



alTEO

**ALTEO PARTICIPATION IN THE BOND FUNDING
FOR GROWTH SCHEME
ROAD-SHOW**

Conditions of the Bond Funding for Growth Scheme vs. ALTEO goals

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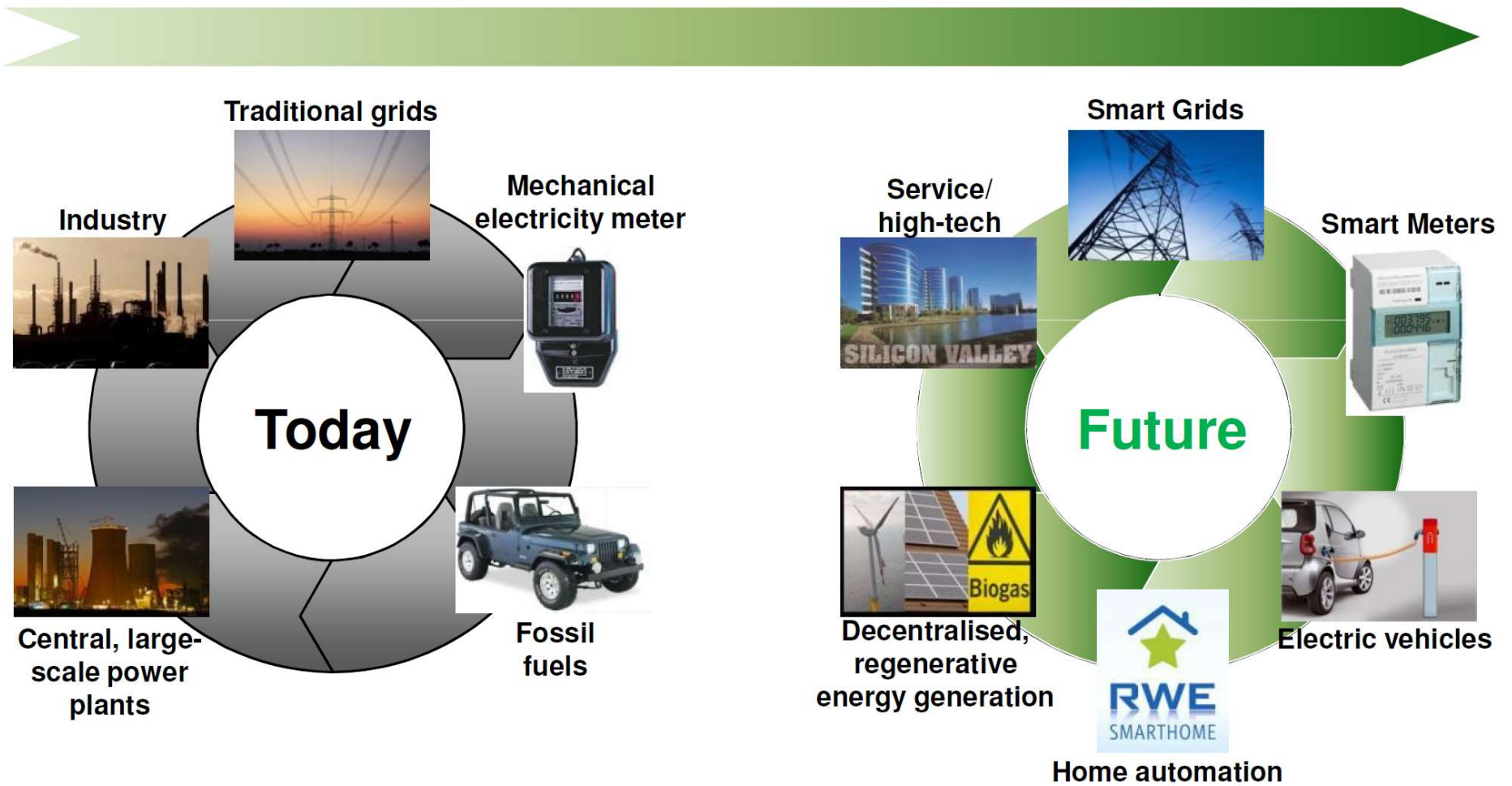
| | BGS condition | ALTEO |
|-----------------------------|---|---|
| Maturity | Min. 3 years, max. 10 years | 1 or 2 issues with different maturities, maturities ranging from 8 to 10 years |
| Minimum volume | HUF 1 billion | Planned: HUF 9.3 billion |
| Type | Either private or public, but the bond must be listed to one of the trading platforms of BSE within 180 days | Auction after the issue of the Base Prospectus; bonds are listed in the BSE's corporate bond section immediately |
| Rating of bonds | At least B+ (by a credit-rating agency approved by ESMA) | BBB- (Scope) |
| MNB participation | Subscribes 50% and may subsequently purchase an additional 20% from investors on the secondary market A preferential deposit facility for bank investors | Subscribes 50% and may subsequently purchase an additional 20% from market investors on the secondary market |
| MNB participation condition | Number of participants: invitation of at least 5 market investors | Number of invitees above 10, with a target group of bank and institutional investors |
| Currency and face value | HUF equivalent of at least EUR 100 thousand | HUF equivalent of at least EUR 100 thousand |
| Interest | fixed, variable or zero coupon | fixed |
| Purpose of bond issuance | Refinancing or financing new growth | Around 90% is intended to refinance loans outstanding |
| Collateral acceptance | Bonds may be accepted by the MNB as eligible collateral. Outstanding interest return similar to the preferential deposit facility | Bonds may be accepted by the MNB as eligible collateral. Outstanding interest return similar to the preferential deposit facility |
| Market making | As per the MNB's conditions (15 minutes a day, 200 bps spread) | As per the MNB's conditions (15 minutes a day, 200 bps spread) - market maker: Erste |

