced from January 2024, to the circular economy.

In relation to the extra profit tax on ALTEO's biogas power plant, which taxes the difference between the KÁT price and the market price of power plants excluded from KÁT, the National Tax and Customs Administration has conducted a compliance review. The report of the audit, delivered on February 2, 2024, drew attention to the need to review our procedure for determining the extra profit tax liability. The impact of the tax is approximately HUF 145 million.

1.17.3 Dividend proposals

The Board of Directors recommends to the General Meeting that a total sum of HUF 7,972,589,600 shall be paid out as dividend in 2024. The dividend on treasury shares shall be distributed to those shareholders eligible for such dividend, in proportion to their number of shares.

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

The relevant risks affecting the ALTEO Group and their assessment are presented in Section III.3 of the Company's Consolidated Financial Report.

1.19 Pending lawsuits

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 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 Hungarian Intellectual Property Office approved the negative clearance claims and found that the solution in question does not infringe the patent, but CHP Energia Zrt. (post-succession patent holder instead of VPP Magyarország Zrt.) filed a request for a change of the decisions, and as such the cases are currently pending before the Budapest-Capital Regional Court.

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

1.20 Description of the policies applied in the ALTEO Group, detailing the results by policy

1.20.1 Environmental guidelines

The ALTEO Group prepared its Sustainability Report for the first time for its 2016 fiscal year, detailing its non-financial, social and environmental policies and our annual performance. We ensure the relevance and transparency of sustainability data by applying the GRI (Global Reporting Initiative) Standards methodology, the most recognized international standard, in preparing our non-financial reports, and by having these certified by a third party annually. We prepare a report on our sustainability efforts every year and, since 2019, we have published it in the form of an Integrated Report. A further objective was to publish our Integrated Reports with the approval of the General Meeting, which we achieved for the first time for our 2021 report. Our Sustainability, Integrated and EU Taxonomy Reports published so far are available to all stakeholders on the web page: https://alteo.hu/fenntarthatosag/fenntarthatosagi-jelentesek/. As our Integrated Report contains the details of the Company's data, policies, objectives in connection with environmental protection and sustainable business operations, this business report, based on the contents of the Integrated Report, provides only a summary of environmental policies and results.

The ALTEO Group set up the Green Committee in 2022, an advisory body to the CEO, which is composed of senior officers, supervisory board members and experts. The purpose of the committee is to ensure the preparation and corporate implementation of the ALTEO Group's sustainability objectives and ambitions. The committee, which meets at least quarterly, monitors and approves corporate policies and long-term objectives for sustainable development and the sustainability strategy, and ensures that the ESG approach and climate risks are kept on the agenda. For more information on the committee and its rules of procedure, please visit the ALTEO website at: https://alteo.hu/az-alteo/szervezet/zold-bizottsag/.

Furthermore, the ALTEO Group has an Integrated Management System in place, which includes the standards ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Health & Safety Management System and ISO 50001:2018 Energy Management Systems. The Integrated Management Policy (publicly available at https://alteo.hu/wp-content/uploads/2020/11/alteo_integralt_politika.pdf),) is the fundamental document for this system, in which the company's management commits itself to providing quality services, safe work environment, energy efficiency, environmental protection and sustainability. In 2023, we ensured our compliance with the standards by conducting 53 internal audits covering the operation of the Integrated Management System in compliance with all four standards at all of our sites and organizational units.

In 2023, 7 HSE-type inspections were carried out by various authorities, and 1 objection was logged. The inspections did not result in any fines being imposed by the authorities.

A separate document, the Integrated Report 2023, will describe our environmental policies and the associated results in detail.

1.20.2 Respect for human rights, ethics

Description of major risks related to human rights compliance that may result in adverse effects in the context of the Company's activities, and also a description of how the Company manages those risks.

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

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

The CMS covers four main areas at the Company: business ethics, security (data protection, information security, asset protection, human risk management), anti-corruption program (fraud and corruption free operation, business partner due diligence, conflict of interest), compliance risk management (legal and internal regulatory compliance, annual compliance risks).

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

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

Based on the 2023 ESG assessment, business ethics is rated as negligible risk, and risk management in the area of business ethics is rated as strong.

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

1.20.3 Fundamental rights in practice

We provide an online whistleblowing system for our employees and business partners under Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law. The whistleblowing hotline can be accessed through various interfaces on the website and intranet. Whistleblowers should not suffer any disadvantage as a result of the whistleblowing.

To empower colleagues at ALTEO to speak up, in 2023 we launched the Speak Up! program. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences (source: HBLF recommendation). We have consulted with staff about what they would consider important to say and do on this issue. We set up our program for the next 2-3 years accordingly.

We have introduced a Compliance adjustment in the performance appraisal system to ensure ethical standards are met.

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

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

We take individual preferences into account when setting working hours and work procedures, and provide solutions to any issues that may arise.

The HQ offers flexible working hours and the opportunity to work from home.

We give priority to the personal and professional development of our employees, for that purpose, we develop an annual training schedule, and provide employees the opportunity to participate in courses, conferences and, under study contracts, in adult education and university courses. We set individual development goals and organize individual trainings or group workshops to achieve them.

We are committed to the principle of fair and compliant employment and remuneration. Salaries and fringe benefits are reviewed on a yearly basis.

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

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

In our work and in our business relationships, we treat everyone with respect, and in our communications with each other, we respect and value the opinions and views of others.

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

1.20.4 Conflict of interest

The ALTEO Group is particularly dedicated to the detection and prevention of economic conflicts of interest, therefore all new entrants must make a conflict-of-interest statement. In 2023, we reviewed the conflict of interest statements of the entire Group.

1.20.5 Policies applied in connection with the fight against corruption

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

The Company is committed to anti-corruption, and has adopted and published its Anti-Corruption Statement on its website. We firmly reject all forms of corruption and bribery, which are regarded as particularly serious ethical violations in the context of government officials, suppliers and business partners. We apply zero tolerance to all cases involving bribery or corruption.

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

We assess potential suppliers on the basis of a multi-level pre-qualification process (also taking ESG, financial and legal aspects into consideration). We do not enter into a business relationship with any supplier that does not meet the Company's requirements. We expect our business partners to know, accept and comply with our Code of Ethics. We put together a summary code of all the ethical requirements applicable to business partners, which we will apply from 2024.

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

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

1.20.6 RISK MAP – Corruption index

In 2023, for the ninth consecutive year, ALTEO Group has prepared a compliance risk map using a questionnaire to measure and assess the Group-level compliance risks in finances, accounting, human resources, corporate management and publicity in order to eliminate the potential for corruption, fraud and abuse.

The questionnaire was made available to 28 executives. Based on the survey, we decided to add more areas to the questionnaire: We issue Legal, IT, M&A and other information materials on our internal rules for managers.

1.20.7 Employment policy

The ALTEO Group’s employment policy is focused on retaining employees who contribute to the success of the Group, on recruiting new employees who contribute to our growth and on successfully integrating the knowledge they bring. Developing an innovative corporate culture and establishing and applying effective standards of behavior that support the achievement of our strategic goals is a priority for us. The Group believes that the loyalty and motivation of its employees are founded on permanent jobs, good working conditions, complex tasks and competitive wages provided by the Company. The physical safety of our employees always comes first; we focus on their long-term commitment, assess their wellbeing through different measurements and forums, and make efforts to maintain a partner like relationship with the Works Council. Every year, we provide our employees with a cafeteria allowance and a variety of benefits, making the elements available as widely as possible in accordance with the relevant laws.

The closing workforce headcount at the end of 2023 was 454, which is 41 more than in the 2022 fiscal year. The number of part-time colleagues is 5, while the number of those with full-time employment contracts is 449. The number of employees with indefinite term contracts was 453. In 2023, 77% of the staff members were men and 23% were women. This gender ratio is basically defined by the nature of the energy sector, as most of the staff deal with the operation of power plants. At the same time, the Company has a clear commitment to diversity and equal opportunities, and takes specific action in these areas in each fiscal year.

ALTEO Nyrt. is considered an attractive workplace, as evidenced not only by the high rate of new entrants, but also by the fact that rate of staff turnover is below 10%.

The Group consciously seeks to increase the proportion of the younger generations within the organization, since the management of the Company believes that it can provide them with professional development opportunities and challenging tasks in the long term. NNurturing talents and planning succession are fundamental criteria of maintaining ALTEO Group's quality services and reliable work performance, as the age pyramid of colleagues with extensive expertise and work experience, who in many cases have been working in the energy sector for 30 years, is very constrictive, with 38.5% of our employees over 50. The expertise and experience obtained in a wide range of fields in the energy industry are the core values of ALTEO Group. To ensure that ALTEO Group can provide high-quality services to its partners, it enables its employees to deepen their knowledge via regular training courses and conferences. The objectives of the courses are to enable our employees to improve their efficiency, to acquire critical qualifications for their work, and to update and complement their existing knowledge base. Our training portfolio also includes compulsory courses prescribed by law or by internal regulations, as well as internal knowledge sharing.

2 Statements of the issuer

2.1 Use of non-audit services

In 2023, ALTEO Group did not use any audit services provided by BDO Magyarország Könyvvizsgáló Kft.

2.2 Corporate governance statement

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

The Board of Directors is the main decision-making body of the Group's parent company that governs the Group and monitors its day-to-day operation on the basis of effective laws, the Articles of Association and the resolutions passed by the General Meeting, as well as the Supervisory Board and the Audit Committee.

The members of the Board of Directors are elected by the General Meeting for a term of up to five years. Members of the Board of Directors elect the Chair of the Board of Directors and the member entitled to hold the title of CEO ("**CEO**") from among themselves. The Group has no nomination

committee or remuneration committee; the remuneration of members of the Board of Directors is determined by the General Meeting. The Board of Directors comprises at least three and at the most nine natural person members.
The Board of Directors is entitled and required to decide on all issues that, by virtue of the provisions of the law or the effective Articles of Association, do not fall within the competence of the General Meeting, the Supervisory Board or the Audit Committee.

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

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

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

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

Within the scope of the Company's risk assessment activities, business, financial, technical, commercial, legal and compliance functions supervised by members of management work together and assess the types of risks involved based on reports prepared by each function and presented to the appropriate decision-making body or management member at specific intervals and identify the actions needed to manage risks.

The assessment of financial risks is a part of every planning and forecasting process as well as preparing new investment decisions. Decisions regarding risks identified during planning and forecasting and how they should be managed are made. For new investments, the management of expected risks is already covered by the proposal.

In developing its Compliance Management System, the Company assigned Compliance its place within the corporate structure, determined its scope of competence and its responsibilities, the Compliance Committee was set up, the risk map of the Group was drawn up on the basis of executive self-assessments, the regulation and the procedural rules of compliance audits (conflict of interest, business partner due diligence, ethics and compliance audits) were developed, and the Code of Ethics constituting a key component of the program was also created.

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

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

2.3 The issuer's statement pursuant to Section 3.4.1 of the Decree No. 24/2008 (VIII. 15.) of the Minister of Finance

The Company declares that its consolidated Financial Statements and Business Report for the year 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, profit and loss of the Company as an issuer and the companies involved in the consolidation.

The Company also declares that its consolidated Annual Report for the year 2023 provides a true and fair view of the situation, development and performance of the issuer and the companies involved in the consolidation, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

2.4 Statement of the issuer on the independent audit of the report

The Company declares that the data of this Annual Report were audited by an independent auditor. The independent auditor's report was published as part of the Consolidated Financial Statements.

2.5 Authorization for publication of the Annual Report

This Annual Report was discussed by the Group's Board of Directors and authorized for publication on March 28, 2024.

Budapest, March 28, 2024

On behalf of ALTEO Nyrt.:

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

Separate financial statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

for the fiscal year ended on December 31, 2023
in accordance with the
International Financial Reporting Standards as adopted by the EU

Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Asset retirement obligation
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary;
BoD	Board of Directors
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
Capital Market Act	Act CXX of 2001 on the Capital Market
CGU	Cash-generating Unit
Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization (typically: impairment)
Electricity Act	Act LXXXVI of 2007 – on Electricity
EPS	Earnings per Share
ESOP	Employee Share Ownership Program
EUA	European Emission Allowances
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
HTM	Financial instruments held to maturity
HUF thousand	HUF thousand
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
O&M	Operation and Maintenance contract
PM	Ministry of Finances
R&D	Research and development – Innovation
SB	Supervisory Board

Table of Contents

These financial statements consist of 96 pages.

I. Numeric reports of the financial statements

ALTEO Nyrt.
Statement of income
and statement of other comprehensive income
Period: 1/1/2023-12/31/2023

(Negative values are denoted by parentheses.)		12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Revenues	**1.**	**26 007 059**	**24 812 560**
Material expenses	2.	(6 503 373)	(5 456 898)
Personnel expenses	3.	(7 055 314)	(5 757 621)
Depreciation and amortization	4.	(952 843)	(704 636)
Capitalized own production	5.	545 027	245 373
Other revenues, expenses, net	6.	(188 666)	(238 310)
Operating profit or loss		**11 851 890**	**12 900 468**
Income from financial transactions	7.	3 607 268	3 587 838
Expenses from financial transactions	7.	(1 187 012)	(812 196)
Profit or loss on financial transactions (-)	7.	2 420 256	2 775 642
Profit or loss before taxes		**14 272 146**	**15 676 110**
Income taxes	8.	(1 692 544)	(1 649 123)
Net profit or loss		**12 579 602**	**14 026 987**

Other comprehensive income (after income tax)	**20.**	-	-
Reserves relating to derivative transactions	20.	(64 831)	-
Other comprehensive income from cash flow hedges from cash flow hedges into profit/loss	20.	-	-
Comprehensive income		**12 514 771**	**14 026 987**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2023

Assets

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Non-current assets		**23 497 294**	**23 083 877**
Property, plant and equipment	9.	4 003 317	2 650 943
Other intangible assets	9.	876 826	401 207
R&D	9.	260 115	307 270
Rights of use	9.	1 251 099	1 031 186
Long-term loans given	10.	4 872 177	7 084 527
Long-term share in subsidiary	11.	12 233 760	11 608 644
Long-term participation in associate	11.	-	100
Current assets and assets held for sale		**41 634 568**	**32 051 527**
Inventories	14.	5 535 841	1 499 000
Trade receivables	15.	10 043 326	10 778 950
Other short-term receivables and accruals	16.	9 158 035	9 825 460
Cash and cash equivalents	18.	16 897 366	9 948 117
TOTAL ASSETS		**65 131 862**	**55 135 404**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2023

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Equity		**37 826 828**	**26 450 497**
Issued capital	19.	247 534	249 066
Share premium – Reserves	19.	6 036 423	6 435 484
Retained earnings	19.	33 493 513	21 225 491
Reserve for share-based payments	19.	(1 885 811)	(1 459 544)
Reserves relating to derivative transactions	20.	(64 831)	-
Long-term liabilities		**15 666 539**	**16 442 603**
Deferred tax liabilities	12.	255 879	1 467 513
Provisions	22.	-	15 500
Debts on the issue of bonds	23.	12 658 274	12 658 274
Other long-term liabilities	24.	949 957	914 215
Lease liabilities – long-term part	25.	956 033	867 742
Deferred income	26.	627 609	519 359
Long-term loans and borrowings	24.	218 787	-
Short-term liabilities		**11 638 495**	**12 242 304**
Short-term bond payables	23.	7 483	35 599
Lease liabilities – short term part	25.	349 850	196 077
Trade payables	28.	2 449 221	584 301
Short-term loans and borrowings	29.	22 858	7 735 000
Other short-term liabilities and accruals	29.	6 420 255	3 377 367
Advances received	30.	-	60 853
Income tax liabilities	31.	2 388 828	253 107
TOTAL EQUITY and LIABILITIES		**65 131 862**	**55 135 404**

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

Continued overleaf

ALTEO Nyrt.
Statement of Changes in Equity
for the period ended on December 31, 2023

Data in HUF thousand	*Issued capital Extract from company register 19.1*	*Issued capital repurchased 19.1*	Issued capital under the IFRS (Extract from company register – redeemed) 19.1	Share Premium – Reserves total 19.2	Retained earnings 19.3	Of retained earnings: development reserve 19.3	Reserve for share-based payments 19.4 Closed ESOP Program	Reserve for share-based payments 19.4 Active ESOP Program	Hedge reserve 20.	Total equity
1.1.2022	**242 328**	**(93)**	**242 235**	**5 237 704**	**9 197 528**	**-**	**(206 875)**	**-**	**-**	**14 470 592**
Implementation of employee share award through shares	-	16	16	2 645	-	-	-	-	-	2 661
Capital increase through private placement	6 815	-	6 815	1 129 927	-	-	-	-	-	1 136 742
Dividend payment (approval)	-	-	-	-	(1 996 146)	-	-	-	-	(1 996 146)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2										
Cash transferred to ESOP I.	-	-	-	-	-	-	(300 000)	-	-	(300 000)
Cash transferred to ESOP II.	-	-	-	-	-	-	-	(1 136 742)	-	(1 136 742)
Recognition of share benefits against profit or loss	-	-	-	-	-	-	184 073	-	-	184 073
Inclusion of the ESOP Organization in consolidated reporting										
Receivable from ESOP	-	-	-	2 063	(2 874)	-	-	-	-	(811)
Dividend paid to ESOP	-	-	-	63 145	-	-	-	-	-	63 145
Rounding	-	-	-	-	(4)	-	-	-	-	(4)
Comprehensive income	-	-	-	-	14 026 987	-	-	-	-	14 026 987
Development reserve technical movement	-	-	-	-	(16 117 856)	16 117 856	-	-	-	-
12.31.2022	**249 143**	**(77)**	**249 066**	**6 435 484**	**5 107 635**	**16 117 856**	**(322 802)**	**(1 136 742)**	**-**	**26 450 497**
Development reserve use	-	-	-	-	1 681 868	(1 681 868)	-	-	-	-
Development reserve return	-	-	-	-	12 435 988	(12 435 988)	-	-	-	-
Implementation of employee share award through	-	24	24	5 518	-	-	-	-	-	5 542
Capital movements related to the closing of the ESOP Program II (2020-2022)										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	-	-		552 218	-	(552 218)	-	-	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	-	-		(866 672)	-	866 672	-	-	-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	-	-	(63 145)	-	-	-	-		(63 145)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	-	-	(2 874)	2 874	-	8 077	-	-	8 077
Share purchase	-	(5 201)	(5 201)	(1 123 942)	-	-	271	45 765	-	(1 083 107)
Shares transferred to ESOP organization	-	3 645	3 645	791 190	-	-	-	(794 835)	-	-
Amounts spent on ESOP operation	-	-	-	(5 808)	-	-	-	-	-	(5 808)
Profit/loss on derivatives transactions, OCI	-		-	-	-	-	-	-	(64 831)	(64 831)
Rounding	-	-	-	-	-	-	-	1	-	1
Comprehensive income	-	-	-	-	12 579 602	-	-	-	-	12 579 602
12.31.2023	**249 143**	**(1 609)**	**247 534**	**6 036 423**	**31 493 513**	**2 000 000**	**-**	**(1 885 811)**	**(64 831)**	**37 826 828**

The notes constitute an integral part of the financial statements.

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

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

Continued overleaf

Statement of Cash Flows of ALTEO Nyrt.

Period: 1/1/2023-12/31/2023

	Note	12/31/2023 HUF thousand	12/31/2022 HUF thousand
Profit or loss before taxes		**14 272 146**	**15 676 110**
Interest income and interest expenses, net loss (gain)	7.	(1 600 171)	(304 508)
Dividend (income)	7.	(939 000)	(1 767 701)
Unrealized exchange rate differences (loss/gain)	7.	(1 959)	19 078
Effect of depreciation on profit or loss	4.	952 843	704 636
Profit/loss on scrapping of production and other machinery	9.	-	16 030
Recognition of impairment and forgiveness in profit or loss	6.	117 541	237 774
Deferred income increase (decrease)	26.	108 250	(51 254)
Effect of other comprehensive income	20.	(64 831)	-
Share-based payment cost	19.	(10 594)	830 840
Changes in deferred tax	8.	(1 211 634)	1 136 333
Profit or loss on derecognizing fixed assets	6.	405	1 028
Net cash-flow of business activity without change in current assets		***11 622 996***	***16 498 365***
Inventories (increase) and decrease	14.	(4 036 841)	(426 649)
(Increase) and decrease in trade receivables, other receivables, accrued income and deferred charges	15.	1 336 600	(12 019 113)
Increase and (decrease) in trade payables, other liabilities, accrued expenses and deferred income	28.	7 639 526	1 240 854
Advances received (increase) and decrease	30.	(60 853)	51 864
Change in net current assets		***4 778 432***	***(11 153 044)***
Operating cash flow before taxes		**16 401 429**	**5 345 321**
Effect of income taxes on profit or loss		(1 692 544)	(1 649 123)
Cash generated / (used) in operating activity		**14 708 885**	**3 696 198**
Interests received on deposits and investments	7.	2 104 816	1 000 735
Purchase of production and other machinery, and intangible assets	9.	(2 462 392)	(1 015 818)
Investment in acquiring businesses (net of cash)	11.	(1 180 953)	(585 332)
Revenue from the sale of production and other machinery, and intangible assets	6.	605	2 637
Long-term loans given – disbursement	10.	(809 939)	(471 619)
Long-term loans given – repayment	10.	3 312 233	231 570
Cash generated / (used) in investment activities		**964 370**	**(837 828)**
Interest paid	7.	(736 969)	(577 918)
Loans, bonds, credits and liabilities borrowed	29.	249 265	7 735 000
Loans, bonds, credits and liabilities repaid	23.	(8 141 156)	(3 233 340)
Change in leases	25.	161 991	(4 427)
Capital increase, purchase of own shares	19.	(1 129 143)	1 133 865
Transfer of ESOP cash and cash equivalents and other transactions with owners	19.	(68 953)	(1 434 680)
Dividend received	7.	939 000	2 502 000
Dividend payment	7.	-	(1 993 001)
Cash generated / (used) in financing activities		**(8 725 965)**	**4 187 499**
Changes in cash and cash equivalents		**6 947 289**	**7 045 870**
Opening cash and cash equivalents	18.	9 948 117	2 921 324
Cash exchange gains/losses	7.	1 959	(19 078)
Closing cash and cash equivalents	18.	**16 897 366**	**9 948 117**

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

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

1. Statement of IFRS compliance

ALTEO Energiaszolgáltató Nyrt. (the "Company") declares that its separate Financial Statements as of the parent company for the year 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 of the Company as an issuer, as well as of its profit and loss. Furthermore, the Company declares that its separate Financial Statements of the parent company for the year 2023 provide a true and fair view of the situation, development and performance of the issuer, outlining the main risks and uncertainties.

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

ALTEO Energiaszolgáltató Nyrt. (the Company) represents and warrants that with regard to its individual data reporting obligations as parent company for 2023 it has complied with the statutory requirement concerning its disclosure obligation regarding publicly traded securities as set out in Decree 24/2008 (VIII. 15.) of the Minister of Finance. The Company has fully complied with the requirements set out in Annex 1 to the aforementioned legislative provision.

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

ALTEO Energiaszolgáltató Nyrt. (the Company) states that with regard to its individual data reporting obligations as parent company for year 2023 it has complied with the legal obligations concerning its disclosure obligation set out in Section 54 of Act CXX of 2001 on the Capital Market.

4. Introduction to ALTEO Nyrt.

ALTEO Nyrt. is an energy and engineering service provider listed on the Equities Prime Market of the BSE, its scope of business activities includes the operation of renewable-based energy generating and trading companies based as well as industrial energy management. We provide our customers with a reliable and environmentally responsible energy supply management based on the sustainable use of renewable energy.

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

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

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

Consolidated Annual Report and Financial Statements of ALTEO Nyrt. for 2023 Data in HUF thousand

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

5. Basic information of ALTEO Nyrt.

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

Basic information of ALTEO Nyrt.	
The Company's name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company's abbreviated name	ALTEO Nyrt.
Registered office and center of operations of the Company	H-1033 Budapest, Kórház utca 6-12.
The Company's telephone number	+36 1 236 8050
The Company's central electronic mailing address	info@alteo.hu
The Company's web address	www.alteo.hu
The Company's place of registration, date of registration	Budapest April 28, 2008
Company registration number	Cg.01-10-045985
The Company's tax number/VAT group identifier:	14292615-4-44 / 17783893-5-44
The Company's EU VAT number:	HU17783893
The Company's statistical code:	14292615-7112-114-01
Duration of the Company's operation	indefinite
The Company's legal form	public limited company
Registered core activity of the Company	Engineering activities and related technical consultancy (Hungarian NACE 7112'08)
Governing law	Hungarian
The Company's share capital	HUF 249,143,425
Date of the effective Articles of Association	May 11, 2023 (effective from April 21, 2023)

Ownership structure of the Company

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 as well as Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt., and Riverland Private Equity Fund managed by Indotek-Investments Zrt. as persons acting in concert for the purchase of series 'A' ordinary shares of ALTEO Energiaszolgáltató Nyrt. (HU0000155726) with a face value of HUF 12.5 each.

In its Resolution No. H-KE-III-77/2023. dated February 3, 2023, the Central Bank of Hungary (hereinafter: "Supervisory Authority") approved the statutory public takeover bid submitted on December 16, 2022 (and amended on February 2, 2023) to obtain control exceeding the level specified in Section 68(1)b) of Act CXX of 2001 on the Capital Market (hereinafter: "Capital Market Act"). The offer price per share specified in the statutory public takeover bid was HUF 3,040.

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.

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 4,902,535 ALTEO Nyrt. ordinary 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%.

