

Summary of the questions and answers affecting all participants, which emerged on meetings with investors of ALTEO Energiaszolgáltató Nyrt., in the framework of market sounding in connection with MNB's Bond Funding for Growth Scheme

Questions related to the planned issues and to the use of funds

1) Timing of the issue – when will the bond terms be available, when is the auction likely to take place?

According to the present plans, the indicative bond terms, which are thought to be final (detailed term sheet), are to be sent in the week starting on September 23, and the auction will be officially announced one week before the auction day, at the latest. The expected time of the auction is in the second half or at the end of October. ALTEO's rating report became public on August 7, allowing 3 months to prepare, based on the MNB guidelines, the issue of the bonds without the obligation to prepare a new rating. Due to this, the final deadline of the bond issue under the present rating is: November 7.

2) Will the auction be public?

ALTEO currently plans to carry out a public offering. A condition for the public offering is the approval of the prospectus by MNB. If that approval is delayed, then the company might reconsider a private placement as well. Naturally, ALTEO will provide information on such changes to the investors in due time. Subsequent to the auction, the issuer intends to introduce the bonds to trading in the **BSE's corporate bond** section.

3) Will there be a bottom limit for the auction proposals?

Currently, there is no such concept, a proposal might be submitted even for just 1 bond (a face value of HUF 50 million)

4) In case of extensive interest, what would be an acceptable level of oversubscription for the issuer?

In accordance with the BGS Prospectus, subsequent to the submission of the proposals, the amount accepted by the Issuer may exceed by not more than 10% the quantity indicated in the auction announcement.

5) Who will be the market maker in charge of the secondary market and what will be their terms?

Market making will be provided by Erste Bank Hungary Zrt., during the entire term of the bond, in accordance with the provisions included in the BGS Prospectus, namely:

- *“on each trading day, the market maker makes two-way bids (simultaneous bid and offer) on their own account, to be maintained for at least 15 minutes,*
- *the face value of the bid will be an amount representing the HUF equivalent of at least EUR 100,000, on both the buy- and sell-sides,*

- *the difference between the bid and ask yields on the second trading day following the quotation date will not exceed 200 basis points.”*

6) The funds will mainly be used to replace (prepay) existing bank loans, what are these loans? Will there be a cost to cancel these credit agreements?

A non-public information is that ALTEO has wide-scale banking relationships and is involved in active credit relationship with several banks. In general terms we may state that its intention is to refinance the loans with shorter-term outstanding maturities (~2-7 years), where the conditions are expected to be not significantly more favorable than the terms of the bonds to be issued. There will be repayment fees, but altogether these are not significant and are taken into account in the internal calculations. The refinancing of project loans with maturities exceeding 10 years (solar power plant loans) does not represent a priority, given that the term of the bonds to be issued in the framework of BGS may not exceed 10 years and a reduction of the maturity of funding is not an objective.

7) From among the bonds issued earlier, which ones will be refinanced?

According to the plans, in respect of the ALTEO 2020/I bond maturing on September 30, 2020, the Issuer will announce a repurchase prior to maturity (with a total value outstanding of HUF 2.15 billion, at nominal). Depending on the implementation of the investment opportunities, as well as the success of the bond issue, ALTEO might still consider the repurchase of their bonds 2022/I, maturing in January 2022, partially or in full, provided, of course, that such a potential repurchase offer will be accepted by the bondholders.

8) The repayment of the issued bond would take place upon maturity, lump sum (bullet), as opposed to the existing amortizing loans. What is the strategy regarding the use of additional resources generated during the maturity?

Additional resources will provide a possibility to ensure that ALTEO will be in a position to implement another set of promising projects without additional external financing (debt or capital increase). Depending on the circumstances, a repurchase of the BGS bond prior to maturity is not excluded (without written commitment of a respective call option), at the same time, there is no intention to change the present dividend policy, i.e. a material increase in payouts (*see also: Question No. 11*). In the current issue process, ALTEO cannot make a commitment to repurchase the BGS bonds.

9) Will the assets released as a result of the loan conversions be encumbered as a collateral for new loans?

