MVM Energetika Zártkörűen Működő Részvénytársaság
(incorporated with limited liability under the laws of Hungary)

EUR 500,000,000
0.875 per cent. Notes due 2027

The issue price of the EUR 500,000,000 0.875 per cent. Notes due 2027 (the "**Notes**") of MVM Energetika Zártkörűen Működő Részvénytársaság (the "**Issuer**") is 98.832 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 18 November 2027. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in Hungary. The Notes may also be redeemed at the option of the Issuer, in whole or in part, on any date (a) prior to 18 August 2027 (the "**Par Call Redemption Date**") at a price equal to the higher of (i) 100 per cent. of their principal amount and (ii) the principal amount of such Notes multiplied by the price at which the yield to maturity on such Notes is equal to the sum of the Reference Bond Rate plus the Redemption Margin (each as defined in Condition 5(c) (*Redemption at the option of* the Issuer); and (b) on or after the Par Call Redemption Date, at 100 per cent. of their principal amount. In addition, if 80 per cent. or more in principal amount of the notes original issued have been redeemed or purchased and cancelled, the Issuer may at any time redeem all of the Notes then outstanding at 100 per cent. of their principal amount. The holder of a Note (the "**Noteholder**") may also require the Issuer to redeem such Note at a price equal to 100.00 per cent. of its principal amount if a Change of Control (as defined in Condition 5(f) (*Change of Control Put Option*) occurs. Upon any such redemption of the Notes, the Issuer will also pay any interest accrued on the relevant Notes to (but excluding) the date fixed for redemption. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 18 November 2021 at the rate of 0.875 per cent. per annum payable annually in arrear on 18 November in each year commencing on 18 November 2022.

Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by Hungary to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") for the purpose of giving information with regard to the issue of the Notes. The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"). Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes.

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List (the "**Official List**") and to trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**EU MiFID II**"). Such approval relates only to the Notes of the Issuer which are to be admitted to trading on a regulated market for the purposes of EU MiFID II.

This Prospectus is valid for a period of twelve months from the date of approval. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Notes are admitted to trading on the regulated market of Euronext Dublin.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the joint bookrunners (each a "**Joint Bookrunner**" and together the "**Joint Bookrunners**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form in the denomination of EUR 100,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will be represented by a global registered note certificate (the "**Global Note Certificate**") registered in the name of a nominee for, and deposited with, the common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes have been rated BBB by Fitch Ratings Ireland Limited (**Fitch**) and BBB- by S&P Global Ratings Europe Limited (**S&P**). Each of Fitch and S&P is established in the European Economic Area and registered under Regulation (EU) No 1060/2009 (the "**EU CRA Regulation**"), and appears on the latest update of the list of registered credit rating agencies (as of 7 May 2021) on the ESMA website http://www.esma.europa.eu. Neither Fitch nor S&P is established in the United Kingdom ("**UK**"). Accordingly, the ratings Fitch and S&P have given to the Notes are endorsed by Fitch Ratings Ltd and S&P Global Ratings UK Limited, respectively, each of which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**"). As such, the ratings issued by Fitch and S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Global Coordinators

BNP PARIBAS **J.P. Morgan**

Joint Bookrunners

BNP PARIBAS **Erste Group**
Goldman Sachs Bank Europe SE **J.P. Morgan**
OTP Bank **UniCredit**

Dated: 16 November 2021

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that to the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Joint Bookrunner) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II or; (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**")is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with the issue of the Notes, BNP Paribas SA (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

Each investor shall be aware and shall, by participating in the offer of the Notes, accept that the aggregate amount and number of the Notes as well as the detailed pricing information in relation to the Notes have been made available to investors by way of a separate announcement upon the pricing of the Notes.

JURISDICTION OF THE HUNGARIAN COURTS IN CONNECTION WITH THE NOTES

Hungarian law does not limit a Noteholder's ability to take Proceedings (as defined in Condition 15(d) (*Governing Law and Jurisdiction - Rights of the Noteholders to take proceedings outside England*)) in respect of the Notes in English courts and the recognition or enforcement of any judgment so rendered by an English court may only be limited in accordance with the Convention on Choice of Court Agreements done at The Hague on 30 June 2005 (the "**Hague Convention**") and Act XXVIII of 2017 on Private International Law (the "**Conflicts Law**"). However, given the asymmetric nature of the jurisdiction clause of the Notes (Condition 15 (*Governing Law and Jurisdiction*) of the Conditions), it is uncertain whether the Hague Convention will apply.

Based on the provisions of the Conflicts Law, judgments of a non-EU foreign court in a commercial matter can be recognised and enforced by the Hungarian courts if the parties to the dispute have agreed to the jurisdiction of the non-EU foreign court and the agreement on jurisdiction satisfies the formality requirements of Hungarian law. Under Hungarian law, an agreement on jurisdiction can be made by the parties (i) in writing, (ii) verbally, if evidenced in writing, (iii) in a form which complies with the practices previously formed among the parties or (iv) in terms of international trade, also in a form which complies with commercial practice in such trade and of which the parties should have been aware.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Prospectus relating to the Issuer has been derived from (i) the audited consolidated financial statements of the Issuer for the years ended 31 December 2020 (the "**2020 Financial Statements**") and 31 December 2019 (the "**2019 Financial Statements**"), and (ii) the unaudited interim condensed consolidated financial statements of the Issuer for the period ended 30 June 2021 (the "**Unaudited Interim Financial Statements**" and, together with the 2020 Financial Statements and the 2019 Financial Statements, the "**Financial Statements**"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board as adopted by the European Union.

The 2020 Financial Statements and the 2019 Financial Statements have been audited without qualification by Deloitte Könyvvizsgáló és Tanácsadó Kft ("**Deloitte**"). The auditors' reports of Deloitte on the 2020 Financial Statements and 2019 Financial Statements (the "**Auditors' Reports**") were prepared by Deloitte in accordance wih the terms of the engagement letters (the "**Engagement Letters**") between the Issuer and Deloitte for the preparation of the Auditors' Reports and for the information of the shareholders of the Issuer. To the maximum extent permitted by law, Deloitte excludes all liabilities to any third party for any loss, damages, costs and expense any other party may suffer in connection with their access to, reliance on or use of the Audfitors' Reports or this Prospectus.

The Unaudited Interim Financial Statements have not been subject to any audit or review by Deloitte or any other independent auditors.

In the consolidated statement of cash flows in the 2019 financial statements, certain figures are incorrectly stated, although this does not impact on the overall respective total line items included in the consolidated statement of cash flows. For the years ended 31 December 2019 and 2018, income tax expense should be HUF 32,561 million and HUF -15,087 million, respectively, and the sub-total following income tax expense should be HUF 201,011 million and HUF 37,818 million, respectively, cash flows from operating activities should be HUF 140,008 and HUF 124,017 million, respectively, and income tax paid should be HUF -65,969 million and HUF -31,908 million, respectively.

Non-IFRS measures / Alternative Performance Measures

This Prospectus includes certain non-IFRS financial measures and ratios that are used by management as an additional measure of performance and are "alternative performance measures" (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015. These measures and ratios are not defined or recognised by IFRS as a measure of performance and should not be considered in isolation or as a substitute for other measures used in analysing the Group's financial condition and results of operations, and the financial information for the MVM Group presented in accordance with IFRS.

The Issuer's management believes that the inclusion of these non-IFRS financial measures and ratios, and APMs, when considered in conjunction with the measures and financial information presented in accordance with IFRS is useful to investors because it provides a basis for measuring the MVM Group's financial condition and results of operations excluding the impact of certain non-operating factors and in the form of measures and ratios commonly used by investors, analysts and other interested parties as a means of enhancing their understanding of the financial condition and results of operations of companies in the business segments in which the MVM Group operates. These measures and ratios are not subject to audit or review by any independent auditors.

These non-IFRS financial measures and ratios, and APMs are as follows and are used in this Prospectus as defined below:

EBITDA: calculated as the operating profit of the MVM Group for the relevant period plus any depreciation and amortisation accounted by the MVM Group for such period.

Total debt: calculated as the sum of non-current loans and borrowings, non-current lease liabilities (recognised in "other non-current financial liabilities" – see Note 38 "*Lease Transactions*" to the 2020 Financial Statements and the 2019 Financial Statements), current loans and borrowings, and current lease liabilities (recognised in trade payables and other non-derivative financial liabilities – see "short-term finance lease" in Note 16(e) "*Financial assets and liabilities*" to the Unaudited Interim Financial Statements and Note 38 "*Lease Transactions*" to the 2020 Financial Statements and the 2019 Financial Statements), *less* accrual of interest payable (recognised in current loans and borrowings – see Note 7 "*Loans* and borrowings" to the Unaudited Interim Financial Statements and Note 15 "*Loans* and borrowings" to the 2020 Financial Statements and the 2019 Financial Statements).

Net debt: calculated as net debt *less* cash and cash equivalents.

The calculation of total debt and net debt as at 30 June 2021, 31 December 2020 and 31 December 2019 is as follows:

	As at 30 June 2021	*As at 31 December 2020*	*As at 31 December 2019*
		(in HUF million)	
Non-current loans and borrowings[1]	197,631	465,234	292,214
Non-current lease liabilities[2]	16,362	17,140	10,714
Current loans and borrowings	51,653	56,858	68,434
Current lease liabilities	5,484	5,616	4,014
less			
Accrual of interest payable	660	763	185
Total debt	270,470	544,085	375,191
less			
Cash and cash equivalents[1]	72,412	244,097	28,159
Net debt	**198,058**	**299,988**	**347,032**

1. The increase in non-current loans and borrowings as at 31 December 2020 as compared to 31 December 2019 was largely due to the acquisition of iCR (as defined below) in late October 2020 and the drawing of credit facilities for the initial funding of this acquisition. Non-current loans and borrowings then decreased as at 30 June 2020 as the capital increase provided by the Sole Shareholder for this acquisition, which was received later in 2020 and is reflected in the corresponding increase in cash and cash equivalents as at 31 December 2020, was used to repay the credit facilities drawn for the initial funding of the acquisition, which also resulted in the corresponding decrease in cash and cash equivalents as at 30 June 2020.

2. Recognised in "Other non-current financial liabilities"

Net Debt / EBITDA: net debt divided by EBITDA.

Free cash flow: calculated as EBITDA less capital expenditure presented as acquisition of property, plant and equipment, intangible assets in the consolidated statement of cash flows in the Financial Statements. Capital expenditure presented as acquisition of subsidiaries and business units, net of cash received (including current account overdrafts) is not included in this calculation.

Certain defined terms and conventions

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Prospectus. In this Prospectus, unless otherwise specified, references to:

(a) the "**MVM Group**" are to the Issuer and its subsidiaries;

(b) a "**Member State**" are references to a Member State of the European Economic Area;

(c) "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended; and

(d) "**billions**" are to thousands of millions.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Prospectus, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Issuer*" and other sections of this Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Hungary and the wider Central and Eastern European region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects; and
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	MVM Energetika Zártkörűen Működő Részvénytársaság
Global Coordinators:	BNP Paribas SA and J.P. Morgan AG
Joint Bookrunners:	Erste Group Bank AG, Goldman Sachs Bank Europe SE, OTP Bank Nyrt. and UniCredit Bank AG
The Notes:	EUR 500,000,000 0.875 per cent. Notes due 2027
Issue Price:	98.832 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 18 November 2021.
Use of Proceeds:	The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes. See "*Use and Estimated Net Amount of Proceeds*".)
Interest:	The Notes will bear interest from 18 November 2021 at a rate of 0.875 per cent. per annum payable annually in arrear on 18 November in each year commencing on 18 November 2022.
Status:	The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer.
Form and Denomination:	The Notes will be issued in registered form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.
Maturity Date:	18 November 2027
Optional Redemption:	The Notes may be redeemed at the option of the Issuer, in whole or in part, as described under Condition 5(c) (*Redemption and Purchase – Redemption at the option of the Issuer).*
Put Event:	If at any time while any Note remains outstanding, there occurs (and is continuing) a Change of Control (as defined in Condition 5(f) (*Change of Control Put Option*) (unless, prior to the giving of the Change of Control Put Event Notice (as defined in Condition 5(f)(*Change of Control Put Option*)) the Issuer has already given notice to exercise an option to redeem the Notes pursuant to Condition 5 (*Redemption and Purchase*)) to require the Issuer to redeem or, at

the Issuer's option, to procure the purchase of, all or part of its Notes, on the Optional Redemption Date (as defined in Condition 5(f)(*Change of Control Put Option*)) at an amount equal to the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date (as defined in Condition 5(f)(*Change of Control Put Option*)).

Tax Redemption: In the event of certain tax changes, the Issuer may redeem the Notes in whole, but not in part, at any time at an amount equal to their principal amount, together with interest accrued to the date fixed for redemption, as more fully provided in Condition 5(b) (*Redemption for tax reasons*).

Negative Pledge: The Notes will have the benefit of a negative pledge as described in Condition 3 (*Negative Pledge*).

Cross Default: The Notes will have the benefit of a cross acceleration provision as described in Condition 8 (*Events of Default*).

Rating: The Notes have been rated BBB by Fitch and BBB- by S&P.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Withholding Tax: All payments of principal and interest in respect of the Notes made by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature

	imposed, levied, collected, withheld or assessed by or on behalf of Hungary, or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. See further Condition 7 (*Taxation*).
Governing Law:	The Notes, the Fiscal Agency Agreement, the Deed of Covenant and the Subscription Agreement will be governed by English law.
Listing and Trading:	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the regulated market of Euronext Dublin.
Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	See "*Subscription and Sale*".
Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Each of these risks could have a material adverse effect on the business of the Issuer and the MVM Group as well as the MVM Group's financial condition, results of operations, prospects or the trading price of the Notes, and investors could lose all or part of their investment. The Issuer has described the risks and uncertainties that it believes are material, but these risks and uncertainties may not be the only ones the MVM Group faces. Additional risks and uncertainties relating to the MVM Group that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may also have an adverse effect on the MVM Group's business, financial condition, results of operations and future prospects. If this occurs, the trading price of the Notes may decline, and investors could lose all or part of their investment. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following risks relate to the MVM Group's business and the environment in which the MVM Group operates and is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

1. FINANCIAL, MARKET, COMMODITY, FOREIGN CURRENCY, INTEREST RATE, LIQUIDITY AND OTHER FINANCING RISKS RELATING TO THE MVM GROUP

The Issuer and the MVM Group are exposed to financial and market risks

In the normal course of their business, the Issuer and the MVM Group are exposed to various types of financial and market risks. The Issuer operates a comprehensive risk management system in order to mitigate these risks, however, to the extent that these risks cannot be hedged, or the hedging contracts concluded by the Issuer fail to adequately mitigate the exposure, it may suffer significant losses which could have a material adverse effect on the business, results of operations and financial condition of the MVM Group. Furthermore, the hedging strategy itself could also have an adverse effect on the MVM Group's business, results of operations and financial condition. The types of financial risks the Issuer is exposed to are set out below.

The Issuer and the MVM Group are exposed to commodity risks

As at the date of this Prospectus, the MVM Group's wholesale activity extends to 20 countries in Europe. As a result, the MVM Group and its customers are exposed to price fluctuations in the wholesale energy markets (electricity and gas) as well as in the carbon dioxide ("**CO_2**") emission allowances market and green certificates markets. These fluctuations are particularly significant in the current context of major tensions and volatility in the energy markets. Any shortage of supply or lack of liquidity could limit the MVM Group's ability to close MVM Group's exposure to risk in the energy market quickly and the same could apply to its customers which may increase the risk of the MVM Group's customers not being able to fulfil their obligations to the MVM Group in a timely manner. In addition, these markets are still largely not integrated, mostly as a result of the scarcity of cross-border interconnections, and may experience significant increases or decreases in price movements and liquidity strains that are difficult to predict.

Commodity prices (and, in particular, the price of natural gas, electricity, CO_2 emission allowances, steel and zinc) have historically been volatile and there is no guarantee that prices will remain within projected levels. Commodity risk typically arises in relation to the core business activity of the MVM Group when the price structure of sales differs from the price structure at which the MVM Group is able to secure the supply of the necessary commodity inputs for its electricity and gas generation and distribution business, including CO_2 emission costs. In the event of changes in the price at which the MVM Group is able to purchase natural gas and/or generate electricity, there may be a delay before the MVM Group is able to recover those increased costs through higher electricity and gas prices due to the regulated and contracted prices at which the MVM Group sells electricity and natural gas to end consumers. Although the MVM Group has a dedicated risk management team and risk management procedures in place to mitigate commodity and credit risks, there are certain risks that can only be partially hedged and/or hedged on a proxy basis. In addition, due to market liquidity and the limited range of tradable derivative instruments, certain commodity exposures can be managed only with respect to certain time periods. It may also not be possible for the MVM Group to fully mitigate the costs of any delay in changes to regulated or contracted electricity and gas prices for sales of electricity and natural gas by the MVM Group where the MVM Group is otherwise experiencing significant changes in its costs for the generation and supply of electricity and natural gas. Where other electricity and gas providers are not able to manage any such mismatches in electricity and natural gas costs and sale prices, the MVM Group may further be required to act as a "supplier of last resort" due to its strategic importance in the Hungarian energy sector. Similar issues arising from significant changes in electricity and natural gas prices could also apply to the customers of the MVM Group. Accordingly, any significant changes in commodity prices could have a material adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

The Issuer and the MVM Group are exposed to foreign currency risks

The MVM Group is exposed to significant transactional foreign currency risk, given that the functional currency of most of MVM Group's companies is HUF and the MVM Group's commodity trades (including, but not limited to power transactions, natural gas and liquefied natural gas ("**LNG**") transactions), nuclear fuel procurement, structural steel purchases (for the construction branch), organised market operations, network devices procurement and certain construction market related activities are undertaken in foreign currencies principally denominated in EUR or USD. Currency risk arises on both supplier and buyer sides of the transactions, which, in accordance with the MVM Group's risk management policy, is initially addressed by considering natural hedge opportunities in order to optimise active market transaction requirements. Notwithstanding any hedging activities undertaken by the MVM Group, movements in foreign exchange rates could have an adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

The Issuer and the MVM Group are exposed to interest rate risks

The MVM Group is exposed to the impact of changes in interest rates in relation to its business operations and the financial transactions it has entered into. With the exception of certain project financing transactions, it is the Issuer who provides the necessary financing to the members of the MVM Group in the form of parent company loans. Such parent company loans are mostly linked to floating rate interest rate benchmarks. Accordingly, members of the MVM Group are exposed to risks related to changes in such floating rate interest rate benchmarks. In addition to the funding needs of the individual members of the MVM Group, the Issuer is required to obtain external financing in order to maintain the overall liquidity of the MVM Group. Accordingly, the Issuer is also exposed to risks related to the changes in the underlying floating rate interest rate benchmarks. Movements in interest rates could, therefore, have an adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

The Issuer is exposed to risks arising from restricted access to capital markets and bank financing

The MVM Group's ability to obtain external financing and the cost of such financing are dependent upon numerous factors, including general economic and market conditions in Hungary and internationally, government regulations, international interest rates, credit availability from banks or other lenders, investor confidence in the MVM Group, the success of the MVM Group's business and restrictions contained in its existing debt agreements. The risk appetite of each of the banks providing funding to the Issuer or the MVM Group may vary in the future according to changes in financing policies for certain industries or business activities, which may pose refinancing risks to the Issuer and the MVM Group. There can be no assurance that external financing or refinancing, either on a short-term or a long-term basis, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the MVM Group. Any inability of the MVM Group to obtain financing on favourable terms could have an adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

Changes in the level of liquidity available to the MVM Group may adversely affect the MVM Group's results of operations and financial condition

The measures taken by the MVM Group to maintain liquidity may not be sufficient at all times, in which case the MVM Group may not be able to meet its payment commitments (including under the Notes) or only be able to do so on unfavourable conditions. Should the MVM Group be obliged to incur extra costs to meet its financial commitments, this may materially and adversely affect the MVM Group's competitiveness, results of operations and financial condition or, in the worst case scenario, threaten the MVM Group's future as a going concern and may, ultimately, lead to insolvency.

The Issuer is exposed to risks arising from changes in credit ratings

The Issuer's creditworthiness is assessed by the rating agencies Fitch and S&P. The Issuer's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. The Issuer's ability to maintain its current credit ratings is dependent on a number of factors, some of which may be beyond its control. In the event that the Issuer's credit ratings are downgraded by Fitch or S&P, the Issuer may not be able to raise additional finance on terms similar to its existing finance or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This could have a material adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

Certain of the MVM Group's debt facilities contain restrictive covenants, which could limit their operations

Certain of the MVM Group's debt facilities relating to the long-term financial indebtedness of the MVM Group contain restrictive covenants (including negative pledge clauses, material change clauses and change of ownership clauses and covenants requiring the maintenance of specific financial ratios) that must be complied with by the Issuer and the other companies of the MVM Group. A breach of any of these covenants which is not waived by the lenders could materially and adversely affect the MVM Group's business, prospects, financial condition or results of operations. In addition, these covenants may restrict the MVM Group's ability to acquire or dispose of assets or incur further debt. Should the MVM Group need, in the future, to renegotiate any restrictive covenants or obtain a waiver in respect of any breach of such a covenant, no assurance can be given that it will be successful. Any failure to renegotiate such covenants could restrict the MVM Group's ability to raise financing in the future which could have a material adverse effect on its business, financial condition, results of operations and cash flows. In addition, any breach of such covenants which is not waived by the lenders could result in the relevant financing being accelerated and potentially trigger cross default provisions under the MVM Group's other financing arrangements, which may have a material adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

2. RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE ISSUER AND THE MVM GROUP

The MVM Group is a vertically integrated energy group. Its core activities include: (i) electricity generation from nuclear, fossil and renewable energy resources; (ii) sale and distribution of electricity to retail and wholesale customers; (iii) sale and distribution of natural gas to retail and wholesale customers; (iv) the storage of natural gas; (v) the operation of certain electricity and natural gas facilities; and (vi) the ownership and operation of the Hungarian electricity transmission grid, and a portion of the Hungarian electricity and natural gas distribution grid. In addition to its above core activities, the MVM Group is also engaged in the provision of certain information technology ("**IT**") services, networks and shared services as the demand for digital transformation is increasingly affecting the energy sector. Although the majority of the MVM Group's activities are carried out in Hungary, the MVM Group is also active in various European and Asian countries. Due to the complex nature of the MVM Group's activities, the MVM Group's business and operations are subject to various risks, including, but not limited to the risks set out below.

The MVM Group is vulnerable to any changes in market and customer demand for electricity and natural gas

In the ordinary course of its business, the MVM Group is exposed to the risk of a reduction in demand for electricity and natural gas, which may occur as a result of any global financial and economic uncertainty. The deterioration of macroeconomic conditions globally, in Europe or in Hungary may decrease consumption and industrial production. Electricity and natural consumption is strongly affected by the level of economic activity in Europe, which, in turn, depends, among other things, on the macroeconomic situation in Europe and worldwide.

Accordingly, any decline in the overall economic activity due to economic uncertainty (including as has been the case as a result of the coronavirus ("**COVID-19**") pandemic – see "*Risks connected with COVID-19 and other potential pandemics*" below) may lead to a drop in demand for the MVM Group's electricity and natural gas, which could lead to lower sales and erosion of the MVM Group's profit margins, resulting in a material adverse effect on the MVM Group's business, results of operations, financial condition and prospects.

The MVM Group is exposed to risks arising from failures, breakdowns, planned or unplanned outages as well as natural disasters or sabotage at the MVM Group's power plants or in its transmission, telecommunication, storage and distribution infrastructure

The power plants, transmission, storage, distribution infrastructure, mining facilities and information and telecommunication systems controlling these facilities could be subject to failure, breakdowns, unplanned outages, capacity limitations, system loss, breaches of security or physical damage due to natural disasters (such as storms, floods, fire or earthquakes), sabotage, terrorism, computer viruses, fuel interruptions, shortage of workforce due to pandemics and other causes. With respect to nuclear reactors, any nuclear accident or failure at a nuclear power plant could result in significant losses due to, among other things, a potential shut-down of the nuclear facility and the resulting loss of generation capacity, remedial and replacement expenses and negative publicity from such an accident or failure. Any such failures, breakdowns or accidents could also result in injuries to and loss of life by employees and contractors of the MVM Group as well as the wider community in the case of any nuclear accident or failure, which, in addition to the above risks, could also subject the MVM Group to ongoing investigations and requirements to take remedial action. The Issuer cannot give any assurance that accidents will not occur or that the preventive measures taken by the MVM Group will be fully effective in all cases, particularly in relation to external events that are not within human control, such as fires, floods, earthquakes and other natural disasters.

Any physical damage to the facilities may be costly to repair and the Issuer may not have insurance coverage for all potential losses or the insurance claims may be subject to challenge or delay. As a result, any failure, breakdown or unplanned outages at the Issuer's power plants or any failure or interruption of the Issuer's distribution infrastructure could have a material adverse effect on the MVM Group's reputation, business, results of operations and financial condition.

In addition, some of the power plants may need to be temporarily shut down and the MVM Group may incur expenses in connection with inspections, maintenance or repair works in addition to those that are currently undertaken, including any additional works or procedures that the respective governmental authorities may require to be undertaken as part of their investigations.

Due to the complexity of operating nuclear and other power stations, it is not possible to eliminate the risk of unplanned outages and the Issuer cannot predict the timing or impact of these outages with certainty. The MVM Group's emergency response, disaster recovery and crisis management measures may not give effective protection from these events. Any service disruption may cause a loss in electricity generation, customer dissatisfaction and may lead to liability for damages, the imposition of penalties and other unforeseen costs and expenses, which could have a material adverse effect on the MVM Group's reputation, business, results of operations and financial condition.

The MVM Group may become liable for increased decommissioning costs

The MVM Group makes financial provisions for liabilities relating to the decommissioning and recultivation of the MVM Group's coal based power plants, lignite coal mines, tailings ponds (in Hungarian: *zagytározó*) natural gas underground storage facilities, low and medium activity, liquid radioactive waste and remediation intervention of the soil and groundwater contamination in the area of the former gas powered Óbudai Gázgyár power plant, and any related infrastructure. However, there are significant uncertainties in determining the likely costs of the decommissioning and recultivation and, as a result, there is no assurance that the current or any future provisions are or will be sufficient. Additional investment may be required, either as a result of change in applicable law or otherwise. Any significant increase in the actual or estimated decommissioning and recultivation costs that the MVM Group incurs may adversely affect the MVM Group's business, prospects, financial condition and results of operations. See also "*Risk of an increase in the cost of disposing of radioactive waste and decommission of the Paks NPP*".