Ownership structure of ALTEO Nyrt. based on the share register as at December 31, 2023:

Present shareholders of the Company based on the share register on 12/31/2023	Quantity (of shares)		Face value (HUF thousand)		Ownership ratio (%)	
	2023	2022	2023	2022	2023	2022
Wallis Asset Management Zrt. and its subsidiaries	-	10 278 009	-	128 475	0,00%	51,57%
um led by MOL RES Investments Zrt.	14 707 606	1 991 040	183 845	24 888	73,79%	9,99%
Members of the Board of Directors, the Supervisory Board and the Executive Board	383 053	914 324	4 788	11 429	1,92%	4,59%
ased own shares	128 783	6 220	1 610	78	0,65%	0,03%
SOP Organization	814 849	1 158 263	10 186	14 478	4,09%	5,81%
t	3 897 183	5 583 618	48 715	69 795	19,55%	28,01%
	19 931 474	**19 931 474**	**249 143**	**249 143**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2023 (on December 29) was HUF 2,850, which is 11% lower than the corresponding value in the previous year (HUF 3,200). The share trading volume in 2023 was 1,208,848 shares in the value of HUF 3,456 million.

Scopes of consolidation

The Company has no parent company involving it in consolidation.

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

6. The basis for the preparation of the financial statements

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

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

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

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

Going concern requirement

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

Critical accounting assumptions and estimates

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

Preparation, approval and publication of the financial statements

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

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

The Company's places of disclosure

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

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

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000: Dóra Éva Juhász Vadászné (registration number: 123304).

7. Key elements of the accounting policies

Presentation of the separate financial statements

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

- separate statement of income;
- separate statement of financial position;
- separate statement of other comprehensive income;
- separate statement of changes in equity;
- separate statement of cash flows;
- notes to the separate financial statements.
- Management report

The Company is not required to prepare a report containing information on corporate tax because the Company and its consolidated affiliated companies publish a report in compliance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, and that report contains the information covered by this chapter for all our activities and, in the case of the top-level parent companies, all the activities of all consolidated affiliated companies.

The Company presents the separate statement of income and the statement of other profit or loss in separate statements.

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

Currency of presentation of the financial statements

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

Currency	12.31.2023	2023 average	12.31.2022	2022 average
euro (EUR)	382,78	381,95	400,25	391,33

Significant decisions regarding presentation

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

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

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

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

The Company's management established the following segments:

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

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

Changes in comparative data

The previous IFRS financial statement of the Company was drawn up for the fiscal year of 2022. The financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening carrying values for the comparative period are also presented by the Company.

In the event that an item needs to be reclassified for presentation purposes (e.g. due to a new line in the financial statements), the figures for the previous year are adjusted by the Group so as to ensure comparability. There were no reclassifications in 2023.

Accounting policies related to the separate statement of income

Revenues

The Company accounted for its revenues in accordance with the rules of IFRS 15.
IFRS 15 established a unified model for revenues originating from contracts. With the help of the unified five step model the standard determines when and in what amount do revenues have to be recognized. The standard states explicit expectations for the situation when several elements are transferred to the customer at the same time. IFRS 15 describes two methods for timing the recognition of revenue: revenue accounted for at a given time and during a given period. The IFRS 15 standard also creates theoretical rules concerning what happens

with the costs in connection with acquiring and providing – not recognized elsewhere – the contract. The standard does not apply to financial instruments; they are regulated by IFRS 9.

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

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

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

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

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

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

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

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

Contractual assets

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

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

Expenses related to operation

Non-finance expenses are to be classified as follows:

- material expenses;
- personnel expenses;
- depreciation and amortization;
- changes in the inventory of stocks produced by the Company;
- Capitalized value of assets produced by the Company.

Other revenues and expenses

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

Finance income and expenses

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

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

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

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

Income taxes

The following are recognized as income tax:

- corporate tax (Act LXXXI of 1996 on Corporate Tax and Dividend Tax)
- local business tax (Act C of 1990 on Local Taxes)
- innovation contribution (Act LXXVI of 2014 on Scientific Research, Development and Innovation)

Offsetting

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

Discontinued activities

According to the provisions of the standard, the Company recognizes its discontinuing operations separately, if they are significant. It does not qualify as a discontinuing operation if the legal form of a given activity gets changed but the underlying economic content does not change significantly. There were no separate presentations in 2022 and 2023, the Company had no discontinued activities.

Application and concept of EBITDA

To facilitate the assessment of profit or loss, the Company management discloses the EBITDA figure with the content defined by the Company. The method of EBITDA calculation is presented below:

EBITDA = Net profit or loss +/- the following items:
+ Finance income
+ Income taxes
+ Depreciation, amortization
+ Impairment of fixed assets

the Company modifies the net profit or loss with the following items:

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

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

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

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EPS – earnings per share the shareholders are entitled to

When calculating earnings per share, the Company presents them in Section IV.34 of its consolidated financial statements based on the net profit or loss of the ALTEO Group. The EPS indicators of the individual IFRS report are not presented in the numeric reports of the financial statements.

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

Property, plant and equipment

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

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

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

The Company estimates the ARO using a percentage coefficient between 0% and 10%. The Company used a discount rate of 8.57% for discounting in 2023. For the present PPE inventory, no ARO need to be recognized.

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

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

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

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

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

The following depreciation rates are used for assets:

Asset group	Extent of depreciation
Land	non-depreciable
Buildings, leased real estate	1–6%
Power plant equipment	1–20%
Non-production machinery	14–33%
Office equipment	14–50%

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

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

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

Investment property

The Company owns no investment property.

Intangible assets

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

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

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

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

Internally developed assets

The Company management considered the recognition of internally developed assets.

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

Leases

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

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

The leasing component must be separated in the case of complex sales or supply contracts where one of the contractual elements meets the standard's conditions.
For the initial recognition of a lease, in the case of establishment of the value of the right of use and the obligation, the existing comparative data of the ALTEO Group must be used when determining the market interest rate. If such data are not available, the statistics published by the Central Bank of Hungary shall be taken into account. The right-of-use asset is amortized taking into account the same useful life as the lease term.

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

Borrowing costs

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

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

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

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

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

The capitalization of borrowing costs is finished when the asset is ready or when the actual work on the project is completed or, if earlier, the asset created in the course of the project is in use or its use has been approved. In 2023 no borrowing costs were capitalized.

Government grants

As a general rule, grants are recognized by the Company as income. Income is distributed over the periods for which it is granted. The part that cannot be credited to profit or loss is recognized in liabilities as deferred income. Items to be credited to profit or loss are deducted from the related expenses where possible.
If a grant is related to expenses, then such grant is principally accounted for by reducing expenses. If this is not possible (e.g. asset-related grant), it is recognized as other income.
In the case of asset-related grants, the revenue recognition period is during which the subsidized asset is used.

Grants may be accounted for if

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

In the event that a grant must be repaid subsequently, a liability is recognized when this becomes known by increasing the value of the asset or the expense.
If any advance is paid against the government grant, it must be recognized among liabilities. In the case of such a grant construct deferred income may only be recognized if the grant settlement is done.

- In the reporting period, the Issuer had no unfulfilled and other contingent liabilities attached to government assistance, therefore it has no items specified in para. 39(c) of IAS 20.

Assets held for sale

Non-current assets whose carrying amount will be recovered principally through an imminent sale transaction rather than through continuing use are classified as assets held for sale. Assets held for sale also include so-called disposal groups which comprise assets and closely related liabilities that are expected to be disposed of subsequently as part of a transaction (e.g. a subsidiary to be sold).
This classification may be used if it is highly probable that the sale in question will be completed within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition, the activities necessary for the sale to take place are underway and the asset or disposal group is being offered at a reasonable price.
Assets held for sale are separately presented by the Company in its statement of financial position and their value is not included in either non-current or current assets. These assets are not depreciated by the Company and are measured at the lower of their cost on the reporting date and fair value less costs to sell. The resulting difference is recognized by the Company against profit or loss.
If an asset needs to be subsequently reclassified as a non-current asset due to the fact that the conditions of classification are no longer met, then after the reclassification the asset is measured at the lower of the value adjusted by the unrecognized depreciation and the recoverable amount. The resulting difference is recognized in profit or loss.

Inventories

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

Accounting for impairment losses other than financial instruments and identifying CGUs

The groups of assets that generate cash income independently from other designated asset groups are considered by the Company to be cash-generating units (CGU).

The Company defines its cash-generating units as follows:

- The entirety of the Company's power plant equipment generating heat and electricity under the control of the AVPP (Ancillary Services asset group) All major production assets are under the control of the ALTEO virtual power plant (AVPP), responsible for controlling the capacities and the production of the

Company. The virtual power plant allows the Company to exploit synergies between various producers, to be present in markets where individual producers would not be able to, and to achieve significantly higher profitability than individual producers would. Through immediate, complex (mostly automated) decision-making, the AVPP strives to optimize the utilization of the entire portfolio at any time.

- Business lines with no substantial assets
    - Operation
    - Maintenance
    - Project implementation

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

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

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

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

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

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

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

Provisions

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

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

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

The following items are typically included in provisions:

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

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

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

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

No provisions may be recognized for:

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

Employee benefits

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

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

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

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

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

Financial instruments

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

Cash and cash equivalents

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

Cash and cash equivalents are classified by the Company as follows:

a) Cash and cash equivalents
b) Debt instruments,
c) equity instruments,
d) derivatives.

a) cash and cash equivalents:
Those low-risk, highly liquid, short-term investments which can be converted without any limitation to known amounts of cash, and no fluctuation in interest rates has any material effect on their values.

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

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

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

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

d) derivatives include all instruments whose value is a function of a change in an underlying variable; their initial investment need is negligible and their settlement takes place in the future. In the case of the Company, these are typically derivative transactions, except where the rules on hedge accounting provide otherwise. If the

Company concludes a transaction (such as forward foreign exchange contracts or interest rate swaps) which do not comply with the hedge accounting rules, these will be classified as FVTPL.

Financial liabilities must be classified into the following groups.

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

b) Other financial liabilities: All other financial liabilities are classified into this category. Typical items include:
   - trade payables;
   - loans and borrowings payable;
   - bond payables;
   - advances received.

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

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

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

Items not resulting in interest expense or interest income

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

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

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

Items resulting in interest expense or interest income

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

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

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

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

Definition of fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is the quoted market price at the end of the reporting period minus transaction costs. If no quoted price is available, the fair value of the instrument is determined using pricing models or discounted cash flow techniques. When using discounted cash flow techniques, the estimated future cash flow is based on the economic estimates of the Group, and the discount rate is a market rate that is effective, on the reporting date, for a given instrument under similar terms and conditions. When using pricing models, data are based on market valuations performed at the end of the reporting period.

IFRS 13 sets up a fair value hierarchy which categorizes the inputs used in the valuation techniques used to determine fair value into three levels:

Level 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities (publicly available) that the Group can access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted market prices included that are observable for the asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The estimation of the fair value of derivatives not traded on a regulated market is based on the amount that the Group would obtain, under regular business conditions, upon the termination of the contract at the end of the reporting period, taking into consideration the effective market conditions and the current creditworthiness of the parties.

The Group measures the fair value of assets and liabilities based on the Level 3 inputs of the fair value hierarchy.

Application of the expected credit loss (ECL) model

The management of the Company updated its estimates for the model in the current year. The applied rates were redefined by taking account of the risks associated with that business line. The extent of the Company's recognized impairments is low, due to the receivable management processes developed in the past years.

Hedge accounting

The hedge accounting provisions of IFRS 9 and the methodology of their application are described in detail in the accounting policy of the Company. In the case of cash flow hedge transactions, in accordance with IFRS 9, the difference arising on hedge instruments is recognized in other comprehensive income instead of net profit or loss to the extent of the effective portion, and the resulting difference is accumulated in a separate reserve in equity (the cash flow hedging reserve). The concerned part of this reserve is recognized in the statement of profit or loss when the hedged cash flow (interest) occurs or when the hedge becomes ineffective. To qualify for hedge accounting, the relevant transaction must be formally designated and there must be evidence for hedge effectiveness. With regard to the acquisition of fixed assets within the group company, the Company used hedging transactions in relation to the settlement of supplier invoices.

Interest in other entities

The Company holds several investments in other entities that are consolidated, but none that would need to be treated as associates. In the separate financial statements, these shall be valued by the Company at their initial recognition cost, reduced by accumulated impairment.

Detailed information on subsidiaries are presented in Section 1 *Information on the Group*.

The Company had no joint ventures.
The cash flow generated by the companies involved in the consolidation is freely available to the Company (there are no restrictions on access). The rate of control within the Company is determined based on voting rights. The ownership-based rate of control in the subsidiaries of the Company was not affected by any management contracts.
The Company has no interests where voting rights do not serve the management of the relevant activities leading to control (structured entities).
None of the Company members qualify as an investment entity.
The Company recognizes its controlled subsidiaries at cost.

Share-based payments

The Company motivates certain employees with share option benefits within the framework of an ESOP organization. The internal value of the share options in question must be accounted for as expense under the vesting period in accordance with the provisions of IFRS 2 against personnel expenses.
Upon the management's decision, the Company grants Shares to the employees who have become eligible to them on the basis of the Company's recognition plan. The number of shares corresponding to the amount granted as a reward is determined by the market price effective on the date of the transfer. The amount of the benefit must be accounted for as expense at the moment when it is granted, in accordance with the provisions of IFRS 2, against personnel expenses.

Current income tax expense and deferred taxes

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

General accounting policies relating to the statement of cash flows

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

Equity

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

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

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

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

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

Name of element	Content
Equity	Amount of the equity according to the IFRSs, increased by the amount of the received additional monetary contribution recognized as liabilities according to the IFRSs, decreased by the amount of the paid additional monetary contributions recognized as assets according to the IFRSs, increased by the amount recognized as deferred income from the value of cash and cash equivalents, assets received to be transferred into capital reserve in accordance with the law, decreased by the amount of the receivable recognized against shareholders due to capital increase qualifying as capital instrument.
Issued capital registered at the court of registration	The issued capital as determined by the articles of association if it qualifies as capital instrument.
Issued capital according to the IFRSs	The issued capital as determined by the articles of association minus the nominal value of shares bought back, if the issued capital qualifies as capital instrument.
Issued but yet unpaid capital	The amount not yet at the disposal of the business entity from the issued capital according to the IFRSs.
Capital reserve	The amount of all the elements of equity not belonging to the concepts of issued capital, the issued but unpaid capital, the retained earnings, the evaluation reserve, the profit after taxes or allocated reserve according to the IFRSs.
Retained earnings	Accumulated profit after taxes recognized in the annual report according to the IFRSs not yet paid to the shareholders, including amount accounted for the benefit or against the accumulated profit or loss according to the IFRSs; it cannot contain other comprehensive income according to the standard IAS 1 Presentation of Financial Statements with the exception of reclassification modifications. Amounts generated this way must be decreased by the amount of the paid additional monetary contribution recognized as asset according to the IFRSs and the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.
Evaluation reserve	the cumulated amount of the other comprehensive income in the comprehensive income statements according to the standard IAS1 Presentation of Financial Statement also including the other comprehensive income in the current year.
Profit or loss after taxes	the concept defined in Section 114/A(9) of the Accounting Act.
Allocated reserves	the amount of the received additional monetary contribution recognized as liability according to the IFRSs, increased by the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.

Dividends

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

Other accounting policies

Transactions denominated in foreign currencies

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

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

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

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

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

Objectives of accounting system maintenance

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

Significance, faults and fault effects

According to the rules of the IFRS an item is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users make on the basis of those financial statements. Considering significance the Company uses the value limit of the fault with a significant amount as defined in Act C of 2000 on Accounting.

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

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

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

8. Description of risks

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

Risk categories:

A/ Macroeconomic and legal system related risks

type	number	Risk	2023	2022	change
A	1	Risks stemming from the legal system	high	high	none
A	2	Macroeconomic factors	medium	medium	none
A	3	Taxation	high	high	none
A	4	State of danger in Hungary	high	high	none
A	5	Energy emergency	high	high	none

B/ Risks specific to the market and the industry

type	number	Risk	2023	2022	change
B	6	Energy market regulation	high	high	none
B	7	Regulated prices	high	high	none
B	8	Electricity balancing reserve capacity system risks	high	high	none
B	9	Changes to network connection rules	high	high	none
B	10	Government grants	high	high	none
B	11	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
B	12	Changes in technology	medium	medium	none
B	13	Competitive situation	medium	medium	none
B	14	Funding risk	medium	high	yes
B	15	Foreign exchange rate changes	medium	medium	none
B	16	Impact of international market developments on domestic trade	medium	medium	none
B	17	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
B	18	Environmental, sustainability and ESG regulations	medium	medium	none
B	19	Illness of the workforce	low	low	none
B	20	War risks	medium	medium	none

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C/ Risks specific to the ALTEO Group:

type	number	Risk	2023	2022	change
C	21	Risks arising from operating the Virtual Power Plant	high	high	none
C	22	Political risks	high	high	none
C	23	Dependence on weather	high	high	none
C	24	The impact of weather on heat use	high	high	none
C	25	Risks of growth	high	high	none
C	26	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
C	27	Risks related to power plant project development and green-field investment	medium	medium	none
C	28	Large-scale, customized projects	medium	medium	none
C	29	Energy trade risks	high	high	none
C	30	Operating risks	medium	medium	none
C	31	Fuel risk	medium	medium	none
C	32	Renewing and/or refinancing outstanding debts	low	medium	yes
C	33	Information technology systems	medium	medium	none
C	34	Wholesale partner risks	medium	medium	none
C	35	Dependence on third-party suppliers	medium	medium	none
C	36	Buyer risk	medium	medium	none
C	37	The risk of key managers and/or employees leaving the Company	medium	medium	none
C	38	The risk of introducing and using new power plant technologies	medium	medium	none
C	39	Authority risk	low	low	none
C	40	Key licenses and qualifications	low	low	none
C	41	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
C	42	Risks related to the RPM business	medium	medium	none
C	43	Options to purchase certain means of production	low	low	none
C	44	Business relationships associated with the Owners	low	low	none
C	45	The risk of being categorized as a de facto group of companies	low	low	none
C	46	Taxation	low	low	none
C	47	Environmental risks	low	low	none
C	48	Risk of bankruptcy and liquidation proceedings	low	low	none
C	49	Any discrepancies between the data in the consolidated and IFRS reports, and the data in the reports prep	low	low	none
C	50	The risk of entering new geographical markets	low	low	none

a. Macroeconomic and legal system related risk factors

1. **Risks stemming from the legal system**

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

2. **Macroeconomic factors**

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

3. **Taxation**

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

4. **State of danger in Hungary**

In view of the armed conflict and humanitarian disaster in the Ukraine, and in order to avert their consequences in Hungary, the Government has declared a state of danger for the whole territory of Hungary with effect from May 25, 2022. It is not known when the armed conflict in the Ukraine will end; the resulting state of danger will remain in force until May 24, 2024.
During the period of the special legal order, the Hungarian Government by taking over the legislative powers of the National Assembly may govern by adopting decrees, it may suspend or amend certain laws, and therefore the legislative environment may change frequently and in less predictable fashion. The energy sector, in which ALTEO Nyrt. is active, is considered to be of strategic importance and may, therefore, be particularly exposed to the uncertainties of state of danger-related legislation, and the Hungarian government may also place ALTEO Nyrt. under its supervision, thereby taking over the powers of ALTEO's supreme decision-making body. Such state of danger-related changes, uncertainties and measures may affect ALTEO Nyrt.'s operations, revenues and profitability.

5. **Energy emergency**

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

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

b. Risks specific to the market and the industry

6. **Energy market regulation**

The operation and profitability of the ALTEO Group greatly depend on the energy market regulations in Hungary and in the European Union, as well as on the application of such regulations, including in particular laws, authority and court practice, Hungarian and international processes, trade and operational regulations, as well as other applicable regulations relating to electricity generation, electricity trade, the market of ancillary services in the electricity industry, the utilization of renewable energy sources, energy and heat produced in cogeneration power plants, district heat generation and district heating services, natural gas trade, as well as allowance allocation and trade. In 2018, the European Union adopted new energy-related laws under the title “Clean Energy For All Europeans”.
Changes in these regulations and the transposition of the EU regulatory framework may have a significant impact on the operation, profitability, market position and competitiveness of ALTEO Nyrt.

7. **Regulated prices**

The various affiliates of the ALTEO Nyrt. engage in activity whose price is determined or capped through laws or authority regulations (including in particular those of the HEPURA, ministries and municipalities). These prices, which are prescribed by law or set by an authority, and any modifications in the material scope of official price regulation may have a significant impact on the profitability and competitiveness of the Company, as well as its various Subsidiaries.

8. **Electricity balancing reserve capacity system risks**

In addition to the development of the price margin between electricity and heat energy, the financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the electricity markets for balancing reserve capacity and energy within the electricity system. If, for some reason, access to these markets becomes limited with respect to production units within the sphere of business interests of ALTEO Nyrt., including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of ALTEO Nyrt. Considering that ALTEO Nyrt. is present on the balancing energy market(s) as a service provider as well as a buyer of services, price changes in such market(s) may have a significant effect on the capacity of the Company to generate financial income.

9. **Changes to network connection rules**

The financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the balancing reserve capacity and energy markets of the electricity system. If, for some reason, access to these markets becomes limited with respect to production units within the sphere of business interests of ALTEO Nyrt., including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of ALTEO Nyrt. Considering that ALTEO Nyrt. is present on the balancing energy markets as a service provider as well as a buyer of services, a change in pricing in such markets may have a significant effect on the capacity of the Company to generate financial income.

10. **Government grants**

The operation and profitability of ALTEO Nyrt. may depend on the amount of state subsidies applicable to the utilization of renewable energy sources and cogenerated energy in Hungary and in the member states of the European Union, as well as those for investment projects and operation, moreover on any future changes in government grants.
The European Commission has issued new guidelines for assessing the compatibility of all state aid subject to notification granted or planned to be granted from January 27, 2022 onwards in the fields of climate, environmental protection and energy (CEEAG). In the CEEAG, the Commission proposes that EU Member States amend their existing environmental and energy support schemes to comply with the CEEAG by December 31, 2023. Changes in state subsidy regimes, and especially in the KÁT and METÁR regulations, or a possible cancellation of applicable grants may have a significant impact on the operation, profitability, market position and competitiveness of the Company.

11. **CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices**

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

12. **Changes in technology**

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

13. **Competitive situation**

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

14. **Funding risk**

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

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

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

The growing volatility of energy prices increased the deposit and bank guarantee requirements associated with the conclusion and maintenance of forward products. Additionally, late payments embodied in shorter trade payment dates and the larger trade receivable portfolio arising from higher specific prices may increase the working capital financing needs of ALTEO Nyrt. members. As a result, ALTEO Nyrt. must use a larger proportion of its cash and cash equivalents to finance the increased deposit and bank guarantee, and working capital needs than in previous years.

15. **Foreign exchange rate changes**

In respect of the part of the sales revenue of ALTEO Nyrt. generated in HUF and, on the expenditure side, to be settled in FX or subject to foreign exchange rate fluctuations, the Group may incur gains or losses, due to changes in HUF and FX exchange rates. As a consequence, any change in foreign exchange rates that is unfavorable for ALTEO Nyrt. might have a negative effect on the business activity and profitability of ALTEO Nyrt. ALTEO Nyrt. manages this exposure through hedging of the relevant items, however, even so the resulting risks cannot be completely excluded.

16. **Impact of international market developments on domestic trade**

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

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

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

18. **Environmental legislation**

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

19. **Illness of the workforce**

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

20. **War risks**

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

c. Risks specific to the ALTEO Group

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

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

22. **Political risks**

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

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

23. **Weather-dependent energy production**

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

In the case of weather-dependent energy production, the Company relies on meteorological forecasts to estimate (schedule) the quantity of electricity that can potentially be generated. If the weather is not as predicted, there will be changes in the amount of electricity produced as compared to the plans (Day-Ahead or Intra-Day schedules), which may cause a significant loss for the ALTEO Group. See also Electricity balancing reserve capacity system risks.

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

24. **The impact of weather on heat use**

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

25. **Risks of growth**

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

With contributions from its Subsidiaries, in accordance with the present Financial Statements, the Company is currently preparing for the implementation of several projects. In addition to the Company's intention, these project implementations depend on a number of other external factors. It cannot be guaranteed that these projects will be actually implemented, or will be implemented in accordance with the present Financial Statements; furthermore, the implementation of other future projects may precede or substitute projects known on the date of the present Financial Statements.

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

26. **Risks stemming from acquisitions, buying out projects and companies**

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

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

In ALTEO Group's business plans, licensing and implementation of energy investments and the resulting expansion of its power plant portfolio play an important role. A significant share of the ALTEO Group's revenue growth comes from new investments, mostly large-scale, customized projects. Consequently, completing or not implementing just a few projects may already make a big difference in terms of the Company's future revenues and profitability.
These large-scale projects are frequently long-term (may take even several years), require a long-term allocation of significant resources and are implemented using subcontractors.
Although the ALTEO Group draws up careful technical, legal and profitability plans when preparing for project implementation, there is always a possibility that the authorization of specific projects becomes unreasonably long or impossible. During implementation phases, the ALTEO Group strives to contract subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.
Any of the potential risk events associated with investments or development projects in power plants may result in stagnation of the ALTEO Group's growth.

28. **Large-scale, customized projects**

In line with the characteristics of the industry, a significant share of ALTEO Group's revenues comes from large-scale, customized projects. Consequently, completing or not implementing just a few projects may already make a big difference in terms of the Company's future revenues and profitability. These large-scale projects are frequently long-term (may take even several years), require a long-term allocation of significant resources and are, in several cases, implemented using subcontractors. An eventual failure of or loss on such large-scale investments may have a significant negative impact on ALTEO Group's profitability.

29. **Energy trade risks**

Changes in the demand on electricity and natural gas markets may have a profound impact on the revenues, profitability and strategic expansion plans of the ALTEO Group.
During ALTEO Group's energy trading activities, portfolio planning is done on the basis of data service from consumers and the Group's calculations. A planning error or incorrect data report may lead to an inappropriate procurement strategy, where a subsequent correction can cause losses to the ALTEO Group.