See the previous question – ALTEO has a target debt ratio (equal to ~30% capital/70% debt, including bonds as well), and has no wish to exceed that level, unless temporarily, in certain periods of intensive investments and capital formation. A further goal is to avoid that the net debt/EBITDA multiplier goes above the quadruple level of this ratio, significantly and permanently. For this reason, a repeated encumbrance of the released assets cannot be expected, unless on a case-by-case basis, strictly for the purpose of maintaining the functionality of a given asset, extending its

lifetime or with the target of a modernization of the technology and not in significant proportions.

10) How will the financing structure look like subsequent to this issue and the loan conversions?

Out of the currently existing liabilities with an order of magnitude of HUF 20 bn (loans+bonds), roughly 45% could be used for refinancing, at most.

11) What will ALTEO's current and planned dividend policy look like?

Ever since ALTEO entered the public stock market, the company consistently considers itself to be a "growth story". Accordingly, the dividend payout level was kept, consciously, at a low level. It remains a goal that (small) shareholders earn dividend yields slightly above the deposit rates, to the tune of about 2%. On the other hand, we would like to emphasize that the bond documentation will not contain any commitment regarding the dividend policy, or controlling rights of bondholders in terms of payouts.

12) Is there a longer term business plan available and will it be accessible to potential bond investors? Is it possible to ask analytical questions in order to make more informed decisions?

ALTEO does not tend to prepare a plan extending to more than three years, at the same time these are prepared for internal use only, and the company does not usually publish forecasts. In the case of the banks financing ALTEO at present, it is advisable to ask or mention any questions relating to the operation, financial performance of ALTEO and any associated data needs, within the scope of the borrower-lender relationship. Furthermore, it is worth to have a look at the forecast of Scope Ratings. It does not contain ALTEO's plans, but contains the forecast of Scope, providing nevertheless a good starting point for this type of modelling.

13) Will certain covenants be integrated into the conditions of the bond?

The governing body of ALTEO will make their decision on the eventual terms of the bond, in the knowledge of the potential investor feedback obtained during market sounding. Nevertheless, as it was said during personal meetings, a favorable rating (BBB-) from Scope Ratings of the "senior unsecured" debt to be issued, as well as by reason of ALTEO's presence on the capital market for almost 10 years, the company considers the use of covenants only to a limited extent, in accordance with the intentions of the Scheme announcer.

14) What are the disclosure obligations to be met by the issuer?

Given that the ALTEO shares are listed in the Premium category on the BSE, while its bond(s) in the section of regulated debt securities of the BSE, the company has complied with the ordinary and extraordinary disclosures, in line with the highest standards required from listed companies. According to the plans, the bond to be issued in the framework of BGS will also be listed on the regulated market.

Other questions in connection with ALTEO's operations

15) Typically, what is the duration of service and commercial agreements?

In the case of long-term O&M (operation & maintenance) contracts, their term is usually longer than 5 years. This provides the basis for the energy service business, parallel to the O&M of the own power plants. In addition, the contractual term of the one-off maintenance and contractor services is much shorter; here, the duration depends typically on the size and complexity of the project. In the case of commercial contracts (that is, retail contracts in electricity and natural gas), the company typically concludes contracts for a period of 1 year, a maximum of 2 years.

16) Which projects are the ones where KÁT has already expired?

In the case of three wind turbines (Windeo) and of the hydropower plant of Gibárt, however, this latter unit received a METÁR subsidy for almost 20 years and at present, it is under renovation and modernization. The power plants without KÁT become parts of ALTEO's control center and provide electricity and capacity for the latter. Due to the control center, as compared to the normal, baseload electricity sale, these renewable power plants can create a significant added value, because our available gas engine capacities and our renewable power plants, without the cost of raw materials, complement each other very well.

17) How are market prices changing, as compared to the KÁT price?

There are major fluctuations in the spot market prices of the so-called baseload electricity, but in general terms we can say that at present it corresponds to roughly 40-50% of the MAVIR (KÁT) price, but this may change over time. Selling on the market takes place via hedging transactions on the stock exchange, therefore, the recently experienced spot market volatility had a moderate impact on ALTEO.

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