Equipment and components of power plants and the distribution infrastructure of the MVM Group are subject to gradual deterioration over time

The continuous operations of the power plants and distribution infrastructure, as well as natural processes, such as erosion and corrosion, have an impact on the condition of some of the MVM Group's equipment and components. The impact of such operations and processes tends to increase with the age of the respective equipment and its components. Although the MVM Group seeks to implement regular inspections and maintenance practices, including proactively repairing or replacing equipment and components before they fail, as well as renewing its portfolio in a timely manner, no assurance can be given that these efforts will lead to optimal results. Accordingly, there is a risk that equipment and component deterioration could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The MVM Group's ability to supply electricity and natural gas is strongly dependent upon the transmission, distribution and storage systems and it is reliant on third parties in relation to the operation of such systems

The transmission of electricity from the power plants to distribution networks and the storage and transportation of natural gas is dependent on the infrastructure of the transmission and storage systems in the countries in which the MVM Group operates. The Issuer only has partial control or might not have any control over the operation of these systems and must, therefore, rely on independent third-party transmission system operators. Any failure of the transmission or storage systems in the countries in which the MVM Group operates, including as a result of natural disasters, insufficient maintenance or inadequate development, or for market or regulatory related reasons, could prevent the MVM Group from distributing natural gas or electricity, in each case to end-consumers, which in turn could have a material adverse effect on the MVM Group's reputation, business, results of operations and financial condition.

The Issuer and the MVM Group are exposed to the risk of changes in energy policy, including the risk that the MVM Group may not be able to operate its power plants and other production facilities for a period which is at least equal to the current expected lifespan of such plants and facilities

Hungarian energy policy objectives are in line with the EU's common market and decarbonisation goals and the key energy policy objectives of the EU are considered to be stable and clear. Hungary also has a substantially decarbonised energy sector and has commenced the process for the discontinuation of the use of coal. In addition, Hungary has set ambitious RES-E (renewable energy share in electricity) goals which are in-line with EU policy and benefit from financial support of the EU.

The use of coal and other fossil fuels as well as nuclear energy has recently been the subject of extensive debate by national governments and institutions of the EU. New proposals and plans for the gradual decrease and even complete termination of the use of fossil fuel or nuclear energy would have a major effect on the MVM Group's ability to operate its power plants and other production facilities until the end of their designated lifespan, and may have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

Therefore, while the risk of a significant imminent change in the EU's energy policy priorities or those of an EU Member State is considered to be relatively low, it cannot be excluded that in the context of increased environmental concerns in relation to carbonisation and the need for decarbonisation to take place as quickly as possible, any future change in the EU's energy policy or the energy policy of any of those countries in which the MVM Group operates, may have an effect on the long term profitability of the MVM Group and may conflict with the interests of the MVM Group or Noteholders.

In addition, it cannot be excluded that as a result of more stringent regulations than the regulations currently in force, certain power plants will need to comply with stricter emission limits, which may limit their operations. Therefore, the MVM Group cannot give any assurance that the affected power plants or other production facilities would be able to be modernised in time to comply with any emission limits that may become applicable in the future. In that event, no assurance can be given that the relevant administrative authorities will grant the operator any necessary (temporary) exemptions from exceeding the applicable emission limits. Any resulting limit on the operations of the power plants of the MVM Group could have a material adverse effect on the business, results of operations and financial condition of the MVM Group

Changes in the Hungarian energy regulatory regime, and in tariff regulations in particular, could affect the MVM Group's results of operations and financial condition

The MVM Group has a key position in the provision of universal natural gas and power services in Hungary, particularly in respect of the supply of customers eligible for universal services by the universal service providers and the supply of the universal service providers. Furthermore, the MVM Group has positions in the Hungarian district heating segment. Accordingly, the MVM Group is affected by Act LIV of 2013, which specifies maximum tariff levels with respect to the prices that may be paid by natural gas and power universal service customers and district heating customers in Hungary. See "*Regulation - The Hungarian legislative framework – Price regulation*". It cannot be excluded that the statutory maximum tariff levels may in the future result in the MVM Group being unable to (i) preserve its fair return on the capital invested in these segments; or (ii) realise revenues in these segments in an amount which would cover the MVM Group's supply costs. If the MVM Group is unable to increase the electricity or natural gas tariff rates it charges customers in order to cover increases in operating costs or capital investment requirements, this could have an adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

Competition risk in the markets in which the MVM Group operates

The energy markets in the majority of countries in which the MVM Group operates are fully liberalised or in the final stages of liberalisation. As a result of this liberalisation, new competitors may enter many of the markets in which the MVM Group is present. In relation to electricity, the Issuer competes in both the retail electricity market and the wholesale electricity market. In a liberalised market, all suppliers have the right to offer electricity and all customers have the right to choose their electricity supplier. No assurance can therefore be given that customers will select any member of the MVM Group or that the MVM Group's customers will not change their suppliers. Such competition risks are also applicable to the wholesale and retail gas markets.

If existing customers or potential new customers purchase electricity or natural gas from other suppliers, the revenues and the market share of the MVM Group might decrease. The Issuer's ability to develop its business and improve its financial results may be constrained by new competition and it may not be possible to offset the financial effects of decreases in production and sales of electricity or natural gas through efficiency improvements, or expansion into new business areas or markets. As a result, any increase in competition in the markets in which the MVM Group members operate could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The MVM Group's future performance depends on the efficiency of its operations and the ability to develop and deploy new technologies and new products

The MVM Group's ability to remain efficient, to develop and adapt to new technology, to seek profitable renewable energy and other low-carbon energy solutions, are key success factors for the future of its business. There is the possibility that the MVM Group may not be able to implement the necessary changes due to any deficiencies that may arise in its existing capabilities or as a result of external competition or should the costs of implementing new technologies be underestimated. Any of these factors may have an adverse effect on the achievement by the MVM Group of its future business goals.

The MVM Group is exposed to changes in the way emission allowances are allocated, as well as volatility in the market prices of emission allowances that need to be acquired

The MVM Group's operations are subject to legislation aimed at reducing emissions of CO_2 and other greenhouse gases. Until the end of 2012, CO_2 emissions were allocated for free to the energy sector. However, this changed substantially in 2013. From 2013 onwards, as dictated by the European Union Emissions Trading Scheme ("**EU ETS**"), emission allowances are to be purchased in the market or through auctions. Following gradual implementation between 2013 and 2019, the MVM Group has been required to purchase its allowances through the market or auctions since 2019. The MVM Group is required to buy emission allowances on the market or through auctions, because the emission allowances allocated to it do not cover 100 per cent. of the MVM Group's annual greenhouse gas emissions. In case of an increase in the price of emission allowances, the respective costs for the MVM Group may increase significantly, which could have a material adverse effect on the business, results of operations and financial conditions of the MVM Group.

Different principles apply to the EU ETS regarding the generation of heat. In compliance with Article 10a of the revised EU ETS Directive, district heating combined heat and power plants receive free allowances for heat supply from 2013 to 2030. However, in 2020, free allocation in the heat sector was to cover a maximum of 30 per cent. of the emissions produced by the respective entity and to decrease gradually to 0 per cent. Accordingly, the MVM Group is vulnerable to risks relating to volatility in the price of CO_2 emission allowances. To mitigate this volatility risk, a hedging strategy of acquiring a certain volume of emission allowances along with electricity sales has been implemented. Nevertheless, in the event of potential decreases in the price of emission allowances, this hedging strategy itself could have a material adverse effect on the MVM Group's business, results of operations and financial condition.

In relation to Phase IV of the EU ETS, all Member States had submitted ahead of the 30 September 2019 deadline, the necessary data for calculating the level of allocation to be granted to each installation and for updating the benchmark values to be applied in the period 2021-2025. The European Commission ("**EC**") published its decision on the national allocation tables for the free allocation of emission allowances for 2021-2025 on 31 July 2021, after which the distribution of free allowances in 2021 could take place. On 29 June 2021, the EC adopted the decision instructing the Central Administrator of the European Union Transaction Log to enter the national allocation tables of the Member States into the European Union Transaction Log. Based on this decision, Member States will follow their respective national procedures for the issuance of free allowances.

Within Phase IV of the EU ETS (2021 - 2030), the overall number of emission allowances is scheduled to decline at an annual rate of 2.20 per cent. from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the EU (e.g. the mining of hard coal, extraction of crude petroleum and manufacturing of cement) are to be allocated free allowances until 2030. A continuous decrease in the allocation of emission allowances across the EU, a greater decrease in the allocation of emission allowances within Phase III and Phase IV of the EU ETS, and any increase in the price of CO_2 emission allowances, may result in a substantial increase in the variable power generation costs. In this event, the price of electricity offered by the MVM Group may become less competitive, which could have a material adverse effect on the MVM Group's business, results of operations and financial condition.

Risk of an increase in the cost of disposing of radioactive waste and decommission of the Paks NPP

According to Act CXVI. of 1996 on Atomic Energy, the execution of the six-decade long national programme on radioactive waste and spent fuel management and decommissioning of nuclear facilities is the responsibility of the Hungarian state. To finance these activities (including the decommissioning of the Paks Nuclear Power Plant ("**Paks NPP**")) the Central Nuclear Financial Fund ("**CNFF**") was established in 1998. Each fiscal year, until the end of its lifespan (2037), the Paks NPP is obliged to pay into the CNFF an amount determined by the Act on the State Budget on the basis of an annually updated cost estimate carried out by the national radioactive waste management organisation (PURAM).

The most recent estimate shows that the Paks NPP related total cost is approximately HUF 1,760 billion (value at year 2020) in order to fully cover radioactive waste and spent fuel management, decommissioning spending, as well as certain other costs and expenses. The cost associated with the dismantling and decommissioning of Paks NPP is around HUF 360 billion, which is to be completed by 2084.

In order to maintain the value of the assets held by the CNFF, the Hungarian government makes annual subsidy payments into the CNFF. The amount of the subsidy is calculated based on the previous year's average value of the assets held by the CNFF, as multiplied by the previous year's average HUF base rate.

The MVM Group may become liable for increased decommissioning costs or be required to keep additional amounts as restricted funds for the decommissioning of the Paks NPP. Accordingly, future increases in the costs of the disposal of nuclear waste from and for the decommissioning of the Paks NPP, and in the amounts payable by the Paks NPP into the CNFF could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The Issuer may not be able to successfully implement its key strategies

The energy markets continue their transition from conventional energy sources to renewables and decentralised energy. The MVM Group faces many risks that could adversely affect its ability to implement its key strategies. Such risks include changes in legal and regulatory frameworks, increases in generation, emission and distribution costs, future developments affecting the electricity infrastructure within the markets in which the MVM Group operates, technological changes, customer needs, competition in the markets in which the MVM Group operates, political and economic developments affecting Europe and the reliability and creditworthiness of the MVM Group's partners and customers. Any failure in the implementation of the Issuer's strategy could have a material adverse effect on the business, prospects, results of operations and financial condition of the MVM Group.

Information security risks

The MVM Group depends on its IT and data processing systems for the efficient operation of its business, including the management of relationships with customers and other parties, and a significant malfunction or disruption in the operation of its systems could disrupt the MVM Group's business and adversely impact its ability to carry out its activities. Such systems are susceptible to malfunctions and interruptions caused by equipment damage, power outages and a range of other hardware, software and network problems. Breakdowns and interruptions in the IT systems could jeopardise the MVM Group's operations, causing errors in the execution of transactions, inefficient processes, loss of customers, production breakdowns and other business interruptions.

In addition to supporting its operations, the MVM Group uses its information systems to collect and store confidential and sensitive data, including information about its business, clients and employees. As the MVM Group's technology continues to evolve, it is anticipated that the systems of the MVM Group will increasingly use remote communication features that are sensitive to both wilful and unintentional security breaches. The organisational complexity of the MVM Group exposes the MVM Group's assets to the risk of cyber-attacks, or threats of intentional disruption, which are increasing in terms of sophistication and frequency.

Although the MVM Group has adopted measures for managing these risks, the MVM Group may be subject to cyber-attacks and other security threats to its IT systems. In such circumstances and in case the implemented controls and counter-measures fail to provide an adequate response to the relevant IT security risks, the MVM Group may be unable to continue to conduct its business in an effective manner, or to prevent or respond promptly and adequately or to mitigate the adverse effects of breakdowns or interruptions in its IT infrastructure, with possible adverse effects on its reputation, financial condition, assets, business and results of operations.

The MVM Group is exposed to risks associated with the disruptions in the supply of nuclear fuel, gas or other raw materials, or an unexpected increase in their cost

In the ordinary course of its business, the MVM Group is exposed to the risk of disruptions in the supply of nuclear fuel, natural gas or other raw materials, and of increases in their cost. The MVM Group's generation operations depend on obtaining deliveries of adequate supplies of raw materials on a timely basis and are therefore vulnerable to changes in the supply of raw materials, including nuclear fuel and natural gas. Any significant shortages or interruption in the supply of raw materials or increases in their costs could disrupt the generation operations and increase the cost of raw materials, which could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The Issuer's revenues and results of operations are subject to climatic conditions and seasonal variations

Electricity, natural gas and heat consumption is seasonal and is mainly affected by climatic conditions. In Central and South East Europe, electricity consumption is generally higher during the cold winter months but can also depend on temperatures during the summer months where, for example, this results in an increased use of air conditioning. However, when winters are warmer than expected, demand for gas, heat and power is typically lower than forecasted. Electricity generation may also depend on climatic conditions, such as droughts or heat waves, which may limit generation due to the requirements to observe certain temperature limits for rivers, requirements in connection with the cooling of power plants, or speed and direction of winds or sunshine for the generation of renewable energy. Consequently, the MVM Group's income reflects the seasonal character of the demand for electricity and natural gas and may be adversely affected by significant variations in climatic conditions. The MVM Group may need to compensate for a reduction in the availability of electricity generated by using other sources with a higher generation cost or by being required to access the wholesale markets at higher prices, which could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The MVM Group is vulnerable to any increases in the levels of doubtful receivables as a result of poor economic conditions

Although the MVM Group has established robust processes to take legal action against its defaulting customers in order to seek to recover amounts outstanding, the timing and amount of such recovery is uncertain. In the event of an economic downturn or significant volatility in commodity and energy prices, any material increase in doubtful receivables, increased delays in payment times or write-offs could have a material effect on the MVM Group's business, results of operations, financial condition and prospects.

A default by any of the MVM Group's counterparties (including its partners, contractors, sub-contractors and suppliers) may affect the MVM Group's financial condition

MVM Group companies enter into contracts with a range of counterparties, including contractors, sub-contractors, architects, engineers, operators, other service providers, suppliers and customers and, accordingly, the MVM Group is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will also not be honoured.

The MVM Group's counterparties may default on their obligations for any number of reasons, including but not limited to as a result of their bankruptcy, a lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties. Any default by the MVM Group's counterparties may affect the cost and completion of its projects, the quality of its work and the supply of certain critical products or services to its customers. It may also expose the MVM Group to reputational risk, business continuity risk and the loss of important contracts. In addition, the MVM Group may be required to pay contractual penalties or find alternative counterparties. Any such setbacks may result in delays in the completion of the MVM Group's projects and other unforeseen costs, which could have a material adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

The Issuer's insurance coverage may not be adequate

The Issuer and other members of the MVM Group have limited property and machinery insurance for their significant assets. No assurance can be given that the Issuer's business will not be adversely affected by the costs of accidents or other unexpected occurrences at the MVM Group's facilities for which insurance coverage is not available, has not been obtained or is not sufficient, which could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

Any failure to implement projects which require a material investment on the MVM Group's behalf may adversely affect the MVM Group's business, prospects, financial condition or results of operations

As part of its business activities, the MVM Group regularly initiates and participates in various project financing transactions. The success of these project financing transactions depends, among other things, on business specific external factors such as government policies, market trends, volatile natural gas and energy prices and changing regional supply and demand. A failure to implement any project which requires a material investment on the MVM Group's behalf may have an adverse effect on the MVM Group's business, prospects, financial condition or results of operations.

Risks associated with the planned two new nuclear power plant units at Paks

There is an ongoing "Paks II" project the principal goal of which is the construction of two new nuclear power plant units in the city of Paks where the MVM Group's nuclear power plant is currently operating. These two new nuclear power plants are to be constructed and commissioned by the end of the 2030s. The Paks II project is completely independent from the Issuer and the MVM Group. As at the date of this Prospectus, it is not possible to assess the impact that the implementation of the Paks II project may have on the electricity market in Hungary. Nevertheless, it is likely that the completion of the Paks II project (as well as any delays or failures related to the completion of the project) will have a significant effect on the Hungarian electricity market and may result in constraints on the operation of power plants and the availability of expert personnel. Accordingly, as at the date of this Prospectus it is not possible for the MVM Group to assess the impact of the installation and the operation of the two new nuclear power plant units on the Issuer's and MVM Group's market position in the Hungarian electricity market. Without prejudice to the above, the implementation of the Paks II project could have an adverse effect on the business, results of operations and financial condition of the MVM Group.

The MVM Group is subject to various litigation and regulatory proceedings and cannot give any assurances as to the outcome of such proceedings or the sufficiency of the MVM Group's provisions

In the normal course of their business, members of the MVM Group and their directors, officers and employees are subject to numerous civil and administrative proceedings. Provisions for contingent liabilities relating to any proceedings are allocated and calculated on the basis of the advice of the MVM Group's internal and external legal advisers. The Issuer's consolidated financial statements for the six months ended 30 June 2021 show accrued provisions for legal disputes in the amount of HUF 1,714 million as at 30 June 2021. The Issuer has not recorded provisions in respect of all legal, regulatory and administrative proceedings to which it or its directors, officers and employees are a party or in which it or its directors, officers and employees may become a party. In particular, no provisions have been made in cases in which the outcome is unquantifiable or which the Issuer currently expects to be ruled in its favour. As a result, no assurance can be given that the recorded provisions will be adequate to cover all amounts payable by the Issuer in connection with such proceedings. The failure to sufficiently quantify provisions or to assess the likely outcome of any proceedings against the Issuer or any member of the MVM Group or any of its directors, officers and employees could have a material adverse effect on the MVM Group's business, results of operations and financial condition.

In addition, while the MVM Group maintains internal monitoring systems, it may be unable to detect or prevent certain crimes including, among other things, bribery, corruption, environmental violations, violations of rules regarding health and safety in the workplace committed by its directors, officers, employees or agents, which could lead to civil, criminal and administrative liability for the MVM Group (including in the form of pecuniary sanctions and operational bans), as well damage to its reputation.

The MVM Group may not successfully manage the risks associated with expanding its operations and integrating newly acquired subsidiaries

The MVM Group has concluded mergers and acquisitions since its foundation and the Issuer continues to evaluate potential investment opportunities and may decide to further extend the MVM Group's operations both in the existing domestic and foreign markets, while expansion to new markets may also be possible. In expanding its operations and doing business on an international level, many inherent risks may be faced, such as unexpected changes in regulatory requirements; changes in the levels of government support for new technologies, including the development of electricity generation technologies from renewable energy sources, default by joint venture partners; trade barriers, including import and export controls, tariffs, customs and duties; difficulties in staffing and managing foreign operations; longer payment cycles and problems in collecting accounts receivable; political instability, expropriation, nationalisation, war and other political risks; fluctuations in currency exchange rates; foreign exchange controls which restrict or prohibit repatriation of funds; technology export and import restrictions or prohibitions; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding its operations could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

In addition, although due diligence reviews have been undertaken in relation to the Issuer's acquisitions, such reviews may not reveal all existing or potential risks and liabilities and no assurance can be given that the acquisitions are not or will not become subject to liabilities of which the Issuer is unaware. While warranties and indemnities are generally obtained where practical and appropriate, the Issuer cannot give any assurance that it will be able to enforce its contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which the Issuer is or may be unaware, or which it does not correctly assess or assume, or against which full legal protection has not been obtained, could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

No assurance can be given that the Issuer or any other member of the MVM Group will successfully integrate its previous acquisitions in an efficient and effective manner or that it will be able to identify, consummate and integrate future acquisitions. The failure to integrate acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

In addition, any future acquisition of highly leveraged companies might result in a worsening of the Issuer's financial condition and consequently might lead to rating downgrades in the future.

The MVM Group is subject to the risk of having its future expansion limited more than its competitors

Due to the MVM Group's market-leading position in Hungary, it may be particularly exposed to the risk of lawsuits or proceedings on the grounds of alleged non-compliance with competition, anti-trust and non-discrimination rules, and such lawsuits and proceedings could be decided against the Issuer's interests, which could have a material adverse effect on its business, results of operations and financial condition. In order to enhance competition, the competent authorities or certain governments or the EU could also take decisions contrary to the Issuer's interests. Such decisions could limit the MVM Group's expansion and growth and, thus, have a material adverse effect on its business, results of operations and financial condition.

Risks connected with COVID-19 and other potential pandemics

The economies of the countries in which the MVM Group operates have been negatively affected by the COVID-19 pandemic and might, in the future, be negatively affected by any other outbreak of any contagious disease with human-to-human airborne or contact propagation effects, such as the COVID-19 pandemic. The Issuer can provide no assurance on the further and continuous spread of COVID-19 or any other contagious diseases in areas in which MVM Group operates or as to what the related impact on its business may be.

The ongoing COVID-19 pandemic has had a significant and material adverse impact on economic activity in Hungary and in the other countries in which the MVM Group operates. This has had a corresponding negative impact on electricity demand and prices, as well as contributing to the current period of higher volatility in energy prices, and on the customers' ability to pay, as well as on employees and suppliers of the MVM Group.

Although the main business operations and markets of MVM Group have been stable during the pandemic in 2020 and the six months ended 30 June 2021, the COVID-19 pandemic has affected and may continue to affect the industry and business of the MVM Group in a number of ways. These include the direct costs of mitigation measures to be put in place by the MVM Group, the negative impact on energy demand and prices, the deterioration in the creditworthiness of customers and the required operational changes to ensure the health and safety of employees. The COVID-19 pandemic has, therefore, resulted in a number of increased costs and operational inefficiencies for the MVM Group.

As the COVID-19 pandemic continues, its potential impacts, including a global, regional or other economic recession, are uncertain and difficult to assess. The recovery of economies partially depends on the measures taken by governments to ease imposed restrictions, including the success of vaccination schemes and whether vaccine resistant strains develop. The pace of any recovery remains uncertain. The MVM Group cannot give any assurance that COVID-19 will not continue or deteriorate and worsen, that mutations of COVID-19 will not occur or as to the success or otherwise of the vaccination programmes, or that no other novel coronavirus related pandemics will arise. Any such event, and any response of any government or society to COVID-19 and other potential pandemics, may have a material adverse effect on the business, cash-flows, results of operations and financial condition of the Issuer or any other members of the MVM Group.

Health, safety and environment risks

The MVM Group is subject to various environmental, health and safety laws and regulations governing, among other things: the generation, storage, handling, release, use, disposal and transportation of waste or hazardous and radioactive material; the emission and discharge of hazardous material into the ground, air or water; the decommissioning and decontamination of its facilities; and the health and safety of the public and the employees. EU regulators and regulators in countries in which the MVM Group operates administer these laws and regulations. The MVM Group is also required to obtain environmental and safety permits from various governmental authorities for its operations. Certain permits require periodic renewal or review of their conditions as well as continuous monitoring and reporting of compliance with their conditions and the Issuer cannot give any assurance that such permits will be able to be renewed or that material changes to the permits requiring significant expenditures will not be imposed. Violations of these laws, regulations or permits could result in plant shut-downs, fines or legal proceedings being commenced against the respective members of the MVM Group or other sanctions, in addition to negative publicity and significant damage to reputation. Other liabilities under environmental laws, including the clean-up of radioactive or hazardous substances, can also be extremely costly to discharge. Environmental and health and safety laws are complex, change frequently and have tended to become more stringent over time.

Any environmental damage occurring as a result of the operation of the MVM Group’s facilities (including any historic environmental damage which occurred in the past) may result in a disruption of the MVM Group's services or cause reputational harm, and significant liability could be imposed on the MVM Group for damages, clean-up costs and penalties and/or compensation as a result.

The costs of complying with current and future environmental and health and safety laws and the liabilities arising from past or future releases of, or exposure to, radioactive or hazardous substances, could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

Risk of strikes or other labour disruptions at the MVM Group’s facilities

A substantial number of the employees of the MVM Group members are represented by labour unions. Although strikes or work stoppages have not yet had significant effects on the MVM Group’s operation, no assurance can be given that any strikes, threats of strikes, or other resistance or work stoppages affecting the MVM Group’s facilities will not occur in the future, impairing the Issuer’s ability to implement further measures to reduce costs and improve production efficiencies in furtherance of its strategy, which could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

MVM Group is subject to public procurement laws

Some members of the MVM Group are subject to Act CXLIII of 2015 on Public Procurement (the "**Hungarian Public Procurement Act**"). For those subsidiaries that are subject to the Hungarian Public Procurement Act, either all procurements exceeding a certain threshold or those procurements closely related to the provision of public utilities are required to be conducted pursuant to public procurement laws. In addition, certain procurements (e.g. procurement of IT hardware, equipment and services, telecommunication services, marketing and communications, public relations, advertising, organisational development services and human resources) are not completely within the decision-making power of the Issuer’s management, since dedicated government agencies (such as the Digital Governmental Agency Ltd. and the National Communication Office) exercise comprehensive control over such procurements of the MVM Group member companies. Consequently, the management of the Issuer has a lower level of control over the timing of such procurement processes, and the contractual terms and conditions approved by the respective governmental agency. This might lead to protracted procurement processes or contractual terms and conditions approved by the respective governmental agency that are different from those that may have been approved by management. As a result, the MVM Group might not be able to meet in a timely manner certain procurement needs, which might have an adverse impact on the ability of the MVM Group to operate in an efficient manner and could have a material adverse effect on the business, results of operations and financial condition of the Issuer and any member of the MVM Group.

The MVM Group is subject to risks associated with residents' opposition

The MVM Group currently operates in a vast geographical area. It conducts business activities that require the development of infrastructure in local areas, which in some cases can cause either criticism or partial acceptance. Accordingly, the MVM Group may be exposed to reputational and operational risks arising from delays in the execution of projects for new sites or risks that may affect the operational continuity of the MVM Group's existing sites. In addition, the MVM Group's commitment to decarbonise its energy mix could have a potential negative impact in local areas which are heavily dependent on lignite operations (extraction and energy generation) in terms of potential job losses and socio-economic development. This could ultimately lead to increased costs of decarbonisation and expose the MVM Group to reputational risks or even delay the MVM Group's achievement of the decarbonisation goals set out in its key strategies.