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

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

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

30. **Operating risks**

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

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

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

31. Fuel risk

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

32. Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, the ALTEO Group uses in part bonds – issued by ALTEO either in a private or public offering – to fund its financing needs. As at the date of this Information Memorandum, the ALTEO Group holds a bond portfolio with a face value of HUF 12,400 million.
Negative changes and risks in the business prospects of the ALTEO Group, in the general financing environment, in the interest environment or in the general capital market atmosphere may have a negative effect on the renewal of bond debt and the refinancing of the ALTEO Group's outstanding loans would be possible only with significantly worse conditions or it might even become impossible. These circumstances may have a negative effect on future financing and on the financial situation of the ALTEO Group.

33. Information technology systems

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

34. Wholesale partner risks

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

35. Dependence on third-party suppliers

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

36. **Buyer risk**

A significant share of the ALTEO Group's revenues comes from a small number of buyers making large purchases. Consequently, winning or losing a client contract may already make a big difference in terms of the Company's future revenues and profitability.
As a consequence of having significant buyers, the ALTEO Group is exposed to non-payment risk. If an important buyer of the ALTEO Group fails to pay or pays lately, that might cause a significant loss to the ALTEO Group.
The ALTEO Group has fixed-term contracts with its significant buyers, suppliers and financing partners. There is no guarantee that after the expiry of these contracts, the parties can reach an agreement regarding the extension of these contracts. Even fixed-term contracts offer no guarantee against their termination before the end of their specified term due to some unexpected or exceptional event.
ALTEO Group sells electricity and provides district heating services for certain public institution users. Upon request from such users, the relevant Subsidiary is obliged to provide an exemption from termination due to late payment (a moratorium), for a specified period, subject to the conditions laid down by law. Costs occurred due to the moratorium must be borne by the relevant Subsidiary.

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

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

38. **The risk of introducing and using new power plant technologies**

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

39. **Official decisions**

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

40. **Key licenses and qualifications**

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

41. **The risk of not fulfilling the obligations associated with operating its own balancing group**

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

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

42. **Risks related to the RPM business**

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

43. **Options to purchase certain means of production**

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

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

Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business quota, MOL Petrochemicals Co. Ltd. is entitled to purchase, until June 30, 2027 at the latest, the Tisza-WTP business quota at a price calculated according to the methodology specified in the contract.

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

44. **Business relationships associated with the Owners**

There are several business relationships between the other business interests of the ALTEO Group owners whose participations exceed 20%. Some of the material expenses within the revenues of the ALTEO Group relate to such owners. There is no guarantee that in the case of an eventual future change in the ownership structure of the Company or of these businesses the relationship of the ALTEO Group with these businesses remains unchanged. The termination of these buyer, financing and supplier relationships may have a negative effect on the profitability of the ALTEO Group.

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

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

46. **Taxation**

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries.
In certain acquisition contracts, the parties to the contract acting as sellers to the ALTEO Group accepted a full guarantee for the period of tax law limitation for the reimbursement of the tax debts of the target companies for the periods prior to their joining the ALTEO Group. Nevertheless, there is no guarantee that any claims for reimbursement against the sellers may be fully enforceable, which may result in a loss for the ALTEO Group.
As of November 1, 2023 the Company created a VAT Group, for which it acts as the group representative.

47. **Environmental risks**

During their activities the ALTEO Group's companies use materials and apply technologies that could be harmful to the environment if used inappropriately, not complying with the laws or the applicable licenses. Members of the ALTEO Group have the necessary environmental licenses and policies in place, and their expert staff do their job with special care as required by the nature of this business. But there could be extraordinary events which may entail invoking the environmental remediation obligation of the affected company or imposing a fine, or may lead to enforcing claims against the affected company. The ALTEO Group's insurance policies may not provide any cover or full cover for damages and costs resulting from such events, which may result in a loss for the ALTEO Group.

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

If the court requires bankruptcy proceedings to be instituted against the Company, the Company will be granted a payment extension. Pursuant to Section 10(4) of the Bankruptcy Act, the term of payment is extended until 00:00 a.m. on the second business day following the 120th day from the publication of the decision on the bankruptcy proceedings. Under certain conditions, the extension may be prolonged for up to 365 days from the start date of the bankruptcy proceedings. Any bankruptcy or liquidation proceedings initiated against the Company would have a significantly adverse impact on the price of Alteo securities or the probability of the full repayment of bonds.

49. **Discrepancies (if any) between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)**

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

50. **The risk of entering new geographical markets**

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

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

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

New accounting policies as of January 1, 2023

The following standards and interpretations (and their respective amendments) became effective during the 2023 fiscal year

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

New and amended standards – to be applied for the financial years starting from January 1, 2023:	Effective date	EU endorsement	ALTEO Group
IFRS 17 Insurance Contracts (issued on May 18, 2017, endorsed by the EU)	2023.01.01	approved	none
Disclosure of material accounting policy information amending IAS 1 and IAS 8, and IFRS Practice Statement 2	2023.01.01	approved	none
Definition of accounting estimates amending IAS 8	2023.01.01	approved	none
Amendment of IAS 12 Income Taxes	upon approval	approved	none

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

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

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

Application for subsequent financial years:	Effective date	EU endorsement	ALTEO Group
IFRS 16 Leases (Amendment – Liabilities under leaseback)	2024.01.01	approved	No impact is expected
IAS 1 Presentation of financial statements (Amendment – Classification of liabilities as short or long-term)	2024.01.01	approved	No impact is expected
IAS 1 Presentation of financial statements (Amendment – Short-term liabilities with Covenants)	2024.01.01	approved	No impact is expected
IAS 7 and IFRS 7 Supplier financing agreements	2024.01.01	approved	No impact is expected

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

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

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

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

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

The management of the Company uses estimates when preparing the financial statements.

- Estimates concerning the depreciation of the fixed assets (e.g.: useful life). The useful lives and residual values of fixed assets and the related decommissioning liability can be determined using estimates. With regard to the R&D project, the amortization rate has been set in proportion to the expected recovery. Due to the high value of fixed assets, even slight changes in such estimates can have a considerable effect.
- With regard to the cost of right-of-use assets and lease liabilities, the interest rate used for discounting could not be determined using actual market data; instead, alternative methods had to be employed.
- Revenues and profit or loss recognized in connection with the construction-installation projects were determined based on the present circumstances.
- The recovery of deferred tax assets recognized was accounted for based on the present market environment and tax legal regulations. Changes in any of these factors may modify actual recovery.
- Estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions)

- Estimates concerning the evaluation of inventories and receivables: The management's judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.
- In the case of an obligation arising from a conditional purchase price, the management estimates applied influence the size of the obligation.

Estimates concerning fair value:
In the case of an obligation arising from a conditional purchase price, the management estimates applied influence the size of the obligation.
Tax assets and liabilities in the statement of financial position: Deferred tax assets were recorded due to considerable deferred losses and are expected to be recovered according to the Company's plans; however, changes in the legal environment may result in a significant change in the value of such assets.

Changes or observations giving rise to the review of accounting estimates:

- Changes in laws,
- Changes in the economic environment,
- Changes in the operation or procedures of the companies.

Many of the Company's assets can be tested for impairment at CGU level. Identifying CGUs requires complex professional judgement. In addition, when determining the recoverable value of CGUs, the Company's management is forced to rely on forecasts for the future which are uncertain by nature. The estimation of the recoverable value involves significant amounts even at the level of the financial statements.

The management's judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.
Whether the assets and know-how created under the Research and Development project can be utilized is highly dependent on the market and regulatory environment.

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

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

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

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

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

V. Statements of profit or loss and of financial position

Allocation of the Company's statement of profit or loss to segments has been performed. Presentation of the profit by segments is included in Note 32.

1. *Revenue*

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

The revenue of the Company is the sum of the following items:

- Revenue from services and sales performed (invoiced)
- Revenue from seasonal (continuously performed) activities disclosed as accrued income.
- In the case of the energy industry projects, the recognized revenue was determined taking account of the stage of completion.
- The Company leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes then as items decreasing expenses.
- Lease income on subsidiaries recognized under leases according to IFRS16 rules are recognized as revenues. Apart from the energy storage units and the electric boilers installed in Sopron, Kazincbarcika and Tiszaújváros, the Company does not keep any separate assets for leasing purposes, nor does it lease its own assets. The Company does not sublease its leased assets.
- The Company did not have royalty or dividend which should have been recognized as revenue.

Composition of revenues by geographic distribution:

Revenues	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Domestic revenue	26 007 059	24 776 281
Export revenue	-	36 279
	26 007 059	**24 812 560**

The breakdown of revenue by activities is as follows:

Revenues	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Operation, maintenance and management services	23 941 190	23 529 917
Project development	1 478 746	906 510
Operating lease	457 900	297 087
Accounting services	128 043	72 954
Other	1 180	6 093
	26 007 059	**24 812 560**

<u>Revenue from operation, maintenance and management services</u>: the operation, maintenance and management services provided by the Company.

<u>Project development:</u> Project work, power plant construction, engineering services.

<u>Operating lease</u>: revenue from the lease of energy storage units and means of production.

Operating lease maturity analysis:

Operating lease	2018 HUF thousand	2019 HUF thousand	2020 HUF thousand	2021 HUF thousand	2022 HUF thousand	2023 HUF thousand	2024 HUF thousand	2025 HUF thousand	2026 HUF thousand	2027 HUF thousand
Energy storage facility Budapest	36 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000
Energy storage facility Kazincbarcika	-	-	-	150 000	150 000	150 000	150 000	150 000	150 000	150 000
Sopron electric boiler	-	-	-	-	3 087	56 376	60 886	65 757	68 387	73 858
Kazincbarcika electric boiler	-	-	-	-	-	13 950	111 600	111 600	111 600	111 600
Tiszaújváros electric boiler	-	-	-	-	-	13 950	111 600	111 600	111 600	111 600

Accounting services: administration, tax consultancy and accountancy services provided by the Company to its subsidiaries.

Other: any revenue not disclosed above.

2. *Material expenses*

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

Material expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Operation, maintenance and project development	(4 541 815)	(4 186 801)
Expert fees (accounting, auditing, consultancy)	(1 132 703)	(671 027)
Marketing, education, further training costs	(187 301)	(156 543)
Rent /office, car, other devices, IT/	(205 983)	(147 354)
Fuel	(105 585)	(96 387)
Other costs	(141 831)	(77 831)
Bank expenses, insurance	(86 545)	(57 311)
Office maintenance exp. /operation, telephone, materials/	(91 331)	(54 677)
Membership fees, duties	(10 279)	(8 967)
	(6 503 373)	**(5 456 898)**

The Company applies exemptions as specified in IFRS 16. The Standards provide exemption from the recognition requirements applicable to leases in case of short-term leases and the lease of low-value assets, and allows for their recognition as an expense during the lease term, that is, under the current rules of recognition governing operating leases. The Company recognizes the following items as lease payments: car leases maturing within one year, and the lease of certain IT equipment of small value, the lease of working clothes and of other assets. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses.

Rental fees	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Property rent	(12 198)	(22 293)
Vehicle rental	(69 135)	(47 698)
Site premises rent	(44 581)	(38 530)
Workwear rent	(39 827)	(16 052)
IT equipment rent	(13 361)	(8 587)
Rental fee of machinery, equipment	(7 101)	(938)
Other rental fees	(19 780)	(13 256)
	(205 983)	**(147 354)**

3. *Personnel expenses*

Personnel expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Wages	(4 899 231)	(3 906 112)
Costs of share-based benefits	(723 816)	(830 840)
of which: ESOP II 2020-2022 program	*-*	*(184 073)*
of which: ESOP 2022-2024 program	*(285 916)*	*(373 192)*
of which: ESOP 2022-2025 program	*(173 796)*	*(273 575)*
of which: ESOP Watt Program	*(32 348)*	*-*
of which: ESOP Szikra Program	*(123 118)*	*-*
of which: ESOP Management Program	*(108 638)*	*-*
Contributions	(739 501)	(580 200)
Other personnel expenses	(692 766)	(440 469)
	(7 055 314)	**(5 757 621)**

Wages: Salaries paid to employees. The increase is attributable to growing headcount and the rate of wage increases following inflation.

Costs of share-based benefits: The obligations of the Company relating to ESOP benefits are explained in Sections 19.4, 24 and 29, while privately issued ordinary shares are discussed in Section 19.1.

Contributions: Taxes relating to wages, personnel and other in-kind benefits.

Other personnel expenses: Benefits in kind, entertainment expenses and reimbursements to employees.

Average statistical headcount (persons)	2023	2022
Alteo Nyrt.	327	291

The closing headcount of the Company on 12/31/2023 was 361 people.

Wages and personnel benefits to employees and taxes related to such payments:

Headcount 2022	Average statistical headcount	Total gross wages (HUF thousand)	Of total gross wages bonus, premium (HUF thousand)	Personnel-type payments (HUF thousand)	Of personnel-type payments bonus, premium (HUF thousand)	Social contr. payable (HUF thousand)
Full-time						
blue-collar	104	968 295	89 265	47 123	-	139 524
white-collar	182	2 837 306	647 011	917 520	830 840	408 833
Part-time						
blue-collar	-	-	-	-	-	-
white-collar	5	47 390	10 828	1 000	-	6 828
Other employees not on payroll	-	52 981	4 825	4 781	-	7 634
ad hoc	-	140	-	-	-	20
	291	**3 906 112**	**751 929**	**970 424**	**830 840**	**562 840**

Headcount 2023	Average statistical headcount	Total gross wages (HUF thousand)	Of total gross wages bonus, premium (HUF thousand)	Personnel-type payments (HUF thousand)	Of personnel-type payments bonus, premium (HUF thousand)	Social contr. payable (HUF thousand)
Full-time						
blue-collar	105	1 197 735	90 630	53 042	-	185 649
white-collar	217	3 580 537	715 123	1 341 810	725 136	535 103
Part-time						
blue-collar	-	-	-	-	-	-
white-collar	6	49 524	5 564	865	-	7 676
Other employees not on payroll	-	71 435	2 288	20 865	-	11 072
ad hoc	-	-	-	-	-	-
	327	**4 899 231**	**813 605**	**1 416 582**	**725 136**	**739 501**

The tables do not show certain benefits and personnel-type payments not related to employees.

4. Depreciation and amortization

Depreciation and amortization	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Depreciation and amortization	(952 843)	(704 636)
	(952 843)	**(704 636)**

Depreciation is explained in detail in Section 9.

5. Capitalized own production

Capitalized own production	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Capitalized value of assets produced by the Company, wages	376 938	233 951
Other own performance – wages and material expenses	168 089	11 422
	545 027	**245 373**

Capitalized own production includes personnel and other material expenditures incurred directly in connection with the assets produced within the Group. The capitalized value of own production is explained in Section 9.

6. Other revenues, expenses, net

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

Profit or loss from other revenues and expenses	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Impairment	(81 724)	(127 383)
Receivable released	-	(127 167)
Cash transferred	(50 184)	(32 222)
Fines, compensation, default interest imposed (paid)	(133 465)	(5 728)
Inventory difference	(3 745)	(2 057)
Taxes and other payment obligations	(11 676)	(363)
Sale/scrapping of fixed and intangible assets	(2 654)	1 608
Other settlements	(24 427)	3 748
Subsidies and grants received	119 209	51 254
	(188 666)	**(238 310)**

Impairment: no impairment has been reversed in the current year. Individual impairment and impairment recognized based on the ECL model for 2023 amounted to HUF 81,724 thousand.

Receivable released: No receivables were released in the 2023 financial year. In 2022, the Company released HUF 30,000 thousand of the loan receivables from the subsidiary Alteo-Go Kft.; furthermore, a loan of HUF 95,543 thousand and interest of HUF 1,624 thousand was released with regard to Sinergy Energiaszolgáltató Kft.

Cash transferred: The Company provided grants to foundations, nonprofit organizations and the ESOP organization in the total amount of HUF 50,184 thousand.

The Company provided pecuniary benefits without consideration in excess of HUF 1,000,000 to the following organizations or entities:

Name of subsidized economic entity	Tax number	Registered office	Amount (HUF thousand)
Baptista Szeretetszolgálat Alapítvány	18485529-1-42	H-1143 Budapest, Hungária körút 69.	2 500
Barcika Art Kft.	14408542-2-05	H-3700 Kazincbarcika, Fő tér 5.	3 500
Bridge Budapest Egyesület	18407969-1-41	H-1134 Budapest, Apály utca 3. 6. em./4. a.	2 500
Budapesti Fesztiválzenekar Alapítvány	18005488-2-41	H-1034 Budapest, Bécsi út 126.	1 200
Hősök Tere Alapítvány	18869255-1-43	H-1118 Budapest, Breznó köz 8.	3 720
Menhely Alapítvány	19013213-1-42	H-1082 Budapest, Vajdahunyad utca 3.	3 000
Mosoly Alapítvány	18674190-1-42	H-1066 Budapest, Nyugati tér 1.	1 720
ALTEO ESOP Organization	01-05-0000133	H-1033 Budapest, Kórház utca 6-12.	16 393
REKK Regionális Energia- és Infrastruktúra-politikai Együttmüködésért Alapítvány	18744121-2-43	H-1118 Budapest, Mányoki út 14. I./4/a.	6 000
Soproni Egyetem (Sopron University)	19253086-2-08	H-9400 Sopron, Bajcsy-Zsilinszky utca 4.	1 000
Tiszaújvárosi Brassai Sámuel Szakközépiskola és Szakmunkásképző diákjainak oktatásáért, neveléséért, és kultúrájáért" Alapítvány	18432459-1-05	H-3580 Tiszaújváros, Rózsa utca 10.	1 300
Tűzcsiholó Egyesület	19241841-1-15	H-4456 Tiszadob, Bocskai utca 26.	2 000
Hungarian Committee of UNICEF Foundation	18212718-2-42	H-1077 Budapest, Wesselényi utca 16.	3 000

<u>Fines, compensation, default interest received/paid:</u> The effect of the legal consequences arising during the usual course of business of the Company, recognized on a net basis. Late payment surcharges increased because, pursuant to the Management's decision, the Company intends to use the development reserve previously set up against profit or loss before taxes for purposes other than investment projects and therefore such amount was repaid in 2024.

<u>Inventory difference:</u> Discrepancies identified during stocktaking of inventories.

<u>Taxes and other payment obligations:</u> The taxes disclosed are not income taxes. These contain deductions imposed by municipalities (vehicle tax), taxes to be credited to other expenses (environmental product tax) and other fees.

<u>Sale/scrapping of fixed and intangible assets:</u> The profit or loss on Fixed asset other than amortization, resulting from the derecognition of rights of use and the proceeds of sales of fixed assets.

<u>Other settlements:</u> This line contains gains relating to insurance policies as well as other expenses and incomes that cannot be categorized, such as partner and tax current account settlements, time-proportionate personnel repayments due to the departure of staff, rounding differences.

<u>Subsidies and grants received:</u> The time-proportionate income from subsidies and grants recognized in deferred income. Subsidies and grants received are described in detail in Sections 9 and 26.

7. *Finance income, expenditures, net*

Finance income consists of the following items:

Financial profit	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Dividend received	939 000	2 502 000
Received/receivable interest	2 410 035	931 487
Foreign currency translation gains	257 917	154 351
Other financial settlements	316	-
Income from financial transactions	**3 607 268**	**3 587 838**
Impairments	(35 818)	(13 886)
Interests paid/payable	(809 864)	(626 979)
Foreign currency translation losses	(341 330)	(171 331)
Expenses on financial transactions	**(1 187 012)**	**(812 196)**
	2 420 256	**2 775 642**

Dividend received: The Company is entitled to dividend after its shares in its subsidiaries. In 2023 dividends received included the following:

- Sinergy Energiaszolgáltató Kft. HUF 20,000 thousand
- Domaszék Kft. HUF 29,000 thousand
- Monsolar 2MW Kft. HUF 40,000 thousand
- Sunteo Kft. HUF 100,000 thousand
- Pannon Szélerőmű Kft. HUF 250,000 thousand
- Euro Green Energy Kft. HUF 500,000 thousand

Interest received/due, Interests paid/payable (Net interest expenses): Interest on loan receivables and payables to related parties, interest on bonds relating to the current year, interest on term deposits and cash-pool as well as interest on lease right-of-use assets.

Foreign exchange difference: foreign exchange difference realized on items settled in Euro.

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

8. *Income taxes in profit or loss*

The Company pays tax under Hungarian tax law. In the Hungarian tax system, such income tax expenses for the Company included corporate tax, the innovation contribution and the local business tax.

Income taxes	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Corporate tax	(2 387 882)	(6 844)
Business tax	(439 172)	(438 737)
Innovation contribution	(70 712)	(67 209)
Deferred tax expenses	1 205 222	(1 136 333)
	(1 692 544)	**(1 649 123)**

Tax matters often require estimates and decisions which will later contradict the opinion of the tax authority; therefore, a subsequent tax audit may reveal additional tax liabilities for periods for which a tax return has already been submitted. The Company operates in a tax environment which grants tax authorities a wide range of powers to reclassify items and taxpayers are usually helpless against these powers. The Company does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company.

Elaboration of corporate tax

Elaboration of the tax base	note	2023 HUF thousand	2022 HUF thousand
IFRS profit or loss before taxes	12.	14 287 714	15 685 436
Increasing items		2 092 173	1 903 941
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	9.	956 102	705 664
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	6.	119 238	433
Total provisions recognized	22.	850 009	-
Amount of impairment recognized regarding receivables	6.	96 098	141 268
Receivables released (except to the benefit of a private individual)	6.		159 389
impairment related to reported participation recognized as expenses in the tax year	-	20 543	-
Determined amount of grant, benefit	-	50 183	-
Other	22.	-	66 347
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	3.	-	830 840
Decreasing items	-	2 162 476	17 589 377
Amount written off from the loss carried forward (negative tax base) from previous years	12.	-	-
Depreciation recognized in accordance with the tax legislation	9.	689 708	595 901
Allocated reserves generated from retained earnings (development reserve)	19.3	-	13 660 786
Dividends, shares received and recognized as income	7.	939 000	2 502 000
Impairment reversed regarding receivables in the tax year, irrecoverable portion of the cost of receivables	6.	-	-
Determined amount of grant, benefit	6.	8 316	17 435
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	19.4	-	297 983
Local business tax, innovation contribution	31.	525 452	515 272
Tax base		14 217 411	-
Tax (9%)		1 279 567	-
Benefit (reducing taxes)		-	-
Tax pursuant to the Corporate Tax Act		1 279 567	-
Support for sports and arts entitling to tax benefit		-	-
Amendment of corporate tax for previous years	31.	1 108 315	6 844
Effect of corporate tax on profit or loss		2 387 882	6 844
Deferred tax asset (Fixed assets, Intangible assets)	12.	3 031 571	1 495 023
Deferred tax asset (Impairment)	12.	(676 191)	(578 278)
Deferred tax asset (ESOP Program 2024 long-term liability)	12.	-	(373 192)
Deferred tax asset (ESOP Program 2024 short-term liability)	12.	(659 108)	-
Deferred tax asset (ESOP Program 2025 long-term liability)	12.	(447 371)	(273 575)
Deferred tax asset (ESOP Program Watt long-term liability)	12.	(32 347)	-
Deferred tax asset (ESOP Program Szikra long-term liability)	12.	(123 118)	-
Deferred tax asset (ESOP Program Management long-term liability)	12.	(108 638)	-
Deferred tax asset (Holiday accrual)	12.	(88 684)	(56 660)
Deferred tax asset (share purchase)	12.	-	(287)
Deferred tax asset (employee share award)	12.	-	(9 685)
Recognition of deferred tax liabilities (Provisions)	12.	(53 008)	(15 500)
Recognition of deferred tax liabilities (Development reserve)	19.3	2 000 000	16 117 856
Recognition of deferred tax liabilities (OCI)	19.3	71 243	-
Effect of deferred taxes on profit or loss		(1 205 222)	1 136 333
Local business tax expenditure	31.	454 740	448 063
Adjustment of local business tax of previous years	31.	(15 568)	(9 326)
Innovation contribution expenditure	31.	70 712	67 209
Effect of income taxes on profit or loss		1 692 544	1 649 123

The amount of deferred taxes disclosed in the statement of financial position is included in Note 12.
The tax authority may review books and records at any time within the 6 years following the relevant tax year and may impose additional taxes or fines. The management of the Company is not aware of any circumstances from which a significant obligation might originate burdening the Company under such a legal title.

