

REPORT and RECOMMENDATION**of the Audit Committee****of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság****on the financial statements of the Company for 2019**

The Audit Committee has been operating at the Company since September 6, 2010.

The members of the Audit Committee:

- **István Bakács**, Chairman, energy expert
- **Dr. István Borbíró**, attorney-at-law
- **Dr. János Lukács**, chartered accountant

The Audit Committee performed its activity in 2019 in accordance with the provisions of Act V of 2013 on the Civil Code of Hungary, the Articles of Association of the Company and the Rules of Procedure of the Audit Committee. It held five meetings in 2019 and passed written resolutions on two occasions. No doubt regarding the independence of the members and no conflict of interest arose during the operation of the Audit Committee; the members attending the meeting of the Audit Committee expressly confirmed their independence by adopting the resolution of the Committee dated March 20, 2020.

The Audit Committee declares that based on its prior written consent given according to Regulation (EU) No 537/2014 of the European Parliament and of the Council, Deloitte Kft. – as the Company’s auditor engaged to perform the audit of the annual financial statements of the Company – and another company belonging to the network of the auditor provided non-audit services to the Company and its subsidiaries in 2019. When giving its prior consent, the Audit Committee properly assessed the threats to independence and the relevant safeguards. Furthermore, the Audit Committee states in respect of these services that their total fees did not reach the thresholds determined in Regulation (EU) No 537/2014.

The Audit Committee examined the proposals underlying its resolution adopted on March 20, 2020, and – taking into account the report of the Company’s auditor – in a resolution adopted unanimously by its members, it approved and accepted the Company’s separate statement (with a comprehensive income of HUF 174,563 thousand and with assets in total of HUF 25,009,821 thousand) and business (annual) report for the business year ending on December 31, 2019, as well as the report of the Board of Directors, furthermore, the Company’s and its subsidiaries’ consolidated report for the business year ending on December 31, 2019 (with a comprehensive loss of HUF 1,142,019 thousand and with assets in total of HUF 37,631,281 thousand), business (annual) report, as well as the report of the Board of Directors.

The Audit Committee declares that the reports are in compliance with the applicable legal requirements and give a true and correct view of the Company’s management, and therefore it proposes their acceptance by the General Meeting.

The Company conducted its selection process for the person of the auditor with active participation by the Audit Committee both in the review of the offers submitted in writing and in personal interviews. As a result of the selection process, the Audit Committee recommends the following two auditors, of which the General Meeting shall elect one:

- i. Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság (registered office: 1068 Budapest, Dózsa György út 84/C., company registration number: 01-09-071057, registration number with the Chamber of Hungarian Auditors: 000083), the auditor personally responsible for the audit: Dr. Attila Hruby (mother’s name: Katalin Szerdahelyi, address: 1174 Budapest, Ósrepülő utca 21. Fsz. 2., registration number with the Chamber of Hungarian Auditors: 007118 – audit fee for three years: HUF 46,050,000 + VAT);

- ii. BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: 1103 Budapest, Kőér utca 2/A. C. ép., company registration number: 01-09-867785, registration number with the Chamber of Hungarian auditors: 002387), the auditor personally responsible for the audit: Péter Krisztián Kékesi (mother's name: Piroska Gelics; address: 1133 Budapest, Pannónia utca 70. 7. em. 9.; registration number with the Chamber of Hungarian Auditors: 007128 – audit fee for three years: HUF 33,450,000 + VAT).

In terms of their professional qualities, the auditor candidates can be considered equivalent. However, based on the following arguments, the Audit Committee proposes and recommends to the General Meeting to elect BDO Magyarország Könyvvizsgáló Kft. as the Company's permanent auditor for the business year commencing on April 17, 2020 and ending on the earlier of the date of adoption of the General Meeting's resolution on the approval of the financial statements for the business year ending December 31, 2022 or May 31, 2023. The Audit Committee proposes the appointment of Mr. Péter Krisztián Kékesi (mother's name: Piroska Gelics; address: 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. The Audit Committee proposes a total audit fee of HUF 33,450,000 + VAT for the three years in question. The Audit Committee declares that it has thoroughly studied the offers of the auditors recommended above, and that the delegated member or members of the Audit Committee were present at the personal consultations, during which they had the opportunity to examine the professional competence of the auditors. In the light of the foregoing, the Audit Committee justifies its above proposal by the fact that BDO Magyarország Könyvvizsgáló Kft. provides and, in the recent years, provided audit services to both listed and energy companies. All this enables the auditor to quickly understand the operation of ALTEO Group. This significantly facilitates the everyday work of not only the auditor but also the competent employees of ALTEO Group. The offer and its personal presentation also revealed the professional competence and commitment of BDO Magyarország Könyvvizsgáló Kft. to the task.

The Audit Committee further declares that its recommendation has not been influenced by a third party and is not bound by the condition referred to in Article 16 (6) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Budapest, March 26, 2020

Yours sincerely,

István Zsigmond Bakács
the Chairman of the Audit Committee

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