The Issuer may not be able to hire, train or retain a sufficient number of qualified staff

Experienced and capable personnel in the energy industry (with particular regard to the nuclear industry) are in high demand and MVM Group faces significant competition in its primary markets to recruit such personnel. Consequently, when experienced employees leave the business or retire, the MVM Group may have difficulty, and incur additional costs, in replacing them. In addition, the loss of any member of the senior management team may result in a loss of organisational focus, poor execution of the operations and corporate strategy and inability to identify and execute potential strategic initiatives in the future. Failure to hire, train or retain a sufficient number of experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or to recruit skilled professional and technical staff could have a material adverse effect on the business, results of operations and financial condition of the Issuer and any member of the MVM Group.

3. RISKS RELATING TO THE SHAREHOLDING OF THE ISSUER

The Issuer's obligations under the Notes do not benefit from any direct or indirect Hungarian government guarantee or other legally enforceable government backing

Although the Hungarian state is the Issuer's sole shareholder, the Notes are not directly or indirectly guaranteed by the Hungarian government and do not benefit from any legally enforceable government backing. In addition, the Hungarian government is under no obligation to extend financial support to the Issuer in the future. Accordingly, the Notes are not, and should not be regarded as, obligations of the Hungarian government.

The Issuer's ability to make payments under the Notes is solely dependent on its ability to fund such obligations from its operating cash flows and borrowings. Therefore, any decline in such operating cash flows or any difficulty in securing external funding may materially adversely affect the Issuer's ability to make payments under the Notes.

A future change in the shareholder structure of the Issuer may affect the Issuer's assessment by capital market participants

The Hungarian state holds 100 per cent. of the shares in the Issuer as at the date of this Prospectus. Although the Issuer is not aware of any decision made by the shareholder on any potential change in the shareholding structure of the Issuer, no assurance can be given that there will be no change in the future which would lead to a decrease in the Hungarian state's shareholding in the Issuer, which is to be maintained, pursuant to Annex 2 of Act CXCVI on National Assets, at the level of at least 75 per cent. plus one vote of the shares in the Issuer.

Any future assessment of the creditworthiness of the Issuer may be negatively affected by a future change in the Issuer's shareholding structure. Therefore, there can be no assurance that the credit rating of the Issuer may be reviewed or that the Issuer may eventually be downgraded, if the Hungarian state ceases to be the Issuer's sole shareholder. The materialisation of any of the above risks could affect the Issuer's ability to make repayments on its debt instruments or otherwise have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

The Hungarian state, which owns all of the share capital of the Issuer, can control the MVM Group's policies by, amongst other things, electing all of the members of the Issuer's Board of Directors and may pursue decisions that reflect Hungarian government policy

As the Issuer's sole shareholder, the Hungarian state has the power, among other things, to nominate and elect all of the members of the Issuer's Board of Directors (the "**Board**"). The interests of the Hungarian government may conflict with the MVM Group's objectives as a commercial enterprise, and there can be no assurance that the government will not take any action to further its own objectives which may be in conflict with the interests of the MVM Group or Noteholders. For example, the Hungarian government's key objective is to ensure the stable supply of electricity and gas to the country's residents and businesses at affordable costs rather than the optimisation of the MVM Group's revenue and profits. A change in the Hungarian government could also adversely impact the strategy or objectives of the MVM Group.

In addition, shareholder decisions may be made for the MVM Group different from those that would have been made without government influence. The MVM Group may also be required to implement shareholder decisions that could lead to significant expenditures by the MVM Group, including additional debt, which could have a material adverse effect on the Issuer's ratings, business, results of operations and financial condition. Changes to the members of the Issuer's Board may be made for political, rather than business, reasons and such changes could have a material adverse effect on the MVM Group's business, prospects, financial condition and results of operations.

4. RISKS RELATING TO POLITICAL, SOCIAL AND ECONOMIC CONDITIONS

Risks associated with changes in the EU's energy policy and an accelerated market shift towards renewable energy sources

The electricity generation industry in Europe is strongly influenced by the EU's policy to increase the share of electricity generated by renewable energy sources, which was implemented in 2008 by the EU Climate and Energy Package and amended in 2019 by a package of provisions called Clean Energy for all Europeans, also known as the Winter Package (the "**Winter Package**").

The Winter Package is a set of several directives, regulations and decisions the application of which may significantly influence the energy sector and also the MVM Group. The Winter Package aims to achieve three goals: to make energy efficiency a priority, to achieve the world leading position of EU countries in renewable energy and to provide fair conditions for consumers. The MVM Group is effectively obliged, due to economic incentives, to reflect the Winter Package within its own strategy. The Winter Package increases the required share of renewable sources from 20 per cent. in 2020 to 32 per cent. in 2030 and sets the energy efficiency target to at least 32.5 per cent. in 2030. The energy efficiency target, renewable share target and the Winter Package in general aim to achieve a low-carbon economy and to decrease emissions in accordance with EU emissions targets by 20 per cent. in 2020 and by 80 per cent. in 2050.

In late 2019, the EC presented a strategy called the European Green Deal, which, among other things, aims to increase the EU's greenhouse gas emission reductions target for 2030 to at least 50 per cent. and to 55 per cent. compared to 1990 levels. The implementation of the Winter Package and the targets of the EU council for the period from 2020 to 2030, or any amendments to such targets, could have a material adverse effect on the MVM Group's business, results of operations and financial condition. Support for renewable sources may decrease energy prices, limit production time, and decrease the stability of the transmission and distribution grid, the profitability of distribution services provided by the Issuer and the production quantity of the conventional power plants that the Issuer operates, and may further decrease the Issuer's market share. In addition, the MVM Group may be required to incur additional expenditure in order to meet the other related targets envisaged in the Winter Package. Continued or increased support for renewable energy sources in the EU may adversely affect the MVM Group's profits from nuclear, coal-fired and gas power plants, which could have a material adverse effect on its business, results of operations and financial condition.

Risks resulting from political developments in the EU and in other countries where the Issuer has or plans to have a business presence

The energy markets continue their transition to decarbonisation and decentralised energy sources. The MVM Group's key strategic objectives include the maintenance and increase of its clean energy generation, digitalisation, infrastructure developments and the growth in new business areas to meet not just its customers' energy needs, but also to reflect the development of energy services in Europe, including the MVM Group's major markets such as Hungary and the Czech Republic (see "*Description of the Issuer and the MVM Group – The MVM Group Strategy*"). Any political developments in the EU, including changes in the economic policy, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic stability of the EU and the European countries in which the MVM Group's assets and operations are located. Further, any changes in the political or economic stability, as well as any political, economic, regulatory or administrative developments in the countries the MVM Group is present in and over which it has no control, could have a material adverse effect on its business, results of operations and financial condition.

Risks associated with poor economic performance in Hungary

The Issuer's and the MVM Group's revenues are sensitive to the performance of the Hungarian economy. As of 30 June 2021, the majority of MVM Group's property, plant and equipment was located in Hungary and more than 60 per cent. of net sales revenue for the six months ended 30 June 2021 was derived from Hungary. Changes in economic, regulatory, administrative or other policies of the Hungarian government, as well as political or economic developments in Hungary (including potential changes in Hungary's credit ratings) over which the Issuer has no control, could have a significant effect on the Hungarian economy, which in turn could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

Risks associated with political developments in Hungary

No assurance can be given that a change in the Hungarian government would not affect the energy, economic, fiscal, and regulatory policies of Hungary. Given that the Hungarian state, as sole shareholder, can appoint members of the Issuer's Supervisory Board and Board of Directors, any future change in the Hungarian government might also have an effect on the structure and composition of the management and supervisory bodies of the Issuer and the strategy of the Issuer. Unfavourable political developments and any changes in the Issuer's strategy could have a material adverse effect on the Issuer's business, prospects, results of operations and financial condition.

The MVM Group faces risks relating to political, social or economic instability in some of the countries where the MVM Group operates

The MVM Group is active in more than 20 countries but the majority of its assets are in Hungary and the Czech Republic. The MVM Group's activities outside of Hungary are subject to a range of country-specific business risks, including changes to government policies or regulations in the countries in which it operates, changes in commercial practices, the imposition of monetary and other restrictions on the movement of capital for foreign corporations, economic crises, state expropriation of assets, the absence, loss or non-renewal of favourable treaties or similar agreements with foreign tax authorities and general political, social and economic instability. Such countries may also be characterised by inadequate creditors' protection due to a lack of efficient bankruptcy procedures, investment restrictions and significant exchange rate volatility. Systemic (i.e. not diversifiable) risks, referred to as "country risks", could have a material adverse effect on the MVM Group's business returns and, in order to effectively monitor them, the MVM Group regularly carries out a qualitative assessment process of the risks associated with each country where the MVM Group operates. There can be no assurance that these assessments cover all of the potential liabilities which may arise in connection with country risks. Therefore, the occurrence of an event not covered, or only partially covered, could have a material adverse effect upon the MVM Group, its business prospects, financial condition and results of operations.

Following its acquisition of innogy Česká republika a.s. ("**iCR**"), the MVM Group's revenues have also became sensitive to the performance of the Czech economy. Changes in political, social or economic developments in the Czech Republic over which the MVM Group has no control, could have a significant effect on the Czech economy, which in turn could have a material adverse effect on the business, results of operations and financial condition of the MVM Group.

5. RISKS RELATING TO GOVERNMENTAL REGULATIONS AND LAWS

The MVM Group is subject to different regulatory regimes in all countries in which it operates, and these regimes are complex and subject to change

The Issuer and other members of the MVM Group are subject to the laws of various countries and jurisdictions where they operate and the laws of the EU, as well as the regulations of the regulatory agencies of the respective countries in which the MVM Group operates, with particular regard to the Hungarian Atomic Energy Authority and to the Hungarian Energy and Public Utility Regulatory Authority (**"HEPA"**). These laws and regulations and their interpretation by the regulatory agencies affect many aspects of the MVM Group's business and, in many respects, determine the manner in which it can conduct its business activities and the fees charged or obtained for its products and services.

In particular, as an owner and operator of nuclear, coal-fired and gas power plants, renewable energy facilities, electricity transmission and distribution, gas storage and distribution, heat distribution and mining businesses, the MVM Group is subject to extensive governmental and other regulations in the markets in which it operates, including in relation to nuclear safety. Any new regulation or any changes in the existing regulations or requirements of or the interpretation by the governments or regulatory authorities may require significant changes in the MVM Group's business in ways that are not predictable, with particular regard to the manner in which the MVM Group operates its nuclear assets. Any new regulations or requirements that cause the restructuring or other changes in the MVM Group's business in any way, or that affect electricity generation, transmission and distribution, gas storage and distribution or electricity and gas supply prices or related financial conditions, could have a material adverse effect on the MVM Group's business, results of operations and financial condition. In addition, the Issuer may fail to respond swiftly and appropriately to changes in applicable laws and regulations or to changes in the energy industry generally, which could have a material adverse effect on the MVM Group's business, results of operations and financial condition.

The MVM Group's activities require various administrative authorisations and licenses that may be difficult to obtain, maintain or renew or whose grant may be subject to conditions that may become significantly more stringent

The Issuer's and other MVM Group members' core activities of generation, transmission, distribution and supply of electricity and storage, distribution and supply of natural gas require various administrative authorisations, at local and national levels, in Hungary and in the other countries in which the MVM Group operates. The procedures for obtaining and renewing these authorisations can be protracted and complex. Obtaining these authorisations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, the MVM Group may incur significant expenses in order to comply with the requirements associated with obtaining or renewing these authorisations (for example, the cost of preparing applications for authorisations or investments associated with installing equipment that are required before the authorisation can be issued). Delays and costs or the suspension of the MVM Group's industrial activities due to the inability to obtain, maintain, or renew authorisations, may also have a negative impact on the Issuer's business activities and profitability.

In addition, the Issuer often invests resources prior to obtaining the necessary permits and authorisations, particularly in connection with feasibility studies and environmental studies, but may have to cancel or withdraw from a project even after incurring such costs if the necessary permits or authorisations cannot be obtained. Any failure to obtain, maintain, renew or extend all the necessary administrative authorisations and licenses necessary for the operation of its business and execution of the MVM Group's strategy, could have a material adverse effect on the Issuer's business, results of operations and financial condition.

6. RISKS RELATING TO THE NOTES

The Notes may be redeemed prior to maturity

In the event that, as a result of a change in law or regulation, the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hungary or any political subdivision thereof or any authority therein or thereof having power to tax, and such obligation cannot be avoided by reasonable measures, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition the Notes are redeemable at the Issuer's option in certain other circumstances and accordingly the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes and may only be able to do so at a significantly lower rate. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. Although applications have been made to the Central Bank for the Notes to be admitted to the Official List and trading on the regulated market of Euronext Dublin there can be no assurance that such application will be accepted or that an active trading market will develop or, if developed, that it will continue. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Credit Rating may not reflect all risks

The Notes have been assigned a rating of "BBB" by Fitch and BBB- by S&P. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Modifications and waivers

The Conditions contain provisions for calling meetings of Noteholders (including by way of conference or video call) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Accordingly, there is a risk that the terms of the Notes, the Conditions, may be modified, waived or amended in circumstances where a Noteholder does not agree to such modification, waiver or amendment, which may adversely impact the rights of such Noteholder.

Notes with integral multiples

As the Notes have a minimum denomination of EUR 100,000 plus a higher integral multiple of EUR 1,000 it is possible that the Notes may be traded in amounts in excess of EUR 100,000 that are not integral multiples of the EUR 100,000. Noteholders who, as a result of trading such amounts, hold a principal amount of Notes other than a multiple of EUR 100,000 will receive definitive Notes in respect of their holding (provided that the aggregate amount of Notes they hold is in excess of EUR 100,000), however, any such definitive Notes which are printed in denominations other than EUR 100,000 may be illiquid and difficult to trade. Furthermore, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than EUR 100,000 may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to EUR 100,000.

Because the Global Note Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, Noteholders will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Note Certificate except in certain limited circumstances described in the Global Note Certificate. The Global Note Certificate will be registered in the name of a nominee of a common depositary, and will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg. Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, Noteholders will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their participants.

The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificate will not have a direct right under the Global Note Certificate to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Interest Rate Risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in EUR (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor’s Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease: (1) the Investor’s Currency-equivalent yield on the Notes; (2) the Investor’s Currency equivalent value of the principal payable on the Notes; and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Note. As a result, investors may receive less interest or principal than expected, or no interest or principal.

INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supercedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent and on the website of the Issuer at https://www.mvm.hu/-/media/MVMHu/Documents/Befektetoknek/Jelentesek/2019/MVM-Group-IFRS-consolidated-financial-statements-2019.pdf, https://www.mvm.hu/-/media/MVMHu/Documents/Befektetoknek/Jelentesek/2020/MVM-Group-IFRS-consolidated-financial-statements-2020.pdf and https://www.mvm.hu/-/media/MVMHu/Documents/Befektetoknek/Jelentesek/2021/MVM-Group-2021-H1-interim-condensed-consolidated-financial-statements.pdf , unless such documents have been modified or superseded. The Prospectus will be available, in electronic format, on the website of Euronext Dublin (https://live.euronext.com/).

For ease of reference, the tables below set out the relevant page references for the Financial Statements incorporated by referenced herein, including the notes to the Financial Statements and, in the case of the 2020 Financial Statements and the 2019 Financial Statements, the auditors reports thereon:

2020 Financial Statements

Consolidated Statement of Financial Position	Pages **4** to **5**
Consolidated Statement of Comprehensive Income	Page **6**
Consolidated Statement of Cash Flows	Pages **7** to **8**
Consolidated Statement of Changes in Equity	Pages **9** to **11**
Notes	Pages **12** to **170**
Auditors' Report	Pages **175** to **177**

2019 Financial Statements

Consolidated Statement of Financial Position	Pages **4** to **5**
Consolidated Statement of Comprehensive Income	Page **6**
Consolidated Statement of Cash Flows	Pages **7** to **8**
Consolidated Statement of Changes in Equity	Pages **9** to **11**
Notes	Pages **12** to **163**
Auditors' Report	Pages **168** to **170**

Unaudited Interim Financial Statements

Interim Condensed Consolidated Statement of Financial Position	Pages **3** to **4**
Interim Condensed Consolidated Statement of Comprehensive Income	Page **5**

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and unless specifically incorporated by reference into this Prospectus, information contained on any website referred to in this Prospectus does not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The EUR 500,000,000 0.875 per cent. Notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of MVM Energetika Zártkörűen Működő Részvénytársaság (the "**Issuer**") are constituted by a deed of covenant dated 18 November 2021 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of a fiscal agency agreement dated 18 November 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank Europe Plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer which will at all times rank pari passu among themselves and, save for such obligations as may be preferred by mandatory provisions of law that are of general application, equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer

Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without, in the case of the creation of a Security Interest, at the same time or prior thereto and, in any other case, promptly (a) securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Affiliate**" means in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company;

"**EBITDA**" means, in respect of any Relevant Period, the total operating profit of the Group accumulated during such Relevant Period ***plus*** any depreciation or amortisation accounted by the Group during such Relevant Period;

"**Group**" means the Issuer, its Subsidiaries and its Affiliates, which are consolidated in the Issuer's consolidated financial statements from time to time;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) any notes, bonds, debentures, debenture stock, loan stock or other debt securities or any borrowed money;

(b) amounts raised by acceptance under any acceptance credit facility;

(c) amounts raised under any note purchase facility; and

(d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

"**Material Subsidiary**" means, at any time, a Subsidiary of the Issuer:

(a) whose total assets and/or EBITDA represent not less than ten per cent. (10%) of the total assets and/or EBITDA, as applicable, of the Group as determined at any time by reference to the then most recent audited consolidated financial statements of the Issuer; or

(b) to which is transferred either (A) all or substantially all the assets of another Subsidiary of the Issuer which immediately prior to the transfer was a Material Subsidiary or (B) sufficient assets of the Issuer such that the receiving Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the date of the most recent audited consolidated financial statements of the Issuer, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the audited consolidated financial statements of the Issuer for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above,

but excluding any Project Company;

"**Permitted Security Interest**" means:

(a) any Security Interest of a Person existing at the time that such Person is merged into, or consolidated with or acquired by, the Issuer or any Subsidiary of the Issuer, provided that such Security Interest was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such merger, consolidation or acquisition;

(b) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or any Subsidiary of the Issuer, provided that such Security Interest was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such acquisition;

(c) any Security Interest granted by a Subsidiary of the Issuer in connection with a Securitisation;

(d) any Security Interest granted by a Project Company; or

(e) any renewal of or substitution for any Security Interest permitted by any of subparagraphs (a) to (d) (inclusive) of this definition, provided that with respect to any such Security Interest (i) the principal amount secured has not increased and (ii) the Security Interest has not been extended to any additional assets (other than the proceeds of such assets and any replacement assets);

"**Project Company**" means any Subsidiary of the Issuer established solely for the purposes of the implementation and operation of a particular project, provided that such project is financed through Project Finance;

"**Project Finance**" means any financing arrangement (i) for the provision of funds which are to be used exclusively to finance a particular project for the acquisition, construction, development or exploitation of any property or project; and (ii) under which the creditors under such financing arrangement have agreed to limit, as a principal source of repayment, their recourse only to the assets and revenues of, and quota(s) or shares issued by, the Project Company implementing such project;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means each period of twelve (12) months ending on the last day of the Issuer's financial year;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that (i) any Security Interest given by any Subsidiary of the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; and (ii) recourse in respect of such securitisation is limited to the assets and/or revenues so securitised as the principal source of repayment for the money advanced;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. Interest

The Notes bear interest from 18 November 2021 (the "**Issue Date**") at the rate of 0.875 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 18 November in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Interest shall be calculated by applying the Rate of Interest to the aggregate outstanding principal amount of Notes represented by each Note Certificate, multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) where:

"**Calculation Amount**" means EUR 1,000;

"**Day Count Fraction**" means, in respect of any period:

(a) that is equal to or shorter than the Regular Period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

(b) that is longer than the Regular Period, the sum of:

(i) the number of days in the relevant period falling in the Regular Period in which such period begins divided by the number of days in such Regular Period; and

(ii) the number of days in the relevant period falling in the next Regular Period divided by the number of days in such next Regular Period;

"**Regular Date**" means 18 November in any year; and

"**Regular Period**" means each period from (and including) any Regular Date to (but excluding) the next Regular Date.

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 18 November 2027, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hungary or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 November 2021; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

(A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer, in whole or in part, on any date (the "**Call Settlement Date**") provided that the Issuer has given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable but may at the option of the Issuer be conditional on one or more conditions precedent being satisfied or waived by the Issuer), and shall oblige the Issuer to redeem the relevant Notes on the Call Settlement Date at the Redemption Price (as defined below) plus accrued interest to (but excluding) such date.

The "**Redemption Price**" shall be an amount equal to:

(i) if the Notes are redeemed at the option of the Issuer on a Call Settlement Date prior to 18 August 2027 (the "**Par Call Redemption Date**"): the higher of (i) 100 per cent. of the principal amount of such Notes and (ii) the principal amount of such Notes multiplied by the price (expressed as a percentage), as reported in writing to the Issuer by the Determination Agent (if applicable), at which the yield to maturity on such Notes on the Reference Date is equal to the sum of (x) the Reference Bond Rate at the Quotation Time on the Reference Date, plus (y) the Redemption Margin, as determined by the Determination Agent; or

(ii) if the Notes are redeemed at the option of the Issuer on a Call Settlement Date that is on or after the Par Call Redemption Date: 100 per cent of the principal amount of the Notes.

Where:

"**Determination Agent**" means an independent adviser, investment bank or financial institution of recognised standing selected by the Issuer;

"**Quotation Time**" means 5.00p.m., CET;

"**Redemption Margin**" means 0.25 per cent.;

"**Reference Bond**" means the euro denominated German Bundesanleihe selected by the Determination Agent as having a fixed or interpolated maturity most nearly equal (or next shorter and next longer in the case of an interpolated rate) to the remaining term of the Notes provided, that, if the period from such redemption date to maturity of the Notes to be redeemed is less than one year, a fixed maturity of one year shall be used;

"**Reference Bond Price**" means, with respect to the Reference Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five such Reference Government Bond Dealer Quotations are received, the arithmetic average of all such quotations;

"**Reference Bond Rate**" means, with respect to any Reference Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) for the Remaining Term or interpolated yield for the Remaining Term (on the relevant day count basis) of the

Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reference Date;

"**Reference Date**" means the date falling three London Business Days prior to the Call Settlement Date;

Reference Government Bond Dealer" means each of five banks selected by the Issuer (following, where practicable, consultation with the Determination Agent, if applicable), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues**;**

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and the Reference Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

"**Remaining Term**" means the term to maturity;

(d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition (c) (*Redemption at the option of the Issuer*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the Call Settlement Date bears to the aggregate principal amount of outstanding Notes on such date.

(e) *Clean-up call option:* If 80 per cent. or more in principal amount of the Notes originally issued (which shall for this purpose include any further Notes issued pursuant to Condition 13 (*Further Issues*)) have been redeemed, or purchased and cancelled, the Issuer may (provided that no Notes have been redeemed in accordance with Condition 5(c) (*Redemption and Purchase – Redemption at the option of the Issuer*)) at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*), redeem or, at the Issuer's option, purchase (or procure the purchase of), all but not some only of the Notes then outstanding at 100 per cent. of the principal amount of the Notes together with interest accrued (if any) to (but excluding) the date fixed for redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption.

(f) *Change of Control Put Option:* If at any time while any Note remains outstanding, there occurs (and is continuing) a Change of Control (as defined below) each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below) the Issuer has already given notice to exercise an option to redeem the Notes pursuant to this Condition 5 (*Redemption and Purchase*)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the Optional Redemption Date (as defined below) at an amount equal to the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

Where:

A "**Change of Control**" shall be deemed to have occurred if the State of Hungary ceases to control, directly or indirectly, at least 50 per cent. + 1 share of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate in a distribution of either profits or capital and no voting rights).

Promptly upon, and in any event within three Budapest Business Days of, the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 5(f).

To exercise the Change of Control Put Option, a Noteholder must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Fiscal Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the "**Change of Control Put Period**") of 45 days after a Change of Control Put Event Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Fiscal Agent (a "**Change of Control Put Option Notice**") and in which the Noteholder may specify a bank account to which payment is to be made under this Condition 5(f).

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Fiscal Agent for the account of the Issuer as described above by the date which is the fifth Business Day following the end of the Change of Control Put Period (the "**Optional Redemption Date**"). Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

For the purpose of this Condition 5(f), a "**Budapest Business Day**" means a day on which commercial banks are open for general business in Budapest.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) and (e) (*Clean-up call option*) above.

(h) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) *Cancellation*: All Notes so redeemed shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition (h) (*Purchase*) above may not be reissued or resold.

6. Payments

(a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Interpretation*: In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

and

"**TARGET System**" means the TARGET2 system.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph "**business day**" means:

(A) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and

(B) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(f) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(g) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hungary or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Hungary other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hungary, references in these Conditions to Hungary shall be construed as references to Hungary and/or such other jurisdiction.