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

Income taxes	note	2023 HUF thousand	2022 HUF thousand
Profit or loss before taxes	12.	14 272 146	15 676 110
Theoretical tax (9%)	12.	(1 284 493)	(1 410 850)
Explanation:			
Tax adjustment for previous year	12.	(6 844)	(6 844)
Current tax	12.	-	-
Tax benefits	12.	-	-
Tax for discontinued activities	12.	-	-
Timing differences (deferred tax)	12.	1 205 222	(1 136 333)
Permanent differences and unrecognized tax assets	12.	(2 489 715)	(274 517)
nt of theoretical tax (corporate tax)		**(1 284 493)**	**(1 410 850)**

9. *Fixed and intangible assets*

The changes in assets are detailed in the following table:

Gross value (HUF thousand)	Property, plant and equipment	Other intangible assets	R&D	Rights of use	Total
January 1, 2022	**2 748 943**	**466 012**	**438 161**	**1 217 569**	**4 870 685**
Acquisition put to use	655 669	58 996	-	242 943	957 608
Own production/investment capitalization	94 811	139 140	-	-	233 951
Decrease IFRS 16	-	-	-	(35 914)	(35 914)
Investment	60 439	-	-	-	60 439
Sale	(1 239)	-	-	-	(1 239)
December 31, 2022	**3 558 623**	**664 148**	**438 161**	**1 424 598**	**6 085 530**
Acquisition put to use	1 693 975	332 988	-	492 212	2 519 175
Own production/investment capitalization	100 532	-	-	-	100 532
Own production/investment	-	276 406	-	-	276 406
Decrease IFRS 16	-	-	-	(52 653)	(52 653)
Investment	60 739	-	-	-	60 739
Sale	(6 216)	-	-	-	(6 216)
Scrapping	(65 927)	-	-	-	(65 927)
Reclassification to inventories	-	-	-	-	-
December 31, 2023	**5 341 726**	**1 273 542**	**438 161**	**1 864 157**	**8 917 586**

Accumulated depreciation (HUF thousand)	Property, plant and equipment	Other intangible assets	R&D	Rights of use	Total
January 1, 2022	**557 819**	**161 607**	**83 735**	**211 348**	**1 014 509**
De-recognition, sale	(977)	-	-	(23 244)	(24 221)
De-recognition, scrapping	-	-	-	-	-
Increase through acquisition	-	-	-	-	-
De-recognition due to reclassification	-	-	-	-	-
Depreciation and amortization	350 838	101 334	47 156	205 308	704 636
December 31, 2022	**907 680**	**262 941**	**130 891**	**393 412**	**1 694 924**
De-recognition, sale	(6 160)	-	-	(52 304)	(58 464)
De-recognition, scrapping	(63 074)	-	-	-	(63 074)
Increase through acquisition	-	-	-	-	-
De-recognition due to reclassification	-	-	-	-	-
Depreciation and amortization	499 963	133 775	47 155	271 950	952 843
December 31, 2023	**1 338 409**	**396 716**	**178 046**	**613 058**	**2 526 229**

Net value (HUF thousand)	Property, plant	Other intangible	R&D	Rights of	Total
12.31.2022	**2 650 943**	**401 207**	**307 270**	**1 031 186**	**4 390 606**
12.31.2023	**4 003 317**	**876 826**	**260 115**	**1 251 099**	**6 391 357**

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

<u>Property, plant and equipment:</u> This class of assets includes constructions on leased real estate, IT assets, as well as machinery, equipment and tools required for operation and maintenance.

Commissioning electric boilers in Kazincbarcika and Tiszaújváros: Following the integration of the electrical boiler installed at its Sopron power plant, the Company has integrated two more devices into its Virtual Power Plant, which will enable the conversion of electricity generated from renewable energy sources into heat. The hot water produced by the boilers installed in the heating power plants in Kazincbarcika and Tiszaújváros is fed into the local district heating system. With the rapid load switching capability of the two new 6MW electrical hot water boilers commissioned on November 16, 2023, the flexibility of the ALTEO Virtual Power Plant is increased even further, enhancing the impact of the 5MW boiler previously installed in Sopron. The two current projects totaling HUF 1.5 billion were financed entirely from the Company’s own resources, taking advantage of the development work done on the energy IT system that controls and optimizes electricity production at the power plant, within the framework of the Sopron investment project.

Other intangible assets: This item includes the software and the corporate governance system used by the Company.

Experimental development assets: Between July 01, 2017 and June 30, 2019, co-funded by the National Research Development and Innovation Fund, the Company successfully produced a know-how asset as a result of its activity in connection with the integration of small heat and electricity cogeneration plants and weather-dependent electricity generators, electricity-based heat energy production units and a battery electricity storage facility belonging to the existing virtual power plant. In the opinion of the Company’s management, the research activity aimed at generating other intangible assets meets the IAS 38 recognition criteria and the know-how created as a result of the activity generates revenue. Costs incurred in the course of the development project are recognized among intangible assets.

The Company’s management is of the view that the fixed assets acquired and intangible asset recorded under the project for “Developing an innovative model for battery energy storage applications” acquired through succession as part of the merger by absorption in 2018 can be recognized and will deliver a return on investment as indicated by existing business plans. The asset meets the IAS 38 criteria.

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

The Company’s project started at the end of 2021: construction and development of real-time autonomous energy information and production management system, consisting of two parts:
Installation of an electric boiler in Sopron: The construction was completed in December 2022; the Company utilizes the asset through leasing.
Artemis (Autonomous Real-Time Energy Management Information System): production management system; the Rényi Institute is involved in its development. It uses self-learning algorithms and artificial intelligence to optimize and balance the production of connected devices in real time. It collects data in real time from the connected production devices. The developed production management system will be capable of data mining, processing, analysis that allow the system to make and implement decisions. Based on the available technical and market data the system can make real-time decisions to ensure that assets in multi-element portfolios can

operate at a load level that allows technical and economic optimum to be achieved. The process is supported by AI and self-learning algorithms that are very fast and efficient despite their extremely high computing requirements.

Right-of-use assets: The following assets are recognized as right-of-use assets as defined in IFRS 16.

- The 1965.64 m^2 of office space that has been rented in the Globe 3 Office Building since July 2021. The office lease has a term of 5+5 years with a gross value of HUF 861,226 thousand in the Company's books.
- Since 2022 the rent for the warehouse located in the Polgár Industrial Park, which serves as the site for the maintenance unit of the Company. The area includes 903.32 m^2 of warehouse and 112.24 m^2 of office space, with a gross value of HUF 115,420 thousand.
- As of July 2023, the Company established a new maintenance unit and site in Százhalombatta, leasing two halls (456 m^2 in aggregate) as well as office space and other facilities (52 m^2) to facilitate maintenance work. The lease serves the purpose of performing maintenance on rotary machinery owned by MOL.

Asset related disclosures

- There are no assets that might need to be removed at the end of their useful life and such removal would involve significant expenses. There is no asset to which the component approach needs to be applied.
- As at December 31, 2023 the Company had no asset to be considered as a qualifying asset, so no borrowing costs had to be capitalized; and there is no asset that is subject to a lien under a loan agreement.
- The Company does not possess assets which are expected to cause environmental damage that the Company would be required to neutralize.
- The Company leases the following assets exclusively under operating lease arrangements:
  - Sopron electric boiler
  - Kazincbarcika electric boiler
  - Tiszaújváros electric boiler
  - Kazincbarcika energy storage unit
  - Füredi út energy storage unit
- The Company had no assets, either in the previous or in the current year, classified as assets held for sale.
- The Company does not possess assets regarding which it would employ the revaluation model. The Company does not possess intangible assets with indefinite lifecycles.
- The management of the Company performs the necessary tests for CGUs as at each reporting date to determine whether the recognized value can be considered recoverable. In the current year, the tests performed showed the Group's assets to be recoverable so it is not necessary to recognize impairment.

10. *Long-term loans given*

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

Long-term loans given (HUF thousand)	1/1/2023 Opening gross portfolio	1/1/2023 opening impairment	Loans given	Loans repaid	Impairment loss of loans	Closing balance at 12/31/2023
Alte Go Kft.	146 452	-	20 000	-	-	**166 452**
Domaszék Kft.	22 292	-	-	-	-	**22 292**
Edelyn-Solar Kft.	103 012	-	215 000	-	-	**318 012**
Energigas Kft.	180 414	(180 414)	21 067	-	(21 067)	**-**
Euro-Green Energy Kft.	3 274 386	-	-	(2 765 387)	-	**508 999**
FE-Group Zrt.	300 400	-	750 800	-	-	**1 051 200**
Monosolar Kft.	431 288	-	-	-	-	**431 288**
Pannon Szélerőmű Kft.	1 550 000	-	-	(533 000)	-	**1 017 000**
SUNTEO Kft.	1 090 417	-	-	-	-	**1 090 417**
Loans given – principal	**7 098 661**	**(180 414)**	**1 006 867**	**(3 298 387)**	**(21 067)**	**4 605 660**
Interests on loans given to associates and affiliated companies	180 964	-	103 188	-	-	**284 152**
Loans to employees	-	-	34 215	(34 215)	-	**-**
ECL model interest	-	(7 904)	-	-	1 470	**(6 434)**
ECL model principal	-	(6 780)	-	-	(4 421)	**(11 201)**
Loans given - principal and interest	**7 279 625**	**(195 098)**	**1 144 270**	**(3 332 602)**	**(24 018)**	**4 872 177**

The Company adjusted the interest rates of loans given to those of the sources of funding (cf. terms and conditions of financing in Section 23 Debts on the issue of bonds). The Company shows the recoverable values of loans given in the statement of financial position.

<u>Loans granted:</u> Disbursement of the amount set out in the loan agreement; capitalization of annual interests into principal in the case of Energigas Kft

<u>Repayment of loans:</u> Loans repaid in the current year.

<u>Impairment:</u> Based on the assessment of the management of the Company, the 100% of the loan given to Energigas Kft. has been impaired. The items relating to the ECL impairment applied to financial assets are presented in detail in Section 17. No impairment was reversed in 2023.

<u>Forgiveness:</u> The Company released no receivables in the current year.

<u>Loans granted:</u> Capitalization of annual interests set out in the loan agreement into principal.

11. *Shares in subsidiaries*

Shares in subsidiaries:

Long-term share in subsidiary (HUF thousand)	1/1/2023	Reclassification	Additional monetary contribution/repayment	Impairment/ Reversal	Acquisition of participation	12/31/2023
ALTE-A Kft.	1 070	-	-	-	-	**1 070**
ALTE-GO Kft.	20 000	-	-	-	-	**20 000**
ALTEO Energiakereskedő Zrt.	48 094	-	-	-	-	**48 094**
ALTEO-DEPÓNIA Kft.	13 000	-	-	-	-	**13 000**
Alteo-Therm Kft.	4 082 025	-	-	-	-	**4 082 025**
Domaszék Kft.	173 160	-	-	-	-	**173 160**
Eco First Kft.	3 000	-	-	(20 443)	20 443	**3 000**
Edelyn-Solar Kft.	735 304	-	1 507	-	(36 391)	**700 420**
Energigas Kft.	-	100	-	(100)	-	**-**
Energikum Zrt.	-	-	-	-	660 000	**660 000**
Euro Green Energy Kft.	2 748 353	-	-	-	-	**2 748 353**
FE-Group Zrt.	360 480	-	-	-	-	**360 480**
Monsolar Kft.	38 000	-	-	-	-	**38 000**
Pannon Szélerőmű Kft.	2 405 890	-	-	-	-	**2 405 890**
Sinergy Energiakereskedő Kft.	100 000	-	-	-	-	**100 000**
Sinergy Kft.	245 353	-	-	-	-	**245 353**
SUNTEO Kft.	634 915	-	-	-	-	**634 915**
Participating interests total	**11 608 644**	**100**	**1 507**	**(20 543)**	**644 052**	**12 233 760**

Shares are described in the Section ALTEO members on the reporting date.

Long-term participation in associate (HUF thousand)	12/31/2023	12/31/2022
Energigas Kft.	-	100
Total	**-**	**100**

On January 20, 2023 the Company made a public takeover bid:

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- for the purchase of shares representing 100% of the share capital of Energikum Zrt. Energikum Zrt. holds the business quota representing 99% of the issued capital of Energigas Kft., which is the owner of the biogas plant in Nagykőrös, with ALTEO Nyrt. being the owner of the 1 % minority share.
- for the acquisition of the business quota representing 33% of the issued capital of ECO-FIRST Kft., in which ALTEO Nyrt. is already a 67% shareholder.

The conditions precedent to closure stipulated in the purchase contract were fulfilled and the closing was successfully completed on May 23, 2023.

The 1% participation of Energigas Kft. recognized among long-term participation in affiliated companies has been reclassified as it became a subsidiary of the Nyrt. following the acquisition of the share of Energikum Zrt.

After the acquisition of ECO-FIRST Kft, the Company restructured the activities of ECO-First Kft. into Energigas Kft, and 100% impairment was recognized for its acquisition of the 33% of ownership.

Investments recognized as leases:

Tisza-WTP Vízelőkészítő és Szolgáltató Kft.

The Company recognized its 100% participation not under shares, but rather as lease receivables in accordance with the IFRS 16 (formerly IFRIC4) rules (see Note 13).

Valuation of investments in the current period:

The Company performs the valuation tests for shares by every reporting date to determine whether the recognized value is considered recoverable.

For subsidiaries where the tests performed showed that the value was below the carrying amount and the value of the shares were not recoverable, impairment was recognized in the current year. In 2023 an impairment loss of HUF 20,443 thousand was recognized in respect of ECO-First Kft. No impairment has been reversed in the current year.

For testing recoverable values, the Company applied the discounted cash flow (DCF) model with discount rates relevant to the activity of the subsidiary in question and the date of the generated cash flows. The input data used in the model were derived from observable markets. The assessment of the data includes the consideration of inputs such as liquidity risk, credit risk and volatility.

The discount rates used were determined for activities in the following breakdown:

Classification	Rate
Integrated energy	10,38%
Subsidized renewable	9,39%
Market-based renewable	12,44%
Waste management	11,00%

Integrated energy segment: procurement of various types of balancing reserve capacities (FCR, aFRR, mFRR) by the Hungarian system operator (MAVIR) in order to maintain balance in the system as well as the retail activity of the purchase and resale of electricity and gas to end-consumers

Subsidized renewables segment: activities performed at subsidized prices relating to solar, wind and hydropower based electricity generation.

Market-based renewables segment: activities performed at market prices relating to solar, wind and hydropower based or CHP heat and electricity generation.

Waste management segment: collection and recovery of waste by type, activities relating to the appropriate disposal of non-recoverable waste.

12. Deferred tax liabilities

When calculating deferred taxes, the Company compares the amounts to be considered for taxation purposes with the accounting value of each asset and liability. If the difference is reversible (i.e. the difference is equalized in the foreseeable future), then a deferred tax liability or asset is recorded in a positive or negative amount as appropriate. Recoverability was separately examined by the Company when recording each asset. No deferred tax asset was recorded

When computing corporate taxes, the Company used a 9% rate upon reversal.

The change in deferred taxes was recognized by the Company in the statement of profit or loss.

The tax balances and temporary differences for 2022 are as follows:

Deferred tax liability (HUF thousand) 12/31/2022	note	Tax value	Accounting value	Difference
Fixed and intangible assets	9.	2 835 145	4 330 168	1 495 023
Impairments	15.	-	578 278	(578 278)
Provisions	22.	-	15 500	(15 500)
ESOP Program 2025 long-term liabilities	24.	-	373 192	(373 192)
ESOP program 2024 long-term liabilities	24.	-	273 575	(273 575)
Leave not taken	29.	-	56 660	(56 660)
Result of share purchase	19.	-	286	(286)
Recognition of employee share award	29.	-	9 686	(9 686)
Development reserve	19.	(16 117 856)	-	16 117 856
Deductible temporary difference			**(1 307 177)**	
Total taxable difference			**17 612 879**	
Deferred tax liability (9%)			**1 467 513**	

The following differences were identified in 2023:

Deferred tax liability (HUF thousand) 12/31/2023	note	Tax value	Accounting value	Difference
Fixed and intangible assets	18.	3 299 047	6 330 618	3 031 571
Impairments	19.	-	676 191	(676 191)
Provisions	22.	53 009	-	(53 009)
ESOP program 2024 short-term liabilities	29.	-	659 108	(659 108)
ESOP Program 2025 long-term liabilities	24.	-	447 371	(447 371)
ESOP Program Watt long-term liabilities	24.	-	32 347	(32 347)
ESOP Program Szikra long-term liabilities	24.	-	123 118	(123 118)
ESOP Program Management long-term liabilities	24.	-	108 638	(108 638)
Leave not taken	29.	-	88 684	(88 684)
Result of share purchase	19.	-	-	-
Recognition of employee share award	19.	-	-	-
Development reserve	19.	2 000 000	-	(2 000 000)
Derivative transactions	20.	-	(71 243)	71 243
Deductible temporary difference			**(2 188 466)**	
Total taxable difference			**5 031 571**	
Deductible temporary difference			**71 243**	
Total taxable difference			**-**	
Deferred tax liability (9%)			**255879**	
Deferred tax in OCI			**6412**	
Total			**262291**	

The correlation of the recognized tax expense and the theoretical tax is described in Note 8.

The Issuer presents the disclosures required under IAS 12 in Section 8 – Taxes of its Separate Financial Statement. The development reserves are recognized directly relating to equity. The Issuer has other comprehensive income items, the related tax is presented in the table below. The Issuer identified no temporary differences relating to its investments in subsidiaries, therefore no related disclosures are made in the report.

Deferred tax	12/31/2023 HUF thousand 12 months	12/31/2022 HUF thousand 12 months
Deferred tax opening	1 467 513	331 180
Generated in capital	6 412	-
Returning in capital	-	-
Generated in profit or lo:	(1 211 634)	1 136 333
Deferred tax closing	**262 291**	**1 467 513**

13. Lease receivables

The 100% participation held by the Company in Tisza-WTP Kft. is recognized as lease receivables as per the IFRS16 (formerly IFRIC4) rules.

The Tisza WTP Kft. lease receivable has zero value since December 31, 2019.

The Company did not identify any unguaranteed residual values regarding the contract.

There are no contingent fees in the relevant contracts.

Pursuant to the agreement dated on November 08, 2016, MOL Petrolkémia Zrt. has a purchase option on the business quota of Tisza WTP Kft. Due to the special conditions, the lease deal cannot be cancelled, only terminated by calling the buy option.

Tisza WTP Kft. satisfies special customer needs, and is not available to entities other than the buyer.

The O&M services provided to the subsidiary have an impact on the profit or loss of the Company. The Company is in possession of some publicly available information that the business combination of Tisza WTP Kft. using the service is consolidated by MOL Nyrt.

14. Inventories

Inventories include parts of the gas engine, wind turbine and solar power plant equipment purchased for the performance of O&M contracts in the amount of HUF 781,649 thousand, and materials and services not transferred related to the gas engine, solar power plant project development in the amount of HUF 4,754,192 thousand.

Inventories	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Parts O&M	781 649	721 215
Project development inventories	4 754 192	777 785
	5 535 841	**1 499 000**

<u>Details of project development inventories:</u>

- project inventory of gas engine power plants: HUF 1,647,465 thousand,
- project inventory related to the implementation of the solar power plant in Tereske: HUF 3,038,472 thousand,
- project inventory of wind turbines: HUF 27,291 thousand,

- project inventory of hydropower plants: HUF 12,100 thousand,
- project inventory of the Nagykőrös biogas plant: HUF 49,625 thousand.

Impairment loss of inventories

Impairment loss of inventories	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening	**(20 761)**	**(20 761)**
Impairment reversed	-	-
Impairment recognized	1 000	-
Derecognized impairmer	(1 000)	-
Closing	**(20 761)**	**(20 761)**

The Company recognized impairment among inventories, regarding the implementation designs and preparatory works. Impairment was recognized in 2020 regarding the biomass power plants in Tiszaújváros and Kazincbarcika due to the uncertainties of project implementation.

In the current year, the Company recognized impairment loss of inventories relating to the implementation of the data center in Győr, at the amount of HUF 1,000 thousand. The management considers this inventory value to be obsolete (acquisition in 2015), therefore it will be derecognized in 2023 following the recognition of impairment.

15. *Trade receivables*

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

Trade receivables	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Trade receivables at initial recognition cost	10 438 079	11 123 191
Recognized impairment	(394 753)	(344 241)
	10 043 326	**10 778 950**

- The impairment of receivables and write-offs are accounted for in other expenses.
- Buyers are qualified on a case by case basis.
- The Company possesses guarantees as required in its contracts regarding project development works. No guarantees had to be enforced vis-á-vis customers during the presentation periods.
- The maximum credit risk is equal to the carrying amount of trade receivables.
- Recognized impairment: The items relating to the ECL impairment applied to financial assets are presented in detail in Sections 17 and 35.

Statement of changes in impairment:

Trade impairment losses	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening balance	**344 241**	**231 627**
Impairment reversed	-	-
Impairment recognized	50 512	112 614
Closing balance	**394 753**	**344 241**

The aging list of trade receivables:

Trade receivables ageing (HUF thousand) December 31, 2023	Not overdue	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	over 365 days	Total
Trade receivable at initial recognition cost	885 414	5 015 695	3 372 045	592 411	369 248	202 313	953	10 438 079
of which third party	*446 890*	*102 774*	*1 371*	*-*	*-*	*69 128*	*953*	*621 116*
of which related parties	*438 524*	*4 912 921*	*3 370 674*	*592 411*	*369 248*	*133 185*	*-*	*9 816 963*
Impaired trade receivables (ECL)	(148 270)	(124 232)	(56 676)	(33 585)	(6 203)	(24 835)	(953)	(394 753)
of which third party	*(143 058)*	*(43 647)*	*(49)*	*(24 390)*	*-*	*(22 610)*	*(953)*	*(234 706)*
of which related parties	*(5 212)*	*(80 585)*	*(56 627)*	*(9 195)*	*(6 203)*	*(2 225)*	*-*	*(160 047)*
Total	**737 144**	**4 891 463**	**3 315 369**	**558 826**	**363 045**	**177 478**	**-**	**10 043 326**

Items involving related parties are presented in Section 33.

The Company's five largest customers in terms of turnover:

2023 Largest customer	2023 Total revenue percentage ratio	2022 Largest customer	2022 Total revenue percentage ratio
Sinergy Energiakereskedő Zrt.	43,25%	Sinergy Energiakereskedő Zrt.	41,41%
Alteo Energiakereskedő Zrt.	17,01%	Alteo-Therm Kft.	20,96%
Alteo-Therm Kft.	13,03%	Alteo Energiakereskedő Zrt.	9,45%
TVK Erőmű Kft.	5,68%	TVK Erőmű Kft.	6,67%
Tisza-WTP Kft.	3,36%	BC-Erőmű Kft.	4,04%

16. *Other receivables and income tax receivables*

Other receivables and income tax receivables	Year ending on 12/31/2023	Year ending on 12/31/2022
Accrued revenues	3 765 048	7 940 984
of which related parties	*3 511 243*	*7 818 542*
of which third party	*253 805*	*122 442*
Advances given	768 066	157 706
Receivables from affiliated companies	3 377 093	734 299
Receivables due from the customer	137 189	650 384
Other cash	30 204	26 760
Accrued expenses	106 342	142 149
of which related parties	*-*	*13 218*
of which third party	*106 342*	*128 931*
Deposits and security deposits	965 526	115 555
Other receivables	8 567	57 623
	9 158 035	**9 825 460**

Accrued revenues: they relate to the operation contracts of the Company. Items involving related parties are presented in Note 33.

Advances given: Advances paid in the course of the usual course of business.

Receivables from affiliated companies: Items involving related parties are presented in Note 33.

Receivables due from the customer: The receivables recognized in relation to contracts for construction and installation services are presented in detail in Section 40.

Other cash: Cash on a separate security bank account

Accrued expenses: Expenses regarding which the documentation was entered into the books in 2023, but the period of performance extends to 2024.

Deposits and security deposits: Deposits and security deposits made on tenders less impairment

Other receivables: Salary advances to employees, overpayments to suppliers, receivables from the state tax authority

17. Application of the expected loss model (ECL – Expected Credit Loss) to cash and cash equivalents

Application of the expected loss model (ECL)

The management of the Company has performed the risk analysis of its cash and cash equivalents. Risks of financial assets are presented in Section 34. Cash and cash equivalents are classified into the following categories:

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

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

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

Application of the expected loss model to financial assets	External credit rating	Internal credit rating	ECL%	Gross value (HUF thousand)	ECL amount (HUF thousand)
Customers – with large corporate background	N/A	Performing	3,54%	626 595	(22 181)
Customers – public sector	N/A	Performing	3,00%	22 275	(789)
Customer – other	N/A	Performing	3,54%	4 626	(1 083)
Trade receivable – Intercompany	N/A	Performing	3,54%	9 527 363	(113 529)
Customer – employees	N/A	Performing	3,54%	51	(2)
Long-term loan – Intercompany	N/A	Performing	1,68%	4 605 660	(17 635)
Deposits, security deposits given	N/A	Performing	1,20%	978 655	(13 129)
Advances given	N/A	Performing	1,20%	784 567	(13 294)
Other receivables – Intercompany	N/A	Performing	1,68%	3 377 093	(15 021)
Other debtors – Third parties	N/A	Performing	1,20%	8 410	-
Customer – other	N/A	non-performing	100,00%	99 729	(99 729)
Long-term loan – Intercompany	N/A	non-performing	100,00%	197 158	(197 158)
Customer – Energigas	N/A	non-performing	100,00%	157 440	(157 440)
Other receivables – Intercompany	N/A	non-performing	100,00%	25 201	(25 201)
Total				**20 414 823**	**(676 191)**

In current year's valuation, the management of the Company uses the data available in public databases to determine ECL rates.

Presentation of individual impairments:

There was no reversed impairment for individual assets or cash-generating units recorded in the separate financial statement of the Company.

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In the current year, individual impairment was recorded with regard to the interest on the loan to Energigas Kft. in the amount of HUF 21,067 thousand, and with regard to the outstanding trade receivables in the amount of HUF 7,778 thousand.

18. Cash and cash equivalents

Cash and cash equivalents	Year ending on 12/31/2023	Year ending on 12/31/2022
Bank accounts – HUF	16 075 661	10 906 459
Bank accounts – foreign currency	821 705	(958 342)
of which: exchange gain/loss	1 959	(8 424)
Cash desk	-	-
	16 897 366	**9 948 117**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. Exchange gains/losses arise from the year-end revaluation of FX current accounts. The Company fixes free cash on its current account weekly, at an interest rate of the O/N interest rate published by the central bank -1%.
The detailed reasons for changes in cash are included in the statement of cash flows (page 10).

