

STATEMENT

on
**ALTEO Nyrt.'s
Corporate Governance Practice**

based on the
Corporate Governance Recommendations
of the Budapest Stock Exchange

I. Presentation of the operation of the Board of Directors

The Board of Directors is the Company's main decision-making body that governs the Company and monitors its day-to-day operation on the basis of existing legislation, the Company's Articles of Association and the resolutions passed by the General Meeting and the Supervisory Board.

Members of the Board of Directors, its Chair and the member entitled to hold the title of CEO ("CEO") are elected by the General Meeting for a term of up to five years. The Company has no nomination committee or remuneration committee; the remuneration of members of the Board of Directors is determined by the General Meeting.

The Board of Directors consists of six members.

Name	Position
Attila László Chikán	Member of the Board of Directors entitled to hold the title of CEO
Domonkos Kovács	Member of the Board of Directors, M&A and Capital Markets Director
Gyula Zoltán Mező	Chairman of the Board of Directors
Zsolt Müllner	Member of the Board of Directors
Ferenc Karvalits	Member of the Board of Directors
András Papp	Member of the Board of Directors, Deputy CEO

The Board of Directors is entitled and required to decide on all issues that, by virtue of the provisions of legislation or the effective Articles of Association, do not fall within the competence of the General Meeting, the Supervisory Board or the Audit Committee.

Members of the Board of Directors decide jointly, as a corporate body on issues set out in the rules of procedure. The CEO is entitled and required to decide on all issues which are not referred to the exclusive competence of the Board of Directors, as a corporate body, by the Articles of Association or the rules of procedure of the Board of Directors, but which otherwise fall within the competence of the Board of Directors, unless the Board of Directors stipulates expressly otherwise in a separate resolution.

The Board of Directors held six meetings in 2018, and passed resolutions on sixteen occasions without meetings. On one occasion, seven members attended the meeting of the Board of Directors, given that Péter Kaderják, who acted as Chairman of the Board of Directors until July 3, 2018, was also present. The other five meetings of the Board of Directors were attended by six members.

II. The Chief Executive Officer (CEO)

The member of the Board of Directors entitled to hold the title of CEO is at the head of the Company'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 Company'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 Company's Articles of Association and the rules of procedure of Board of Directors.

During the day-to-day operations of the Company, the CEO works with members of the management responsible for each function to make decisions.

Employer's rights over the Company's employees are exercised by the CEO. The CEO may assign its powers to members of management and employees of the Company by way of a job description

in general or by way of an ad-hoc decision; however, the restriction of his powers arising from Board membership has no legal effect against third parties.

The Management

The CEO is assisted in the day-to-day operational management of the Company by the management, the members of which are responsible for functions within their scope of responsibility.

Management consists of the following members:

Name	Position
András Papp	Deputy CEO
Zoltán Bodnár	Chief Financial Officer (CFO)
Domonkos Kovács	M&A and Capital Markets Director
Sándor Bodó	Financial Director
Péter Luczay	Director of Wholesale Energy Trading and VPP Management
Dr. Zoltán Pataki	Chief Legal Counsel
Viktor Varga	Energy Production Director

III. The Supervisory Board of the Company

The Company's Supervisory Board, under mandate from the General Meeting, has been supervising the Company's management since September 6, 2010. As part of its operations, it performs the tasks set out in legislation and its rules of procedure and comments on and approves the corporate compliance program.

The Supervisory Board acts as a corporate body. Members of the Supervisory Board are required to act in person; representation 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 of the Company 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 Supervisory Board elects a chair from its membership and, as necessary, a vice chair. The Supervisory Board sets out its own rules of procedure, which are then approved by the General Meeting. The brief professional summaries of the members of the Supervisory Board are available on the Company's official website (www.alteo.hu).

The Supervisory Board currently consists of five members, three of whom are independent individuals. The members of the Supervisory Board:

Name	Position	Date of appointment
István Zsigmond Bakács (independent)	Chairman of the Supervisory Board	April 27, 2015
Dr. István Borbíró (independent)	Member of the Supervisory Board	April 27, 2015
Péter Jancsó	Member of the Supervisory Board	April 27, 2015
Dr. János Lukács (independent)	Member of the Supervisory Board	April 27, 2015
Noah M. Steinberg	Member of the Supervisory Board	April 24, 2017

The Supervisory Board meets as required, but at least every 3 (three) months. The Supervisory Board held four meetings in 2018, and passed written resolutions on three occasions.

IV. The Audit Committee

On September 6, 2010, the Company's General Meeting also set up an Audit Committee. Members of the Audit Committee are the above-mentioned independent members of the Supervisory Board.

The Audit Committee verifies the Company'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.

The Audit Committee held four meetings in 2018, and passed written resolutions on six occasions.