8. Events of Default

If any of the following events occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fifteen days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-acceleration of Issuer or Material Subsidiary*:

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds EUR 70,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: the Issuer fails to pay a final judgment or judgments of a court of competent jurisdiction within 60 days from the receipt of a notice that any such final judgment has been entered against it or an execution is levied on or enforced upon or sued out in pursuance of any such judgment, provided that the amount of such judgment or judgments, individually or in the aggregate, exceeds EUR 70,000,000 (or its equivalent in any other currency or currencies); or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries provided that the value of such undertaking, assets and revenues exceeds EUR 70,000,000 (or its equivalent in any other currency or currencies); or

(f) *Filing for bankruptcy, liquidation, winding-up*: the Issuer or a Material Subsidiary files for its bankruptcy (in Hungarian: "*csődeljárás*"), liquidation (in Hungarian: "*felszámolási eljárás*"), winding-up (in Hungarian: "*végelszámolási eljárás*") or simplified winding-up (in Hungarian: "*egyszerűsített végelszámolási eljárás*") (except if the winding-up is caused by the solvent reorganisation or restructuring of the Group, or, in respect of any Material Subsidiary, for solvent winding-up proceedings) in accordance with the Bankruptcy Laws; or

(g) *Commencement by a court of bankruptcy proceedings*: there is a decision of a competent court for the commencement of bankruptcy (in Hungarian: "*csődeljárás*") or any analogous proceeding against the Issuer or a Material Subsidiary in accordance with the Bankruptcy Laws; or

(h) *Adjustment or deferment of obligations, assignment, composition, moratorium or cessation of business*: (i) the Issuer or any of its Material Subsidiaries takes any action for a general adjustment or deferment of its obligations or makes a general assignment or an arrangement or composition with or *for* the benefit of its creditors generally or declares a moratorium in respect of its Indebtedness (including any Guarantee of any Indebtedness given by it) or (ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (except in connection with the solvent reorganisation or restructuring of the Group, or, in respect of any Material Subsidiary, solvent winding-up proceedings); or

(i) *Bankruptcy, liquidation or winding-up order*: an order is passed by a competent court in respect of the Issuer or a Material Subsidiary for its bankruptcy (in Hungarian: "*csődeljárás*"), liquidation (in Hungarian: "*felszámolási eljárás*"), winding-up (in Hungarian: "*végelszámolási eljárás*"), simplified winding-up (in Hungarian: "*egyszerűsített végelszámolási eljárás*") (except if the winding-up is caused by the solvent reorganisation or restructuring of the Group, or, in respect of any Material Subsidiary, for solvent winding-up proceedings) or dissolution (in Hungarian: "*kényszertörlési eljárás*") in accordance with the Bankruptcy Laws; or

(j) *Appointment of a liquidator, trustee in bankruptcy or receiver*: a liquidator (in Hungarian: "*felszámoló*"), trustee in bankruptcy (in Hungarian: "*vagyonfelügyelő*"), receiver (in Hungarian: "*végelszámoló*") (except if the winding-up is caused by the solvent reorganisation or restructuring of the Group, or, in respect of any Material Subsidiary, for solvent winding-up proceedings) or other similar insolvency officer is appointed by a competent court in respect of the Issuer or a Material Subsidiary in accordance with the Bankruptcy Laws.; or

(k) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

In these Conditions:

"**Applicable Law**" means, in relation to any person, any law, regulation, rule, executive order, decree, judicial or official order, code of practice, circular, guidance note or injunction of, or made by, any Competent Authority, which is binding and enforceable on or against the relevant person or with which the relevant person is required to comply;

"**Bankruptcy Laws**" means:

(i) the Hungarian Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings;

(ii) the Hungarian Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings;

(iii) the Hungarian Act LXIV of 2021 on Restructuring and on Amendment of Certain Acts for Harmonisation Purposes; and

(iv) any provision of any Applicable Law regulating any equivalent proceedings in another jurisdiction; and

"**Competent Authority**" means any local, national or supranational agency, authority, court, department, inspectorate, minister, official, tribunal or public or statutory person (whether autonomous or not) of Hungary or any other country, which has jurisdiction over the Issuer or any Material Subsidiary.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders, holding not less than 75 per cent. in nominal amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are admitted to trading on Euronext Dublin and it is a requirement of applicable law or regulations and/or the rules of Euronext Dublin so require, notices will also be published on the website of Euronext Dublin (https://live.euronext.com/). Any such notice shall be deemed to have been given on the date of first publication.

15. Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Notwithstanding Condition 15(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of Process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to London Central Services Ltd at 4, Old Park Lane, London W1K 1QW, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Registrar, Transfer Agents and the Paying Agents as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee of a common depositary, and deposited with the common depositary for Euroclear and Clearstream, Luxembourg.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or have in fact done so or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate (the "**Noteholder**"), Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Noteholder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Noteholder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Noteholder will have no further rights thereunder (but without prejudice to the rights which the Noteholder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Noteholders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Note Certificate "**business day**" means any day on which the TARGET System is open.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing**

System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 5(f) (*Redemption at the option of Noteholders*) the Noteholder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Fiscal Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, notices to Noteholders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg.

Electronic Consent and Written Resolution: While any Global Note Certificate is held on behalf of a clearing system, then:

(a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note or Global Note Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and holders of Coupons, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately EUR 493,263,000 after deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Notes, will be used by the Issuer for general corporate purposes.

DESCRIPTION OF THE ISSUER AND THE MVM GROUP

INTRODUCTION

The Issuer was incorporated as a private limited company (in Hungarian *zártkören működő részvénytársaság*) in Hungary, registered by the Court of Registration of the Metropolitan Court of Budapest on 31 December 1991 and established for an indefinite period. The legal predecessor of the Issuer was the Hungarian Electrical Works Trust ("**MVMT**"). MVMT was established in 1963 and was responsible for the technical and economic management of the entire electricity system in Hungary.

The Issuer is registered in the companies' registry kept by the Court of Registration of the Metropolitan Court of Budapest under registration number: 01-10-041828 with its registered seat at 1031 Budapest, Szentendrei út 207-209., Hungary. The Issuer's telephone number is +36-1-304-2000 and website address is https://mvm.hu/en. The legal entity identifier code of the Issuer is 529900ELI5AQ9F74PF85.

The Issuer is wholly owned by the Hungarian state and its operations are subject to Hungarian law. The Minister responsible for Hungarian National Assets exercises all ownership rights on behalf of the Hungarian state. The Issuer qualifies as a public undertaking within the meaning of paragraph (1) of Article 8 of Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty establishing the European Community.

In 2020, the MVM Group was the 4th largest company group in Hungary, and the 13th in Central Europe on a revenue basis (this ranking covers the largest companies in the region, including the following countries: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine) (source: *Coface CEE TOP 500 Companies – 2020 Edition (https:// https://www.cofacecentraleurope.com/News-Publications/News/CEE-Top-500)*). The MVM Group continues to consolidate its position at a regional level not only as one of the largest domestic energy providers, but also through the range of its activities, and the products and services offered by the MVM Group, as well as its contribution to the security of energy supply in Hungary and Central-Eastern Europe. The MVM Group has a presence in 23 countries, and had more than 100 subsidiaries and total assets of HUF 3,927,267 million as at 30 June 2021. For the year ended 31 December 2020, the sales revenue of the MVM Group was HUF 1,424,782 million and EBITDA was HUF 203,734 million.

As at the date of this Prospectus, the MVM Group produces approximately 64 per cent. of Hungary's overall electricity generation, owns and operates the entire Hungarian electricity transmission system, as well as approximately 27 per cent. of the electricity distribution system, and holds an approximately 54 per cent. market share of the residential supply market through universal service provision and an approximately 28 per cent. market share of Hungary's competitive electricity supply market. It also holds a nearly 50 per cent. market share for natural gas supply in Hungary to industrial consumers and 99.9 per cent. of the Hungarian household sector for natural gas supply through universal service providers. As at 30 September 2021, the MVM Group had more than 18,000 employees.

The following table provides an overview of the MVM Group's key performance indicators:

		As at / year ended 31 December 2019	As at / Six months ended 30 June 2020	As at / year ended 31 December 2020	As at / Six months ended 30 June 2021
Electricity					
Total installed capacity	MW	2,798	3,796	3,826	3,886
Total electricity generated	GWh	16,825	9,097	20,842	10,573
Total electricity sales	GWh	40,414	19,705	40,746[1]	20,134
Wholesale electricity sales	GWh	32,773	14,122	28,468	12,096
Retail electricity sales	GWh	7,642	5,583	12,278	8,038
Electricity transmitted	GWh	42,020	20,329	41,647	21,677
Electricity Distributed	GWh	4,566	2,164	4,460	2,259
Natural gas					
Total natural gas sales	GWh	143,173	57,012	121,861	96,350
Wholesale natural gas sales	GWh	86,573	22,843	51,925	41,717
Retail natural gas sales	GWh	56,600	34,169	69,936	54,633
Natural gas distributed	GWh	35,538	20,451	36,774	22,431
Heat					
Total heat sales	TJ	2,501	1,678	3,327	1,977

1. Total electricity sales of iCR for the year ended 31 December 2020 were 898 GWh and the relevant portion of these sales for the remainder of 2020 are included in the total electricity sales of the MVM Group for the year ended 31 December 2020 following the acquisition of iCR in late October 2020.

HISTORY

Establishment of the modern Hungarian electricity system 1945-1962

1949

The Hungarian single electricity system is established.

Power plant management is standardised.

The National Electricity Dispatch Centre performing the technical tasks of system operation is established.

1951

The management of regional power distribution companies is standardised.

Foundation of MVMT and nuclear power plant construction 1963-1991

1963

Hungarian Electricity Works Trust (MVMT) is established.

MVMT is responsible for the technical and economic management of the entire Hungarian electricity system

1966

An international agreement is concluded for the construction of the Paks nuclear power plant.

1982-1987

The units of the Paks nuclear power plant are commissioned.

Privatisation and market opening 1992-2012

1992

MVM Ltd. is established, the trust is transformed into a two-tier system of companies limited by shares.

1995

Privatisation is carried out.

2000

The networks are prepared for EU accession by the early 2000s.

The liberalisation of the electricity market begins.

Active state involvement 2013-2018

2013

The natural gas business unit is established and developed.

MFGK[1] and MFGT[2] are purchased.

2017

A 50% stake is acquired in ENKSZ (later NKM[3])

2017-18

Dynamic expansion (takeover of customer portfolios, acquisition of DÉMÁSZ and Égáz-Dégáz)

Building a national 'blue chip' company 2018 to date

2018

The integration of the MVM Group and the NKM Group begins.

2019

NKM becomes 100% owned by MVM.

New strategy for MVM.

2020

MVM acquired 100% ownership of iCR

MVM became the owner of the Hungarian subsidiary of the German energy company Enexio, together with its two Chinese subsidiaries.

MVM acquired the Mátra Power Plant.

2021

MVM acquired Tiszavíz Vízerőmű Kft.

ÉMÁSZ DSO acquisition completed.

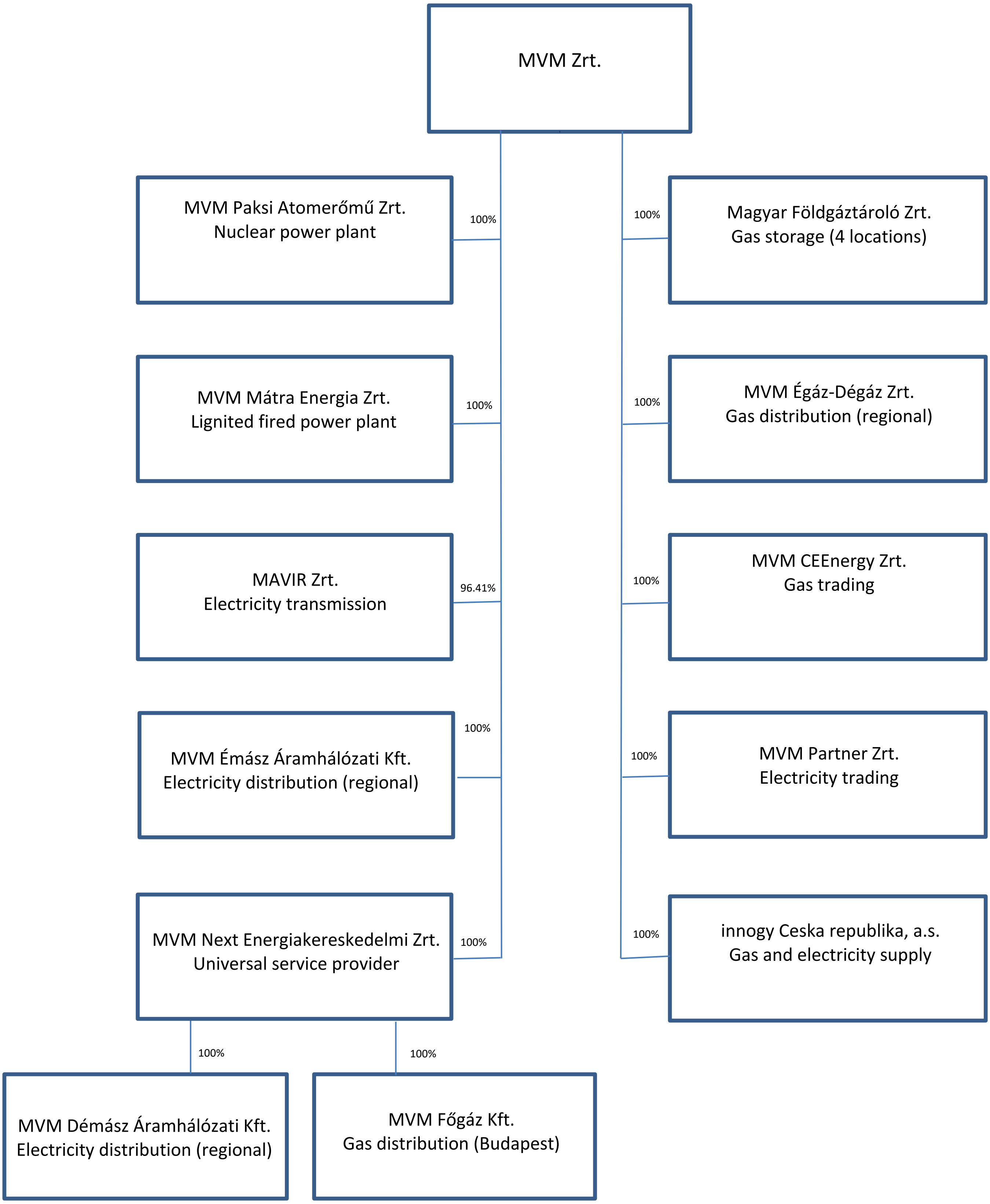
Acquisition of 25% stake in E.ON Hungaria (expected completion late 2021 or early 2022).

Acquisition of the electricity universal service customer base of ELMŰ-ÉMÁSZ (1.9 million additional customers)

1. MVM CEEnergy Zrt.
2. Magyar Földgáztároló Zrt.
3. NKM Nemzeti Közművek Zrt. (currently named as MVM Services Zrt.)

GROUP STRUCTURE

The Issuer is the ultimate parent company of the MVM Group and the Issuer is, therefore, dependent on the performance of its direct and indirect subsidiaries. The MVM Group has over 100 subsidiaries. The list of the Issuer's significant subsidiaries and a brief description of their operations is set out under "*Description of the Issuer and the MVM Group – Significant Subsidiaries*". The simplified group structure of the Issuer and its significant subsidiaries is as follows:



OVERVIEW OF THE MVM GROUP'S BUSINESS

Summary of the MVM Group's Operations

The MVM Group is a leading player in the Hungarian power generation, trade, transmission, distribution and retail markets, as well as the natural gas supply, storage, distribution and retail markets, ensuring uninterrupted supply of affordable energy to approximately 7.5 million customers (as at 30 September 2021) in the Central and Eastern Europe ("**CEE**") region (primarily in Hungary and the Czech Republic). The MVM Group is one of the largest employers in Hungary with approximately 15,000 employees in Hungary as at 31 December 2020 and for the year ended 31 December 2020 its operations in Hungary contributed to approximately 2 per cent. of Hungary's total gross domestic product. The MVM Group plays an important role in implementing Hungary's strategic energy targets through its activities. The MVM Group's expanding portfolio covers the entire Hungarian energy sector.

In 2020 the MVM Group accounted for approximately 62 per cent. of the total national electricity production for Hungary through the Paks NPP (approximately 48 per cent.), the Mátra Power Plant (approximately 11 per cent.), gas and other fossil fuelled power plants (approximately 1 per cent.) and renewable energy (including biomass) (approximately 2 per cent.).

The MVM Group owns the entire transmission system through MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság ("**MAVIR**"). MAVIR is the sole owner and operator of the Hungarian electricity transmission network and has a 100 per cent. market share. The MVM Group supplies most of the domestic power consumption of service provider through its wholesale activities and provides a significant part of the portfolio of assets, which are essential for system operation, including back-up power plant capacities. The MVM Group is responsible for approximately 27 per cent. of the distribution (by distributed energy) and approximately 54 per cent. the residential supply of Hungary's electricity.

In accordance with the energy policy strategy laid down in the National Energy Strategy 2030, the MVM Group acquired 100 per cent. of the shares in E.ON Földgáz Trade Zrt. and E.ON Földgáz Storage Zrt. in 2013. Following this transaction, the companies were renamed MVM CEEnergy Zrt. (MFGK between 2014 and 2021) and Magyar Földgáztároló Zrt. and became key subsidiaries of the MVM Group's natural gas division. Consequently, the MVM Group has about 65 per cent. market share in the Hungarian natural gas storage segment and plays an important role in wholesale natural gas markets. With the integration of NKM Nemzeti Közművek Zrt. (currently named as MVM Services Zrt.) and its subsidiaries, the MVM Group is also responsible for approximately half of Hungary's gas supply to industrial consumers and supplies 99.9 per cent. of the residential natural gas supply through universal service providers.

MVM Partner Zrt. ("**MVM Partner**") is a member of the MVM Group and is a leading player in the Hungarian wholesale electricity market. The electricity generated by the MVM Group is sold mainly through MVM Partner. MVM Partner trades electricity on several European exchanges and over-the-counter ("**OTC**") markets through its Budapest headquarters and it is the key supplier of the Hungarian universal service providers in electricity via long-term framework agreements.

The MVM Group is actively expanding not only in Hungary, but other countries in the CEE and the Western Balkan regions, including EU member states such as the Czech Republic, Croatia, Romania and Slovakia. As a sustainable energy group focused on the challenges of the future, the MVM Group's mission, keeping its customers in mind, is to provide affordable and clean energy for its customers' everyday lives. In 2020, the MVM Group achieved a milestone in its regional expansion strategy by acquiring the sole ownership of iCR and its subsidiaries, the leading natural gas trader in the Czech Republic with an increasing share of the Czech electricity trading market.

Overview of the main activities, products and services of the MVM Group

The MVM Group is a key player in the domestic and regional electricity and natural gas markets. The mission of the MVM Group is to ensure affordable and clean energy for its customers, while being responsible for the security of Hungary's energy supply. Its activities cover electricity generation, the independent operation, development and maintenance of the electricity transmission system, electricity trading, natural gas trading and storage, the operation, development and maintenance of regional electricity and natural gas distribution systems, the operation of power plants, district heating supply, as well as information technology, financial, accounting, engineering consulting and logistics services. The MVM Group's vertically integrated business model enables significant synergy generation across the value chain. The main activities of the MVM Group can be categorised as follows:

1. Generation;

2. Infrastructure: transmission and distribution system operator;

3. Wholesale and storage of natural gas;

4. Retail and customer services;

5. International business; and

6. Other activities.

Electricity generated from the MVM Group's generation activities is largely sold within the MVM Group (to MVM Partner), predominantly on the basis of 2 to 5 year contracts except solar and hydro generation, which is the only type of electricity generated by the MVM Group that is sold on a regulated basis. The MVM Group's infrastructure activities involve the provision of transmission and distribution services on a regulated basis. Its wholesale and storage of natural gas activities are also largely undertaken on a regulated basis involving the intra-group sale of contracted gas volumes for the purposes of its retail universal service activities through which electricity and gas is sold to consumers at regulated prices. Only a portion of its gas storage volumes are sold on a commercial or unregulated basis and the wholesale sale of electricity for universal service is sold on a contracted basis. The MVM Group's retail universal service activities are also undertaken on a regulated basis.It is only its business-to-business sales that are carried out on an unregulated basis. The MVM Group's international business, and other activities are undertaken on an unregulated basis.

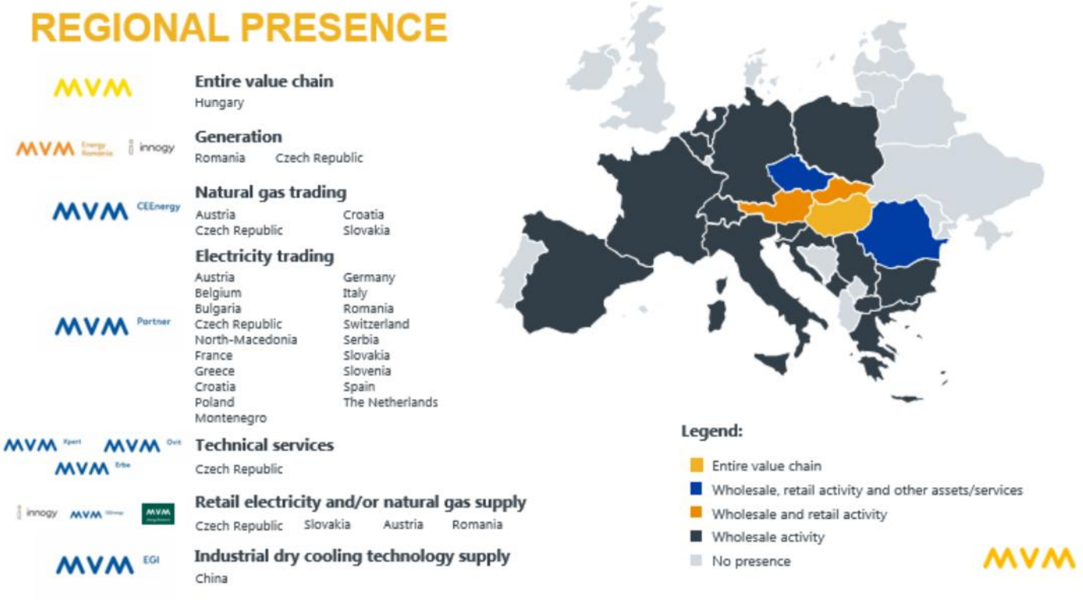
The following table provides an overview of the EBITDA contribution of each of these business segments:

	For the six months ended 30 June 2021		*For the year ended 31 December 2020*		*For the year ended 31 December 2019*	
	EBITDA[1]	**Sales revenue**	**EBITDA**[1]	**Sales revenue**	**EBITDA**[1]	**Sales revenue**
			(in HUF million)			
Generation	29,316	152,356	57,917	280,893	61,311	221,663
Infrastructure	15,354	151,987	70,016	281,057	58,432	235,601
Wholesale and storage of natural gas	71,073	703,622	40,075	969,897	84,265	1,013,484
Retail and customer services	21,535	414,059	16,720	674,990	7,061	549,948
International business[2]	34,719	207,700	12,496	86,020	940	676
Other	-334	60,988	7,537	137,539	-10,565	128,729
Intersegment adjustments	-3,320	-603,829	-1,027	-1,005,614	433	-824,629
Total	168,343	1,086,883	203,734	1,424,782	201,877	1,325,472

1. Business segment EBITDA figures represent the consolidated EBITDA of each business segment and do not include consolidation effects between busisness segments.

2. The growth in EBITDA and sales revenue for the International business is principally as a result of the acquisition and consolidation of iCR and its subsidiaries following their acquisition in late October 2020. The EBITDA and sales revenue of iCR and its subsidiaries for the year ended 31 December 2020 was HUF 12,386 and HUF 84,885, respectively, and the relevant portion of such EBITDA and sales revenue for the remainder of 2020 is included in the above EBITDA and sales revenue figures for the International business for the year ended 31 December 2020. The EBITDA and sales revenue of iCR and its subsidiaries for the six months ended 30 June 2021 was HUF 34,027 million and HUF 205,925 million, respectively.

The following table provides an overview of the different regions in which the MVM Group operates and the business activities of the MVM Group in each of those regions:



Generation

The MVM Group's power generation activity plays a key role in the value chain of domestic electricity supply, by generating predictable, affordable, flexible and 77 per cent. carbon-free electricity, as well as contributing significantly to the profitability of the MVM Group. The power generation of the MVM Group represents approximately 64 per cent. per cent. of total Hungarian power generation output. As at the date of this Prospectus, the MVM Group's installed electricity generation capacity (in Hungary and abroad) was 3,886 MW of which 2,013 MW was nuclear, 884 MW was coal, 730 MW was non-coal fossil fueled and 259 MW was renewables.

The Paks NPP operates at a favourable cost level due to its low carbon intensity. (see "*Risk Factors – Risks relating to the business and operations of the Issuer and the MVM Group – Risk of an increase in the cost of disposing of radioactive waste and decommission of the Paks NPP*"). The higher carbon intensity of the Mátra Power Plant (see "*Coal-fired power plant*" below), has resulted in it experiencing declining margins due to the increase in CO_2 allowance prices. These price increases have also impacted the margins of the other fossil fuel power plants of the MVM Group.

Nuclear power plants

For more than 30 years, the Paks NPP has been generating safe, cheap and environmentally friendly electricity satisfying a significant part of the Hungarian energy demand. In 2020 the power plant produced 16,055 gigawatt hours ("**GWh**") of electricity, accounting for approximately 48 per cent. of the total national electricity production. As a result of a service life extension programme, the lifespan of all four units of the Paks NPP were extended in stages between 2012 and 2017, extending their lifespan to 2032-2037.

Coal-fired power plant

Having been in operation since 1969, the Mátra Power Plant is the only significant electricity generating power plant that is operating in Hungary on the basis of domestic primary energy source (lignite). With its total installed capacity of 950 MW (of which 884 MW is lignite fired) it is the second largest electricity producer in Hungary and plays an important role in certain system regulating processes. In 2020 the power plant produced 3,583 GWh electricity, which amounts to approximately 11 per cent. of the total national power generation.

Fuel for the lignite-fired units of the power plant is delivered from its own open-pit mines from Visonta and Bükkábrány. The Mátra Power Plant has been producing renewable energy since the early 2000s, which contributes to achieving the sustainability objectives of the European Union. In order to reduce its CO_2 emissions, the Mátra Power Plant operates with a biomass mixed fuel in the proportion of 11 to 12 per cent. The more efficient operation and environmentally friendly transformation of the Mátra Power Plant form part of the national strategic objectives of Hungary. The lignite-fired units are planned to be phased-out by the end of 2025 but such transition is only feasible if these units are replaced with more modern, carbon-saving technologies. In order to achieve the national decarbonisation goals and to reduce emissions, replacing capacities with other technologies must be quickly realised on an efficient basis. The MVM Group plans to maintain the smooth operation of the electricity supply system during the transition process. Due to its important position in the energy market, the MVM Group has the opportunity to apply for significant EU funding for this technological transformation through the EU ETS-based 10c mechanism.

Renewables

The development and introduction of clean technologies based on renewable energy sources, primarily solar and hydro energy, are also among the strategic priorities of the MVM Group. The MVM Group set as a priority objective in its medium-term strategy the participation of the Issuer in the utilisation of renewable energy sources in Hungary as part of the sustainable development and environmental awareness of the MVM Group. The main activities of MVM Zöld Generáció Kft. (**"MVM Zöld Generáció"** or MVM Green Generation Ltd) are renewable energy based electricity generation and sales under the Feed-in-Tariff System (KÁT) operated by MAVIR. MVM Zöld Generáció has been contributing to the MVM Group's commitment to sustainable development and environmental protection since March 2008 (it was formerly named MVM Hungarowind but renamed to MVM Zöld Generáció in March 2019). As at the date of this Prospectus, MVM Group had a significant renewable (solar, hydro, wind) power portfolio with a total installed capacity of 259 MW (solar: 185 MW, hydro: 51 MW and wind: 23 MW). The MVM Group's hydro power plants in Romania are operated through its international business segment (see "*International business– Hydro power plants (Romania)*").