19. Elements of equity

By transforming its capital structure, the Company intends to retain its capacity to operate continuously in order to provide profit for its shareholders and maintain an optimal capital structure for the sake of reducing the cost of capital. In order to preserve or adjust capital structure, the Board of Directors proposes to the General Meeting the amount of dividends to be paid to shareholders, and acting within its authorization received from the General Meeting, it decides, in connection with the capital structure or at its discretion, on capital increase and issuing new shares, or submits a proposal to that effect to the General Meeting.
The Company complies with the statutory capital requirements applicable to it. In performing a review of that, the Company observes the requirements of Act V of 2013 on the Civil Code (of Hungary). The table below shows equity and its ratio relative to issued capital:

Equity to issued capital ratio	Year ending on 12/31/2023	Year ending on 12/31/2022
Issued capital	247 534	249 066
Equity	37 826 828	26 450 497
Equity to issued capital ratio %	**15281,47%**	**10619,87%**

19.1. Shares traded

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

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

Date	Event	Number of shares	Face value (HUF/share)	Issued capital change (HUF thousand)	Issued capital balance (HUF thousand)	Share premium change (HUF thousand)
12.31.2021	**Closing balance**	**19 378 787**	**12,5**		**242 235**	**747 938**
2.4.2022	Transfer of employee share award	1 267	12,5	16		2 645
4.20.2022	Private placement	545 200	12,5	6 815		1 129 927
12.31.2022	**Closing balance**	**19 925 254**	**12,5**		**249 066**	**1 880 510**
2.7.2023	Transfer of employee share award	1 911	12,5	24		5 518
5.16.2023	Share purchase other than OTC	(185 672)	12,5	(2 321)		(510 412)
5.17.2023	Transfer of own shares to ESOP due to the ESOP Prc	4 309	12,5	54		5 020
5.17.2023	Transfer of own shares to ESOP due to the ESOP Prc	27 933	12,5	349		76 439
5.17.2023	Transfer of own shares to ESOP due to the ESOP Prc	122 717	12,5	1 534		335 815
5.17.2023	Transfer of own shares to ESOP due to the ESOP Prc	30 713	12,5	384		84 046
5.17.2023	Share purchase other than OTC	(208 328)	12,5	(2 604)		(572 694)
5.18.2023	Transfer of own shares to ESOP due to the ESOP Prc	88 287	12,5	1 104		241 597
7.4.2023	Shares purchased from ESOP	(22 073)	12,5	(276)		(59 189)
7.13.2023	ESOP Program 2022-2024 transfer of own shares tc	17 640	12,5	220		48 272
12.31.2023	**Closing balance**	**19 802 691**	**12,5**		**247 534**	**1 534 923**

The changes in capital elements is presented in the Equity table.

The Company purchased shares over the counter from board members of ALTEO Nyrt.; 394,000 shares were repurchased within the framework of the transaction.

273,959 of the shares bought back were transferred to the ALTEO ESOP organization. The purpose of that transfer was to assure the shares required for the new remuneration policies launched in 2023.

Due to the departure of employees that had participated in the remuneration policy implemented earlier, ALTEO Nyrt. repurchased 22,073 shares from the ESOP organization in 2023.

In the framework of the 2022-2024 ESOP Program, the Company transferred 17,640 shares to the ESOP organization.

19.2. Share premium – reserves

Share Premium – reserves include the reserves generated because of the ESOPs and employee share award programs as well as the reserve required due to the IFRS transition, the reserves generated in the course of share subscription throughout the life of the Company and receivables from the ESOP, as well as reserves related to share movements.

Share premium – reserves	note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening		**6 435 484**	**5 237 704**
Employee share award reserves	19.4	5 518	2 645
Acquisition of own shares	19.4	(1 123 942)	-
Shares transferred to ESOP organization	19.4	791 190	-
ESOP Organization cash spent on operation and costs	19.4	(8 682)	2 063
Capital increase reserves	19.4	-	1 129 927
ESOP (2020-2022) 2021 dividend	19.4	-	63 145
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	19.4	(63 145)	-
Closing		**6 036 423**	**6 435 484**

<u>Changes:</u>

- HUF 5,518 thousand as the above-par part of the 1,911 shares transferred to the employee reward program
- HUF 1,123,942 thousand as the above-par part of the acquisition of 394,000 own shares.
- HUF 2,874 thousand as the part of the cash previously transferred to the ESOP Organization that can be used for operation
- HUF 63,145 thousand as release of dividends due to members of the ESOP Organization
- HUF 791,190 thousand as the above-par part of the shares transferred to the ESOP Organization for the implementation of ESOP Programs
- HUF 5,808 thousand as the part of the cash transferred to the ESOP Organization for operation that has been used

<u>Employee reward program:</u>

Employee rewards	2023	2022
Stocks (No)		
Opening liabilities in the statement of financial position	1 911	1 267
Exercised by transfer	(1 911)	(1 267)
Awarded as benefit	-	1 911
Closing	-	1 911
Value (HUF thousand)		
Opening liabilities in the statement of financial position	5 700	2 550
Exercised by transfer	(5 700)	(2 645)
Awarded as benefit	-	5 795
Closing	-	5 700

In the current year, the Company gave shares in the value of HUF 5,700,000 to the employees who were entitled to these on the basis of the Company's recognition plan. In connection with the shares granted, the date of share transfer is February 7, 2023.

The amount of reserves shown in the statements and other reserves is not identical with the amount of reserves that can be distributed to shareholders as dividends. Pursuant to the Hungarian Accounting Act, the level of dividends is determined based on the equity correlation, which is explained in Note 21.

Transactions with owners resulting from the employee share ownership program and share premiums as well as reserve generation required by the transition to IFRS accounting are presented among reserves.

19.3. Retained earnings

Retained earnings	Year ending on 12/31/2023	Year ending on 12/31/2022
Opening	**21 225 491**	**9 197 528**
Comprehensive income	12 579 602	14 026 987
ESOP operating costs	2 874	(2 874)
Rounding	-	(4)
ESOP II program equity instruments fair value losses	(314 454)	-
Dividend payment	-	(1 996 146)
Closing	**33 493 513**	**21 225 491**

The development reserve must be accounted for and presented separately from retained earnings.

Development reserve	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Opening balance	**16 117 856**	**3 150 000**
Year of generation 2021	-	3 150 000
Year of generation 2022	-	13 660 786
Year of utilization 2022	-	(692 930)
Year of utilization 2023	(1 681 868)	-
Year of reversal 2023	(12 435 988)	-
	2 000 000	**16 117 856**
Retained earnings development reserve before segregation	**33 493 513**	**21 225 491**
Retained earnings development reserve after segregation	**31 491 513**	**5 107 635**

- In 2021 the Company generated development reserves in the amount of HUF 3,150,000 thousand, of which, HUF 2,374,798 thousand was used. The deadline for using the remaining HUF 775.202 thousand is December 31, 2025.

- Development reserve of HUF 13,660,786 thousand was generated against the 2022 profit or loss before taxes.
- Pursuant to the decision of the Management, HUF 12,435,988 thousand of the development reserve was taken back because the projects envisaged within the Group would not be implemented in ALTEO Nyrt. The development reserve was taken into account as a limit on dividend payment, see Section 21 below Equity correlation table required as part of Section 114/B of the Accounting Act, computation of dividend constraint Section 114/A of the Accounting Act.

19.4. Reserve for share-based payments

Recognition of the Employee Share Ownership Program in equity:

Name of program	Share-based benefits reserve	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
ESOP Program II (2020-2022)			
	ESOP Program II obligation requirement 2020	106 871	106 871
	ESOP Program II obligation requirement 2021	261 275	261 275
	ESOP Program II obligation requirement 2022	184 073	184 073
	ESOP Program II share transfer	(475 021)	(475 021)
	ESOP program II transfer of cash and cash equivalents/share purchase	*(400 000)*	*(400 000)*
	ESOP Program II return of cash and cash equivalents	*8 077*	-
	ESOP Program II share repurchase	*271*	-
	ESOP Program II reserve de-recognition de-recognized carrying amount of shares transferred upon settlement	*866 672*	-
	ESOP Program II remuneration formerly recognized against profit or loss	*(552 218)*	-
total		**-**	**(322 802)**
ESOP Program 2024			
	ESOP program II transfer of cash and cash equivalents/share purchase	(544 138)	(541 412)
total		**(544 138)**	**(541 412)**
ESOP Program 2025			
	ESOP 2025 program transfer of cash and cash equivalents	(595 330)	(595 330)
total		**(595 330)**	**(595 330)**
ESOP Program Watt			
	ESOP Watt Program share transfers	(88 633)	-
total		**(88 633)**	**-**
ESOP Program Szikra			
	ESOP Szikra Program share transfers	(337 349)	-
total		**(337 349)**	**-**
ESOP Program Management			
	ESOP Management Program share transfers	(320 361)	-
total		**(320 361)**	**-**
	Closing balance	**(1 885 811)**	**(1 459 544)**

ESOP Program II (2020-2022):

Chart of changes in share program	ESOP II/2020-2022			
	2023	2022	2021	2020
Stocks (No)				
Outstanding at the beginning of the period	612 940	408 627	118 623	-
Granted during the current period	-	-	-	-
Vested	-	204 313	322 264	118 623
Exercised during the current period	(612 940)	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	(32 260)	-
Outstanding at the end of the current period	-	612 940	408 627	118 623
of which:				
Available for exercise at the end of the current period	-	612 940	-	-
Value (HUF thousand)				
Outstanding at the beginning of the period	552 218	368 145	106 871	-
Granted during the current period	-	-	-	-
Vested	-	184 073	261 274	106 871
Exercised during the current period	(552 218)	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	-	552 218	368 145	106 871
of which:				
Available for exercise at the end of the current period	**-**	**552 218**	**-**	**-**

The drawdown of the grant and the settlement of the program was concluded on May 9, 2023.

- The part of the Company's grants calculated in accordance with IFRS2 and recognized against profit or loss in the 2020-2022 period totaled at HUF 552,218 thousand.
- The transfer value of all the assets granted by the Company for those receiving benefits in the program was HUF 866,672 thousand.

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

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

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

The ESOP applies to the 9 executive Employees specified in the 2020 Remuneration Policy. The Employee is eligible to acquire the Available Shares if their legal relationship making them eligible to participate in the Remuneration Policy for 2020 is in place with the Company on the day of publication of the Company's consolidated financial statement for 2022. The number of persons participating in the remuneration policy decreased to 8 due to termination of an employment relationship, thus the number of shares that can be distributed at maximum fell from 645,200 to 612,940.

The Available Shares may be handed over, provided the criteria set out below are met, after the closing of the 2022 fiscal year of the Company (following the adoption of the consolidated financial statement). The Available Shares are acquired by Employees without consideration. Employees receive the available shares in the form of dematerialized securities.

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

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

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

Principles of presentation

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

Calculation principles for fair valuation

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

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

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

The Company recognizes expenses when they are provided by the employee during the vesting period, that is, between the beginning of the scheme (January 1, 2020) and the date of vesting (December 31, 2022). The settlement of the grant and the drawdown of the program took place in 2023. As of December 31, 2023, there is no liability relating to the Program recorded in the statement of financial position.

ESOP 2022-2024 and ESOP 2022-2025 Program:

Chart of changes in share program obligation	ESOP 2022-2024 Program		ESOP 2022-2025 Program	
	2023	2022	2023	2022
Outstanding at the beginning of the period	120 475	-	88 317	-
Granted during the current period	-	-	-	-
Vested	112 343	120 475	69 709	88 317
Exercised during the current period	-	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	232 818	120 475	158 026	88 317
of which:				
Available for exercise at the end of the current period	-	-	-	-
(HUF thousand)				
Outstanding at the beginning of the period	373 192	-	273 575	-
Granted during the current period	-	-	-	-
Vested	285 916	373 192	173 796	273 575
Exercised during the current period	-	-	-	-
Expired during the current period	-	-	-	-
Forfeited during the current period	-	-	-	-
Outstanding at the end of the current period	659 108	373 192	447 371	273 575
of which:				
Available for exercise at the end of the current period	659 108	-	-	-

Under the ESOP 2022-2024 and 2022-2025 programs time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period does not contain any amounts regarding cash with vested rights. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the share-based payment program of the Company

- Certain employees of the Company receive share-based benefits starting from April 20, 2022 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's Remuneration Policy for 2022-2024 and 2022-2025, published and effective from April 20, 2022.

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2024-Javadalmazasi-Politika.pdf
https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202024%20Javadalmaz%C3%A1si%20Politika.pdf
https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2025-Javadalmazasi-Politika.pdf
https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202025%20Javadalmaz%C3%A1si%20Politika.pdf

- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the 2022 to 2024 Remuneration Policy, employees are eligible to the benefit if their legal relationship making them eligible to participate in the Remuneration Policies is in effect with the Company on the day of publication of the Company's consolidated financial statement for 2023. In the case of the 2022 to 2025 Remuneration Policy, the aforesaid condition must be satisfied on the day of publication of the Company's consolidated financial statement for 2024.
- In the case of both ESOPs, the subject of the benefit is cash, the amount of which depends of the price of the Company's shares. The vested cash may be distributed, provided that the performance condition set out below is met, after the closing of the 2023 and 2024 fiscal years of the Company, respectively (following the adoption of the consolidated financial statement).
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.
- Pursuant to the 2022-2024 Remuneration Policy, the performance condition is met if the value of the equity, excluding other comprehensive income (OCI), as at December 31, 2023 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of the equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2021 as the comparative period.
- Pursuant to the 2025 Remuneration Policy, the performance condition is met if the value of equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2022 as the comparative period.
- The Remuneration Policies allow the Company to reduce the benefit given to Employees based on performance assessment.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2022 and December 31, 2023 (2024 ESOP), and January 1, 2022 and December 31, 2024 (2025 ESOP). The emphasis is on meeting the 2023 and 2024 target figures. Given that the above conditions may be met by December 31, 2023 and December 31, 2024, respectively, the dates of vesting are those dates.
- Early exercise of the option is not possible.

ESOP WATT, SZIKRA and Management Programs:

Chart of changes in share program obligation	ESOP Watt	ESOP Szikra	ESOP Management
	2023	2023	2023
Outstanding at the beginning of the period	-	-	-
Granted during the current period	-	-	-
Vested	11 422	43 475	38 362
Exercised during the current period	-	-	-
Expired during the current period	-	-	-
Forfeited during the current period	-	-	-
Outstanding at the end of the current period	11 422	43 475	38 362
of which:			
Available for exercise at the end of the current period	-	-	-
(HUF thousand)			
Outstanding at the beginning of the period	-	-	-
Granted during the current period	-	-	-
Vested	32 347	123 118	108 638
Exercised during the current period	-	-	-
Expired during the current period	-	-	-
Forfeited during the current period	-	-	-
Outstanding at the end of the current period	32 347	123 118	108 638
of which:			
Available for exercise at the end of the current period	-	-	-

Under the ESOP Szikra, Watt and Senior Management Programs time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period does not contain any amounts regarding cash with vested rights. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the share-based payment program of the Company

- Certain employees of the Company receive share-based benefits starting from April 21, 2023 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's Szikra 2025, Watt 2025 and Senior Management ESOP Remuneration Policy for 2025, published and effective from April 27, 2023.
https://investors.alteo.hu/egyeb-kozlemenyek/tajekoztatas-uj-hosszu-tavu-osztonzo-rendszer-bevezeteserol-2023-04-28/
- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the ESOP Szikra, Watt and Senior Management 2025 Remuneration Policy, employees are eligible for the benefit if the legal relationship pursuant to which they are eligible to participate in the Remuneration Policies is in effect with the Company on the day of publication of the Company's consolidated financial statement for 2024.
- In the case of all three ESOPs, the benefit is given in the form of cash, the amount of which depends on the price of the Company's shares. The vested cash may be distributed, provided that the performance condition set out below is met, after the closing of the 2024 fiscal year of the Company (following the adoption of the consolidated financial statement).
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.
- Pursuant to the Remuneration Policy, the performance condition is met if the value of the equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of the equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2023 as the comparative period.

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- Pursuant to the remuneration policies, the benefit may be reduced if the sum of the actual EBITDA figures for 2023 and 2024 fails to reach the specified ratio of the EBITDA amounts set out for 2023 and 2024 in the last business plan prepared before the effective date of the Remuneration Policies or if the actual operating CFs for 2023 and 2024 fail to reach the specified ratio of the operating CFs set out for 2023 and 2024 in the last business plan prepared before the entry into force of the Remuneration Policies.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2023 and December 31, 2024 for all three programs. The emphasis is on meeting the 2024 target figures. Given that the above conditions may be met by December 31, 2024, the date of vesting is that date.
- Early exercise of the option is not possible.

20. Cash flow hedge reserve

The accounting policy of the Company established hedge connection between certain transactions and certain derivatives. These hedges qualify as cash flow hedges. The Company recognizes profits and losses from the hedging item of the cash flow hedge as other comprehensive income, and gathers such profits and losses in this equity component. The balance in the cash flow hedge fund is reclassified by the Company in the net profit or loss at the closing of the transaction (or if the hedge connection is cancelled from any other reason). In 2023 a cash flow hedge transaction was recognized in connection with the implementation of the solar panel farm in Tereske, resulting in the adjustment of the investment amount.

Cash flow hedge reserve	Year ending on 12/31/2023	Year ending on 12/31/2022
Tereske solar panel farm hedge transaction	(71 243)	-
Tereske solar panel farm hedge transaction deferred tax	**6 412**	**-**
	(64 831)	**-**

21. *Equity correlation table required as part of Section 114/B of the Accounting Act, computation of dividend constraint Section 114/A of the Accounting Act*

Equity correlation table (HUF thousand)	comment	12.31.2023	12.31.2022
Equity under the IFRSs (difference of IFRS assets and liabilities		37 826 828	26 450 497
Supplementary payments received		-	-
Supplementary payments made, recognized as assets (-)		(1 302 886)	(1 302 886)
Value of assets received to be transferred to capital reserve if it would be deferred income (+)		-	-
Capital contribution giving rise to IFRS capital instrument is recognized against shareholders		-	-
Section 114/B. Equity		***36 523 942***	***25 147 611***
Supplementary payments received, recognized as liabilities under the IFRS (+)			
Equity under the IFRSs		247 534	249 066
Section 114/B(4)(b) Issued capital under the IFRSs	19.1.	***247 534***	***249 066***
Face value of repurchased own shares	19.1.	(1 609)	(77)
Issued capital according to Hungarian Accounting Standards		***249 143***	***249 143***
Issued, but unpaid capital		-	-
Issued, but unpaid capital		***-***	***-***
Section 114/B(4)(d) Capital reserve	19.2.	4 085 781	4 975 940
Capital reserve total		***4 085 781***	***4 975 940***
After-tax profit accumulated and undistributed in previous years under the IFRSs	19.3.	20 596 263	7 291 941
with IFRS adjustments		452 102	452 102
Amounts directly credited or debited to retained earnings under the IFRSs	19.3.	(314 454)	(1 996 146)
Supplementary payments made, recognized as assets (-)		(1 302 886)	(1 302 886)
Face value of repurchased own shares (-)	19.1.	-	-
Share-based payments	19.4.	-	-
Transactions with owners	19.2.	-	-
Unused development reserve (-)	19.3.	(2 000 000)	(16 117 856)
Deferred tax relating to unused development reserve calculated as per IAS 12 (+)	19.3.	180 000	1 450 607
Total retained earnings (excluding current year profit/loss and deferred tax) Section 114/B.		***17 611 025***	***(10 222 238)***
Section 114/B(4)(f) Valuation reserve		-	-
Valuation reserve total		***-***	***-***
Section 114/B(4)(g) Current year profit/loss	19.3.	12 579 602	14 026 987
Profit or loss after taxes Current year profit/loss (-) under IFRS5		***12 579 602***	***14 026 987***
Supplementary payments received		-	-
Section 114/B(4)(h) Allocated reserve (without deferred tax effect)	19.3.	2 000 000	16 117 856
Total allocated reserve		***2 000 000***	***16 117 856***
Section 114/B(5)(a) Reconciliation of the amount of capital registered with the Court of Registration and the amount of issued capital under the IFRSs:			
Issued capital registered at the Court of Registration	19.1.	249 143	249 143
Issued capital according to the IFRSs	19.1.	247 534	249 066
Deviation (face value of repurchased own shares)	19.1.	***1 609***	***77***
Equity		***36 523 942***	***25 147 611***
Section 114/B(5)(b) Free retained earnings available for dividend payment:			
Retained earnings (including the profit/loss for the financial year closed by the latest annual report)		30 190 627	3 804 749
Cumulative unrealized profit recognized due to the fair value increase of investment properties as per IAS 40		-	-
Effect of current year dividends approved by the BoD		-	-
Free retained earnings available for dividend payment		***30 190 627***	***3 804 749***

The dividend per share available under the Accounting Act is presented in the consolidated annual report pursuant to Section 70(a) and (b) of IAS 33.

22. Provisions – Non-current liabilities

Provisions – Long-term liabilities (HUF thousand)	Year ending on 12/31/2023	Year ending on 12/31/2022
Provisions opening	15 500	15 500
Generation of provisions against profit/loss	-	-
Reclassification of provisions into short-term liabilities	(15 500)	-
	-	**15 500**

The Company recognized provisions in respect of its O&M contractual obligations. The entire amount relates to the resin replacement of the mixed bed at Tisza WTP Kft., facilitating the production of distilled water at the TVK power plant. These contractual obligations still existed unchanged in the current year. In the opinion of the Company's management, the provisions are expected to be released **within one year.** Tisza WTP provides ion exchange water to the entire area of the TVK power plant, where Alteo Nyrt. has a long-term contract for operation.

23. Debts on the issue of bonds

Debts on the issue of bonds	Year ending on 12/31/2023	Year ending on 12/31/2022
Opening principal and interest:	**12 693 873**	**15 033 402**
ALTEO Nyrt. "2022/I" bond	-	-
ALTEO Nyrt. "2022/II" bond	-	-
ALTEO Nyrt. NKP1 2029	8 768 207	8 787 318
Alteo Nyrt. NKP1 2031	3 897 550	3 906 556
Interest recognized in the current period	**335 884**	**368 101**
ALTEO Nyrt. "2022/I" bond	-	949
ALTEO Nyrt. "2022/II" bond	-	30 543
ALTEO Nyrt. NKP1 2029	251 789	252 324
Alteo Nyrt. NKP1 2031	84 095	84 285
Principal and interest payments in the current period	**(364 000)**	**(2 707 630)**
ALTEO Nyrt. "2022/I" bond	-	(650 000)
ALTEO Nyrt. "2022/II" bond	-	(1 693 630)
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 665 757**	**12 693 873**
ALTEO Nyrt. "2022/I" bond	-	-
ALTEO Nyrt. "2022/II" bond	-	-
ALTEO Nyrt. NKP1 2029	6 056	25 167
Alteo Nyrt. NKP1 2031	1 427	10 432
Reclassification into short-term liabilities	**7 483**	**35 599**
Debts on the issue of bonds	12 658 274	12 658 274
Short-term bond payables	7 483	35 599

Terms of borrowings and repayment schedule:

Name	Frequency of repayments	Amounts paid	Currency	Nominal liabilities December 31, 2022	Maturity date
ALTEO Nyrt. NKP 2029	Interest payment per annum	8 818 284 700	HUF	8 600 000 000	10.28.2029
ALTEO Nyrt. NKP1 2031	Interest payment per annum	3 912 499 250	HUF	3 800 000 000	10.8.2031

data in HUF thousand	2024	2025	2026	2027	2028	after 2028
ALTEO Nyrt. NKP 2029	270 900	270 900	270 900	270 900	270 900	8 870 900
ALTEO Nyrt. NKP1 2031	93 100	93 100	93 100	473 100	473 100	3 319 300

Bonds closed at 12/31/2022:

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

On June 7, 2019 the Company issued dematerialized zero coupon bonds with a maturity of 3 years by private placement under the designation **"ALTEO 2022/II"**. The total face value of the issue is HUF 1,693,630,000, the issue value is 88.9158% of the face value. The bonds were admitted to listing on the regulated market on November 22, 2019. The Company repaid the bond debt on June 7, 2022.

Bond programs open on 12/31/2023:

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

On October 8, 2020, the parent company of the Company issued bonds designated as "**ALTEO NKP 1/2031**" with a total face value of HUF 3.8 billion. The average issue value of the bonds was 102.9605% of the face value. The bonds have a fixed rate coupon of 2.45% and the maturity is 11 years.

24. Other long-term liabilities, long-term loans and borrowings

Other long-term liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
ESOP liability	711 475	646 767
ESOP 2022-2024 program liabilities	*-*	*373 192*
ESOP 2022-2025 program liabilities	*447 371*	*273 575*
ESOP Watt program liabilities	*32 348*	*-*
ESOP Szikra program liabilities	*123 118*	*-*
ESOP Management program liabilities	*108 638*	*-*
Conditional purchase price liabilities	238 482	267 448
	949 957	**914 215**

ESOP liability:

The employee incentives schemes are described in Section 19.4.

Conditional purchase price liabilities:

HUF 238,482 thousand is recorded as conditional purchase price under other long-term liabilities in relation to the Zugló-Therm Kft. share. In the current year, in addition to the impact of the amortization, an adjustment was also recognized in relation to the purchase price because the condition related to the payment of the obligation was met. The above stated items are measured by the Company at amortized cost. The liability's carrying value as of the reporting date was HUF 288,482 thousand. The fair value of the items above does not materially differ from their amortized cost.

Long-term loans and borrowings	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Long-term loan	218 787	-
	218 787	**-**

ALTEO Nyrt. took out a loan of HUF 249,265 thousand from MFB, for a term of 11 years, to finance its RDI activities under the GINOP-2.1.2-8.1.4-16 tender. The financing bears an interest rate of 2%.

25. *Lease liabilities*

The Company's leases mature as follows:

Finance lease liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Long-term liabilities relating to rights of use (over 5 years)	281 343	807 715
Long-term liabilities relating to rights of use (1-5 years)	674 690	60 027
	956 033	**867 742**
Instalments due within a year	349 850	196 077
	1 305 883	**1 063 819**

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

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

In addition to the operating leases of vehicles, the Company presents its offices leased in Budapest and its warehouses leased in Polgár and Százhalombatta as lease liabilities.