V. Evaluation system

The CEO continuously monitors the accomplishment of specific objectives affecting the Company and belonging to the scope of responsibility of the various members of management, as well as the activities of members of management, and evaluates these on a weekly basis. The evaluation of the activity of management in respect of the impact on the Company's strategic objectives is performed as needed, but at least twice each year.

As required, but at least once each year, the management holds a separate investment pipeline and commercial strategy meeting to evaluate the Company's operations in the preceding period, explore the opportunities of the period ahead and see whether these opportunities are in line with the Company's strategic goals. As a result of these strategic meetings, the management makes a recommendation to the Board of Directors as necessary to review the Company's commercial and business strategy.

The CEO reports as needed, but at least every quarter, to the Board of Directors on the activity of management, on the steps taken in order to accomplish the Company's strategic objectives, and on the implementation of the decisions of the Board of Directors.

Every three months, the Board of Directors draws up a management report for the Supervisory Board, which is discussed at the meeting of the Supervisory Board. Based on the quarterly reports, the Supervisory Board may formulate recommendations and may also use the audit tools set out in legal regulations and its rules of procedure.

The Board of Directors draws up a report on the Company's annual business activity, which report – along with the draft of the annual report prepared pursuant to the Accounting Act – is assessed by the Supervisory Board. If the Supervisory Board accepts the report of the Board of Directors and the draft annual report, it recommends it to the General Meeting for approval. The General Meeting decides on the approval of the report and the annual report.

VI. Presentation of the system of internal controls, evaluation of the activity of the given period

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 types of risk based on written reports prepared by each function and presented to the

entire management on a weekly basis and identify the steps needed to manage risks. These organizational units report directly to the CEO.

The assessment of financial risks is a part of every planning and forecasting process as well as preparing new investment decisions. Decisions regarding risks identified during planning and forecasting and how they should be managed are made. For new investments, the management of expected risks is already covered by the proposal.

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

The organizational units specializing in energy trading act in accordance with their own risk management policies. The Company Group places particular emphasis on mitigating its market risks. The objective of risk management is at all times to establish economically sustainable operation through the mitigation of the effects of market uncertainties on company profit, and to ensure stable and predictable cash-flow. Market risks resulting from the volatility of natural gas and electricity prices is typically mitigated through natural gas and electricity hedging transactions. The Company's market risk management is essentially divided into three segments – market-priced heat energy production and sales, regulated-price heat energy production and sales, and cogenerated heat and electricity production – and two time horizons – short-medium term (the unit price of heat energy sales can be accurately defined) and medium term (the unit price of heat energy sales cannot be accurately defined). Market exposures are mitigated through the hedging of basic products synchronous with the Company's physical market exposures with derivative instruments quoted on various financial and physical markets. The forum for managing the above-mentioned risks is the Risk Management Committee, whose members are the Financial Director, the Director of Wholesale Energy Trading and VPP Management and the Chief Executive Officer.

Due to the changes at the ALTEO Group in 2015, resulting in considerable growth and a more complex business operations than before, a compliance program for the Company Group was developed in the second half of the year.

In the course of the development of the program, the management assigned Compliance its place in the corporate structure, determined its scope of competence and its responsibilities, the Compliance Committee was set up, the risk map of the Company Group was drawn up on the basis of executive self-assessments, the regulation of and rules of procedure for compliance audits (conflict of interest, business partner due diligence, ethics and compliance audits) were developed, and the first Code of Ethics constituting a key component of the program was also created.

The implementation of the compliance program, pursuant to a mandate from the CEO, is the responsibility of the compliance manager. The compliance manager is responsible for ensuring compliance with applicable laws, internal policies and the Company's Code of Ethics, for identifying any unethical or unlawful non-compliance or non-compliance involving excessive business or work safety risks, breaches and violations of rights, for assigning responsibilities, initiating corrective measures and following up on actions taken by business areas.

VII. The auditor

Currently, the auditor of the Company is Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság (Deloitte Auditing and Consulting Ltd.; registered office: H-1068 Budapest,

Dózsa György út 84/C.; company registration number: 01-09-071057). The mandate of the auditor is for the period from April 20, 2018 until the date of adoption of the General Meeting's resolution on the report for the business year ending on December 31, 2018 or until May 31, 2019, whichever occurs earlier. The auditor personally responsible for auditing the Company is dr. Attila Hruby.

In addition to auditing the annual report, in 2017 the auditor company also provided other, non-auditing services with written consent from the Audit Committee.

VIII. Disclosure policy

The Company discloses its notices and announcements, in line with legal regulations and stock exchange policies, on the Company's website at www.alteo.hu, as well as the official dedicated websites of the Budapest Stock Exchange ("BSE") and the Central Bank of Hungary ("MNB") and, in cases specified by law, in the Company Gazette, and in cases specified by law, also sends them to the media.