In September 2021, the Ministry of Innovation and Technology approved grants of HUF 22.1 billion for the development by MVM Zöld Generáció of solar power generation projects with an overall installed capacity of approximately 151,5 MW. These grants provide for an average contribution of 37 per cent. to the budgeted costs of these projects. These grants are provided as part of the EU Cohesion Policy, the regulations for which require each project to be completed before the end of 2023.

Other fossil fuel power plants

The MVM Group has 730 MW of non-coal fossil fueled capacity in the form of installed gas turbine and distillate oil/fuel oil power plant capacity: 715 MW in Hungary and 15 MW in the Czech Republic through iCR. The operations of these power plants include the provision of ancillary services to assist in the reliable operation of the electricity system and combining power and heat.

District heating

The MVM Group owns and operates the district heating systems of the city of Oroszlány (approximately 5,600 customers) through its subsidiary MVM Oroszlányi Távhőtermelő és Szolgáltató Zrt. (**"OTSZ"**), and also owns several combined heat and power plants both in Hungary and the Czech Republic. As of 15 October 2015, OTSZ was appointed by HEPA to take over the district heating supply activity of the city of Szolnok from a third party supplier (approximately 14,600 customers). In addition, the MVM Group has a CHP Power Plant in Budapest (North-Buda Cogeneration Power Plant) which generates heat and electricity using an innovative heat storage system (30 MWth electric boiler). The North-Buda Cogeneration Power Plant is responsible for the supply of the Budapest district heat system to satisfy the demand of around 32,000 to 34,000 households. The MVM Group also has CHP power plants (CCGT and gas engines) in Miskolc, which provide thermal energy in all thermal districts of the city of Miskolc to around 31,779 apartments and 907 other properties.

Infrastructure: Transmission and distribution system operator

The MVM Group operates an electricity transmission network with a length of 3,821 km in Hungary. The total length of the electricity distribution network operated by the MVM Group is 55,000 km and the total length of the natural gas distribution network operated by the MVM Group is 29,000 km. On 31 August 2021, the MVM Group acquired 100 per cent. of the shares of ÉMÁSZ Hálózati Kft. (**"ÉMÁSZ"**), an electricity distribution system operator company, which distributes electricity to 400 settlements in northern Hungary with an electricity distribution network of 22,000 km (the company was renamed to MVM ÉMÁSZ Áramhálózati Kft.).

Electricity transmission and distribution tariffs are based on a price-cap methodology which is calculated in accordance with Hungarian and EU regulations, with the regulatory tariff reviewed every 4 years. The current regulatory tariff period started in 2021. The tariff setting process for each regulatory period starts with a cost review for transmission and distribution system operators. Justified revenues (comprised of the sum of operating expenses, pass-through costs, expenses for grid losses, depreciation and a return on the regulated asset base (calculated on the basis of the weighted average cost of capital)) are established as the basis for the new regulatory tariff. During each regulatory tariff period, there is also an annual indexation of the regulatory tariffs based on various measures (including a network losses price index, inflation and the national wage index).

Electricity transmission

The transmission grid in Hungary is owned by MAVIR, a subsidiary of the MVM Group. According to the Third Energy Package of the EU, MAVIR operates as an Independent Transmission Operator ("**ITO**"). The ITO model aims to ensure that the EU regulations on ownership unbundling are complied with.

MAVIR is responsible for the management, operation, modernisation and necessary enlargement of the high-voltage transmission grid. It is a primary consideration for MAVIR that market players should have access to the transmission grid under equal conditions. EBITDA for MAVIR increased for the year ended 31 December 2020 as compared to the year ended 31 December 2019, principally as a result of the higher cross-border capacity sales of MAVIR.

Since 2010, MAVIR has also been operating the HUPX Hungarian Power Exchange. The Hungarian Power Exchange is tasked with promoting the liquidity of the Hungarian energy market, and providing a reference price and an exchange trading platform. More than half of energy trading volumes are traded on the Hungarian Power Exchange.

The MVM Group also plays a key role on the market for ancillary services facilitating the maintenance of balance in the electricity system.

Electricity distribution

Through MVM Démász Áramhálózati Kft., the MVM Group is responsible for the distribution of approximately 12 per cent. of Hungary's electricity network in Southern Hungary. The network consists of 1,000 km of high-voltage, 12,000 km of medium-voltage and 18,000 km of low-voltage overhead lines.

Following its acquisition of ÉMÁSZ, the MVM Group owns and operates the 22,000 km electricity distribution network of ÉMÁSZ in the relevant settlements in northern Hungary.

Natural gas distribution

The MVM Group is also responsible for approximately half of Hungary's natural gas distribution (through MVM Égáz-Dégáz Földgázhálózati Zrt. ("**MVM Égáz-Dégáz Földgázhálózati")** and MVM Főgáz Földgázhálózati Kft. "**MVM Főgáz Földgázhálózati**"). MVM Égáz-Dégáz Földgázhálózati operates a 23,000 km gas network in Northwest Hungary and the Southern Great Plain. Pursuant to its operating license issued by HEPA, MVM Égáz-Dégáz Földgázhálózati carries out natural gas distribution activities for its 775,000 customers in Győr-Moson-Sopron, Vas, Komárom-Esztergom, Csongrád, Békés, Bács-Kiskun and Veszprém counties. MVM Főgáz Földgázhálózati operates a 6,000 km gas network in the Budapest region. According to the operating license issued by HEPA, it carries out natural gas distribution activities for more than 800,000 customers in Budapest and in 18 settlements near Budapest.

Other

Through MVM Mobiliti Kft. ("**MVM Mobiliti**"), the MVM Group is the Hungarian market and technology leader in a rapidly growing e-mobility market. MVM Mobiliti operates the largest e-charging infrastructure in Hungary, through which, for the first time in Hungary, it also offers green power charging from renewable energy sources provided by the MVM Group. Its network of nearly 1,500 charging points provides full nationwide coverage for e-motorists. Moreover, through roaming agreements, MVM Mobiliti provides its customers with a unified Mobiliti service at 145,000 charging points on 312 charging networks in the networks of other domestic and foreign operators, as well as supporting the operation of e-car fleets and e-car charging at home.

MVM Mobiliti has 600 public EV charging stations (representing approximately 45 per cent. of all charging stations). MVM Mobiliti also operates 8 public transport (5 in Budapest and 3 outside of Budapest) and 2 private compressed natural gas (**CNG**) filling stations with the latter also providing fuel for a total of 100 CNG buses and 60 waste transport vehicles in Budapest and Kaposvár.

The MVM Group also has a significant market share in the Hungarian public lighting market, which includes non-regulated activities, such public lighting modernisation and expansion, and spatial lighting upgrades, expansion and operation.

Building on its existing assets, a secure, high-speed national telecommunications network, the MVM Group member, MVM NET Zrt., has been operating the Electronic Government Backbone network since late 2011. This core network supports the daily operation of government and municipal organisations around the country.

As part of the consolidation of state-owned telecommunication services, a sale and purchase agreement has been entered into for the sale of 100 per cent. of the MVM Group's stake in MVM Net Zrt. to Antenna Hungária Zrt. The transaction is expected to close in the fourth quarter of 2021.

Wholesale and storage of natural gas

Electricity wholesale

MVM Partner is a member of the MVM Group and is the leading player in the Hungarian wholesale electricity market. Electricity generated by the MVM Group in Hungary is sold mainly through MVM Partner.

MVM Partner trades electricity on several European exchanges and OTC markets through its Budapest headquarters and it is the key supplier of the Hungarian universal service providers in electricity via long-term framework agreements.

Natural gas wholesale

MVM CEEnergy Zrt. ("**MVM CEEnergy**") is a leading natural gas trader in Hungary and provides 100 per cent. of the supply to universal service providers. Domestic demand is satisfied through a portfolio of short- and long-term gas supply contracts from different sources, mainly Gazprom export LLC, other traded contracts and to a lesser extent producers. MVM CEEnergy has entered into a long-term LNG supply contract for the delivery of LNG from 1 January 2021 until 30 September 2027 from the newly established Croatian LNG terminal on the island of Krk. This is expected to play a significant role in the natural gas source and route diversification aims of MVM CEEnergy and for the CEE region.

Natural gas storage

MVM Group has the largest commercial natural gas storage company in Hungary and one of the largest in CEE with an approximately 65 per cent. market share of gas storage in Hungary and approximately 91 per cent. market share of commercial gas storage in Hungary. Magyar Földgáztároló Zrt. operates four underground storage facilities, which are depleted natural gas fields (gas-holding geological formations and gas fields). In addition to securing sufficient natural gas supply for the daily peak demand in winter, Magyar Földgáztároló Zrt. aims to contribute to the increasing importance of the country within the Central

European region. Magyar Földgáztároló Zrt. has a total working gas capacity of 4.43 billion m^3 and a daily withdrawal capacity of 49.8 million m^3.

Retail and customer services

MVM Group has leading positions in the Hungarian electricity and natural gas retail markets through its subsidiary MVM Next Energiakereskedelmi Zrt. ("**MVM Next**"), both in the regulated universal service segment and in the liberalised open market segment.

As at 30 September 2021, the MVM Group had approximately 7.5 million total customers (including iCR's customer base), with approximately 5.9 million customers in Hungary and approximately 1.6 million customers abroad, and has a strong position in the Hungarian and Czech retail markets, which was further strengthened following the take-over by the MVM Group on 1 September 2021 of the electricity universal service customer base of ELMŰ-ÉMÁSZ Energiaszolgáltató Zrt. ("**ELMŰ-ÉMÁSZ**") (representing approximately 1.8 million customers). Following the take-over of the electricity customers of ELMŰ-ÉMÁSZ, the MVM Group has an approximately 54 per cent. market share of the Hungarian electricity universal service market with the remaining approximately 46 per cent. held by E.ON.

The MVM Group provides 99.9 per cent. of the domestic natural gas universal service (41 terawatt-hour ("**TWh**") by 3.2 million customers) and supplies 54 per cent. of residential electricity following its takeover of the ELMŰ-ÉMÁSZ customer base (which added 4.9 TWh and 1.8 million customers to its existing 2.0 TWh and 0.8 million customers). MVM Next also has strong positions in the liberalised Hungarian retail market.

As a universal service provider, MVM Next is obliged to supply electricity and gas to its universal service customers at the applicable regulated electricity and gas prices set by the regulator. The determination of such electricity prices is based on an approved weighted average of the purchase price of the provider and the "justified margin" based on the "justified costs" established by detailed HEPA cost reviews. In the case of gas, the approved operating expenses and a cost of capital calculation are taken into account. Regulatory pricing periods last 4 years and the current regulatory period for electricity started in April 2021, while the current regulatory period for gas started in October 2021. Certain of the relevant parameters for electricity are re-calculated annually and for natural gas, network operator tariffs are re-calculated quarterly whilst retail margins are re-calculated annually.

MVM Otthon Plusz Zrt. provides customers products and services based on innovative digitalisation, convenience, energy efficiency and renewable energy sources that go beyond the role of a traditional utility company, in addition to the universal services and retail activities of MVM Next.

International business

It is the strategic objective of the MVM Group to be present as an investor and project company not only in Hungary, but also in the electricity markets of other countries of the CEE region. The primary aim of the international investments is to strengthen the market position of the MVM Group and to increase its shareholders value, with special regard to the requirements of power system balancing and the security of supply.

Innogy Ceska republika (iCR)

The MVM Group has a leading position in the Czech natural gas market following the acquisition of iCR. iCR is active in the electricity and natural gas retail business in the Czech Republic, combined with generation, wholesale, distribution and some additional non-core activities.

iCR is the incumbent operator in the Czech gas market and has a significant role in supplying 27.2 TWh of gas to approximately 1.2 million customers (representing approximately a 43 per cent. market share of the retail gas market and 29 per cent. of the Czech gas market) and is also a growing challenger in the electricity retail market, supplying 2.7 TWh (representing approximately a 7 per cent. market share).

iCR also recently acquired a further 200,000 customers from Bohemia Energy entity s.r.o. ("**Bohemia Energy**") as a "supplier of last resort" following the collapse of Bohemia Energy as a result of the significant increases in wholesale electricity and natural gas prices in the last 12 months.

Hydro power plants (Romania)

The MVM Group acquired its first hydro power plant assets in Romania in 2016, which have the advantage both of geographical proximity and representing a renewable energy source. The MVM Group currently has three hydro power plants in Romania: Valea Uzului (7.5 MW), Mădăraș (1.2 MW) and Vârghiș (1.0 MW).

MVM Energy Trade Plus (Romania)

MVM Energy Trade Plus Srl ("**MVM Energy Trade Plus**", formerly CYEB s.r.o.) has had a presence in the Romanian energy retail market for 15 years and also provides companies with energy optimisation solutions. The company's customer base consists mainly of large and medium-sized industrial customers whose activities require a continuous supply of electricity and whose electricity consumption exceeds 100 MWh per year. In the field of gas supply, the main customer base of MVM Energy Trade Plus consists of those with an annual gas consumption of 50,000 m^3 or more. MVM Energy Trade Plus was acquired by the MVM Group on 1 August 2020.

Other activities

The main engineering service companies of the MVM Group are MVM OVIT Zrt. (manufacturing for external parties, operation and maintenance, transport services and specialised service activities), MVM Titán Zrt. (intra-group manufacturing), MVM XPert Zrt. (substation architecture and construction, construction of high voltage overhead line networks and railway overhead line systems, construction, reconstruction and operation of the electricity supply systems of industrial facilities and low voltage electrical distribution equipment manufacturing), MVM Nukleáris Karbantartó Zrt. (power plant and nuclear power plant maintenance, investment and construction), MVM ERBE Zrt. (engineering services, general contracting, preparation of studies, analysis and technical plans, quality control – quality supervision and technical inspectorate tasks) and MVM ESCO Zrt. (implementation of energy efficiency investments under long-term service contracts).

Other services provided in this segment include residential energy generation (roof-top solar) and storage, local energy efficiency and management services, smart metering, smart city solutions and certain other supplementary products and services.

IT, accounting, property management and other supporting services are also included in this segment, with the Issuer being the holding company of the MVM Group.

The MVM Group's market presence

Most important markets of the MVM Group

The MVM Group is present in 23 countries and has more than 100 subsidiaries. Within the MVM Group, the electricity wholesale activity of MVM Partner covered 15 countries in 2020, and MVM Partner holds membership in the energy exchanges of 12 different countries.

It is the strategic objective of the MVM Group to be present as an investor and by way of project companies not only in Hungary, but also in the energy markets of other countries in the CEE region. The primary aim of the international investments is to strengthen the market position of the MVM Group and to increase shareholders value, with special regard to the requirements of power system balancing and the security of supply.

In addition to supplying natural gas to universal service providers, natural gas traders, large customers and power plants in Hungary, CEEnergy has also developed its regional sales activities through the establishment of MFGK Austria GmbH in 2014 and its Slovakian subsidiary, MFGK Slovakia s.r.o., at the end of 2015.

MFGK Austria GmbH is present in both wholesale and retail natural gas markets in Austria, supplying both residential and non-residential segments. In Slovakia MVM CEEnergy Slovakia s.r.o. is present in both wholesale and retail markets supplying natural gas (and to a minor extent electricity) to its non-residential customers.

MVM CEEnergy has most recently entered the Croatian market through its subsidiary, MVM CEEnergy Croatia d.o.o., which has just commenced commercial activities. Its major commercial activity is related to its booked capacity at the Krk LNG Terminal since 1 January 2021. MFGK CZ s.r.o. is MVM CEEnergy's Czech wholesaler arm predominantly concerned with origination and supplying iCR. In addition to the above, MVM CEEnergy is actively pursuing business opportunities in Romania, Serbia, Bulgaria and Ukraine. Origination is the major driver in MVM CEEnergy's presence in the Black Sea region as a future off-taker of the Neptun Deep exploration project run by Exxon. In addition it is currently negotiating origination opportunities from the Caspian Sea region (Sah Deniz-II).

The MVM Group completed the acquisition of iCR in the fourth quarter of 2020, which has been the first large scale international transaction for the MVM Group, in line with its previously stated company goal of regional expansion. The MVM Group obtained a leading position in the Czech natural gas market as a result of the acquisition of iCR.

Furthermore, the MVM Group operates hydropower plants (MVM Energy Romania SRL and its subsidiaries) and an energy supplying company (MVM Energy Trade Plus) in Romania.

The MVM Group is an integrated utility company with a leading position in Hungary's energy value chain. It operates in many markets such as generation, wholesale and gas storage, retail, infrastructure and other services (engineering services, construction and beyond-the-meter services).

The MVM Group's competitive position

The MVM Group's competitors consist of both European integrated energy companies as well as individual operators in the different markets. In the first category, there are a number of companies which in terms of their size and background share some characteristics that are similar to the MVM Group. This category includes among others E.ON, Enel, EDF and CEZ. In the CEE region, the competitors of the MVM Group include among others HEP in Croatia, Verbund in Austria, Slovenske Elektrarné in Slovakia and Hidroelectrica and Electrica in Romania.

MAVIR has a monopoly in the Hungarian transmission system operator ("**TSO**") market. Distribution system operators ("**DSO**") are natural local monopolies, while the universal service provider is practically an administrative monopoly. A separate accounting entity is used for the provision of universal services so that this is segregated from competitive retail energy supply. Significant industry concentration enables the MVM Group to achieve the necessary cost competitiveness and portfolio sizes to provide universal services at the required regulatory prices. There are further limited incentives for customers to switch universal service providers given that electricity and gas are supplied at regulated prices.

MVM Group has the largest commercial natural gas storage company in Hungary and one of the largest in CEE with an approximately 65 per cent. market share of gas storage in Hungary and approximately 91 per cent. market share of commercial gas storage in Hungary. The MVM Group also provides 100 per cent. of the natural gas supply to universal service providers in Hungary through CEE Energy and supplies 99.9 per cent. of the residential natural gas supply.

Universal service provision for electricity in Hungary is divided among two major market players, MVM Next and E.ON, following the acquisition of the electricity universal service customer base of ELMŰ-ÉMÁSZ by the MVM Group on 1 September 2021. The business-to-business customers (in the electricity and gas market) have the right to choose their suppliers and competition is very high in this segment. Liberalised supply markets are competitive as they are separated by the direct supply from the generation of electricity, have no monopolised supply (customers can select their supplier) and are separated from the network operation.

Representative offices

It is a high-priority goal in the medium-term strategy of the MVM Group to strengthen its international presence and visibility. To this end, the Issuer currently has foreign representative offices in Brussels and Moscow. The Brussels representative office provides direct, decisive advocacy presence in Brussels *vis-á-vis* EU institutions and indirect presence through active engagement in advocacy organisations. In addition, the Brussels representative office builds bilateral relations with large companies and consultants who are affected by the activities of the MVM Group. The Moscow representative office contributes to strengthening the advocacy presence of the MVM Group in Russia, the development of cooperation with Russian companies and prominent state-owned energy institutions, and the establishment of relevant business relations.

THE MVM GROUP STRATEGY

Summary of the MVM Group's business strategy

As a state-owned energy group, the MVM Group's mid to long-term strategy is aligned with the Hungarian state's energy policy. This policy seeks to guarantee the security of Hungary's energy supply, its independence through the diversification of suppliers and supply routes, and to preserve and develop the specific advantages of the Hungarian energy sector, including its significant potential for renewable energy solutions, flexibility in its generation options with the majority of its energy provided through the stable and reliable clean energy generation of its nuclear capacity, as well as cross-border capacities, and its position in the regional and European markets, while strictly complying with the requirements of European and Hungarian legislations. Within this context, the Issuer was established to ensure strategic and efficient management of its constituent business units.

The medium-term strategic objective of the MVM Group is to become one of the leading energy and infrastructure providers in the Central European region, building on carbon-neutral solutions. This objective supports the implementation of the national energy policy and also meets global environmental challenges. In the meantime, the MVM Group intends to play a lead role in comprehensively serving the energy needs of its customers. It is also a high-priority goal in the medium-term strategy of the MVM Group to strengthen its international presence and visibility.

Strategic goals

The strategic goals of the MVM Group are divided into six pillars embracing the growth and/or the renewal of the Issuer's traditional activities and cost efficiency. The six pillars are as follows:

1. Increasing clean energy generation;

2. Digital transformation;

3. Future-oriented infrastructure;

4. Investing in new business lines;

5. Regional expansion; and

6. Attractive investment target.

Increasing clean energy generation

The aim of this pillar is to achieve security of supply and CO_2 neutrality. The MVM Group intends to develop an efficient and diversified portfolio focusing on clean energy, including the following:

- *Expansion of the renewable portfolio*: MVM Group initiates several projects based on various technologies to strengthen the circular economy with the goal to expand renewable capacities to over 800 MW by 2025.

- *Maintenance of the existing nuclear capacity*: *(Paks NPP)*: Paks NPP provides approximately half of the domestic electricity supply. The primary goal of the Paks NPP is safe, reliable, affordable and environmentally friendly electricity generation including i) nuclear safety excellence (e.g., maintaining and improving the level of operational safety), ii) production excellence (e.g., maintaining the level of availability) and iii) operational excellence (e.g., cost-effective provision of production capacity, ensuring competitive working conditions and ensuring social acceptance).

- *Development and expansion of flexible capacities*: The MVM Group has more than 600 MW of installed gas turbine power plant nationwide and further developments and the implementation of innovative projects are planned. These developments by way of renovations or new capacity installations are intended to offset the loss of existing system reserve capacities in Hungary as these become obsolete and increasing renewable capacities. Such flexible capacity is intended to address system reserve capacity demand.

- *Hydrogen technology opportunities* are assessed. The Issuer and Linde Gáz Magyarország Zrt. recently entered into a strategic partnership in this regard.

- *Strategic restructuring of the Mátra Power Plant:* As part of the restructuring, the biomass capacity was expanded and one large 500 MW CCGT project was also initiated and MVM has started to investigate the feasibility of further gas-fired power plant units at other sites. In addition, the Issuer plans to further strengthen energy production abroad. Hungary plans to phase out coal-fired electricity generation in the country no later than by 2030. As part of its decarbonisation trajectory, the MVM Group intends to wind down the Mátra Power Plant earlier, by the end of 2025. In December 2020, the Programme for the Environment and Climate Action grant agreement was signed with the EU which aims to transform coal mining regions in line with climate goals. The investment which would be required for the decommissioning of the Mátra Power Plant is funded 60 per cent. from EU subsidies and 40 per cent. from a Hungarian government grant to phase out coal. Subject to successful application to the funds of the EU ETS-based 10c mechanism, the MVM Group would be able to implement large infrastructure projects (CCGT and RDF-biomass based power plant) within the premises of the Mátra Power Plant following its decommissioning.

Digital transformation

Besides ongoing digital initiatives (e.g. to increase the number of consumers using e-invoicing, to channel solutions under a single platform and to digitalise internal processes such as digital signature), digital transformation targets the following four focus areas across the MVM Group:

- *Secure energy supply and ensure cost effective leadership*, including i) predictive analytics to optimise maintenance, forecast performance and failures, ii) automatisation and remote operations to increase flexibility and efficiency, and iii) integrated workflows to optimise costs and simplify operations.

- *Exploit synergies and create value across the organisation*: including i) standardised processes and flexible integrations to serve internal clients with various back-end systems, ii) process automation and digital tools minimise manual tasks to drive efficiency, and iii) select functions (e.g. HR, IT) take an active role in promoting digital skills and culture.

- *Develop smart network capabilities and integrated platforms*: i) sensor rollout to capture data, utilising telecommunication infrastructure, ii) integrated data analytics and customer platform to leverage the captured data, and iii) intelligent operations management systems enable dynamic network intervention and flexible capacity procurement.

- *Meet new customer needs and expectations*: i) advanced data analytics and artificial intelligence predict changing customer needs, ii) omnichannel sales automation enables product bundling strategies, iii) energy storage and other beyond the meter solutions help remain relevant, and iv) synergies with DSO / IT driven customer data sharing and digital initiatives.

Future-oriented infrastructure developments

The strategic importance of infrastructure is growing due to its ability to interconnect key energy systems as a platform: e.g., a network of infrastructure services and solutions is necessary ensure the successful integration of decentralised systems such as individual heating and cooling systems, and de-centralised production by way of solar power and other renewable energy sources, and the integration of renewables due to the greater potential seasonality in the generation of electricity from renewable sources. The MVM Group expects a significant transformation of the energy markets to provide for greater flexibility in energy generation, storage and demand, which requires more sub-markets, products and solutions, and the MVM Group is piloting projects with the aim of developing these opportunities. Network developments to accommodate distributed generation will continue as significant transmission network developments will take place in the coming years to ensure security and quality of supply criteria, as well as connectivity for those wishing to connect to the system on an individual basis. Power grid upgrades ensure the integration of solar power plants with significant capacity into the grid. Gas network developments focus on network maintenance, storage solutions, reduction of gas losses and the ability to integrate hydrogen.

Pursuant to the future-oriented infrastructure developments pillar, the MVM Group supports the decarbonisation strategy by introducing modern technologies, supporting solar power programmes for retail customers, and cooperating with universities in research programmes. In addition, this pillar also aims to support appropriate grid developments, TSO and DSO co-operations, development of energy exchanges, integration of energy storage and demand side response solutions, new business models (e-mobility, local energy communities, etc.) and hydrogen technologies.

Investing in new business lines

The MVM Group is building a significant service portfolio in new business areas to compensate for the growth limitations of traditional activities. The drivers of growth include: i) market demand (e.g., non-repayable grants available to residential, business and municipal customers encouraging investments), ii) regulatory pressure (e.g., to achieve 90 petajoule of final energy savings by 2030 through energy efficiency investments), and iii) existing internal capabilities (e.g., customer knowledge, technical expertise and resources).

The MVM Group focuses primarily on *i) energy efficiency* (e.g., rooftop solar, energy audits, local energy generation opportunities, smart metering, heating/cooling modernisation, lighting upgrade, maintenance and smart city solutions), and *ii) alternative mobility solutions* (e-mobility and CNG/LNG mobility). The MVM Group is a market leader in e-mobility in Hungary with its 600 charging stations and also has a regional presence in CNG as well (e.g., it is a market leader in CNG in the Czech Republic). A European network is being developed to cater for these new business lines with a focus on Hungary, the Czech Republic, Slovakia, Romania and Croatia, and hydrogen and LNG-based networks are expected to grow in upcoming years. The MVM Group also cooperates with domestic companies in the field of alternative mobility.