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

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

Finance lease (HUF thousand)	12.31.2023	12.31.2022
Right-of-use asset	1 251 099	1 031 186
Right-of-use liability total	1 305 883	1 063 819
Recognized amortization	219 647	182 063
Recognized interest expense	80 073	44 960

Due to the volatile interest environment, the Company applies quarterly, rather than annual, discount rates to its newly incorporated assets.

Description of lease terms:

Leases	Leasing partner	type	Statement of financial position liabilities 12/31/2023 (HUF thousand)	Statement of financial position liabilities 12/31/2022 (HUF thousand)	Currency	Interest	Maturity date
Alteo Nyrt.	Lease Plan	vehicles	383 304	256 104	HUF	BUBOR + 2.9%	individual
Alteo Nyrt.	HSP 612 Kft.	Office space rent	792 805	705 753	HUF	3,73%	6.30.2031
Alteo Nyrt.	Pallér Csarnok Kft.	assembly hall rental	94 179	101 962	HUF	3,73%	2.28.2029
Alteo Nyrt.	EFO Kiadó és Nyomda Kft.	assembly hall rental	35 595	-	HUF	17,67%	6.30.2028
			1 305 883	**1 063 819**			

26. Deferred income

Deferred income	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
"KFI" grant	243 479	294 733
"KFII" grant	178 176	-
"KFIII" grant	205 954	224 626
	627 609	**519 359**

The deferred income balance sheet line contains the amount of grants from Research and Development (R&D) bids not yet recognized.

Grants of HUF 227,460 thousand were disbursed in June 2023 for the implementation of the ‘KFII’ Kazincbarcika energy storage unit. HUF 49,284 thousand of the grant was recognized as income in the current year

In 2022 the Company recorded HUF 224,626 thousand relating to the ‘KFIII’ grant and recognized HUF 66,412 thousand relating to the execution of Milestone 1. HUF 18,672 thousand of the grant was recognized as income.

The main requirements of funding are the following:

	‘KFI’ Zugló battery storage
Purpose of the grant	Systemic integration and innovative application model of an electricity storage architecture
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: – The creation of 1 newly developed product, technology, service or prototype – The preparation of one know-how – Business exploitability: the revenues from the result of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period – Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million – One appearance at a domestic and international forum each (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) – 2 publications
Grant period	up to July 31, 2024

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

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

27. Financial liabilities – conditions

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

The terms and conditions of bonds are explained in Section 23.

ALTEO Nyrt. took out a loan of HUF 249,265 thousand from MFB relating to the ex post financing of the project in Kazincbarcika. The relevant interest rate is 2%.

28. Trade payables

This line in the statement of financial position contains liabilities arising from the purchase of goods and services in the amount of HUF 2,449,221 thousand. Trade payables are unsecured, which means that the Company does not provide guarantees, with the exception of those routinely provided in the normal course of business.

Trade payables	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Invoices not past due	2 351 347	521 134
Invoices past due for 1-30 days	49 313	20 050
Invoices past due for 31-90 days	32 487	26 088
Invoices past due for 91-180 days	311	10 416
Invoices past due for 181-365 days	4 146	5 799
Past due for over one year	11 617	814
	2 449 221	**584 301**

The Company's five largest suppliers:

2023	2022
Risen Energy Co., LTD	Wärtsilä Hungary Kft.
Extor Energy Zrt.	KAZÁNTRADE Szolgáltató és Kereskedelmi Kft.
Vestas Hungary Kft.	PowerUp GmbH
Thermotrade Kft.	Vestas Hungary Kft.
Wartsila Hungary Kft.	Motortechnika Kereskedelmi és Szolgáltató Kft.

29. Short-term loans and borrowings, other short-term liabilities and accruals, provisions

Short-term loans and borrowings	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Loan granted by Wallis Management Zrt.	-	6 000 000
Loan granted by Alteo Energiakereskedő Zrt.	-	1 735 000
KF3 long-term loan short-term part	22 858	-
	22 858	**7 735 000**

See Note 27 for presentations relating to short-term loans.
Loans received in 2022 were repaid in the current year.

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

Other short-term liabilities and accruals	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Cost accruals	913 275	1 100 544
ESOP program 2024 short-term liabilities	659 108	-
Amounts payable to customers (IFRS 15)	1 024 086	982 732
Edelyn Solar remaining purchase price	-	483 494
Other tax liabilities	2 668 791	395 881
Income settlement	284 350	198 882
Income accruals	642 270	78 603
Group VAT liabilities to group members	37 558	-
FE-Group Zrt. purchase price	-	52 570
Zugló contingent purchase price instalment	50 000	50 000
Liabilities arising from derivative transaction:	71 242	-
Provisions for future costs	53 009	-
Other short-term liabilities	16 566	34 661
	6 420 255	**3 377 367**

Cost accruals: Periodically settled transactions and uninvoiced services related to the usual economic activities of the Company.

ESOP Program 2024 short-term liabilities: The ESOP 2022-2024 program is described in detail in Section 19.4.

Amounts due to customers (IFRS15): for a detailed explanation, see Note 40

Edelyn Solar purchase price: Remaining part of the purchase price payable for the 100% business quota of Edelyn Solar Kft.

Other tax liabilities: They include the aggregated amounts of VAT, other local taxes, and other payroll taxes and contributions.

Income settlement: The payrolled salaries of employees for December 2023

Income accruals: Periodically settled transactions and services invoiced in advance related to the usual economic activities of the Company.

FE-Group Zrt. purchase price: Contingent purchase price remaining from the purchase price of FE Group Zrt.

Zugló contingent purchase price Contingent purchase price remaining from the purchase price of Zugló-Therm Kft. (absorbed by Alteo-Therm Kft. on January 01, 2020)

Other short-term liabilities: Other uncategorized liabilities (child support, union fees, voluntary pension fund contributions, etc.)

30. Advances received

Advances received	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Advances received from customers	-	60 853
	-	**60 853**

On December 31, 2023, the Company had no advances received from customers.

31. Income tax liabilities

Income tax liabilities	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Corporate tax liability	2 332 782	-
Innovation contribution liability	35 702	44 728
Local business tax liability	20 344	208 379
	2 388 828	**253 107**

32. Operating segments

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

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

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

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

2023	Admin. and management	Construction – Project development	Operation	Total
Revenues	**16 885 122**	**1 478 746**	**7 643 191**	**26 007 059**
Material expenses	(1 880 192)	(997 298)	(3 625 883)	(6 503 373)
Personnel expenses	(3 985 769)	(500 582)	(2 568 963)	(7 055 314)
Depreciation, amortization	(415 572)	(19 494)	(517 777)	(952 843)
Capitalized own production	276 406	258 217	10 404	545 027
Other revenues, expenses	(290 437)	(7 644)	109 415	(188 666)
Operating profit or loss	**10 589 558**	**211 945**	**1 050 387**	**11 851 890**

2022	Admin. and management	Construction – Project development	Operation	Total
Revenues	**16 766 258**	**891 460**	**7 154 842**	**24 812 560**
Material expenses	(1 125 658)	(453 386)	(3 877 854)	(5 456 898)
Personnel expenses	(3 097 623)	(578 120)	(2 081 878)	(5 757 621)
Depreciation, amortization	(317 716)	(24 854)	(362 066)	(704 636)
Capitalized own production	139 140	94 811	11 422	245 373
Other revenues, expenses	(105 186)	(34 287)	(98 836)	(238 310)
Operating profit or loss	**12 259 215**	**(104 376)**	**745 630**	**12 900 468**

There are no transactions between segments.

33. Related party disclosures

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

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

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

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

Executive Board

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

Members in 2023: Attila Chikán Jr., Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga, Anita Simon, Magdolna Tokai

Remuneration paid to related parties (executive officers):

2023	Wages, commissions, benefits	Reimbursement of costs	Share purchase
Board of Directors	20 100	-	-
Supervisory Board	33 650	2 158	-
Executive Board non-BoD members	486 346	48 113	1 055 616
Total	**540 096**	**50 271**	**1 055 616**

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

In the current year, the Company disclosed the following outstanding balances due from affiliated companies in the financial statements (data in HUF thousand):

12.31.2023	Loans given	Impairment of loans given	Accrued income and deferred charges revenue	Accrued income and deferred charges interest income	Trade receivables	Impairment of trade receivables	other receivables	Trade payables	Other liabilities	Accrued expenses and deferred income costs	Accrued expenses and deferred income - income
Kft.	-	-	-	-	-	-	-	-	(1 107)	-	-
O Kft.	166 452	-	-	14 040	-	-	596	-	-	(1 080)	-
Energiakereskedő Zrt.	-	-	925 545	-	3 069 620	-	263 664	-	-	-	(594 342)
DEPÓNIA Kft.	-	-	131 391	-	39 517	-	-	-	(4 252)	-	-
Therm Kft.	-	-	339 895	-	1 955 523	-	1 430 341	(133 277)	-	-	-
zék Kft.	22 292	-	-	2 487	4 708	-	14 629	-	-	-	-
st Hulladék Kereskedelmi Kft.	-	-	-	-	-	-	-	-	(1 866)	-	-
Solar Kft.	318 013	-	-	31 459	-	-	-	-	(81)	-	-
s Kft.	197 158	(197 158)	68 616	6 434	157 440	(157 440)	10 683	-	-	-	-
um Zrt.	-	-	-	-	742	-	1 019	-	(1 551)	-	-
een Energy Kft.	509 000	-	143 764	14 672	216 727	-	500 000	-	(23 508)	-	-
p Zrt.	1 051 200	-	-	46 256	-	-	110 125	-	-	-	-
ar Kft.	431 287	-	-	27 975	9 754	-	6 970	-	-	-	-
Szélerőmű Kft.	1 017 000	-	75 802	29 315	32 927	-	303 231	-	-	-	-
Energiakereskedő Kft.	-	-	1 826 230	-	4 070 932	-	-	(472)	-	-	-
Energiaszolgáltató Kft.	-	-	-	-	122 690	-	617 476	-	(5 193)	-	-
D Kft.	1 090 416	-	-	111 514	4 223	-	93 988	-	-	-	-
TP Kft.	-	-	-	-	132 044	-	24 371	-	-	-	-
	4 802 818	**(197 158)**	**3 511 243**	**284 152**	**9 816 847**	**(157 440)**	**3 377 093**	**(133 749)**	**(37 558)**	**(1 080)**	**(594 342)**

Credit loss for receivables from affiliated companies was determined based on the ECL model, except in the case of Energigas Kft., where individual impairment was employed.

In the current year, the Company had the following transactions with the affiliated companies listed below (data in HUF thousand):

2023	Revenue	Material expenses	Personnel expenses	Interest income	Interest expenses	Dividend income
ALTE-A Kft.	1 812	-	-	-	-	-
ALTE-GO Kft.	15 228	(3 445)	(144)	4 812	-	-
ALTEO Energiakereskedő Zrt.	4 636 819	-	-	-	(117 089)	-
ALTEO-DEPÓNIA Kft.	206 890	-	-	-	-	-
ALTEO-Therm Kft.	4 380 879	(74 665)	-	90 117	-	-
Domaszék Kft.	16 776	-	-	702	-	29 000
Eco-First Hulladék Kereskedelmi Kft.	42 408	-	-	-	-	-
Edelyn Solar Kft.	2 300	-	-	27 038	-	-
Energias Kft.	245 435	(9)	-	6 434	-	-
Energikum Zrt.	409	-	-	-	-	-
Euro-Green Energy Kft.	822 316	-	-	23 386	-	500 000
FE Group Zrt.	119 675	(998)	-	131 841	-	-
Monsolar Kft.	20 898	-	-	13 585	-	40 000
Pannon Szélerőmű Kft.	431 199	-	-	33 462	-	250 000
Sinergy Energiakereskedő Kft.	11 789 650	(1 143)	-	17 104	-	-
Sinergy Energiaszolgáltató Kft.	162 043	-	-	-	-	20 000
SUNTEO Kft.	69 179	-	-	34 348	-	100 000
Tisza WTP Kft.	915 364	-	-	5 057	-	-
Grand total	**23 879 280**	**(80 260)**	**(144)**	**387 886**	**(117 089)**	**939 000**

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

34. *Financial risks, their management and the sensitivity analysis*

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

Credit (trade receivables) risk and its management

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

Type of client	Risk management
Business and project development	Assessment of the individual client risk, requesting bank guarantees and, optionally, advance payment prior to launching projects.
Large corporate clients (energy services)	The Company provides services to the critical infrastructures of large Hungarian companies of which several are listed and thoroughly analyzed, transparent entities. Key clients are monitored continuously.

Type of client	Risk management
ALTEO members	Thanks to the Group’s centralized processes, the Company has a comprehensive understanding of the risks of its subsidiaries.
Lease receivables	The receivable is secured by the ownership rights of the Company’s own subsidiary and its free cash balances provide additional collateral.

In Management’s opinion, client risks have not changed significantly compared to the previous periods. During the current year, it was not necessary to draw down bank guarantees or any other collateral pledged by clients. Risk factors have been taken into account and have been quantified in the course of the review of the ECL model. The details of the Company’s receivables and the expected losses relating to such receivables are presented in Sections 15 and 17.

Interest rate risk calculation and management

The Company is funded through fixed coupon bonds.
The future cash flows of the bonds and the credit terms are explained in detail in Section 27

Description of hedge relationships – objectives and procedures relevant for hedges and hedging policy

IFRS 9 provides for the terms of hedge accounting, and the Company complies with the requirements set out in IFRS 9: the Company keeps a register of the hedged items and hedging instruments, the hedging relationships have been identified, the hedging relationships exist and are effective.
In the case of FX risk, the Company covers the foreign exchange risk of its future purchases to be settled in a foreign currency in the next 12 months by concluding hedging transactions. The maturity date of the hedging transactions is as close to the date of expected payment as possible.
In 2023 the Company had hedging transactions relating to investment projects.

Foreign currency risk calculation and management

Foreign currency risk is the risk that the fair value of the Company’s future cash flows will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates to the Company’s operating activities (certain expenses are denominated in a foreign currency).

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

Financial instrument	EUR	Effect of 5% change in exchange rate (HUF thousand)
Assets:		
Trade receivables	716 426	13 712
Advances given	1 612 065	30 853
Other receivables and accruals	-	-
Liabilities:		
Advances received	-	-
Trade payables	(563 413)	(10 783)
Other short-term liabilities and accruals	(803 367)	(15 376)
	961 711	**18 406**

Liquidity risk

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

Financial instruments (HUF thousand)	within 1 year	maturity 2-5 years	more than 5 years
Assets:			
Long-term deposits or loans given	-	-	4 872 177
Trade receivables	10 043 326	-	-
Other receivables and accruals	9 158 035	-	-
Liabilities:			
Debts on the issue of bonds	(7 483)	-	(12 658 274)
Finance lease liabilities	(349 850)	(674 690)	(281 343)
Trade payables	(2 449 221)	-	-
Other long-term liabilities	-	(949 957)	-
Other short-term liabilities and accruals and short-term borrowings	(6 443 113)	-	-
Income tax liabilities	(2 388 828)	-	-
	7 562 866	**(1 624 647)**	**(8 067 440)**

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

35. Contingent liabilities

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

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

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

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

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

Alteo Nyrt. as the parent company of the Group, has an outstanding guarantee granted to its subsidiary Alteo-Therm Kft. for its liabilities under a natural gas purchase agreement on the reporting date:

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Beneficiary	Subject of guarantee	Amount (EUR)	Maturity
MET Magyarország Zrt.	Payment guarantee	1 080 000	10.31.2024
MVM CEEnergy Kft.	Payment guarantee	695 000	12.15.2024

The Issuer has contingent liabilities, guarantees and sureties as shown in the table below.

Name	Subject of guarantee	Guarantee type	Amount	Currency	Guarantee expiry
BC-Erőmű Kft.	Linked to O&M contract	Performance bond	114 648 149	HUF	3.3.2024
HSP612 Kft.	Premises rental contract – Globe3 office space	Payment	39 463 349	HUF	12.31.2024
Siemens Energy Kft.	Maintenance of 2 SGT 600 gas turbines	Performance and warı	87 800	EUR	12.12.2024
Budapesti Erőmű ZRt.	Multi-year maintenance contract for the maintenance and repair of steam turbines at the sites of Budapesti Erőmű Zrt.	Performance and warı	90 000	EUR	10.3.2024
Pallér Csarnok Építő Kft.	Premises rental contract – Polgár Industrial Park warehouse and office space	Payment	6 059 001	HUF	10.3.2024
GRAWE Ingatlan Zrt.	Alte-Go services contract	Advance payment	21 014 729	HUF	7.31.2024
MAVIR Zrt.	Sinergy Energiakereskedő Kft. Agreement	Performance bond	375 000 000	HUF	2.12.2027
Photomate	Győr energy storage unit construction	Payment	625 396	EUR	6.15.2024

The following waste movements occurred at the sites of Alteo Nyrt. in 2023.

Name	Movement	quantity/kg	value/HUF
Hazardous waste	2022 Opening	1 857	-
	removed in 2022	96 240	-
	2022 Closing	4 833	-
Non-hazardous waste	2022 Opening	65	-
	removed in 2022	6 923	-
	2022 Closing	10	-

36. *Significant events after the reporting date*

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

January 10, 2024: László Hegedűs, formerly Director of Strategic HR and Communications, will continue as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications with effect from January 10, 2024.

February 2, 2024: In the course of the 2022 compliance review of Energigas Kft., the National Tax and Customs Administration called on the Company to perform a self-audit pursuant to the interpretation of Government Decree 197/2022. (VI. 4.) on windfall taxes. The Company performed its tax calculation, reporting and payment obligations in accordance with the notice. ALTEO Nyrt. provided a subordinated shareholder loan of HUF 690 million to Energigas Kft. to ensure that it can comply with its obligations.

Dividend: The Board of Directors recommends to the General Meeting that a total sum of HUF 7,972,589,600 shall be paid out as dividend in 2024. The dividend on treasury shares shall be distributed to those shareholders eligible for such dividend, in proportion to their number of shares.

37. *Litigation and claims*

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

38. *Economic relations subject to legal proceedings*

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; 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.

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

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

39. Fair value measurement disclosures

Other than the derivative transactions and ESOP liabilities, on the reporting date the Company has no financial instruments that would be measured at fair value.

Financial instruments December 31, 2023	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Assets:					
Long-term loans given	-	-	4 872 177	4 872 177	4 872 177
Trade receivables	-	-	10 043 326	10 043 326	10 043 326
Other short-term receivables and accruals	-	-	9 158 035	9 158 035	9 158 035
Cash and cash equivalents	-	-	16 897 366	16 897 366	16 897 366
	-	**-**	**40 970 904**	**40 970 904**	**40 970 904**

Financial instruments December 31, 2023	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Liabilities:					
Deferred tax liabilities	-	-	255 879	255 879	255 879
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Other long-term liabilities	711 475	-	238 482	949 957	949 957
Lease liabilities – long-term part	-	-	956 033	956 033	956 033
Long-term loans and borrowings	-	-	218 787	218 787	218 787
Income tax liabilities	-	-	2 388 828	2 388 828	2 388 828
Short-term bond payables	-	-	7 483	7 483	7 483
Lease liabilities – short term part	-	-	349 850	349 850	349 850
Trade payables	-	-	2 449 221	2 449 221	2 449 221
Short-term loans and borrowings	-	-	22 858	22 858	22 858
Other short-term liabilities and accruals	659 108	64 831	5 696 316	6 420 255	6 420 255
	1 370 583	**64 831**	**25 242 011**	**26 677 425**	**26 677 425**

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Financial instruments December 31, 2022	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Assets:					
Long-term loans given	-	-	7 084 527	7 084 527	7 084 527
Trade receivables	-	-	10 778 950	10 778 950	10 778 950
Other short-term receivables and accruals	-	-	9 825 460	9 825 460	9 825 460
Cash and cash equivalents	-	-	9 948 117	9 948 117	9 948 117
	-	**-**	**37 637 054**	**37 637 054**	**37 637 054**

Financial instruments December 31, 2022	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Carrying amount	Fair value
Liabilities:					
Deferred tax liabilities	-	-	1 467 513	1 467 513	1 467 513
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Other long-term liabilities	646 767	-	267 448	914 215	914 215
Lease liabilities – long-term part	-	-	867 742	867 742	867 742
Income tax liabilities	-	-	253 107	253 107	253 107
Short-term bond payables	-	-	35 599	35 599	35 599
Lease liabilities – short term part	-	-	196 077	196 077	196 077
Trade payables	-	-	584 301	584 301	584 301
Short-term loans and borrowings	-	-	7 735 000	7 735 000	7 735 000
Other short-term liabilities and accruals	-	-	3 377 367	3 377 367	3 377 367
Advances received	-	-	60 853	60 853	60 853
	-	**-**	**27 503 281**	**28 150 048**	**28 150 048**

The Group measures the fair value of assets and liabilities based on the Level 3 inputs of the fair value hierarchy.

12.31.2023	Level 1	Level 2	Level 3
Assets:			
Long-term loans given	-	-	4 872 177
Trade receivables	-	-	10 043 326
Other short-term receivables and accruals	-	-	9 158 035
Cash and cash equivalents	16 897 366	-	-
Total:	16 897 366	-	24 073 538
Liabilities:			
Deferred tax liabilities	-	-	255 879
Debts on the issue of bonds	-	-	12 658 274
Other long-term liabilities	-	711 475	238 482
Lease liabilities – long-term part	-	-	956 033
Long-term loans and borrowings	-	-	218 787
Income tax liabilities	-	-	2 388 828
Short-term bond payables	-	-	7 483
Lease liabilities – short term part	-	-	349 850
Trade payables	-	-	2 449 221
Short-term loans and borrowings	-	-	22 858
Other short-term liabilities and accruals	-	723 939	5 696 316
Total:	-	1 435 414	25 242 011

The Company had derivatives as of the reporting date. The fair value of liabilities arising from derivative transactions is HUF 64,831 thousand (previous year: HUF 0 thousand).

The fair value of ESOP liabilities is HUF 1,370,582 thousand (previous year: HUF 646,767 thousand).

These qualify as expert estimates built-up from observable inputs, therefore they are on Level 2 of the fair value hierarchy.

No differences were identified between the carrying amount and fair value of the remaining financial instruments; the carrying amount is a reasonable approximation of fair value. For valuation purposes, all other assets are on Level 3 of the fair value hierarchy.

40. Contractual assets and liabilities

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

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

Name	12.31.2023	12.31.2022	Recognized current year revenue total	Revenue adjustment against statement of financial position	Invoiced revenue current year
Project development against third parties	-	(166 109)	115 857	-	-
Maintenance against related parties	(1 024 086)	(816 622)	1 502 962	(207 464)	1 710 426
Project development against third parties	137 189	29 040	229 102	108 149	142 509
Project development against related parties	-	80 949	173 051	(80 949)	254 000
Maintenance against related parties	-	540 395	147 605	(540 395)	688 000
Projects – Receivables due from customers	**137 189**	**650 384**			
Projects – amounts due to customer	**(1 024 086)**	**(982 731)**			

The Company has recognized the changes in outstanding contractual assets and liabilities in the previous year against the revenues of the current year. No pre-contractual (initial) costs were capitalized in the current year whose recovery needs to be assessed. Amounts payable to the Principal are disclosed in Note 16 and liabilities in Section 29.

41. *Disclosure of interests in other entities*

The Company was not faced with any uncertainty and was not forced to decide on complex matters when making a judgment about how to treat its investments. All controlled entities qualify as subsidiaries.
Apart from the subsidiaries recognized as leases, the Company does not face any limitations concerning any of its entities that would influence access to net assets, the profit or the cash flow.
The Company has no consolidated or not consolidated interests in which control is not established through voting rights or where voting rights are not for controlling relevant activities leading to control (structured entities).
None of the members of ALTEO qualify as or have shares in an investment entity.

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

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

The fee for auditing the unconsolidated annual report and the IFRS consolidated annual report is HUF 15,900,000 + VAT.

In the fiscal year 2023, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by BDO Magyarország Könyvvizsgáló Kft., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

43. *Approval of the disclosure of the financial statements*

On March 28, 2023, the Board of Directors of the Group’s parent company approved the disclosure of the financial statements in their current form.