In addition to effective legal regulations, the publication, time and content of notices are governed by the policies of the BSE and the MNB.

IX. Rules on the exercise of shareholder rights and the conducting of the General Meeting

The Company has issued registered dematerialized shares with a nominal value of HUF 12.5 per share, with each share conferring identical shareholder rights.

The rules on the exercise of shareholder rights and the conducting of the General Meeting are contained in the effective laws and the Company's Articles of Association.

The prerequisite for participation of the shareholder (or the proxy of the shareholder, or in case of jointly owned shares, the joint proxy) at the General Meeting and the exercise of shareholder rights is the registration of the shareholder or the proxy thereof in the Company's share register by no later than 6. p.m. on the second working day preceding the commencement date of the General Meeting (closing of the share register). The Board of Directors, in accordance with the provisions of the Articles of Association, requires shareholder identification according to the rules of procedure of KELER Központi Értéktár Zrt. (KELER), and KELER – as the person in charge of managing the share register – at the instruction of the Board of Directors deletes all data valid at the time of shareholder identification and, at the same time, registers the data resulting from the shareholder identification in the share register, and closes the share register.

The shareholder may exercise their shareholder rights by proxy. The Company's permanent auditor may not act as proxy. Neither may a member of the Board of Directors, an employee of the Company holding an executive position or a member of the Supervisory Board be a proxy, unless such persons have, as proxy, a clear voting instruction issued by the authorizing shareholder for each proposal for resolution. The letters of proxy must be submitted to the Company in the form of a notarized deed or a private deed of full probative force by the closing of the share register at the latest.

The voting right of the holders of ordinary shares is adjusted to the nominal value of the ordinary shares: each "A" series ordinary share with a nominal value of HUF 12.5 confers the right to cast one vote.

The closing of the share register does not limit the right of any person registered in the share register to transfer their shares following the closing of the share register. Any transfer of shares prior to the starting day of the General Meeting will not preclude the right of a person registered in the share register to participate in the General Meeting and to exercise the rights to which they are entitled as a shareholder.

The shareholder is entitled to request information from the Board of Directors regarding any item on the agenda of the General Meeting by way of a written request submitted at least eight days prior to the date of the General Meeting. The Board of Directors may only refuse to provide such information if this would, in its opinion, constitute a violation of the Company's business secrets.

Shareholders holding at least one percent of the votes may ask the Board of Directors in writing to put a specific issue on the agenda of the General Meeting, or they may also submit a proposal for resolution for agenda items. Shareholders may exercise this right within eight days of the publication of the relevant notice.

The Board of Directors convenes the General Meeting at least once a year. The venue of the General Meeting is the Company's registered office, unless the Board of Directors indicates a different venue in the invitation sent to the Company's shareholders. The General Meeting must be convened by way of a notice, at least thirty days prior to its starting day.

The General Meeting has quorum if the shareholders or their proxies representing more than fifty percent of the shares with voting rights are present at the General Meeting. In the absence of a quorum, a repeated General Meeting will have quorum in respect of the matters on its agenda for the previous General Meeting, irrespective of the number of shareholders (proxies) present. The General Meeting passes its resolutions, with the exceptions set out in the Articles of Association and the Civil Code, with a simple majority of the votes of the attending shareholders.

X. Remuneration statement

Pursuant to the Civil Code, disclosure of the remuneration statement is no longer mandatory. Given their respective positions, the Company provided the following remunerations to its Board of Directors and Supervisory Board: The Board of Directors of the Company:

Name	Position	Legal title of remuneration	Amount of remuneration
Attila László Chikán	Member of the Board of Directors entitled to hold the title of CEO	honorarium	HUF 250,000 / month
Domonkos Kovács	Member of the Board of Directors, M&A and Capital Markets Director	honorarium	HUF 250,000 / month
Gyula Zoltán Mező	Chairman of the Board of Directors	honorarium	HUF 250,000 / month
Zsolt Müllner	Member of the Board of Directors	honorarium	HUF 250,000 / month
Ferenc Karvalits	Member of the Board of Directors	honorarium	HUF 250,000 / month
András Papp	Member of the Board of Directors, Deputy CEO	honorarium	HUF 250,000 / month

The Supervisory Board of the Company:

Name	Position	Legal title of remuneration	Amount of remuneration
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István Zsigmond Bakács	Chairman of the Supervisory Board	honorary	HUF 250,000 / month
Dr. István Borbíró	Member of the Supervisory Board	honorary	HUF 200,000 / month
Péter Jancsó	Member of the Supervisory Board	honorary	HUF 200,000 / month
Dr. János Lukács	Member of the Supervisory Board	honorary	HUF 200,000 / month
Noah M. Steinberg	Member of the Supervisory Board	honorary	HUF 200,000 / month

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