Regional expansion

In addition, it is the strategic objective of the MVM Group to be present as an investor and project company not only in Hungary, but also in the energy markets of other countries of the CEE region. The primary aim of the international investments is to strengthen the market position of the Issuer and to increase shareholder value, with special regard to the requirements of power system balancing and the security of supply.

The MVM Group completed two major acquisitions in 2020. One of which was the takeover of iCR (1.6 million customers in the Czech energy market) and the other one was the acquisition of MVM EGI Zrt. (previous name: Enexio Hungary Zrt.), which holds the Heller-Forgó cooling tower patent. The share of the MVM Group's international EBITDA is expected reach 25 per cent. by 2025. For the six months ended 30 June 2021, this was 21 per cent. and for the year ended 31 December 2020 this was 6 per cent.. For further acquisitions, Hungary's neighbouring countries are the primary target markets.

The Issuer has extensive experience in providing a wide range of solutions in different contexts and in expanding power system capacities, which the Issuer is able to utilise to address the increased and more diverse market requirements/expectations. In addition to preserving existing partners, the MVM Group seeks to expand into new market segments and continuously strengthen its market position.

Attractive investment target

In order to maintain its financial stability, the MVM Group's goal is to become an attractive investment target and to outperform its regional competitors in the investment markets via achieving the following goals:

- *stable financial performance* (operating volume becoming more economic by utilising economies of scale, increasing efficiency, clear development objectives and capital allocation mechanism);

- *predictable strategic shareholder engagement* and

- *competitive effectiveness relative to industry players* (relevant international peer group and metric system, catching up with major industry players).

By 2021, the MVM Group became the first of the Hungarian wholly state-owned companies (not including financial institutions) to obtain an international credit rating.

As part of the MVM Group's plans to become an attractive investment target, the MVM Group has also committed to the transition towards net zero emission in a socially responsible way, including the following commitments:

- Coal phase-out by the end of 2025;

- Sustainable reduction of greenhouse gas ("**GHG**") footprint (MVM aims to reduce Scope 1 and 2 GHG emissions per kilowatt-hour by at least 50 per cent. by 2030), and

- Carbon neutrality (net zero emission) by 2050.

The MVM Group's decarbonisation initiatives include the intended coal phase-out, the expansion of its renewable energy solutions portfolio, projects to provide for greater flexibility in the energy system, grid and pipeline leakage prevention projects, energy efficiency projects and carbon reduction projects (including biogas, bio-LNG, forestration projects, fleet fuel conversion and decentralised solar power generation systems). Natural gas is viewed as a transition fuel in the decarbonisation process with electrification as the long term solution.

Other strategic goals

The MVM Group's strategy also focuses on completing a range of priority infrastructure projects and achieving goals set by its shareholder to enhance its position in the national and regional energy sectors. The MVM Group's strategy for achieving these goals include the following:

- guaranteeing the security of Hungary's electricity supply;

- sustaining nuclear capacity;

- management and maintenance, and development of the electricity transmission network in Hungary;

- improving the opportunities for capital investment in the Hungarian energy sector;

- introducing and applying best management practices by attracting the best management in the sector;

- increasing the efficiency of its activities by investing in new technology-based solutions for the optimisation of product processes; and

- advancing the quality of its human capital through training and developing its current and new employees.

Sustainability goals of MVM Group

During the course of its operations, the MVM Group inevitably affects the condition of the natural and built environments. Identifying itself with the fundamental principles of sustainability, the MVM Group sets as its common goal to minimise the impacts on the environment and ecological systems, to reduce pollutant emissions, to remediate previous potential environmental damage and to reach the smallest possible environmental impact, following the principles of precaution and responsible thinking. The MVM Group aims at developing efficient environmentally friendly processes and technologies, thereby strengthening its competitiveness, market position and reputation. Using new technical accomplishments, it wants to keep developing its services and technologies by taking into account energy efficiency and environmental considerations. During its development activities and projects, the MVM Group gives priority to using state-of-the-art equipment, and aims at replacing capacities that are obsolete in terms of energy efficiency.

The MVM Group has a strong commitment to decarbonisation, including the systematic increase of the renewable energy generation portfolio and achievement of the coal phase-out by the end of 2025 and therefore, contributing towards the sustainable reduction of GHG emissions footprint of the MVM Group. Regarding corporate social responsibility, the MVM Group’s goals not only include innovation, talent management and leadership training, but also the patronage of language and school-based training to increase workplace engagement. With the aim of supporting the favourable economic, social and environmental links between urban, suburban and rural areas, the MVM Group seeks to help local communities. The most important player in this is the Paks NPP, which is the most significant employer in the region. Paks also organises various welfare and awareness-raising programmes in cooperation with the local governments of the region.

In accordance with the above, the MVM Group undertakes:

- to support reaching the goals of the National Climate Policy in accordance with EU expectations and to support the implementation of the National Energy Strategy in the course of its energy generation;

- to continuously comply with the laws, regulations and standards (domestic and EU) applicable to its activities and expects the same from its partners;

- as a key player in the electricity industry of Hungary, to set an example for its partners and for all the market players, in its activities concerning environmental protection matters;

- to continuously monitor the impacts of its activities on the environment, to participate in the development of the best available techniques, and to aim, by using such techniques, at preventing adverse impacts and reducing risks;

- to identify, control and continuously monitor those critical activities which have significant real or potential impact on the environment;

- by constantly controlling and improving its environmental performance, to aim at energy conservation and the rationalisation of the use of natural resources;

- to carry out the recultivation of its abandoned sites, and to make them available for further utilisation;

- by publishing sustainability reports describing the environmental impacts of its activities and its achievements, to provide information to its partners and stakeholders on a regular basis;

- to improve the professional competence, the commitment to sustainable development and thus to environmental protection and the environmental awareness of its staff;

- to have continuous dialogue with stakeholders and to cooperate with public administration bodies and all authorities in order to prevent and eliminate environmental pollution and emergencies; and

- to take part in social initiatives in the field of environment and sustainability.

FINANCIAL POSITION AND INVESTMENTS OF THE ISSUER AND THE MVM GROUP

The Issuer successfully completed a number of acquisitions during 2020, in addition to the organic growth of the MVM Group. The acquisition of iCR was an important milestone for the MVM Group in its international expansion and has resulted in the Issuer holding a considerable share of the Czech market in addition to the Hungarian market.

The acquisition of MVM EGI Zrt. (previous name: Enexio Hungary Zrt.), a leading technology construction company, together with its two Chinese subsidiaries and the patent for the Heller-Forgó cooling system, has resulted in the group gaining a leading position in the power plant development market. MVM EGI Zrt. was not consolidated in the Issuer's 2020 Financial Statements and was included as one of the "Investments" of the MVM Group in the Issuer's consolidated balance sheet as at 31 December 2020.

During 2020, the Issuer became involved in the LNG terminal project on the island of Krk in Croatia, which is also a particularly important international step for the MVM Group (see "*Overview of the MVM Group's business - Wholesale and storage of natural gas - Natural gas trading*"). In 2020, the Issuer acquired the Mátra Power Plant and reviewed the previous operation of the company, and then restructured it on a practical basis to establish improved operating conditions for the plant and a modernisation programme. In 2020 and 2021, the Issuer increased its solar capacity through acquisitions and additional greenfield projects.

Key financial metrics

	Six months ended 30 June 2021	*Six months ended 30 June 2020*	*Year ended 31 December 2020*	*Year ended 31 December 2019*
	(in HUF million)			
Sales revenue	1,086,883	671,055	1,424,782	1,325,472
Operating expenses	1,040,727	656,695	1,453,554	1,290,060
Operating profit	58,471	20,878	13,214	50,769
EBITDA	168,343	111,182	203,734	201,877
Net finance costs	-4,066	-4,141	-12,061	-7,520
Profit after tax	28,293	8,613	-3,984	20,979
Total comprehensive income	130,445	-43,439	136,971	263,686

	As at 30 June 2021	*As at 31 December 2020*	*As at 31 December 2019*
Non-current assets	2,617,637	2,550,805	2,077,619
Current assets	1,309,630	950,351	610,161
Shareholders' equity	1,762,344	1,619,475	1,261,730
Non-current liabilities	984,371	1,197,471	844,089
Current Liabilities	1,180,552	684,210	581,961
Total equity and liabilities	3,927,267	3,501,156	2,687,780
Cash and cash equivalents	72,412	244,097	28,159

The increase in sales revenue for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 was principally due to the consolidation of iCR and its subsidiaries, a colder than usual spring in 2021 and higher natural gas trading volumes and prices for MVM Next. EBITDA increased by 51 per cent. for the six months ended 31 June 2021 as compared to the six months ended 30 June 2020, principally due to the consolidation of iCR and its subsidiaries, a higher EBITDA margin on natural gas for the Wholesale and storage of natural gas business segment and a significantly lower number of outage days for the Paks NPP as compared to the previous period.

Sales revenue for the year ended 31 December 2020 increased by 7.49 per cent. as compared to the year ended 31 December 2019 due to the acquisition of iCR, as well as the higher electricity and gas trade volumes of MVM Next and the higher transmission system operator revenues of MAVIR. This offset the lower electricity trade revenues of MVM Partner and lower natural gas trade revenues of MVM CEEnergy. Operating expenses for the year ended 31 December 2020 were positively affected by lower energy purchase costs but this was offset by a number of small items. The consolidation of iCR and its subsidiaries, and higher gas volumes and commodity prices have contributed to the increase in operating expenses of the MVM Group for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

Summary of the Issuer's current, pending and future investments

The acquisition plans include national and regional business development projects, in accordance with the strategy of MVM Group, which may include the acquisition of control stakes in regional energy players in the near term that would represent material additions to the MVM Group's business. In the first half of 2021, the MVM Group further expanded its renewable production portfolio with an acquisition of a 31x0.5 MW photovoltaic ("**PV**") plant. In May 2021 the sole shareholder of the Issuer provided to the Issuer 100 per cent. of the shares in Tiszavíz Vízerőmű Kft., a company engaged in electricity production, by way of a capital increase in the form of an in-kind contribution that was recognised in the amount of HUF 17,917 million.

Furthermore, the MVM Group completed the acquisition of 100 per cent. of the shares of ÉMÁSZ and ELMŰ-ÉMÁSZ Ügyfélszolgálati Kft. on 31 August 2021 and 1 September 2021, respectively. As approved by HEPA, ELMŰ-ÉMÁSZ returned its electricity universal service provision licence and the electricity purchase contracts of universal service provision customers with the ELMŰ-ÉMÁSZ were terminated as at 31 August 2021. Effective from 1 September 2021 MVM Next took over the universal service provision customers of ELMŰ-ÉMÁSZ, the number of which was about 2.2 million.

MVM Group also signed a Sale and Purchase Agreement with E.ON Group to acquire a 25 per cent stake in E.ON Hungária Zrt. This transaction is likely to close by December 2021.

From 2021 to 2025, the MVM Group aims to realise its planned investment and development programme with special focus on future-oriented infrastructure development projects, digitalisation of utility providers, decarbonisation projects to fulfil the national climate programmes, carbon neutral energy production and measures to guarantee security of supply and to ensure a safe nuclear environment.

Maintaining and developing the MVM Group's operations at a high level plays an important role in the security of electricity supply. The main priority of the MVM Group in this regard is to ensure nuclear safety, the electricity production stability of the Paks NPP and the availability of all four of the Paks NPP's units.

The safety and security of supply is a medium-term network development objective of MAVIR. MAVIR aims to establish a network infrastructure which can develop a resilient environment for market operators and to establish system conditions which secure a continuous and reliable supply of electricity of a high quality and to meet changing market conditions.

The security of supply plays a significant role in the asset management plan of the electricity and gas networks. The aims of the asset management plan for the electricity network are: to improve the security of supply; to complete delayed investments; to replace old equipment; to improve the quality indicators required by HEPA to manage any breaches of technical limitations; and to fulfil access requirements of small sized solar and other power plants.

The Government of Hungary adopted the National Energy and Climate Plan ("**NECP**") on 8 January 2020. In order to achieve the objectives outlined in the NECP, the MVM Group intends to contribute to the achievement of the goals related to the use of renewable energy and become a leader in renewable electricity generation. Within the framework of its renewable energy programme, the MVM Group has started to develop projects for the implementation of significant solar powered capacity and has already completed 5 smaller and 30 other power plant investments, each with a capacity above 0.5 MW.

In order to reduce carbon dioxide emissions, the MVM Group intends to renew the production capacity of Mátrai Power Plant and establish a new natural gas-fired power plant block. In addition, the MVM Group also invests in new decarbonisation technologies and the development of the related business lines.

In February 2021 MVM Mobiliti ("**MVM Mobiliti**") established a joint venture with Volánbusz Transport Company Ltd. (a 100 per cent. state owned public transport provider with its main activity being a regional and agglomeration scheduled public transport operator). The new entity Mobiliti Volánbusz Kft. will promote environmentally friendly transport operations with electric buses and the necessary charging infrastructure. In addition to traditional charging, new innovative solutions and business areas are to be established in the further development of e-mobility, such as charging at home or the electrification of transport companies. Through its e-mobility and G-mobility (CNG, LNG, H2) business lines, with the nationwide provision of compressed natural gas and electricity-based charging services, MVM Mobiliti actively contributes to the spread of natural gas and electric environmentally friendly transport in Hungary. The MVM Group aims to continue to develop these areas with innovative solutions.

Capital expenditure and free cash flow

Capital expenditure of the MVM Group is relatively seasonal and concentrated towards the second half of the year. For example, for the six months ended 30 June 2020, the capital expenditure of the MVM Group was HUF 53,789 million as compared to capital expenditure of HUF 165,343 million for the year ended 31 December 2020. Maintenance capital expenditure represents approximately 55 per cent. to 60 per cent. of total capital expenditure, with development and expansion capital expenditure representing approximately 40 per cent. to 45 per cent.

The breakdown of the capital expenditure[1] of the MVM Group by business segment is as follows:

	Six months ended 30 June 2021	*Year ended 31 December 2020*	*Year ended 31 December 2019*
	(in HUF million)		
Generation	21,581	55,474	59,417
Infrastructure	29,667	90,598	73,256
Other	10,633	20,873	13,371
Total	61,880	166,945	146,045
Free cash flow[2]	95,486	38,391	58,400

1. Presented numbers do not include consolidation effects and refer to technical completion. Therefore, the total capital expenditure presented may differ from the cash outflows presented in the consolidated cash flow statement.

2. See "*Non-IFRS measures / Alternative Performance Measures*" for a description of the calculation of this figure.

The above capital expenditure figures do not include consolidation effects and refer to technical completion. Therefore, the capital expenditure presented in the above table may differ from that presented in the the consolidated statement of cash flows in the Financial Statements as acquisition of property, plant and equipment, intangible assets. Capital expenditure presented as acquisition of subsidiaries and business units, net of cash received (including current account overdrafts) is not included in the above capital expenditure figures.

Overview of short term and long term funding sources

The shareholder's equity of the MVM Group as at 30 June 2021 was HUF 1,762,344 million. The loans and borrowings (including long term and short term) of the MVM Group as at 30 June 2021 were HUF 249,284 million.

With the exception of certain project finance transactions, the Issuer usually acts as borrower when accessing the financial and capital markets on behalf of the MVM Group. The issue of the Notes represents part of the Issuer's strategy of diversifying its sources of financing and lengthening financing tenors consistent with the useful life of its assets. In addition, it issued HUF 55 billion of notes in the domestic market with a 10 year tenor on 1 September 2021 and in October 2021 refinanced a EUR 170 million club loan facility in the total amount of EUR 500 million. Total available credit lines of the MVM Group as at 30 June 2021 were HUF 728,300 million.

As at 30 June 2021, advances for grants amounted to HUF 8,183 million and deferrals related to grants and network development contributions amounted to HUF 69,155 million. The MVM Group treats grants received from the EU, as well as network development contributions received from consumers, as deferred income and these items are released in proportion to the depreciation of assets purchased from the grant as other operating income. As of 30 June 2021, HUF 2,456 million in state and EU grants had been disbursed. There were no significant conditions related to those grants which the MVM Group failed to satisfy.

The following table provides an overview of the MVM Group's debt position[1]:

	As at / six months ended 30 June 2021	*As at / year ended 31 December 2020*	*As at / year ended 31 December 2019*
		(in HUF million)	
Total debt	270,470	544,085	375,191
Net debt	198,058	299,988	347,032
EBITDA	168,343	203,734	201,877
Net debt / EBITDA	1.2	1.5	1.7

1. See "*Non-IFRS measures / Alternative Performance Measures*" for a description of the calculation of these figures.

RISK MANAGEMENT

The MVM Group follows the principle of prudent operation which essentially seeks to minimise risk. However, in order to meet its strategic objectives, the MVM Group may face new situations where previously unforeseen risks may appear. The MVM Group, through its risk management structures seeks to systematically identify and manage any risks that may arise.

The purpose and main goal of the MVM Group's risk management structures are to support the long-term successful operation of the MVM Group by seeking to identify the risks which may affect its operations and appropriate responses. The MVM Group is not able to eliminate all risks, as certain risks are inherent in the ordinary course of its business and operation. Therefore, the main goal of the MVM Group is to create a working environment where the expected risks do not jeopardise the implementation of its strategy and the achievement of its business goals. The risk management tools of the MVM Group focus on the correct balance between risks and the possibility of those risks arising, and the objective is to find the best methods for managing those risks proportionate to the nature and extent of the risks concerned. Successful risk management is considered to play a significant role and to be highly important for the growth and success of the MVM Group, as well as in maintaining its reputation.

The deputy CEO, chief financial officer of the MVM Group, in cooperation with the Deputy CEO, Chief Legal Affairs, Governance and Coordination Officer, is responsible for setting out the risk management principles and framework for the MVM Group. The deputy CEO, chief financial officer is assisted in this by the Risk Management Department. The principles, methods and processes adopted by the MVM Group as part of its risk management system are intended to ensure that risks are identified, analysed and rated by reference to the extent such risks may endanger the operation of the MVM Group and necessary action plans to address those risks are provided. The deputy CEO, chief financial officer is also responsible for revising the risk management regulations and systems of the MVM Group, and if necessary to update them to reflect the market conditions under which the MVM Group may operate from time to time and the different activities of the MVM Group.

Risk management measures undertaken by the Group

Commodity risk

The MVM Group member companies exposed to commodity risk apply the balance sheet method in order to identify, measure and regularly update their relevant financial and commodity positions (broken down by commodity type, maturity and indexing). Each financial position is determined by taking into account (i) the price structure set out in the underlying contracts entered into by the relevant subsidiary; and (ii) the balance of respective physical and financial trades. Group risk management regularly aggregates the positions of the MVM Group's subsidiaries and monitors the subsidiaries' compliance with the respective internal limits. The subsidiaries manage their commodity risk positions via physical and financial mitigation tools on various commodity exchanges and OTC markets by entering into various contractual arrangements (e.g. European Federation of Energy Traders agreements, The International Swaps and Derivatives Association master agreements and individual agreements with brokers).

Currency risk

Currency risk may arise in the form of liquidity risk (relating to the liquidity management of the respective currencies) and/or underlying risk. The MVM Group's risk management primarily focuses on the underlying risk covering the currency risk related to the MVM Group's business operations and the currency risk arising from the financing of the MVM Group (debt currency risk, as the MVM Group finances its operations both in EUR, USD and HUF).

MVM Group companies regularly provide currency position reports that are aggregated and assessed at the MVM Group level. On the basis of such position reports, currency risks are primarily mitigated by using derivative financial instruments and by entering into hedging transactions executed by the MVM Group Treasury with active third party market participants. Such hedging transactions are then allocated to either the risk bearing subsidiary in question, or remain at the MVM Group level for debt currency risk management.

Interest rate risk

The Issuer's assessment of the overall Group-level interest rate risk is primarily based on the overall forecasted financing need of the MVM Group, with particular regard to the scheduled principal and interest payments, indexation and benchmark interest rates. Interest rate risks are primarily mitigated by using derivative financial instruments and by entering into hedging transactions executed by the MVM Group Treasury with active third party market participants. In addition, technical benchmark changes taking place on the market are also taken into account by the MVM Group Treasury.

Liquidity risk

The MVM Group's approach to liquidity risk management is to maintain a level of liquidity, which is adequate for the MVM Group to meet its payment commitments over a specific period without resorting to additional sources of financing and to have a prudential liquidity buffer which is sufficient to meet unexpected cash outlays. In addition, in order to ensure the ability to meet its medium-long-term payment commitments, the MVM Group pursues a strategy aimed at diversifying its funding sources and optimising the maturity of its debt, along with employing active money market transactions to bridge liquidity gaps.

Credit risk

As part of the crisis management measures taken by the MVM Group during the COVID-19 pandemic, a stricter assessment model has been used from the beginning of 2020 for analysing counterparties' creditworthiness. As a result, lower credit limits are approved in certain higher risk segments (e.g. tourism) and more financial guarantees are required. Another key factor is the continuous monitoring of credit limits and the weekly monitoring of account receivables (with particular regards to overdue invoices). If a new issue arises, prompt collection measures are taken.

Cyber security risk

MVM and MVM Informatika Zrt. ("**MVMI**", the in house IT service provider of the MVM Group) are ISO 27001 certified and their risk management systems have been implemented accordingly. Within the MVM Group, the IT risk management guidelines are defined centrally. The MVM Group-level Security Directorate has a coordinating role in the practical application and adequacy of those systems and guidelines. MVMI operates the IT Security Operation Centre of the MVM Group. In addition, the central dispatcher service of the MVM Security Service Centre deals with incidents on a 24-hours-a-day-7-days-a-week basis basis and the MVM Group cooperates with the National Cyber Security Centre Hungary.

SIGNIFICANT SUBSIDIARIES

Significant domestic subsidiaries

MAVIR ZRt.

On the basis of a TSO's license received from the HEPA, MAVIR owns and operates the entire high-voltage electricity transmission network in Hungary. MAVIR is 96.51 per cent. owned by the Issuer, with the remaining 3.59 per cent. of MAVIR owned by the Hungarian state. The Hungarian state is in the process of transferring this remaining 3.59 per cent. to the Issuer.

MVM Paksi Atomerőmű Zrt. (Paks NPP)

Paks NPP generates electricity from nuclear fuel in its four reactors. As well as being the single biggest producer of energy in the Hungarian power generation industry, Paks NPP is also Hungary's only nuclear power plant and its operation is safe, economical and environmentally friendly. Due to the lifetime extension programme that was implemented by the MVM Group, the lifetime of the plant was extended by 20 years. Due to the power upgrade programme the MVM Group implemented, the power plant's capacity is now 2013 MW, which makes the Paks NPP the key player in power generation in Hungary.

Magyar Földgáztároló Zrt.

Magyar Földgáztároló Zrt. has four underground gas storage facilities (Pusztaederics, Kardoskút, Hajdúszoboszló and Zsana), with a total storage capacity of 4.430 billion m³, a maximum withdrawal capacity of 49.8 million m³ per day and a storage capacity of 33 million m³ per day, thus the company covers almost 65 per cent. of the mobile capacity of the domestic storage market. Natural gas is the most important energy source in Hungary and during winter about half of Hungary's natural gas supply comes from gas storages. Accordingly, Magyar Földgáztároló Zrt. plays a key role in creating and maintaining the security of gas supply in Hungary.

MVM CEEnergy Zrt.

MVM CEEnergy Zrt. is the largest natural gas wholesale trader of the Hungarian gas market, and it is one of the largest companies in Hungary. MVM CEEnergy Zrt. is the most important partner of the MVM Next universal natural gas supplier and the Hungarian gas retail companies in serving household, small and middle-sized gas consumers and plays a significant role in the wholesale segment as partner of power plants, heat distribution companies and industrial customers. The main target of MVM CEEnergy Zrt. is the security of gas supply. MVM CEEnergy Zrt. is committed to the long-term, secure natural gas supply of Hungary, and satisfies the requirements of the country from different sources with its long-term supply contracts thereby ensuring its customers the advantages of a large and balanced gas supply portfolio.

MVM Démász Áramhálózati Kft.

The core business of MVM Démász Áramhálózati Kft. is electricity distribution in Csongrád, Bács-Kiskun and Békés counties, as well as in a part of Pest and Baranya counties. The activities of MVM Démász Áramhálózati Kft. include the development, construction and management of electrical networks, the safe operation of network electrical equipment, the management of meters and the liaison with regional actors, energy traders and customers.

MVM Égáz-Dégáz Földgázhálózati Zrt.

The core business of MVM Égáz-Dégáz Földgázhálózati Zrt. is the continuous, safe and efficient natural gas distribution activity in Győr-Moson-Sopron, Vas, Komárom-Esztergom, Csongrád, Békés, Bács-Kiskun, and Veszprém in line with its gas distribution operating license and in accordance with the relevant legislation and its business regulations.

MVM Émász Áramhálózati Kft.

The core business of MVM Émász Áramhálózati Kft. is electricity distribution in Nógrád, Borsod-Abaúj-Zemplén, Heves counties, as well as in a part of Pest and Jász-Nagykun-Szolnok counties. The activities of MVM Émász Áramhálózati Kft. include the development, construction and management of electricity networks, the safe operation of network electrical equipment, the management of meters and liaising with regional actors, energy traders and customers.

MVM Főgáz Földgázhálózati Kft.

The core business of MVM Főgáz Földgázhálózati Kft. is the continuous, safe and efficient natural gas distribution activity in line with its natural gas distribution operating license and in accordance with the relevant legislation and its business regulations

MVM Next Energiakereskedelmi Zrt. (MVM Next)

MVM Next is the legal successor of NKM Áramszolgáltató Zrt. and NKM Földgázszolgáltató Zrt. and the company has been exclusively supplying energy to Hungarian retail customers within the MVM Group since 2020. The core activities of MVM Next are supplying electricity and natural gas and electricity for households and business-to-business partners. MVM Next provides natural gas to more than 3.2 million customers, having more than 40 per cent. of the market share in the whole domestic market of natural gas sales, and provides electricity to more than 2.6 million customers.

MVM Partner Zrt. (MVM Partner)

MVM Partner is the only electricity wholesale company of the MVM Group, which is a key player in the Hungarian energy market. Since its establishment on 5 September 2002, MVM Partner has been active in trading on both domestic and foreign electricity markets. As the largest electricity wholesaler on the domestic market, which has the largest portfolio of generators, MVM Partner contributes in a number of ways to provide continuous electricity supply in Hungary. MVM Partner is the key supplier of the Hungarian universal service providers in the electricity market and also takes a role in regional electricity trade bordering Hungary.