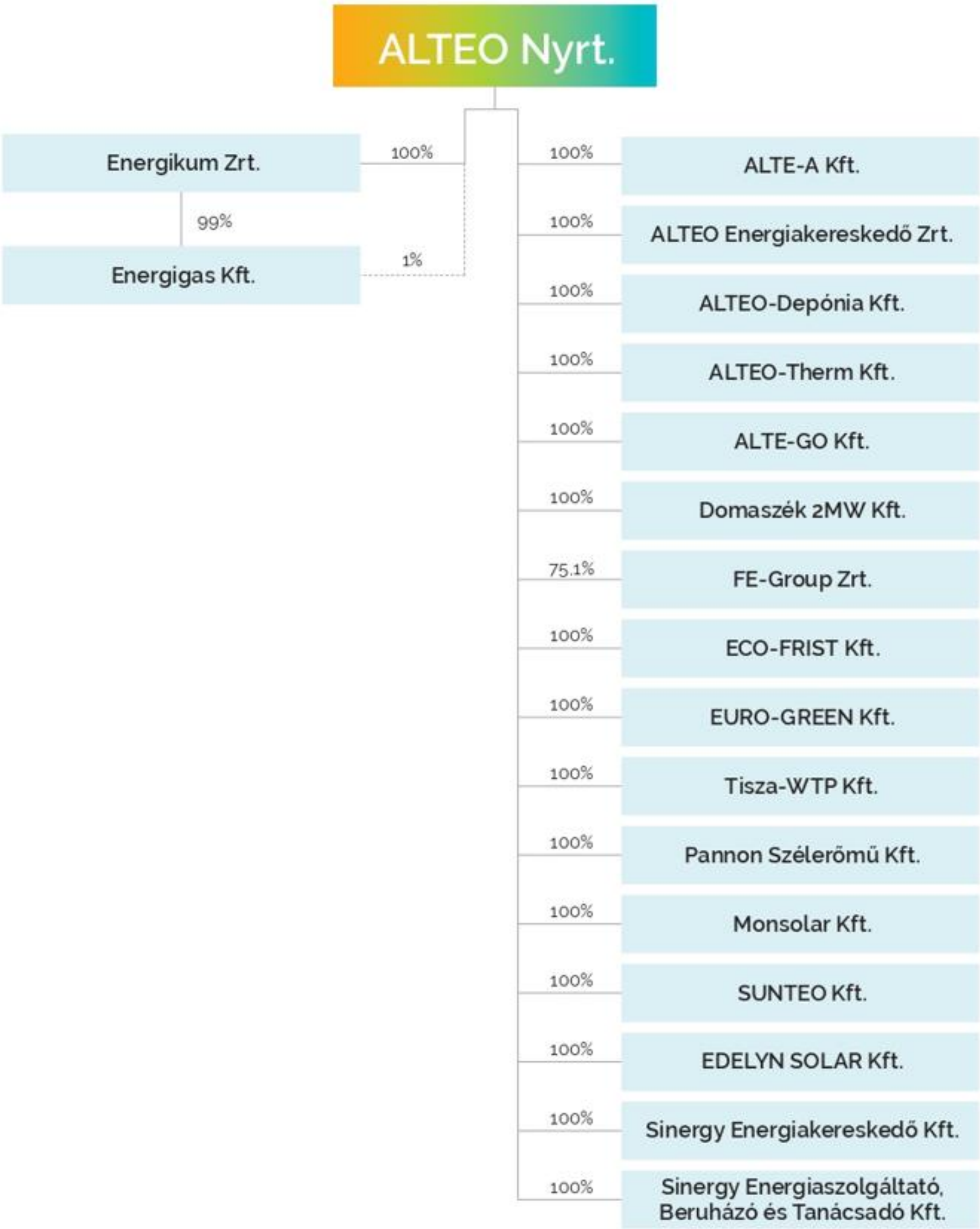
Budapest, March 28, 2024

On behalf of ALTEO Nyrt.:

Attila László Chikán
Member of the Board of Directors
CEO

Zoltán Bodnár
CFO

44. ALTEO members on the reporting date



Consolidated Annual Report and Financial Statements of ALTEO Nyrt. for 2023 Data in HUF thousand

1. *Information on the Group*

Name of companies in Group	Note	Registered office	Activity	Ownership acquisition date	Legal title	Rate of influence 12.31.2023	Rate of influence 12.31.2022	Amount of equity (HAS) 12.31.2023	Amount of revenue (HAS) 12.31.2023
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	property management	2011.08.02	Founding	100%	100%	8 868	0
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	electricity and gas trade	2011.12.05	Founding	100%	100%	525 225	19 768 319
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production	2008.10.01	Founding	100%	100%	128 543	289 456
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production, e-mobility services	2015.05.04	Purchase	100%	100%	5 529	250 330
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	2009.12.31	Purchase	100%	100%	3 570 817	41 414 388
Domaszék 2MW Naperőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2017.12.04	Purchase	100%	100%	48 400	114 641
ECO First Kft.	3	H-1033 Budapest, Kórház utca 6-12.	treatment and disposal of non-hazardous waste	2019.06.25	Purchase	100%	66,67%	54 374	322 722
Edelyn Solar Kft.		H-1034 Budapest, Kórház utca 6-12.	business and other consultancy activities	2022.07.21	Purchase	100%	100%	(512)	0
Energigas Kft.	2	H-1035 Budapest, Kórház utca 6-12.	electricity production (biogas)	2023.05.25	Purchase	100%	1%	(157 595)	1 143 029
Energikum Zrt.	1	H-1036 Budapest, Kórház utca 6-12.	business and other consultancy activities	2023.05.25	Purchase	100%	0%	221 453	0
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2019.05.28	Purchase	100%	100%	1 523 455	2 119 124
FE-Group Zrt.		H-1101 Budapest, Sírkert utca 2-4	wholesale of waste and scrap, recycling	2022.09.09	Purchase	75,10%	75,10%	243 790	4 324 909
Monsolar Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	2017.11.06	Purchase	100%	100%	55 776	237 796
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	2020.10.14	Purchase	100%	100%	1 246 808	1 144 817
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity trading	2015.05.04	Purchase	100%	100%	833 761	51 773 481
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (hydropower plant)	2015.05.04	Purchase	100%	100%	561 640	366 271
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	2013.01.30	Founding	100%	100%	301 161	831 541
Tisza-WTP Kft.	4	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	2015.05.04	Purchase	100%	100%	101 735	2 873 256

1; Energikum Zrt. acquisition of 100% participation

2; Energigas Kft. purchase of 99% business quota through the acquisition of Energikum Zrt.

3; Eco-First Kft. acquisition of 33.33% minority business quota

4; 100% participation, economic entity disclosed as a lease asset; Mol Petrochemicals Zrt. includes the Company in its consolidated report as a 100% participation

2. Acquisitions and divestments

year	Member company	Change in participations
2022	Edelyn Solar Kft	Acquisition of 100% business quota
2022	FE-Group Invest Zrt.	Acquisition of 75.1% participation
2023	ECO-FIRST Kft.	Acquisition of 33.33% business quota
2023	Energikum Zrt.	Acquisition of 100% participation

ALTEO Nyrt.
Annual Report

of the Parent Company
for the Financial year 2023

Published on: March 28, 2024

ALTEO Nyrt. Annual Report for 2023

Introduction

Pursuant to Act CXX of 2001 on the Capital Market (hereinafter: "**Capital Market Act**"), the Regulation of the Budapest Stock Exchange Ltd. on Regulations on Listing and Continued Trading (hereinafter: "**Regulation**"), and Decree No. 24/2008 (VIII. 15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and **hereby discloses "*The Management Report and Analysis" on the annual profit and loss for the fiscal year 2023, and the financial statements for the fiscal year 2023*** (hereinafter collectively: "**Annual Report**").

The Company prepares and publishes a Consolidated Annual Report for the companies listed in Section 1.11 of the Annual Report. The companies included in the consolidation are collectively referred to as the "**Subsidiaries**"; the Subsidiaries and the Company are hereinafter collectively referred to as the "**Group**" or the "**ALTEO Group**".

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

In view of the above, the Annual Report constitutes also **a business report under Act** C of 2000 on Accounting.

The data presented in the Company's Annual Report for 2023 were verified by an independent auditor.

The Annual Report of ALTEO Nyrt. for 2023 includes the following reporting systems:

- Business report, included in this document;
- Management report, included in this document;
- Non-financial statements, included in this document;
- Statements of the issuer;
- Separate financial statements

ALTEO Nyrt.
Business Report,
Management Report and

Non-Financial Statements

of the Parent Company
for the Financial Year 2023

1. The Management’s report and analysis of business activities for 2023

Executive summary on events yielding significant results over the period

The Company continued to perform excellently in a challenging macroeconomic environment, which confirms the appropriateness of the strategic direction set in 2019 and revised in 2022, and the successful investments made in the past period.

Key economic events at ALTEO in 2023:

In a challenging funding environment, at the end of 2022 management decided to increase the amount of liquid assets available to reduce the impact of potential risks, and to ensure the security of long-term operations. In the exceptional interest rate environment in 2023, ALTEO generated significant interest income, which compensated for the negative impact of the energy price drop on earnings.

The HUF 6 billion parent company loan taken out in December 2022 was repaid in March 2023.

Back in 2022, 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”.

Key economic events at ALTEO in 2023:

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 closed. The project company has a valid grid connection permit, and during the year 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 Nyrt. concluded a share purchase contract with respect to the purchase of shares representing 100% of the share capital of Energikum Zrt., and the purchase of the business quota representing 33% of the issued capital of ECO-FIRST Kft. The closing conditions of the share transfers were fulfilled by the contracting parties by the end of May 2023, thus the participations inthe acquired companies have been transferred to ALTEO Nyrt.

- Energikum Zrt. holds a 99% participation in Energigas Kft. Energigas Kft. owns the Nagykőrös biogas plant with a nominal electricity generation capacity of 2 MW, which as of June 2023 has strengthened ALTEO's role in the circular economy.
- On May 17, 2023, the Company announced that a framework agreement was signed with MOL Nyrt. pursuant to which ALTEO provides industrial and power plant rotary machine maintenance services for MOL and its Hungarian and foreign subsidiaries (in particular Slovnaft or INA), thus exploiting 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.

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 assigned 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**. During the year, the Company developed and set up its own green financing framework, with respect to which Deloitte Zrt. provided external expert opinion.

ALTEO has made organizational and remuneration changes to ensure the continued successful fulfilment of the strategy:

- In an effort to reinforce ALTEO's strategic positions, as of October 2023 Magdolna Tokai joined ALTEO's management as Deputy CEO for Corporate Support, and from January 2024 László Hegedűs as Deputy CEO for Strategic HR and Communications.
- In 2023, ALTEO adopted several remuneration policies within the framework of the already running 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. 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.

1.1 Executive summary of the operating profit or loss

The following section presents the analysis of the comparative data of ALTEO Nyrt. for the same period in 2022 and 2023.

(Negative values are denoted by parentheses.)		**12/31/2023 HUF thousand 12 months**	**12/31/2022 HUF thousand 12 months**
Revenues	**1.**	**26 007 059**	**24 812 560**
Material expenses	2.	(6 503 373)	(5 456 898)
Personnel expenses	3.	(7 055 314)	(5 757 621)
Depreciation and amortization	4.	(952 843)	(704 636)
Capitalized own production	5.	545 027	245 373
Other revenues, expenses, net	6.	(188 666)	(238 310)
Operating profit or loss		**11 851 890**	**12 900 468**
Income from financial transactions	7.	3 607 268	3 587 838
Expenses from financial transactions	7.	(1 187 012)	(812 196)
Profit or loss on financial transactions (-)	7.	2 420 256	2 775 642
Profit or loss before taxes		**14 272 146**	**15 676 110**
Income taxes	8.	(1 692 544)	(1 649 123)
Net profit or loss		**12 579 602**	**14 026 987**
Other comprehensive income (after income tax)	**20.**	-	-
Reserves relating to derivative transactions	20.	(64 831)	-
Other comprehensive income from cash flow hedges from cash flow hedges into profit/loss	20.	-	-
Comprehensive income		**12 514 771**	**14 026 987**

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

The **revenues** of ALTEO Nyrt. increased by **5%, i.e. HUF 1.2 billion, to HUF 26 billion**, as compared to 2022. The minimal increase in turnover affected the following:

- This year, the project development unit focused primarily on work related to ALTEO's solar power plant projects and the implementation of electrical hot water boilers within the Group; which projects will be delivered in stages in late 2023 and in 2024. With these internal projects being implemented, less resources were allocated to the implementation of third-party projects.
- The active exploitation of the volatile energy market, which volatility reached extreme levels in 2022 and significantly increased sales revenue in 2022, was maintained in 2023. Management stability in the segments was strongly enabled by the capacity expansion projects realized at the Company and its subsidiaries in previous years.
- In 2023, the Company increased the efficiency and revenue of its maintenance projects proportionately. Material expenses for maintenance and operations increased proportionately with the increase in maintenance projects.

The 19% (HUF 1 billion) increase in **material expenses** is essentially in line with the 17.6% change in the consumer price index published by the HCSO for 2023.

The 23% (HUF 1.3 billion) rise in **personnel expenses** mainly reflects the impact of very significant organic growth, acquisitions, wage increases and the Employee Share Ownership Programs launched in 2023.

The 35% (HUF 0.2 billion) increase in **depreciation and amortization** was driven by the growth of the Company's capacity portfolio, the commissioning of new production equipment, the use of the new office building, the expansion of the hall and site areas used for operational purposes, and the leases.

The **net balance of other income and expenses** comprises grants to foundations and organizations, grants received on a pro rata temporis basis for R&D projects, and self-revision and late payment penalties related to items previously adjusting the corporate tax base.

Net financial income decreased by HUF 0.35 billion. Compared to the base period, approved dividends received from subsidiaries were HUF 1.5 billion lower in the current year. Savings on interest costs were generated by interest on liabilities repaid in the intervening period. The interest revenue realized on invested free cash balances significantly exceeded the previous year's figure, primarily due to higher deposit interest rates.

Income tax expenses remained at the same level while the profit level was maintained. Income tax expenses are not significant compared to the base year.

ALTEO Nyrt. generated an operating profit of HUF 12 billion and a net profit after tax of HUF 12.5 billion in the financial year 2023.

1.2 Executive summary of the statement of financial position

The Company's closing **statement of financial position total was HUF 65,132 million** as at December 31, 2023. The statement of financial position total was HUF **55,135** million as at December 31, 2022. The statement of financial position total **increased by 18%**.

Valuation of assets

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Non-current assets		**23 497 294**	**23 083 877**
Property, plant and equipment	9.	4 003 317	2 650 943
Other intangible assets	9.	876 826	401 207
R&D	9.	260 115	307 270
Rights of use	9.	1 251 099	1 031 186
Long-term loans given	10.	4 872 177	7 084 527
Long-term share in subsidiary	11.	12 233 760	11 608 644
Long-term participation in associate	11.	-	100
Current assets and assets held for sale		**41 634 568**	**32 051 527**
Inventories	14.	5 535 841	1 499 000
Trade receivables	15.	10 043 326	10 778 950
Other short-term receivables and accruals	16.	9 158 035	9 825 460
Cash and cash equivalents	18.	16 897 366	9 948 117
TOTAL ASSETS		**65 131 862**	**55 135 404**

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

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

Non-current assets:

Non-current assets increased by HUF 0.4 billion in the current period, mainly due to the construction of electrical hot water boilers under own development and business shares acquired in 2023 on the growth side, and the repayment of shareholder loans to subsidiaries on the decrease side.

Current assets:

Current assets of HUF 41.63 billion represent **a HUF 9.6 billion (31%) increase** compared to the 2022 closing value, resulting from significant changes in the following items:

Cash increased by HUF 7 billion compared to the closing assets of the previous period, representing a 70% growth. Changes in cash balance are presented on an item-by-item basis in the Statement of Cash Flows. The substantial amount of cash assets reflects the year-end situation on that specific date. Its substantial amount is warranted by significant seasonality and heightened margining risk due to increased volumes and prices.

Trade receivables, and Other receivables and accruals show a HUF 1.4 billion decrease compared to the base period, which corresponds to a decrease of 7%. The decrease in receivables was caused by the VAT Group created on November 1, 2023. Economic events within the VAT group managed by ALTEO Nyrt. are VAT-neutral transactions, and no output tax is charged within the group.

The value of Inventories increased by HUF 4 billion, representing a change of 269% compared to the base year. The growth is related to the implementation of photovoltaic solar park construction at subsidiaries within the Group, as well as the implementation of efficiency-enhancing industrial energy storage systems in conjunction with the expansion of small-scale gas-fired power plants.

Analysis of Liabilities and Equity

(Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2023 HUF thousand	Year ending on 12/31/2022 HUF thousand
Equity		**37 826 828**	**26 450 497**
Issued capital	19.	247 534	249 066
Share premium – Reserves	19.	6 036 423	6 435 484
Retained earnings	19.	33 493 513	21 225 491
Reserve for share-based payments	19.	(1 885 811)	(1 459 544)
Reserves relating to derivative transactions	20.	(64 831)	-
Long-term liabilities		**15 666 539**	**16 442 603**
Deferred tax liabilities	12.	255 879	1 467 513
Provisions	22.	-	15 500
Debts on the issue of bonds	23.	12 658 274	12 658 274
Other long-term liabilities	24.	949 957	914 215
Lease liabilities – long-term part	25.	956 033	867 742
Deferred income	26.	627 609	519 359
Long-term loans and borrowings	24.	218 787	-
Short-term liabilities		**11 638 495**	**12 242 304**
Short-term bond payables	23.	7 483	35 599
Lease liabilities – short term part	25.	349 850	196 077
Trade payables	28.	2 449 221	584 301
Short-term loans and borrowings	29.	22 858	7 735 000
Other short-term liabilities and accruals	29.	6 420 255	3 377 367
Advances received	30.	-	60 853
Income tax liabilities	31.	2 388 828	253 107
TOTAL EQUITY and LIABILITIES		**65 131 862**	**55 135 404**

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

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

Equity components:

The **equity** of the Group **showed a HUF 11.4 billion increase in 2023**. The main part of the change in equity is the net profit for the reporting period, which represents an increase of HUF 12 billion. For more information on equity increase, see the Equity table.

Long-term liabilities:

The Group's long-term liabilities dropped by HUF 0.78 billion, i.e. by 5%.

- **Deferred tax liabilities decreased by HUF 1.2 billion** 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, as well as corporate income tax actually payable due to the non-utilization of the previously established development reserve, as decided by management.

- Under **Other long-term liabilities**, a change in liabilities was recognized at HUF 35 million, which increase includes the employee share ownership programs newly launched this year, and the reclassification of the 2022-2024 ESOP program scheme, which closed on December 31, 2023, to short-term liabilities.

- The HUF 219 million increase in liabilities shown under **Long-term loans** is the subsequently disbursed 2023 loan with preferential interest for the R&D project related to the implementation of the Kazincbarcika energy storage facility.

Short-term liabilities:

Short-term liabilities decreased by a total of **HUF 0.6 billion, i.e. by 5%,** compared to the 2022 closing value, driven by significant changes in the following items:

- **Short-term loans and borrowings** decreased by **HUF 7.7 billion** compared to the closing portfolio of the previous period. The former parent company loan of HUF 6 billion and the loan from an affiliated company of HUF 1.7 billion, included in the closing portfolio for 2022, were repaid in the current year.
- **Other short-term liabilities and accruals** show **a HUF 3 billion increase** compared to the base period, owing primarily to the impact of the temporary delay in maintenance and construction works and trade payables, and the effect of the income tax and Group VAT payables for the period.

1.3 Statement of cash flows for the 12-month-period ending on December 31, 2023

ALTEO Nyrt. closed **2023 with a cash increase of HUF 7 billion.** The operating activities of ALTEO Nyrt. generated HUF **14 billion** of incremental funds, while investment **projects used HUF 9 billion** of funds. The Group presents the cash flow changes arising from changes in the statement of financial position (indirect cash flow).

	Note	12/31/2023 HUF thousand	12/31/2022 HUF thousand
Profit or loss before taxes		**14 272 146**	**15 676 110**
Interest income and interest expenses, net loss (gain)	7.	(1 600 171)	(304 508)
Dividend (income)	7.	(939 000)	(1 767 701)
Unrealized exchange rate differences (loss/gain)	7.	(1 959)	19 078
Effect of depreciation on profit or loss	4.	952 843	704 636
Profit/loss on scrapping of production and other machinery	9.	-	16 030
Recognition of impairment and forgiveness in profit or loss	6.	117 541	237 774
Deferred income increase (decrease)	26.	108 250	(51 254)
Effect of other comprehensive income	20.	(64 831)	-
Share-based payment cost	19.	(10 594)	830 840
Changes in deferred tax	8.	(1 211 634)	1 136 333
Profit or loss on derecognizing fixed assets	6.	405	1 028
Net cash-flow of business activity without change in current assets		***11 622 996***	***16 498 365***
Inventories (increase) and decrease	14.	(4 036 841)	(426 649)
(Increase) and decrease in trade receivables, other receivables, accrued income and deferred charges	15.	1 336 600	(12 019 113)
Increase and (decrease) in trade payables, other liabilities, accrued expenses and deferred income	28.	7 639 526	1 240 854
Advances received (increase) and decrease	30.	(60 853)	51 864
Change in net current assets		***4 778 432***	***(11 153 044)***
Operating cash flow before taxes		**16 401 429**	**5 345 321**
Effect of income taxes on profit or loss		(1 692 544)	(1 649 123)
Cash generated / (used) in operating activity		**14 708 885**	**3 696 198**
Interests received on deposits and investments	7.	2 104 816	1 000 735
Purchase of production and other machinery, and intangible assets	9.	(2 462 392)	(1 015 818)
Investment in acquiring businesses (net of cash)	11.	(1 180 953)	(585 332)
Revenue from the sale of production and other machinery, and intangible assets	6.	605	2 637
Long-term loans given – disbursement	10.	(809 939)	(471 619)
Long-term loans given – repayment	10.	3 312 233	231 570
Cash generated / (used) in investment activities		**964 370**	**(837 828)**
Interest paid	7.	(736 969)	(577 918)
Loans, bonds, credits and liabilities borrowed	29.	249 265	7 735 000
Loans, bonds, credits and liabilities repaid	23.	(8 141 156)	(3 233 340)
Change in leases	25.	161 991	(4 427)
Capital increase, purchase of own shares	19.	(1 129 143)	1 133 865
Transfer of ESOP cash and cash equivalents and other transactions with owners	19.	(68 953)	(1 434 680)
Dividend received	7.	939 000	2 502 000
Dividend payment	7.	-	(1 993 001)
Cash generated / (used) in financing activities		**(8 725 965)**	**4 187 499**
Changes in cash and cash equivalents		**6 947 289**	**7 045 870**
Opening cash and cash equivalents	18.	9 948 117	2 921 324
Cash exchange gains/losses	7.	1 959	(19 078)
Closing cash and cash equivalents	18.	**16 897 366**	**9 948 117**

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

1.4 Statement of changes in equity for the 12-month-period ending on December 31, 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 Extract from company register 19.1*	*Issued capital repurchased 19.1*	Issued capital under the IFRS (Extract from company register – redeemed) 19.1	Share Premium – Reserves total 19.2	Retained earnings 19.3	Of retained earnings: development reserve 19.3	Reserve for share-based payments 19.4 Closed ESOP Program	Reserve for share-based payments 19.4 Active ESOP Program	Hedge reserve 20.	Total equity
1.1.2022	**242 328**	**(93)**	**242 235**	**5 237 704**	**9 197 528**	**-**	**(206 875)**	**-**	**-**	**14 470 592**
Implementation of employee share award through shares	-	16	16	2 645	-	-	-	-	-	2 661
Capital increase through private placement	6 815	-	6 815	1 129 927	-	-	-	-	-	1 136 742
Dividend payment (approval)	-	-	-	-	(1 996 146)	-	-	-	-	(1 996 146)
Recognition of Employee Share Ownership Program (ESOP) in equity as per IFRS2										
Cash transferred to ESOP I.	-	-	-	-	-	-	(300 000)	-	-	(300 000)
Cash transferred to ESOP II.	-	-	-	-	-	-	-	(1 136 742)	-	(1 136 742)
Recognition of share benefits against profit or loss	-	-	-	-	-	-	184 073	-	-	184 073
Inclusion of the ESOP Organization in consolidated reporting										
Receivable from ESOP	-	-	-	2 063	(2 874)	-	-	-	-	(811)
Dividend paid to ESOP	-	-	-	63 145	-	-	-	-	-	63 145
Rounding	-	-	-	-	(4)	-	-	-	-	(4)
Comprehensive income	-	-	-	-	14 026 987	-	-	-	-	14 026 987
Development reserve technical movement	-	-	-	-	(16 117 856)	16 117 856	-	-	-	-
12.31.2022	**249 143**	**(77)**	**249 066**	**6 435 484**	**5 107 635**	**16 117 856**	**(322 802)**	**(1 136 742)**	**-**	**26 450 497**
Development reserve use	-	-	-	-	1 681 868	(1 681 868)	-	-	-	-
Development reserve return	-	-	-	-	12 435 988	(12 435 988)	-	-	-	-
Implementation of employee share award through	-	24	24	5 518	-	-	-	-	-	5 542
Capital movements related to the closing of the ESOP Program II (2020-2022)										
Transfer to retained earnings of ESOP IFRS2 remuneration formerly recognized against profit or loss	-	-	-		552 218	-	(552 218)	-	-	-
ESOP IFRS2 reserve de-recognition de-recognized carrying amount of shares transferred	-	-	-		(866 672)	-	866 672	-	-	-
Inclusion of the ESOP Organization in consolidated reporting										
ESOP (2020-2022) 2021 dividend transfer to beneficiaries	-	-	-	(63 145)	-	-	-	-		(63 145)
Settlement of asset released from the ESOP 2020-2022 Program through agreement with the founder	-	-	-	(2 874)	2 874	-	8 077	-	-	8 077
Share purchase	-	(5 201)	(5 201)	(1 123 942)	-	-	271	45 765	-	(1 083 107)
Shares transferred to ESOP organization	-	3 645	3 645	791 190	-	-	-	(794 835)	-	-
Amounts spent on ESOP operation	-	-	-	(5 808)	-	-	-	-	-	(5 808)
Profit/loss on derivatives transactions, OCI	-		-	-	-	-	-	-	(64 831)	(64 831)
Rounding	-	-	-	-	-	-	-	1	-	1
Comprehensive income	-	-	-	-	12 579 602	-	-	-	-	12 579 602
12.31.2023	**249 143**	**(1 609)**	**247 534**	**6 036 423**	**31 493 513**	**2 000 000**	**-**	**(1 885 811)**	**(64 831)**	**37 826 828**

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

<u>Statement of changes in equity in the period between 1/1/2023 – 12/31/2023</u>

<u>Implementation of the employee share ownership program:</u> In the context of ALTEO's employee program in 2022, the awardees of the program received share benefits. Under the Company's employee share ownership program, the Company distributed 1,911 ALTEO ordinary shares in February 2023 to employees who were eligible under the Company's recognition plan.