MVM Mátra Energia Zrt. (Mátra Power Plant)

Mátra Power Plant is the second largest power plant in Hungary. Mátra Power Plant is a lignite fired power plant which provided about 12 per cent. of the country's electricity production in 2020.

Operating the power plant in a more efficient way and its environmentally friendly transformation is part of the national strategic objectives. The lignite-fired units are planned to be phased-out by 2025, but the transition can only be feasible if these units are replaced with more modern, carbon-saving technologies. In order to achieve the national decarbonisation goals and to reduce emissions, replacing capacities with other technologies must be realised in a fast and efficient way.

Significant international subsidiaries

innogy Česká republika a.s. (iCR)

Through its subsidiaries, iCR carries out and coordinates business activities in two main business lines in the Czech Republic. iCR provides managerial support to the whole innogy Group. The main subsidiaries of iCR are the following: innogy Energie, s.r.o. (iEnergie) and innogy Energo, s.r.o. (iEnergo). iEnergie is the largest natural gas retailer and a growing challenger in electricity retail in the Czech Republic. As the main operating entity, it accounts for over 90 per cent. of both combined revenues and EBITDA. iEnergo is the second main operating entity, engaged in production and distribution of combined heat and power and operating the largest CNG stations network in the Czech Republic.

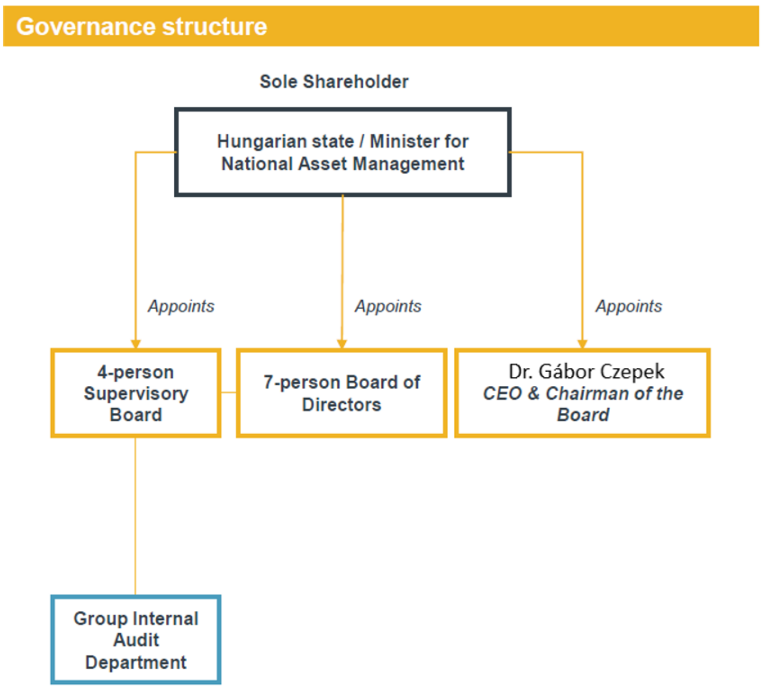
MANAGEMENT, EMPLOYEES AND GOVERNANCE

The Issuer as the holding company of the MVM Group manages the Group through the ownership or management rights it holds in the member companies of the MVM Group. This is done by the issue using conventional corporate governance tools tools (e.g. the constitutional documents, appointment and dismissal of directors and executive officers, shareholders agreements and other similar tools) and the Group level regulations (policies and regulations) issued by the Issuer. In addition, the Issuer is entitled to exercise ownership rights directly in connection with some of its indirect subsidiaries on the basis of agreements entered into between the Issuer and the immediate shareholder for those subsidiaries.

The Issuer operates its integrated management system in the areas of asset management, and the management and supervision of the companies within the MVM Group. This includes management systems for quality, environmental, energy and information security ISO standards. This management system is audited each year by the Hungarian representative of the NQA Global Certification Body. The main governing document for the system is the Integrated Management Handbook made by the different organisational units operating these four different management systems.

As a result of its state ownership, the Issuer is subject to certain additional regulations which, among others, include the requirement to disclose information related to agreements with contracting partners where the value exceeds a certain threshold, according to Act CXXII of 2009 on the more efficient operation of the state-owned companies; the requirement to disclose data of the executive officers, members of the supervisory board, executive employees (such as name, mandate, remuneration); a limit on the remuneration of the board of director's chairman, the supervisory board's chairman and the Chief Executive Officer (**CEO**); and the requirement to mandate a supervisory board.

The by-laws of the Issuer (in Hungarian: *Szervezeti és Működési Szabályzat*) may be amended from time to time. As of the date of this Prospectus, the governance structure of the Issuer is the following:



The Issuer has the following corporate bodies:

1. Sole shareholder
2. Board of directors
3. Supervisory board
4. CEO

The sole shareholder

The sole shareholder of the Issuer is the Hungarian state (the "**Sole Shareholder**"). The Minister responsible for Hungarian National Assets exercises all ownership rights and performs all obligations over the shares. There is no shareholders' meeting of the Issuer. The rights of the shareholders' meeting are exercised by the Sole Shareholder in such a way that it decides on issues otherwise falling within the competence of the shareholders' meeting in writing and notifies the chairman of the Board of Directors and the CEO within 15 days of the adoption of resolutions in writing. The decisions become effective upon notification to the chairman of the Board of Directors and the CEO. The issues falling within the exclusive competence of the Sole Shareholder are laid down in the Civil Code and the Articles of Association of the Issuer. In addition to the exclusive competencies established by the law, the Articles of Association also establish several other exclusive competencies for the Sole Shareholder. These powers are mainly to tighten the control by the Sole Shareholder over the business operations of the Issuer, with special regard to the protection of the currently dominant state ownership, which is required by Annex 2 of Act CXCVI on National Assets to be maintained by the Sole Shareholder at the level of at least 75 per cent. plus one vote.

The Sole Shareholder has the exclusive right, among other things, to decide the manner of using any profit after tax and also the payment of dividends.

The Hungarian state as shareholder has adopted a predictable, stable and low dividend expectation from the Issuer and has prescribed a dividend payment of HUF 7.2 billion in 2019 and HUF 7.5 billion in 2020. For the preparation of the mid-term plan for 2021-2025 and also for the mid-term plan for 2022-2025, the Sole Shareholder confirmed HUF 7.5 billion as the expected dividend. A significant portion of the profits in previous years have been retained by the Isssuer to serve as funds for further development and allow the Issuer to maintain a strong balance sheet as a solid foundation for growth.

The Sole Shareholder has also consistently supported the Issuer by way of capital contributions. In 2020, the Sole Shareholder provided the Issuer with a HUF 229,740 million capital increase in support of further expansion and the achievement of the Issuer's strategic objectives. In 2021, the Issuer's share capital was increased by HUF 21,917 million in total, through a cash contribution by the Sole Shareholder of HUF 4,000 million and the in-kind contribution of Tiszavíz Vízerőmű Kft. (which was recognised in the amount of HUF 17,917 million).

Board of Directors

The board of directors is the management body of the Issuer, which consists of at least three and a maximum of seven members (together, the "**Board of Directors**" and each a "**Director**"). In carrying out their respective roles, the Directors are required to comply with the legal rules applicable to company directors and the conflict-of-interest rules set by the Civil Code and the Articles of Association. The chairman and members of the Board of Directors are elected and may be removed by the Sole Shareholder. The Board of Directors decides on all matters within its exclusive competence as provided by the Civil Code and the Articles of Association of the Issuer. As for the exclusive decision-making powers of the Sole Shareholder, these matters are essentially to ensure control over the business operations of the Issuer and the performance of the role of the Board of Directors relating to group-level management. As required in the Articles of Association, the Board of Directors reports to the Sole Shareholder and the Supervisory Board on a quarterly basis.

As at the date of this Prospectus, members of the Board of Directors are:

Dr. Gábor Czepek (Chairman of the Board of Directors)

Dr. Gábor Czepek is a lawyer with significant government and top management experience. He worked with the Ministry of Justice from 2010 onwards, and was appointed the Secretary of State in the Ministry of National Development, the ministry responsible for the control of energy policies between 2014 and 2018. Subsequently, he worked in the organisation of the Minister responsible for Hungarian National Assets, where he was responsible for exercising the ownership rights of several state-owned companies. Mr.Czepek became the CEO of Szerencsejáték Zrt. in 2018 and subsequently was appointed Chairman and CEO on. He has held top management positions in several companies, including Chairman of the Board of GYSEV and Chairman of the Board of MNV Zrt. Mr. Czepek became the Chairman and CEO of the MVM Group in October 2021.

Dr. Edit Juhász

Dr. Juhász is currently the Deputy CEO, Chief Legal Affairs, Governance and Coordination Officer. Mrs. Juhász joined the MVM Group in October 2021. Previously, she was appointed as State Secretary for National Financial Services and Public Utilities since 2018 where she was, among others, responsible for corporate governance, and as Government Commissioner responsible for the exercisement of the state's ownership rights between 2018-2020. Between 2016-2018, she was appointed as a Deputy State Secretary for Regulatory and Coordination Affairs in the Utilities and Financial Services Sector.

Dr. Ernő Murányi

Dr. Ernő Murányi has a law degree from ELTE University. In the past 25 years, Mr. Murányi worked as a lawyer, as a legal counsel at Csepeli Fémmű, as a managing director at a commercial company and as a member of the board of directors at MALÉV. He joined the MVM Group in 2010 as a member of the Board of Directors, and between 2010 and 2018 Mr. Murányi was also a member of the board of directors of Paks NPP. In addition, Mr. Murányi currently works as a journalist at Világgazdaság (a Hungarian business newspaper).

Dr. Tamás Zoltán Cseh

Dr. Cseh joined the MVM Group in September 2018. Previously, he was chief operations officer at NKM Nemzeti Közművek Zrt. (currently named as MVM Services Zrt). Before joining NKM Nemzeti Közművek Zrt., Mr. Cseh was appointed as Deputy State Secretary for Public Utility Service in 2016.

Mr. Géza Pekárik

Géza Pekárik is the chief executive officer of Paks NPP. Mr. Pekárik joined the Paksi Atomerőmű Vállalat (legal predecessor of Paks NPP) as a mechanical engineer in 1987 and filled various operational positions until 1997. Later, he became responsible for the technical operations and headed the system-engineering department, the technical department and the technical directorate until 2017. From 2017 to 2018, Mr. Pekárik was deputy chief executive officer and in 2018, he became the chief executive officer of Paks NPP.

Dr. Tamás János Benkő

Dr. Tamás János Benkő is a member of the Issuer's Board of Directors since 28 May 2021. Prior to that time he was a member of the Supervisory Board of the Issuer. As of 5 June 2018, he is the deputy state secretary responsible for legal and coordination matters and public utilities at the Prime Minister's Office. In addition to his above positions, he supervises and carries out certain representative duties (as set out in the Hungarian Civil Code) of the Hungarian state (or the Minister responsible for National Assets, as applicable) with respect to the state owned waterworks and waste disposal companies.

Ms. Eszter Dóra Hegyi

Eszter Dóra Hegyi has a degree in human resources from the University of Pécs, and in communication and cultural management from ELTE University. In addition to being a member of the Board of Directors of the Issuer, Ms. Hegyi is also a Deputy State Secretary responsible for the management of the Hungarian government's information centre. Before joining the Issuer, she was a member of the board of directors at MVM Services Zrt.

The business address of each member of the Issuer's Board of Directors is 1031 Budapest, Szentendrei út 207-209., Hungary.

Supervisory Board

The Supervisory Board is responsible to the Sole Shareholder for overseeing the management to protect the interests of the Issuer (the "**Supervisory Board**"). The Supervisory Board consists of minimum three and maximum six members. Its chairman and members are elected by the Sole Shareholder. The Supervisory Board is obliged to examine every proposal concerning matters falling within the Sole Shareholder's exclusive decision-making competence. In this context, the Supervisory Board is obliged to put its opinion before the Sole Shareholder.

As at the date of this Prospectus, members of the Supervisory Board are:

Dr. Miklós Virág (Chairman of the Supervisory Board)

Dr. Miklós Virág has been chairman of the Supervisory Board of the Issuer since 2012. He has previously served as chairman and vice chairman of the Board of Directors of the Issuer. He has been working at the Corvinus University of Budapest since 1982, where he has held a number of management positions (dean, dead of department, head of institute). He has been a university teacher since 2007. His highest award is the Knight's Cross of the Order of Merit of the Republic of Hungary.

Dr. Mirtill Lenkei

Dr. Mirtill Lenkei has been president of the National Communications Office since 2015, prior to which she worked as the Press Officer for the Ministry of National Development. Between 2014 and 2017, she was president of the supervisory board of Magyar Fejlesztési Központ Nonprofit Kft., and since 2017, she has been a member of the board of directors of MVM Next and a member of the Supervisory Board of the Issuer.

Dr. Árpád Vidoven

Dr. Árpád Vidoven started his professional career in 1998 as a junior lawyer assisting the lawyer, Dr. István Gór-Nagy. Between 2002 and 2012 he worked as a lawyer at Gór-Nagy és Vidoven law firm. In 2013, Mr. Vidoven joined the Prime Minister's Office as chief policy adviser, where he served as Secretary of State for Public Administration from June 2014 until 2018. Between 2018 and 2019, he held the position of Secretary of State for Public Administration in the Prime Minister's Cabinet Office, and since July 2019 has been Secretary of State for Public Administration at the Ministry of Defence.

In addition to the above, Mr. Vidoven was also Member of Parliament and Parliamentary notary between 1998 and 2006. As for Mr. Vidoven's corporate positions, between 2014 and 2015 he was a member of the supervisory board of Paks NPP and has been a member of the board since 2015. Since 2016, he has been a member of the board of Steindl Imre Program Nonprofit Zrt. From 2021, Mr. Vidoven has been a member of the Supervisory Board of the Issuer and held the same position in MVM Services Zrt. between 2015 and 2021.

Dr. Márk Ádám Janó

Dr. Márk Ádám Janó has a law degree and started his career in a law firm in 2008. Later, Mr. Janó worked for the Municipality of Budapest until 2010. He was subsequently appointed as cabinet secretary of the Parliamentary Committee on Human Rights, Minorities, Civil and Religious Affairs. From 2014, he continued his work in the Professional and Coordination Department of the Fidesz parliamentary group, first as deputy head of department, then as head of department. Since 2018, he has been state secretary for public administration at the Prime Minister's Office. From June 2017 until August 2018, he was a member of the supervisory board of NKM Mobilitás Kft. (now MVM Mobiliti Kft.), and from August 2018 until the end of June 2021, he was a member of the supervisory board of NKM Nemzeti Közművek Zt. (now

MVM Services Zrt.). Dr. Márk Ádám Janó was elected to the Supervisory Board of the Issuer at the end of May 2021.

The business address of each member of the Issuer's Supervisory Board is 1031 Budapest, Szentendrei út 207-209., Hungary.

The CEO

The CEO is the Chief Executive Officer of the Issuer, who, within the scope set out in the internal regulations of the Issuer, is responsible for the management of the Issuer in all areas that do not fall within the competence of the Sole Shareholder and the Board of Directors. The CEO is always a member of the Board of Directors. If the CEO is no longer a member of the Board of Directors for any reason, his or her appointment as CEO will also cease simultaneously. If the Sole Shareholder also elects the CEO of the Issuer, as the Chairman of the Board of Directors, he or she is entitled to use the title of Chair and CEO.

As at the date of this Prospectus, the chairman of the Board of Directors and CEO is Dr. Gábor Czepek.

As at the date of this Prospectus, the deputy CEOs are:

Deputy CEO, Chief Infrastructure Officer: Mr. Zoltán Ákos Alkér

Zoltán Ákos Alkér was appointed as Deputy CEO of Infrastructure for the Issuer in 2019. Previously, Mr. Alkér was the Deputy Chief Executive for NKM Nemzeti Közművek Zrt. (currently named MVM Services Zrt.). Prior to 2016, Mr. Alkér held several management positions at GE Power Systems, Samina SCI and E.ON Hungary.

Deputy CEO, Chief Legal Affairs, Governance and Coordination Officer: Dr. Edit Juhász Deputy CEO, Chief Human Resources and Corporate Services Officer: Mr. Benedek Fluck

Benedek Fluck joined the MVM Group in 2011. He was the Deputy CEO of HR from 2011 until 2014. From 2018 he became the Group HR director at NKM Nemzeti Közművek Zrt. (currently named MVM Services Zrt.), and was appointed as Deputy CEO, Chief Human Resources Officer in the same year. He founded his own HR and strategy consulting advisory company in 2015. Mr. Fluck has more than 20 years of experience including at Lear and Robert Bosch.

Deputy CEO, Chief Generation and Nuclear Officer: Dr. Csaba Kiss

Csaba Kiss has more than 30 years of experience in the power industry. He joined the MVM Group as a Chief Technical Officer and Chief Nuclear Officer at MVM Zrt. in 2018. Previously, Mr. Kiss was the managing director of GE Power Services, E.ON Hungária and AES Corporation. He also worked as a senior consultant for the CEO of the Paks II new nuclear power plant development project.

Deputy CEO for Commercial and customer service: Dr. Balázs Tomaj

Mr. Tomaj joined the MVM Group in 2016. He was Deputy CEO and Chief Client Relationship Officer from 2019 and between 2016 and 2019 he worked as the Head of Legal and Regulatory Affairs at NKM Nemzeti Közművek Zrt. (currently named MVM Services Zrt.). Previously, he worked at ING Bank Hungary, DLA Piper and E.ON Hungary.

Deputy CEO, Chief Business Development Officer: Mr. János Szilárd Sum

Mr. Sum was the Deputy Chief Financial Officer of MVM Zrt. between 2018 and 2021. He previously held senior management positions in the MVM Group for more than six years, working among other positions as a financial director at MAVIR, later becoming responsible for financial control at MVM Zrt. and then becoming the strategic director of the MVM Group. Over the last two years János was the Deputy CFO at NKM Nemzeti Közművek Zrt (currently named MVM Services Zrt.). He gained almost 8 years of experience in the fields of auditing and advisory at the "Big Four" accounting firms. János Szilárd Sum has an undergraduate degree in financial economics from Budapest Business School the qualification of energy economist at Corvinus University of Budapest. In addition, he is a chartered auditor.

Deputy CEO, Chief Financial Officer: Mr. László Fazekas

Mr. Fazekas has a MSc in Economics, specialising in corporate finance and graduated from Corvinus University of Budapest in 2006.

He started his career at E.ON Földgáz Trade Zrt (today MVM CEEnergy Zrt.) in 2006 and was the CFO of the company between 2015-2016, and CEO between 2016-2018.

He joined the MVM Group in 2018, acted as Group Controlling Director between 2018 and 2021. He was appointed as Chief Financial Officer and deputy CEO in September 2021.

Deputy CEO, Chief Technical Services Officer: Mr. József Spilkó

Mr. Spilkó completed his studies at Budapest University of Technology and Economics. He has worked in business for more than 30 years, mainly on the field of energy, electricity supply and powerplant technology.

During his career he has held the positions of corporate executive at Trilak, E.ON, Láng Autóalkatrész, Greenergy and Schneider Electric. He joined the MVM Group in 2018 as the CEO of MVM OVIT Zrt., then the CEO of MVM XPert. Zrt. and is now the CEO of MVM Nukleáris Karbantartó Zrt.

From September 2021 he is also the Deputy CEO, Chief Technical Services Officer of MVM Zrt.

As at the date of this Prospectus, there are no conflicts of interest or potential conflicts of interest between the duties of these members of the Issuer's Board of Directors and Supervisory Board and their private interests or their other duties.

LITIGATION AND REGULATORY PROCEEDINGS

Tax proceedings in relation to former E.ON subsidiary, MVM CEEnergy Zrt.

CEEnergy, a subsidiary of MVM Zrt. and formerly known as Magyar Földgázkereskedő Zrt. - is currently in litigation with the Hungarian tax authority, the National Tax and Customs Administration ("**NAV**"). This case relates to the period when E.ON was the owner of CEEnergy. It was alleged by NAV that the interest rate applied to the E.ON intra-group loans to CEEnergy did not correspond to the normal market rate.

NAV accepted the method of external reference prices used by the parties but prescribed other steps it considered should have been taken, which would have resulted in a different market band for the interest rate to be applied. The applied interest rate was outside the band established by NAV, which resulted in a HUF 157 million tax deficit for 2012 that has been settled by CEEnergy. In addition, a HUF 304 million corporate tax base increase item was established for 2013. E.ON has already reimbursed MVM for this amount. CEEnergy has initiated proceedings against NAV in relation to these matters, which are still ongoing. The MVM Group is obliged to continue these proceedings under its Sale and Purchase Agreement with E.ON in relation to its acquisition of CEEnergy. If CEEnergy is successful, any amounts it recovers from NAV will be paid by the MVM Group to E.ON in accordance with the Sale and Purchase Agreement.

Hungarian Competition Authority

The Hungarian Competition Authority ("**GVH**") launched an investigation in 2017 in relation to suspected illegal (cartel) behaviour in respect of high voltage electricity projects. GVH continues to monitor the activities of the companies concerned and has been doing so since 2000. In 2019, MVM OVIT Zrt. was formally involved in the GVH investigation. As of the date of this Prospectus, the process is still in the investigation phase. Following the completion of the lengthy data collection phase, GVH is now calling the parties involved for official hearings.

Proceedings against former CEO of the Issuer

In November 2019, the Kúria, Hungary's supreme court, in a binding ruling sentenced István Kocsis, the former CEO of the Issuer from 2005 to 2008, to 5 years in prison on charges of misappropriation of funds and embezzlement. According to the indictment, in 2008 the defendant had signed unfavourable contracts for the relevant members of the MVM Group, which caused losses to the MVM Group amounting to over HUF 15 billion (EUR 45 million). At the beginning of 2020, the Issuer initiated civil proceedings to enforce its civil claims for damages against those convicted, which proceedings are ongoing.

REGULATION

The most important legal and operational regulations affecting the MVM Group's operations are energy laws and policies. Below is a brief summary of the energy regulations applicable to the MVM Group in Hungary as the MVM Group's principal market. Since Hungary's accession to the EU on 1 May 2004, certain rules and regulations of the EU have been adopted and, therefore, a brief overview of the EU legislation as currently applicable to the MVM Group is also included. The following summary does not purport to be complete, should be read in conjunction with the information set out elsewhere in this Prospectus, and is subject to the regulations of the jurisdictions referred to below.

The European energy legislation framework

The EU provides a general legal framework for the MVM Group's operations in the EU member states in which it operates. This includes guarantees of property rights, rule of law and protection against arbitrary state action, enforcement of contracts and, in the absence of explicit price regulation, free market pricing.

As for energy sector specific regulations, the first forms of regulation and the development of an efficient and sustainable policy were reflected in the founding treaties of the European community, such as the Treaty of the European Coal and Steel Community of 1952 and the Euratom Treaty of 1957, which envisaged a unitary management and consumption approach for the energy sector. These regulations and policies of producing and controlling energy have laid the foundations for the establishment of the EU.

Liberalisation directives

During the 1990s, when most national electricity and natural gas markets were still monopolies, the EU and the member states decided to open these markets gradually to competition. The first liberalisation directives (the "**First Energy Package**") were adopted in 1996 (Directive 96/92/EC Concerning Common Rules for the Internal Market in Electricity) and 1998 (98/30/EC Concerning Common Rules for the Internal Market in Natural Gas). The First Energy Package was designed to provide non-active suppliers with access to the internal electricity and gas markets of EU Member States and to allow for better competition in these markets.

The Second Energy Package comprised of Directive 2003/54/EC Concerning Common Rules for the Internal Market in Electricity and repealing Directive 96/92/EC and Directive 2003/55/EC Concerning Common Rules for the Internal Market in Natural Gas and repealing Directive 96/92/EC (the "**Second Energy Package**"). The Second Energy Package was adopted in 2003, with its directives to be transposed into national law by the member states by 2004, and some provisions entering into force only in 2007. Following the adoption of the Second Energy Package, industrial and domestic consumers were free to choose their own gas and electricity suppliers from a wider range of competitors. The Second Energy Package included customer protection measures and provisions for monitoring the security of electricity supply in the EU; the establishment of a regulatory body independent from any interests of the electricity and gas industries, which would be required to ensure non-discriminatory network access, monitor the level of competition and ensure the efficient functioning of the electricity generation, distribution, and trade market. The Second Energy Package also included the implementation of the unbundling meaning that each transmission and distribution system operator had to be separated, at least in terms of their legal form and organisation.

In April 2009, a Third Energy Package seeking to further liberalise the EU's internal electricity and gas markets was adopted, amending the Second Package and providing the cornerstone for the implementation of the internal energy market. The Third Energy Package principally comprises Directive 2009/72/EC concerning Common Rules for an International Market in Electricity, Directive 2009/73/EC concerning Common Rules for the International Market in Natural Gas, Regulation (EC) No. 714/2009 on Conditions for Access to the Network for Cross-Border Exchanges in Electricity, and Regulation (EC) No. 715/2009 on Conditions for Access to Natural Gas Transmission Networks (the "**Third Energy Package**"). The Third Energy Package's aim is the creation of a market with high standards of public service and customer protection that allows consumers to freely choose their suppliers, a structural separation of transmission activities and generation/supply activities (unbundling) and the establishment of independent national energy regulators. In particular, such energy legislation contemplates further separation of supply and production activities from transmission network operations by allowing the member states to choose, subject to the respective conditions set forth in directives of the Third Energy Package between the following three options:

• *Full ownership unbundling*: this option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations;

• *Independent System Operator (the "**ISO**")*: under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations; and

• *Independent Transmission Operator (the "**ITO**")*: this option is a modification of the ISO option whereby vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission..

Hungary has elected to implement the ITO-model through MAVIR Zrt., a subsidiary of the MVM Group.

In June 2019, a fourth energy package consisting of one directive (the Electricity Directive (2019/944/EU)) and three regulations (the Electricity Regulation (2019/943/EU), the Risk-Preparedness Regulation (2019/941/EU) and the Agency for the Cooperation of Energy Regulators (the "**ACER**") Regulation (2019/942/EU)) (the "**Clean Energy Package**") introduced new electricity market rules to meet the needs of renewable energies and to attract investments. It provides incentives for consumers and introduces a new limit for power plants to be eligible to receive subsidies as capacity mechanisms. The Clean Energy Package also provides for the creation of the ACER which is an agency within the EU for the coordination of national energy regulators and which issues non-binding framework guidelines for the national agencies. The ACER is mainly responsible for promoting cooperation between national regulatory authorities at regional and European level and for monitoring development of the network and the internal electricity and gas markets. It also has the competence to investigate cases of market abuse and to coordinate the application of appropriate penalties with the Member States. However, the responsibility for applying sanctions applicable to infringements remains in the hands of the Member States.

On 11 December 2019, as part of the Clean Energy Package and in response to the challenges relating to climate change, the European Commission presented the European Green Deal. The European Green Deal contains policy initiatives aimed at achieving climate neutrality in 2050 (where there are no net emissions of greenhouse gases) and decoupling economic growth from resource use. As part of this initiative, the European Commission proposed in September 2020 to raise the 2030 greenhouse gas emission reduction target, including emissions and removals, to at least 55 per cent. compared to 1990 (replacing the previous target of 40 per cent.).

Cross-border trading of electricity

Besides focusing on the liberalisation of the internal energy markets in every member state, the EU energy regulation framework is also designed to improve the cross-border trade of electricity. Accordingly, the EU has also implemented Regulation (EC) No. 1228/2003 on Conditions for Access to the Network for Cross-border Exchanges in Electricity (the Cross-Border Exchanges Regulation). This regulation required the establishment of a committee of national experts to adopt the guidelines on (i) inter-transmission system operator compensation for electricity transit flows; (ii) the harmonisation of national transmission charges; and (iii) network congestion management.

The Cross-Border Exchanges Regulation created the European Network of Transmission System Operators ("**ENTSO-E**"), which comprises the designated transmission system operators from all member states, which have a duty to put in place the information exchange mechanisms in order to ensure the security of networks in the context of congestion management. ENTSO-E also promotes closer cooperation across Europe's transmission system operators to support the implementation of the EU energy policies and to achieve the EU's energy and climate policy objectives.

In 2019, the Directive (EU) 2019/944 on common rules for the internal market for electricity was adopted with the aim of creating integrated competitive, consumer-centred, flexible, fair and transparent electricity markets in the EU. The key objectives of the legislation were to better link wholesale and retail markets, strengthen regional cooperation, increase cross-border trade, and develop short-term and long-term markets to increase investments for modern technologies to both producers and consumers of electricity.

Nuclear Energy

The European nuclear policy is governed by the treaty establishing the European Atomic Energy Community ("**Euratom Treaty**"). The current basic safety standards for protection against the dangers arising from exposure to ionising radiation are laid down in the Basic Safety Standards Directive (2013/59/Euratom). This directive simplified the EU legislation by replacing five directives (Directives 89/618/Euratom, 90/641/Euratom, 96/29/Euratom, 97/43/Euratom and 2003/122/Euratom), and introduced binding requirements for protection against indoor radon, the use of building materials and an environmental impact assessment of discharges of radioactive effluents from nuclear installations. A system of prior authorisation for shipments of radioactive waste was established in the EU in 1992 and amended significantly in 2006. Council Directive 2006/117/Euratom of 20 November 2006 on the supervision and control of shipments of radioactive waste and spent fuel aims to guarantee an adequate level of public protection from such shipments. It lays down and lists a number of strict criteria, definitions and procedures that need to be applied when transporting radioactive waste and spent fuel both within and outside of the EU. The legal framework for waste management in the EU was created in 2011 with the adoption of Council Directive 2011/70/Euratom establishing a framework for the responsible and safe management of spent fuel and radioactive waste. It provides for close monitoring of national programmes for the construction and management of final repositories, as well as legally binding safety standards.

The Hungarian legislative framework

General Overview

The Hungarian energy sector is governed by a wide range of laws and regulations, which, amongst others, implement the European legislation described above. The Hungarian energy markets have been liberalised in accordance with the requirements of the relevant EU laws mentioned above.

The energy markets are supervised and controlled by HEPA, which is the regulatory body of the energy and public utility market in Hungary. HEPA was founded by Act XXII of 2013, its legal predecessor was the Hungarian Energy Authority established by Act XLI of 1994.

HEPA is an independent regulatory body responsible for licensing, supervision, price regulation and price and fee setting tasks related to electricity, natural gas, district heating and water utility supply. The MVM Group's core activities require various administrative authorizations and licences from HEPA.

In addition, HEPA performs tasks related to the uniform national energy statistics and discharges its obligations to supply data to national, international and other organisations as an official statistical agency. HEPA also performs tasks in the field of energy efficiency related to energy auditing. HEPA maintains close international relations at European, regional and bilateral levels, its experts participate in the activities of the highest energy related forums and organizations.

At the time of its establishment, the main functions of HEPA were licensing and supervision of power and natural gas companies, consumer protection and the setting of regulated prices for natural gas and electricity, however, due to the new challenges of market liberalisation, the role and activities of HEPA have changed, and growing importance is now given to the supervision of the competitive market, as well as the promotion and preservation of fairness of competition.

The most important responsibilities of HEPA are the following:

i) issuing decrees (determining the network access and network usage fees for both the electricity and gas transmission and distribution systems, determining the conditions and rules for the application of such fees);
ii) issuing, amendment or withdrawal of the authorizations required for performing activities regarding electricity, gas, district heating and water public utility;
iii) approval of commercial codes, operational network codes , network development plans , business codes (traders, generators), market rules of the exchanges;
iv) monitoring compliance with the obligations of the licensees, the execution of cross-border transmission of electricity and gas, the competition in the electricity and gas markets (including the balancing market) in the course of market surveillance activities, and performance of market analysis and regulatory inspections;
v) making preliminary proposals for the regulations relating to the pricing mechanisms of universal services; and
vi) resolving complaints lodged against authorized operators (shared competence with the Authority for Consumer Protection).

In addition to HEPA, the Secretary of State for the Development of Circular Economy, Energy and Climate Policy within the Ministry for Innovation and Technology also plays an important role in the overall supervision and regulation of the Hungarian energy sector through the adoption of energy market regulations, determination and implementation of the international and Hungarian energy strategies.

Electricity

The Hungarian electricity market is mainly regulated by Act LXXXVI of 2007 on electricity (the "**Hungarian Electricity Act**") and the Government Decree 273/2007 (X. 19.) on the implementation of certain provisions of the Hungarian Electricity Act.

The Hungarian Electricity Act regulates the generation, transmission, distribution and trading of electricity. The Hungarian Electricity Act also lays down the regulations upon which energy policies and strategies are undertaken and allows energy activities to be undertaken both on the free market and as a public service. Pursuant to the Hungarian Electricity Act, the price of electricity is generally subject to market conditions. However, until the end of 2016 the government, on the basis of legislative mechanisms, sets the mandatory off-take prices of electricity generated from renewable energy sources and (which still apply for tenderers that had submitted their application before 2017). After 2017, newly awarded off-take prices of electricity generated from renewable energy sources are set by way of tender procedures conducted by HEPA.

Electricity trading, which is defined by the Hungarian Electricity Act as for-profit business operations involving the buying and selling of electricity and the related capacity for purposes other than own use, is subject to licensing and requires a licence issued by the HEPA. The Hungarian Electricity Act distinguishes between a wholesale electricity trading licence and a full scale electricity trading licence. The latter entitles its holder to directly supply customers, including both industrial and household end-customers in addition to wholesale trading.

The transmission system operator in the electricity market is MAVIR Zrt., which is part of the MVM Group. As described above, MAVIR Zrt. was certified in accordance with the EU's Third Energy Package's ITO-model, which does not result in actual ownership unbundling with regard to the transmission system operator, but does contain a number of provisions to strengthen the independence of the daily operations of the transmission network operator.

MAVIR Zrt. also has an important role in the legislation by issuing electricity supply codes such as the Grid Code, the Trading Code and the Distribution Code. These codes are prepared by MAVIR Zrt. and approved by HEPA. These codes specify the detailed rules of the day-to-day operation of the Hungarian electricity system, cross-border electricity transmission and the relationship between network licensees and system users within the wholesale and retail sectors. They also set out the detailed technical requirements and standards to be observed by licensees.

Since 2010, MAVIR Zrt. has been operating HUPX Zrt., which is the Hungarian power exchange. Through its regulation and adopted trading framework, it promotes the liquidity of the Hungarian energy market, and supports the flow of the working capital in the sector. The core activity of HUPX Zrt. – providing reference price and exchange trading platform - is effectively contributing to the development of the Hungarian electricity market.

In 2017, HUDEX Zrt. (Hungarian Derivative Energy Exchange Ltd.) was established in order to comply with the changing EU regulations, as physical futures products of HUPX have fallen under the scope of EU MiFID II applicable in EU Member States as of 3 January 2018. The products of HUDEX - previously traded on HUPX - are financial futures with optional physical delivery of electricity within the Hungarian transmission system.

Natural Gas

The main sources of the regulation of natural gas in Hungary are Act XL of 2008 on natural gas supply (the "**Hungarian Gas Act**"); Government Decree 19/2009 (I. 30.) on the implementation of the Hungarian Gas Act; and Operational and Commercial Code of the Hungarian natural gas system ("**ÜKSZ**"). ÜKSZ is prepared by FGSZ Zrt. and approved by HEPA.

HEPA monitors the security of natural gas supply, and controls the sufficiency of natural gas sources. In line with the provisions of the Hungarian Gas Act, HEPA establishes the conditions for conducting licensed and related activities in the licence issued by HEPA. HEPA determines the system charges of natural gas in a regulation and prepares the universal service prices for the competent minister. In addition, HEPA supervises fees and performs cost review. As part of the fee supervision, HEPA examines whether licence holders actually apply the fees set by the competent minister or HEPA. As part of the cost review process, HEPA determines the eligible costs for licence holders, which form the basis of regulated price setting.

Natural gas trading, which is defined by the Hungarian Gas Act as for-profit business operations involving the buying and selling of natural gas for purposes other than own use, is subject to licensing in Hungary and requires a licence issued by HEPA. The Hungarian Gas Act distinguishes between the natural gas trading licence and a full scale natural gas trading licence. The latter entitles its holder to directly supply customers, including both industrial and household end-customers in addition to wholesale activities.

The transmission system operator in the gas market is FGSZ Zrt., which is part of MOL Plc's (i.e. the incumbent Hungarian gas and oil company) vertically integrated undertaking. The largest gas storage system operator is Magyar Földgáztároló Zrt., a subsidiary of the MVM Group.

District heating

The Hungarian district heating market is mainly regulated by Act XVIII of 2005 on district heating services (the "**Hungarian District Heating Act**") and Act LXVII of 2008 on increasing the competitiveness of district heat supply.

HEPA is responsible for licensing district heating producers and suppliers. In order to maintain security of supply in line with the provisions of the Hungarian District Heating Act, HEPA identifies the conditions of activities subject to or relevant for licensing, supervises the application of sectoral legislation and applies measures if deemed necessary. HEPA prepares its proposal for pricing of district heat sold to suppliers, the pricing of district heat sold to households and public institutions, and the level of subsidies that may be provided to district heat supply. It is also HEPA’s responsibility to initiate administrative procedures in case of a breach of law.

Price Regulation

As a result of the full liberalisation of the Hungarian electricity and natural gas markets (since 2008 and 2009, respectively), all customers can decide on their own who they wish to purchase electricity and natural gas from. Energy prices are regulated by the market itself in the competitive market segment, while customers eligible for universal service can purchase energy at the price fixed by HEPA. District heating is similarly provided to residential and public institution customers at an officially determined price, unlike other customers, in the case of whom prices are regulated by bilateral agreements.

With regards to the electricity and the natural gas sectors, HEPA prepares the prices of universal supply for the Minister for Innovation and Technology based on the applicable legal rules. The prices of district heat generation and supply are also prepared by HEPA. HEPA decides the electricity and the natural gas system usage fees. HEPA also performs tasks related to monitoring fees and reviewing costs. As part of the monitoring of fees, HEPA checks whether the licence holders actually apply the fees determined by the competent minister or HEPA.

A utility cost reduction programme was introduced in several phases from 2013 by the Hungarian government. As a result of the utility cost reduction programme, a sharp decline has been observed in the energy prices in Hungary. In 2020, the European Court of Justice ruled that Hungary’s law on the reduction of utility fees does not violate European Union regulations in prohibiting energy companies to transfer special taxes and transaction fees to private consumers.

Nuclear Energy

The Hungarian nuclear market is mainly regulated by Act CXVI of 1996 on Nuclear Energy (the "**Hungarian Nuclear Energy Act**"). The fundamental objective of the Hungarian Nuclear Energy Act is to protect the health and safety of the public and the environment. The Hungarian Nuclear Energy Act has established a modern, multi-stage legal and regulatory framework, while the detailed regulations are included in government and ministerial decrees based on the authorization provided by the Hungarian Nuclear Energy Act.

The Hungarian Atomic Energy Authority (the "**HAEA**") is a public administration body acting in the field of peaceful applications of atomic energy with a specified scope of tasks and authority. In order to support the compliance with the requirements and decrees corresponding to nuclear safety, security and peaceful use of atomic energy the HAEA provides recommendations on good practices, issued in the form of guidelines.

The fundamental objective of the HAEA's regulatory supervision over the various uses of atomic energy is to avoid any damage to the people and environment, without unduly limiting the operation of facilities and performance of activities entailing risks. The fundamental objective applies to every facility and activity, the whole lifetime of the facilities and activities, including fabrication, construction, commissioning, operation, decommissioning, dismantling and closure. Additionally, the activities include the transport of radioactive materials and the management of radioactive wastes. In the framework of its licensing activities, HAEA shall confirm through licensing whether safety requirements are met by the licensees and HAEA authorizes the licensee to carry out activities in relation to the use of atomic energy.

The Public Limited Company for Radioactive Waste Management is responsible for the operation of the existing radioactive waste and spent fuel management facilities and the preparation for the final disposal of high level waste and the decommissioning of nuclear facilities. A Central Nuclear Financial Fund was established by the Hungarian Nuclear Energy Act to finance the tasks of radioactive waste and spent fuel management. The Fund is constituted by the payments of those companies where the radioactive waste is generated.

The system of regulation related to radioactive waste and spent fuel in Hungary is based on recommendations issued by various international organisations, including the International Atomic Energy Agency and the OECD Nuclear Energy Agency (NEA). The International Commission on Radiological Protection (ICRP) also operates as an independent international committee making recommendations in this area. Such recommendations are adopted and legislated for at the European Union level and then implemented domestically.

According to the Hungarian Nuclear Energy Act, the execution of the six-decade long national programme on radioactive waste and spent fuel management and the decommissioning of nuclear facilities is the responsibility of the Government. To finance these activities (including the decommissioning of the Paks NPP) the CNFF was established in 1998. For each fiscal year until the end of the scheduled life of the Paks NPP in 2037, MVM Paksi Atomerőmű Zrt. is obliged to pay into the CNFF an amount determined by the Act on state budget and based on an annually updated cost estimation carried out by the national radioactive waste management organisation (PURAM).

Energy Strategy

In Hungary, the most significant national documents regarding energy strategy (such as the National Energy Strategy 2030 and the Second National Climate Change Strategy) have been developed in line with the EU's climate and energy policy objectives and directions. The strategy addresses all five dimensions of the EU Energy Union: decarbonisation; energy efficiency; energy security; internal energy markets and research; and innovation and competitiveness. The declared aim of Hungary is to proceed towards a sustainable, low-carbon and energetically efficient economy. The main goal of the strategy is to decrease dependency on the foreign supply of energy through increased energy efficiency, a high proportion of renewable energy sources, nuclear energy and connection to the European energy infrastructure.

The goals of the energy strategy take account of the opportunities and capabilities of the domestic energy market participants, including the MVM Group. While the MVM Group is a major player on the Hungarian energy market, its role to carry out the goals of the energy strategy is not exclusive. The MVM Group's role depends on external funding opportunities as well as its own business opportunities (for example in case of the coal phase-out plan). In addition to playing a role in many elements of the national energy strategy, the MVM Group has set goals along its own strategy (e.g. for the expansion of renewable capacity), based on its possibilities and capabilities in line with the goals in the national energy strategy.

Coal and lignite phase-out plan

Based on Hungary's National Energy and Climate Plan one of the key decarbonisation tasks is the conversion of the lignite-fired Mátra Power Plant operated by a subsidiary of the MVM Group based on low carbon technologies, thereby phasing out coal and lignite from national power generation. Mátra Power Plant is a strategic general power plant of the national electricity system, but is also the largest CO_2 emitter in Hungary, accounting for approximately 50 % of CO_2 emissions in the entire energy production sector and 14 % of total national greenhouse gas emissions. The reorganisation of lignite-based power generation at the Mátra Power Plant based on low carbon technologies benefits from the characteristics of the site. The key elements of Mátra Power Plant decarbonisation are the following:

- phasing out lignite firing by 2025;
- construction of a new gas turbine power plant at the site of the Mátra Power Plant, with particular regards to ensure the security of supply in the eastern area of Hungary (with the new, gas-fired plant the CO_2 emissions would be reduced to approximately a quarter of the current level);
- construction of a new PV power plant and industrial energy storage unit, and the energy recovery of refuse derived fuel.

These elements can make a significant contribution to reducing Hungarian emissions and increasing renewable energy and are aligned with the key performance indicators under the National Energy and Climate Plan by which the share of primary energy demand represented by renewable energy sources is to be greater than 20 per cent. and greenhouse gas emissions are to be reduced by more than 40 per cent. by 2030 as compared to 1990 levels. The new production units for the Mátra Power Plant are able to provide for electricity production by the previous lignite units with a quarter of the previous CO_2 emissions.

REAS

The Hungarian aid scheme for incentivising electricity generated from renewable energy sources ("**REAS**") was launched in January 2017. The first REAS tender was launched on 2 September 2019. To ensure cost effective levels of aid, in the future aid within the REAS framework will only be available through technology-neutral renewable capacity tenders; production aid will be available within the conventional feed in system only for experimental technologies and model projects. In addition to REAS, investment support for expanding renewable capacities is also available from EU and national funding sources. The European Commission found the REAS to be in line with EU state aid rules, as the scheme helps Hungary to reduce CO_2 emissions, in line with EU energy and climate goals, whilst preserving competition.

Other regulations

Health and safety regulations

The MVM Group's business carries an inherent risk that there may be incidents which could lead to personal injury or death of employees, contractors or other third parties. The main source of health and safety law in Hungary is Act XCVIII of 1993 on Occupational Safety and Health. This act is based on EU Council Directive 83/391/EC on the introduction of measures to encourage improvements in the safety and health of workers at work.

TAXATION

The tax laws of the investor's jurisdiction and of the Issuer's jurisdiction might have an impact on the income received from the Notes. The following is a general description of certain Hungarian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Hungary of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Hungary

The following is a general discussion of certain Hungarian tax consequences relating to the acquisition and ownership of the Notes. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. It is based on laws currently in force in Hungary and applicable on the date of this Prospectus and may therefore be subject to change, including possibly with retrospective effect. The acquisition of the Notes by non-Hungarian Noteholders, or the payment of interest under the Notes, may trigger additional tax payments in the country of residence of such Noteholders, which is not covered by this summary. In such case, the provisions of any relevant treaties on the avoidance of double taxation should be taken into consideration. Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country of which they are residents.

Withholding tax (corporate Noteholders not resident in Hungary)

Interest on the Notes paid to corporate Noteholders not resident in Hungary, who do not have a permanent establishment in Hungary, and any capital gains realised by such foreign resident Noteholders on the sale of the Notes is not subject to tax in Hungary. The tax liability of a foreign resident corporate Noteholder, which has a permanent establishment in Hungary is limited, in general, to the income from business activities realised through its Hungarian permanent establishment.

Withholding tax (individual Noteholders not resident in Hungary)

The payments of interest on publicly offered and traded Notes ("**Interest Income**") is taxed at 15 per cent. Notes listed on a regulated market of an EU member state are considered publicly offered and traded Notes.

The proceeds paid on privately placed Notes are considered as other income ("**Other Income**") which is taxable as part of the individual's aggregated income (the tax payable is 15 per cent.). The capital gains realised on the sale of such Notes is considered, as a general rule, capital gains income ("**Capital Gains Income**"). The tax rate applicable to Capital Gains Income is 15 per cent.

Individual Noteholders not resident in Hungary are subject to tax in Hungary if they realise Interest Income from Hungarian sources or income that is otherwise taxable in Hungary if the international treaty or reciprocity so requires. Interest Income should be treated as having a Hungarian source where:

(i) the Issuer is resident in Hungary for tax purposes;

(ii) the Issuer has a permanent establishment, branch office or representative office in Hungary and Interest Income is paid by such permanent establishment, branch office or representative office; or

(iii) the foreign resident individual Noteholder has a permanent establishment in Hungary to which the Interest Income is attributable.

The tax on payments of the Interest Income is to be withheld by the "Payor" (*kifizető*) (as defined below).

Pursuant to Act CL of 2017 on the Rules of Taxation ("**ART**") a "Payor" means a Hungarian resident legal person, organization, or private entrepreneur who provides taxable income, irrespective of whether such payment is made directly or indirectly through an intermediary (such as a post office or credit institution). In respect of interest, "Payor" shall mean a person who pays interest income to an individual, the borrower of a loan or, the issuer of a note.

In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, "Payor" shall mean such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a "Payor". An individual Noteholder not resident in Hungary is not subject to tax in Hungary if such Noteholder realises Capital Gains Income from Hungary as such income is not considered as having a Hungarian source.

The provisions of any applicable tax convention may exempt the foreign resident individual Noteholder from withholding tax or may reduce its rate. Noteholders claiming an exemption from withholding tax or the application of a reduced withholding tax rate are required to furnish the paying agent with a certificate of their tax residence and in certain cases a declaration of beneficial ownership. Tax withheld by the Payor in excess of the rate allowed by the applicable double tax convention may be reimbursed by the Hungarian tax authority at the request of the Noteholder.

Taxation of Hungarian resident individual Noteholders

Act CXVII of 1995 on Personal Income Tax (the "**Personal Income Tax Act**") applies to the tax liability of Hungarian and foreign private individuals. The tax liability of Hungarian resident private individuals covers the worldwide income of such persons.

According to the provisions of the Personal Income Tax Act, in the case of individual Noteholders, Interest Income is the income paid as interest and the capital gains realised upon the redemption or the sale of publicly offered and publicly traded debt securities.

The withholding tax on Interest Income is 15 per cent. Notes listed on a regulated market of an EU member state are considered publicly offered and publicly traded debt securities.

Preferential tax rates or tax exemptions are available for long-term investments, subject to specific conditions laid down by applicable laws.

The proceeds paid on privately placed Notes are considered as Other Income which is taxable as part of the individual's aggregated income (the tax payable is 15 per cent.). The capital gains realised on the sale or redemption of such Notes is considered, as a general rule, Capital Gains Income. The tax rate applicable to Capital Gains Income is 15 per cent.

Pursuant to Act LII of 2018 on Social Contribution Tax (the "**Social Contribution Tax Act**"), Other Income as part of the individual's aggregated income realised by individuals resident in Hungary for social security purposes is subject to 15.5 per cent. social contribution tax.

The rules of the Personal Income Tax Act in general impose a requirement upon the "Payor" (*kifizető*) (as defined above) to withhold tax on the interest payments or gain related to redemption or sale to individual Noteholders. The Social Contribution Tax Act also imposes the obligation upon the "Payor" to withhold the social contribution tax on the interest payments to individual Noteholders.

Taxation of Hungarian resident corporate Noteholders

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax (the "**Corporation Tax Act**"), Hungarian resident taxpayers have a full, all-inclusive tax liability. In general, resident entities are those established under the laws of Hungary (i.e. having a Hungarian registered seat). Foreign persons having their place of management in Hungary are also considered as Hungarian resident taxpayers.

In general, interest and capital gains realised by Hungarian resident corporate Noteholders on the Notes will be taxable in the same way as Noteholders' regular income. The corporate tax rate in Hungary is a flat rate of 9 per cent.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; and/or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; and/or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Joint Bookrunner has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of each of the Sole Shareholder and the Board of Directors of the Issuer dated 27 October 2021 and 29 September 2021, respectively.

Legal and Arbitration Proceedings

2. Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and the MVM Group.

Significant/Material Change

3. Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer or the MVM Group and since 30 June 2021 there has been no significant change in the financial position or financial performance of the Issuer or the MVM Group.

Auditors

4. The 2020 Financial Statements and the 2019 Financial Statements have been audited without qualification for the years ended 2020 and 2019, respectively, by Deloitte Könyvvizsgáló és Tanácsadó Kft. (registered seat: H-1068 Budapest, Dózsa György út 84/C, company registration number: 01-09-071057, registration number with the Chamber of Hungarian Auditors: 000083).

   The Auditors' Reports were prepared by Deloitte in accordance wih the terms of the Engagement Letters and for the information of the shareholders of the Issuer. To the maximum extent permitted by law, Deloitte excludes all liabilities to any third party for any loss, damages, costs and expense any other party may suffer in connection with their access to, reliance on or use of the Audfitors' Reports or this Prospectus.

   The Unaudited Interim Financial Statements have not been subject to any audit or review by Deloitte or any other independent auditors.

Validity of the Prospectus and Prospectus Supplements

5. This Prospectus is valid for a period of twelve months from the date of approval. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Notes are admitted to trading on the regulated market of Euronext Dublin.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer at 1031 Budapest, Szentendrei út 207-209., Hungary or at https://www.mvm.hu/en/Befektetoknek/PenzugyiBeszamolok and https://www.mvm.hu/en/Befektetoknek/Kozzetetelek for 12 months from the date of this Prospectus:

   (a) the constitutive documents of the Issuer;

   (b) the Fiscal Agency Agreement;

   (c) the Deed of Covenant; and

   (d) the Financial Statements.

   For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the above website does not form part of this Prospectus.

Yield

7. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the yield of the Notes is 1.077 per cent. on an annual basis.

ISIN and Common Code

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2407028435 and the common code is 240702843. The Financial Instrument Short Name ("**FISN**") is MVM ENERGETIKA/EUR NT 22001231 REST and the Classification of Financial Instruments ("**CFI**") Code is DBFNFR.

The Legal Entity Identifier

9. The Legal Entity Identifier ("**LEI**") code of the Issuer is 529900ELI5AQ9F74PF85.

Listing

10. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the regulated market of Euronext Dublin; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the regulated market of Euronext Dublin will be granted on the Issue Date, subject only to the issue of the Notes.

    The expenses in connection with the admission of the Notes to the Official List and to trading on the regulated market of Euronext Dublin are expected to amount to approximately EUR 7,790.

REGISTERED OFFICE OF THE ISSUER

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Hungary

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JOINT BOOKRUNNERS

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LISTING AGENT

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