<u>Capital movements related to the Employee Share Ownership Program (ESOP):</u>

Pursuant to the provisions of IFRS 2, the Issuer presents the asset items of the ALTEO ESOP Organization in its consolidated statements. The Issuer manages the following ESOP programs:

- https://alteo.hu/wp-content/uploads/2020/12/ALTEO_2020_evi_MRP_Jav_Pol_20201221.pdf (Share-based payments reserve Closed ESOP Program)
- https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2024-Javadalmazasi-Politika.pdf (Share-based payments reserve Active ESOP Program)
- https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2025-Javadalmazasi-Politika.pdf (Share-based payments reserve Active ESOP Program)
- https://investors.alteo.hu/wp-content/uploads/2023/04/ALTEO-Nyrt._MRP-Felsovezetoi-Javadalmazasi-Politika.pdf (Share-based payments reserve Active ESOP Program)
- "Watt" and "Szikra", rewarding employees for their outstanding performance.

Assets transferred to ESOP: ALTEO has transferred shares worth a total of HUF 794,835 million to the Employee Share Ownership Program Organization (hereinafter: **ALTEO ESOP Organization**) under the remuneration policy of the WATT, Szikra and Senior Management Programs.

Capital movements related to the closing of the Employee Share Ownership Program II: The vesting period of ALTEO's 2020 **Employee Share Ownership Program** Remuneration Policy ended in 2022. In relation to the Program, 612,940 shares at a carrying value of HUF 552,218 million were transferred in 2023, and a total expenditure of HUF 866,672 million was recognized against equity over the vesting period.

Dividends:

Dividend paid for 2021: The ALTEO ESOP Organization is entitled to receive dividends on the treasury shares received and on the ALTEO shares obtained from the capital markets for cash. The dividend amount has been financially transferred to ESOP (2020-2022) II beneficiaries in 2023.

Hedge reserve:

Profit/loss on derivatives transactions: The Company's intra-group investment is the result of a hedge transaction.

Accounting policies and changes to standards

ALTEO Nyrt.'s accounting policies are identical with those disclosed for the reporting date of 12/31/2021.

The basis for the preparation of the financial statements

Disclosure by the ALTEO Nyrt. is in compliance with the rules described in the "Introduction" part. Along with its financial reports, the Group ensures the appropriate availability of such disclosed data.

Impact of construction and installation contracts

Revenues relating to ongoing projects are presented by ALTEO Nyrt. in accordance with the rules of the IFRS 15 standard. ALTEO Nyrt. 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.

Changes in the reporting system

ALTEO Nyrt.'s management is committed to the transparent presentation of ALTEO Nyrt.'s statement of financial position, profits and segment profit or loss. There were no changes in the reporting system during the current period.

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 the IFRSs, the Company 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 ALTEO Nyrt.'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 laws,
- changes in the economic environment,
- changes in the operation, procedures of the company.

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

Seasonality, cyclicality, unusual activities

The Group publishes its financial statements in accordance with the IFRSs.

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

1.5 Headcount data for 2023

The average headcount of the Issuer in 2023 was 327.

1.6 EPS indicator

See Consolidated Annual Report, Section IV.34.

1.7 Environmental factors

War risks, related measures, and impact on ALTEO's 2023

The aim of ALTEO GROUP is to ensure that working conditions are as safe as possible for its staff and partners, and also that its power plants operate at full capacity, and that its customers are served without any interruptions. This is why we have introduced numerous precautionary measures that help to minimize the risks of the war both outside and within the company.

The operation of power plants in the segment was carried out reliably, with the appropriate precautionary measures in place.

1.8 Non-financial report

Section 1.1.10 of this Annual Report presents major changes in ALTEO's subsidiaries, while Section 1.13 of the Annual Report addresses other significant events.

1.9 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	**14292615-4-44**
The Company's EU VAT number:	**HU17783893**
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**
Financial 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; furthermore, if specifically required by the applicable law, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 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 fiscal 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 Zrt.** **Riverland Private Equity Fund** **Főnix Private Equity Fund**

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

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

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

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

Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Company's Articles of Association, the shareholder or the holder of voting rights (hereinafter, for the purposes of this Section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Section 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written statement to the Board of Directors concerning the composition of the shareholder group and the nature of the relationship between the members of such shareholder group, taking into account the relevant provisions of the Capital Market Act. Such notification obligation applies to shareholders only if there has been a change in the shareholder group since the publication of the previous notice. In the event of failure to provide notification or full notification regarding the composition of the shareholder group as required in the previous sentence, or where the acquisition of control is subject to a regulatory approval or acknowledgement, which the shareholder had failed to obtain, or if there is reason to assume that the shareholder has deceived the Board of Directors concerning the composition of the shareholder group, the voting right of the shareholder will be suspended by the decision of the Board of Directors at any time even after its entry into the share register, and may not be exercised until the above requirement has been fully satisfied. Furthermore, at the request of the Board of Directors, shareholders are required to promptly make a statement specifying who the ultimate beneficial owner with respect to the shares owned is. If the shareholder fails to act upon such request or if there is reason to assume that the shareholder has deceived the Board of Directors, the voting right of the shareholder is suspended and may not be exercised until the above requirements have been fully satisfied. For the purposes of this Section, "shareholder group" means, with respect to a particular shareholder, such shareholder and the persons specified in Section 61 of the Capital Market Act, whose voting rights related to their share must be regarded as the voting rights of the shareholder concerned. For the purposes of this Section, "beneficial owner" means the person specified in Section 3(38) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

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

Presentation of investors with a significant share

The majority shareholders of ALTEO as at December 31, 2023 are MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: Cg.01-10-046154), Riverland Private Equity Fund (registered office: H-1133 Budapest, Váci út 110; tax number: 19314961-2-41) and Főnix Private Equity Fund (registered office: H-1134 Budapest, Kassák Lajos utca 19-25; tax number: 19315357-2-41).

Ownership structure of the parent company (ALTEO Nyrt.) based on the share register as at December 29, 2023.

Present shareholders of the Company based on the share register on 12/29/2023	Face value (HUF thousand)		Ownership ratio (%)	
	2023	2022	2023	2022
Wallis Asset Management Zrt. and its subsidiaries	-	128 475 113	0,00%	51,57%
MOL RES Investments Zártkörűen Működő Részvénytársaság, Riverland Private Equity Fund (Riverland Magántőkealap) and Főnix	183 845 075	24 889 438	73,79%	9,99%
Members of the Board of Directors, the Supervisory Board and the Executive Board	4 788 163	11 429 050	1,92%	4,59%
Repurchased own shares	1 609 788	77 750	0,65%	0,03%
ALTEO ESOP Organization	10 185 613	14 478 288	4,09%	5,81%
Free float	48 714 788	69 793 786	19,55%	28,01%
TOTAL	**249 143 425**	**249 143 425**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2023 (on December 29) was HUF 2,850, which is 11% lower than the same value in the preceding year (HUF 3,200). The annual turnover was HUF 3.455 billion, 43% lower than in 2022.

The number of shares held by the executive officers of the parent company (ALTEO Nyrt.):

Share of the members of the Board of Directors, the Executive Board and the Supervisory Board (number of pieces)			
Board	**Name**	**12.29.2023**	**12.30.2022**
Board of Directors	Álmos Mikesy	-	-
	Dr. György Bacsa	-	-
	Ágnes Bencsik	-	-
	Gyula Zoltán Mező*	-	45 000
	Zsolt Müllner*	-	409 600
	Ferenc Karvalits*	-	8 000
	Attila László Chikán	208 443	300 967
Executive Board	Domonkos Kovács	108 296	149 535
	Péter Luczay	10 034	-
	Magdolna Tokai	-	-
	Anita Simon	10 760	1 222
	Viktor Varga	10 000	-
	Zoltán Bodnár	20 328	-
Supervisory Board	Péter Kaderják	15 192	-
	Attila Gyula Sütő	-	-
	Dr. Ákos Székely	-	-
	Márton Oláh	-	-
	István Zsigmond Bakács*	-	-
	Dr. István Borbíró*	-	-

*no longer members of the above bodies as of April 3, 2023

1.10.1. Powers of senior executives

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

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

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

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

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

The General Meeting of the Company adopted Resolution No. 15/2023 (IV.21.) to provide the Board of Directors with an authorization for a period of 18 (eighteen) months starting on April 21, 2023, to adopt resolutions on the acquisition by the Company of shares of all types and classes and of any face value, issued by the Company, supported by at least three quarters of the votes that can be cast by the members of the Board of Directors, and to enter into and perform such transactions for and on behalf of the Company, or to engage a third party for the conclusion of such transactions. The number of shares that can be acquired based on this authorization shall not exceed the number of shares with a total face value of twenty-five percent of the share capital, and the total face value of own shares owned by the Company may not exceed this rate at any time. The own shares can be acquired for or without consideration, on the stock market and through public offering or – unless the possibility is excluded by the law – in over-the-counter trading. In the event of acquiring own shares for consideration, the minimum amount of consideration payable for one share may be HUF 1 (one Hungarian forint) and the highest amount may be HUF 5,000 (five thousand Hungarian forints). The authorization shall also cover share purchases by the Company's subsidiaries in such a way that the Company may authorize the management of any subsidiary of the Company by means of resolutions of the members or shareholders (resolutions adopted by the members' meeting or the general meeting) to acquire the shares issued by the Company according to a resolution adopted by the Board of Directors under the above authorization.

1.11 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 12/31/2023	Activity	Rate of influence		
		12/31/2023	6/30/2023	12/31/2022
ALTE-A Kft.	asset management (holding)	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trade, electricity trade	100%	100%	100%

Name of Subsidiary, 12/31/2023	Activity	Rate of influence		
		12/31/2023	6/30/2023	12/31/2022
ALTEO-Depónia Kft.	electricity production (landfill gas power plant)	100%	100%	100%
ALTE-GO Kft.	E-mobility services	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]	property management	100%	100%	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 trade and energy management	100%	100%	100%
Sinergy Kft.	electricity production (hydropower plant)	100%	100%	100%
SUNTEO Kft.	electricity production (solar power plant)	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
EDELYN SOLAR Kft.	electricity production (solar power plant)	100%	100%	100%
FE-GROUP INVEST Zrt.	wholesale of waste and scrap, recycling	75.1%	75.1%	75.1%
Energigas Kft.[2]	electricity production	100%[3]	100%	1%
Energikum Zrt.[4]	business and other consultancy activities	100%	100%	-

Events at the Company's subsidiaries relevant under company law in the period between January 1, 2023 and the date of publication of this 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 2023 ALTEO Nyrt. adopted 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

[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.

In 2024 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2023. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 180,000,000
Monsolar Kft.	HUF 49,000,000
Pannon Szélerőmű Kft.	HUF 90,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 50,000,000

1.12 Changes in the structure of the Group

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. 01-10-020308; hereinafter: "Energikum") to acquire shares representing 100% of the share capital of Energikum. Energikum holds the business quota 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 conditions, for being used as a substitute for natural gas, and can even be fed 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** to acquire 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.

1.13 Major events

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.

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%.

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 to purchase 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 not to adopt 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's 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's 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's 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 <u>not to adopt</u> 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 <u>not to adopt</u> 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.

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 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: Cg. 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 consolidated with amendments** 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 **own 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.

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 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. The majority of the shares, a total of 275,000 shares, was immediately transferred by ALTEO to the ALTEO ESOP Organization **in order to implement the remuneration policies**.

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, with regard to the 2024 ESOP Remuneration Policy to the settlement 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 group 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, and as a result ALTEO became the owner of a total of 128,783 ALTEO ordinary shares.

Annual review of the credit rating

Scope Ratings GmbH carried out the 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.

For the report of the credit rating agency, follow 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

Stock tracking

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

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

Kalliwoda Research GmbH updated its model on October 18, 2023 **following the results for 2023 H1**, and it is available at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2023_Q2.pdf

Company analysis

Erste Group Research has 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

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. ALTEO's 20 MWe nominal capacity solar power plant in Tereske, Nógrád County is scheduled to start electricity production from 2024 H2.

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 agglomeration area in addition to the existing site in Polgár.

RDI Project

The new electrical boiler installed at ALTEO's **Sopron Power Plant** has commenced operation, further increasing the flexibility of the 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. The announcement is available via the following link:

https://bet.hu/newkibdata/128852789/KFI%20R%C3%A9nyi%20k%C3%B6zlem%C3%A9ny_230306.pdf

Electrical boiler

After the electrical boiler installed at its Sopron power plant, ALTEO has integrated two more devices into its Virtual Power Plant, which will enable the conversion of electricity generated from renewable energy sources into heat. The hot water produced by the boilers installed in the **heating power plants in Kazincbarcika and Tiszaújváros** is fed into the local district heating system. The announcement is available via the following link:

https://bet.hu/site/newkib/hu/2023.11./Tajekoztatas_ujabb_villamos_kazan_uzembe_allitasarol_-_2023.11.16._128979650

1.13.1. ESG certification and Green Financing Framework

In 2022, ALTEO obtained its first voluntary, independent third-party ESG (Environmental Social and Governance) certification, which assessed the Company's environmental, social and governance impacts. In 2023, 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

1.13.2. 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.

Best of BSE Awards

Based on its performance in 2022, 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.

ALTEO ESOP Organization Remuneration Policies

In April 2023, the Company's Board of Directors adopted both the remuneration policy for 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 own share transactions.

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 were employed by ALTEO.

Changes in senior management positions

As of October 2, 2023, **Magdolna Tokai** has joined the Company's management as Deputy CEO for Corporate Support. Magdolna Tokai is responsible for establishing and operating two new corporate units: the project portfolio management area, which will primarily support resource planning and allocation at ALTEO level, and the BoD cabinet, which will coordinate the work of decision-making bodies, and will also include the areas of IT, purchasing, legal and office management.

László Hegedűs, formerly Director of Strategic HR and Communications, continues as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications starting from January 10, 2024. László Hegedűs is responsible for HR and Communications, in particular for the development of the HR area and active support for the flow of information between partner departments.

MNB fine

The Central Bank of Hungary (registered office: H-1013 Budapest, Krisztina körút 55, business site: H-1122 Budapest, Krisztina körút 6, hereinafter: "**MNB**"), with its Resolution No. H-PJ-III-B-2/2023 issued on November 3, 2023, has prohibited the Issuer from repeatedly violating Article 18(2) of the EU Market Abuse Regulation and has ordered it to pay a supervisory fine of HUF 5,000,000 (that is five million Hungarian forint), in view of the fact that ALTEO failed to inform the natural persons on its transaction-specific insider lists in several cases, or only informed them subsequently, of the fact that they were included on the Issuer's transaction-specific insider lists, in other words that they were persons possessing insider information. The MNB has issued the above resolution concerning the data of ALTEO's 2021 Integrated Report and 2021 Annual Report that was not included in the Investor Presentation on the preliminary financial data for 2021, as well as other transaction-specific insider lists connected to General Meeting proposals. In this context, the Company informed investors in an announcement that it has started a review of its insider trading practices in 2022, as a result of which it issued a revised Insider Trading Policy and a new Disclosure Policy in June 2023.

Events after the period – for the most part described above – not reflected in the end-of-the-year statements

László Hegedűs, formerly Director of Strategic HR and Communications, continues as ALTEO Nyrt.'s Deputy CEO for Strategic HR and Communications starting from January 10, 2024.

As the founder of the Subsidiaries, the Company accepted and approved the annual reports of the Subsidiaries for 2022 in March 2024.

In relation to the extra profit tax on ALTEO's biogas power plant, which taxes the difference between the KÁT price and the market price of power plants excluded from KÁT, the National Tax and Customs Administration has conducted a compliance review. The report of the audit, delivered on February 2, 2024, drew attention to the need to review our procedure for determining the extra profit tax liability. ALTEO Nyrt. granted a subordinated loan to its subsidiary to pay the tax.

The Company granted a loan to Energigas Kft. to settle its tax liabilities.

1.13.3. Dividend payment

The Board of Directors recommends to the General Meeting that a total sum of HUF 7,972,589,600 shall be paid out as dividend in 2024. The dividend on treasury shares shall be distributed to those shareholders eligible for such dividend, in proportion to their number of shares.

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

In the Basic Information Memorandum published on October 10, 2022, the Company described the relevant risks and their assessment that are applicable to this report as well.

1.15 Pending lawsuits

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 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 Hungarian Intellectual Property Office approved the negative clearance claims and found that the solution in question does not infringe the patent, but CHP Energia Zrt. (post-succession patent holder instead of VPP Magyarország Zrt.) filed a request for a change of the decisions, and as such the cases are currently pending before the Budapest-Capital Regional Court.

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

Description of ALTEO Group policies

The following policies are applied throughout the ALTEO Group, description of the policies, list of the results by policy:

Environmental guidelines

ALTEO Nyrt. first prepared a Sustainability Report for the 2016 fiscal year, detailing the Company's non-financial, social and environmental policies and its annual performance. We ensure the relevance and transparency of sustainability data by applying the GRI (Global Reporting Initiative) Standards methodology, the most recognized international standard, in preparing our non-financial reports, and by having these certified by a third party annually. We prepare a report on our sustainability efforts every year and, since 2019, we have published it in the form of an Integrated Report. A further objective was to publish our Integrated Reports with the approval of the General

Meeting, which we achieved for the first time for our 2021 report. Our Sustainability, Integrated and EU Taxonomy Reports published so far are available to all stakeholders on the web page: https://alteo.hu/fenntarthatosag/fenntarthatosagi-jelentesek/. As our Integrated Report contains the details of the Company's data, policies, objectives in connection with environmental protection and sustainable business operations, this business report, based on the contents of the Integrated Report, provides only a summary of environmental policies and results.

ALTEO set up the Green Committee in 2022, an advisory body to the CEO, which is composed of senior officers, supervisory board members and experts. The purpose of the committee is to ensure the preparation and corporate implementation of the ALTEO Group’s sustainability objectives and ambitions. The committee, which meets at least quarterly, monitors and approves corporate policies and long-term objectives for sustainable development and the sustainability strategy, and ensures that the ESG approach and climate risks are kept on the agenda. For more information on the committee and its rules of procedure, please visit the ALTEO website at: https://alteo.hu/az-alteo/szervezet/zold-bizottsag/.

Furthermore, ALTEO has an Integrated Management System in place, which includes the standards ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Health & Safety Management System and ISO 50001:2018 Energy Management Systems. The Integrated Management Policy (publicly available at https://alteo.hu/wp-content/uploads/2020/11/alteo_integralt_politika.pdf),) is the fundamental document for this system, in which the company’s management commits itself to providing quality services, safe work environment, energy efficiency, environmental protection and sustainability. In 2023, we ensured our compliance with the standards by conducting 53 internal audits covering the operation of the Integrated Management System in compliance with all four standards at all of our sites and organizational units.

A separate document, the Integrated Report 2023, will describe our environmental policies and the associated results in detail.

Respect for human rights, ethics

Description of major risks related to human rights compliance that may result in adverse effects in the context of the Company's activities, and also a description of how the Company manages those risks.

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

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

The CMS covers four main areas at the Company: business ethics, security (data protection, information security, asset protection, human risk management), anti-corruption program (fraud and corruption free operation, business partner due diligence, conflict of interest), compliance risk management (legal and internal regulatory compliance, annual compliance risks).

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

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

Based on the 2023 ESG assessment, business ethics is rated as negligible risk, and risk management in the area of business ethics is rated as strong.

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

Fundamental rights in practice

We provide an online whistleblowing system for our employees and business partners under Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law. The whistleblowing hotline can be accessed through various interfaces on the website and intranet. Whistleblowers should not suffer any disadvantage as a result of the whistleblowing.

To empower colleagues at ALTEO to speak up, in 2023 we launched the Speak Up! program. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences (source: HBLF recommendation). We have consulted with staff about what they would consider important to say and do on this issue. We set up our program for the next 2-3 years accordingly.

We have introduced a Compliance adjustment in the performance appraisal system to ensure ethical standards are met.

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

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

We take individual preferences into account when setting working hours and work procedures, and provide solutions to any issues that may arise.

The HQ offers flexible working hours and the opportunity to work from home.

We give priority to the personal and professional development of our employees, for that purpose, we develop an annual training schedule, and provide employees the opportunity to participate in courses, conferences and, under study contracts, in adult education and university courses. We set individual development goals and organize individual trainings or group workshops to achieve them.

We are committed to the principle of fair and compliant employment and remuneration. Salaries and fringe benefits are reviewed on a yearly basis.

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

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

In our work and in our business relationships, we treat everyone with respect, and in our communications with each other, we respect and value the opinions and views of others.

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

Conflict of interest

ALTEO Nyrt. is particularly dedicated to the detection and prevention of economic conflicts of interest, therefore all new entrants must make a conflict of interest statement. In 2023, we reviewed the conflict of interest statements of the entire Group.

Policies applied in connection with the fight against corruption

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

The Company is committed to anti-corruption, and has adopted and published its Anti-Corruption Statement on its website. We firmly reject all forms of corruption and bribery, which are regarded as particularly serious ethical violations in the context of government officials, suppliers and business partners. We apply zero tolerance to all cases involving bribery or corruption.

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

We assess potential suppliers on the basis of a multi-level pre-qualification process (also taking ESG, financial and legal aspects into consideration). We do not enter into a business relationship with any supplier that does not meet the Company's requirements. We expect our business partners to know, accept and comply with our Code of Ethics. We put together a summary code of all the ethical requirements applicable to business partners, which we will apply from 2024.

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

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

RISK MAP – Corruption index

In 2023, for the ninth consecutive year, ALTEO Nyrt. has prepared a compliance risk map using a questionnaire to measure and assess the Group-level compliance risks in finances, accounting, human resources, corporate management and publicity in order to eliminate the potential for corruption, fraud and abuse.

The questionnaire was made available to 28 executives. Based on the survey, we decided to add more areas to the questionnaire: We issue Legal, IT, M&A and other information materials on our internal rules for managers.

Employment policy

ALTEO Nyrt.'s employment policy is focused on retaining employees who contribute to the success of the Group, on recruiting new employees who contribute to our growth and on successfully integrating the knowledge they bring. Developing an innovative corporate culture and establishing and applying effective standards of behavior that support the achievement of our strategic goals is a priority for us. ALTEO Nyrt. believes that the loyalty and motivation of their employees are founded on permanent job, good working conditions, complex tasks and competitive wages provided by the Company. The physical safety of our employees always comes first; we focus on their long-term commitment, assess their wellbeing through different measurements and forums, and make efforts to maintain a partner like relationship with the Works Council. Every year, we provide our employees with a cafeteria allowance and a variety of benefits, making the elements available as widely as possible in accordance with the relevant laws.

ALTEO Nyrt. is considered an attractive workplace, as evidenced not only by the high rate of new entrants, but also by the fact that rate of staff turnover is below 10%.

ALTEO Nyrt. consciously seeks to increase the proportion of the younger generations within the organization, since the management of the Company believes that it can provide them with professional development opportunities and challenging tasks in the long term. Nurturing talents and planning succession are fundamental criteria of maintaining ALTEO Nyrt.'s quality services and reliable work performance, as the age pyramid of colleagues with extensive expertise and work experience, who in many cases have been working in the energy sector for 30 years, is very constrictive, with 38.5% of our employees over 50. The expertise and experience obtained in a wide range of fields in the energy industry are the core values of ALTEO Group. To ensure that ALTEO Group can provide high-quality services to its partners, it enables its employees to deepen their knowledge via regular training courses and conferences. The objectives of the courses are to enable our employees to improve their efficiency, to acquire critical qualifications for their work, and to update and complement their existing knowledge base. Our training portfolio also includes compulsory courses prescribed by law or by internal regulations, as well as internal knowledge sharing.

2. Statements of the issuer

2.1 Use of non-audit services

In 2023, the ALTEO Group did not use any audit services provided by BDO Magyarország Könyvvizsgáló Kft.

2.2 Declaration on compliance with the obligation to disclose affiliated party transactions

No transactions with affiliated parties to be disclosed or subject to approval as defined in Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization were concluded in 2023.

2.3 Corporate governance statement

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

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

The members of the Board of Directors are elected by the General Meeting for a term of up to five years. Members of the Board of Directors elect the Chair of the Board of Directors and the member entitled to hold the title of CEO ("**CEO**") from among themselves. ALTEO Nyrt. has no nomination committee or remuneration committee; the remuneration of members of the Board of Directors is determined by the General Meeting. The Board of Directors comprises at least three and at the most nine natural person members.
The Board of Directors is entitled and required to decide on all issues that, by virtue of the provisions of the law or the effective Articles of Association, do not fall within the competence of the General Meeting, the Supervisory Board or the Audit Committee.

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

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

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

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

Within the scope of the Company's risk assessment activities, business, financial, technical, commercial, legal and compliance functions supervised by members of management work together and assess the types of risks involved based on reports prepared by each function and presented to the appropriate decision-making body or management member at specific intervals and identify the actions needed to manage risks.

The assessment of financial risks is a part of every planning and forecasting process as well as preparing new investment decisions. Decisions regarding risks identified during planning and forecasting and how they should be managed are made. For new investments, the management of expected risks is already covered by the proposal.

In developing its Compliance Management System, the Company assigned Compliance its place within the corporate structure, determined its scope of competence and its responsibilities, the Compliance Committee was set up, the risk map of the Group was drawn up on the basis of executive self-assessments, the regulation and the procedural rules of compliance audits (conflict of interest, business partner due diligence, ethics and compliance audits) were developed, and the Code of Ethics constituting a key component of the program was also created.

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

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

2.4 The issuer's statement pursuant to Section 3.4.1 of the Decree No. 24/2008 (VIII.15.) of the Minister of Finance

The Company declares that its consolidated Financial Statements and Business Report for the year 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, profit and loss of the Company as an issuer and the companies involved in the consolidation.

The Company also declares that its consolidated Annual Report for the year 2023 provides a true and fair view of the situation, development and performance of the issuer and the companies involved in the consolidation, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

2.5 Statement of the issuer on the independent audit of the report

The Company declares that the data of this Annual Report were audited by an independent auditor. The independent auditor's report was published as part of the Consolidated Financial Statements.

2.6 Authorization for publication of the Annual Report

This Annual Report was discussed by the Group's Board of Directors and authorized for publication on March 28, 2024.

Budapest, March 28, 2024

On behalf of ALTEO Nyrt.:

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