Advantages of the BGS for ALTEO

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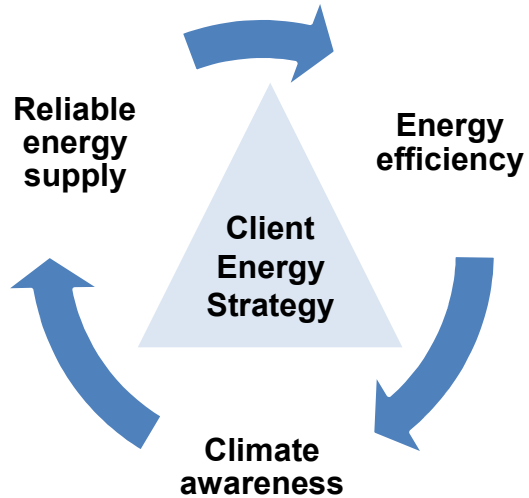
- ✓ The extension of the remaining average maturity of our debts better fits for the lifetime return of the energy projects
- ✓ Tenors longer than 3-5 years are practically unavailable in the Hungarian corporate bond market
- ✓ Administrative burdens of banking and reporting obligations decrease in line with debt repayments
- ✓ Securitization of project loans improves the Group's financial flexibility significantly
- ✓ Despite long maturities, the bonds remain attractive both for investors and for ALTEO thanks to the MNB's involvement

Energy Revolution



Sustainable Smart Energy

- High availability and 24/7 technical assistance
 - Proven and reliable technologies
 - Independency from energy supply problems such as power outages
- Maximise energy savings potential and optimise existing asset base
 - Utilising cutting-edge technologies



- High efficiency generation reducing CO2 emission
- On-site generation to mitigate network loss
- Renewable technologies to further reduce environmental impact

Smart energy service covers an integrated energy solution package, taking a holistic view on the client's energy needs

- Service portfolio including:
- ✓ Consulting to identify energy savings potential and to optimise current asset base
 - ✓ Complete project management (design, procurement and installment of assets and systems to further improve energy efficiency)
 - ✓ Operation and maintenance of assets to ensure that savings are realised appropriately
 - ✓ On-site generation solutions and renewable technologies in order to bring further benefits
 - ✓ Financing of investment (full or partial) into generation assets depending on client's preference to spend money upfront or not
 - ✓ Covering the entire value chain enables clients to receive complete solutions package from a single, reliable supplier

ALTEO a vezető "Smart Energy" szolgáltató

Energiatermelés és szabályozási központ

- ✓ Decentralizált, megújuló villamos energia termelés
- ✓ Magas hatékonyságú gáztüzelésű kogenerációs erőművek, amelyek rugalmas fel és leszabályozási kapacitásokkal rendelkeznek
- ✓ Szabályozási központ, mely rendszerszintű szabályozási szolgáltatást nyújt a rendszerirányítónak (MAVIR)

Energetikai szolgáltatások

- ✓ Üzleti partnerek támogatása a saját energetikai stratégiáik végrehajtásában: megbízható energiaellátás, megújuló energiák felhasználása, költséghatékonyság
- ✓ Az ügyfelek tevékenységébe integrált energetikai szolgáltatások, mely igény szerint lehet mérnöki, fővállalkozói (erőmű fejlesztés, EPC szolgáltatások) szolgáltatás, és/vagy üzemeltetési és karbantartási (O&M) szolgáltatás is
- ✓ Hosszú távú szerződések a kulcsfontosságú ipari partnerekkel

Energia-kereskedelem

- ✓ Nagy és KKV ügyfelek kiegyensúlyozott portfóliója az energiakereskedelmi szegmensben
- ✓ Ügyfélközpontú, rugalmas energiakereskedelem

Kiemelt ügyfelek



LEADING SMART ENERGY SERVICES PROVIDER

Energy production & Control Centre

- ✓ Decentralized, renewable electricity production
- ✓ Highly efficient gas-fired combined electricity and heat production with flexible electricity upload/download capabilities
- ✓ Control Centre provides electricity reserve supply services to the TSO

Energy services

- ✓ Integrated services including engineering, construction (plant development EPC services), operations & maintenance (O&M) to drive clients and energy efficiency improvement
- ✓ Long-term contracts with key industrial partners
- ✓ Supporting clients to execute own energy strategies: reliable energy supply, renewable utilisation, cost improvements

Energy supply and trading

- ✓ Balanced portfolio of large corporates and SME clients in the energy supply & trading segment
- ✓ Client focused, flexible energy trading

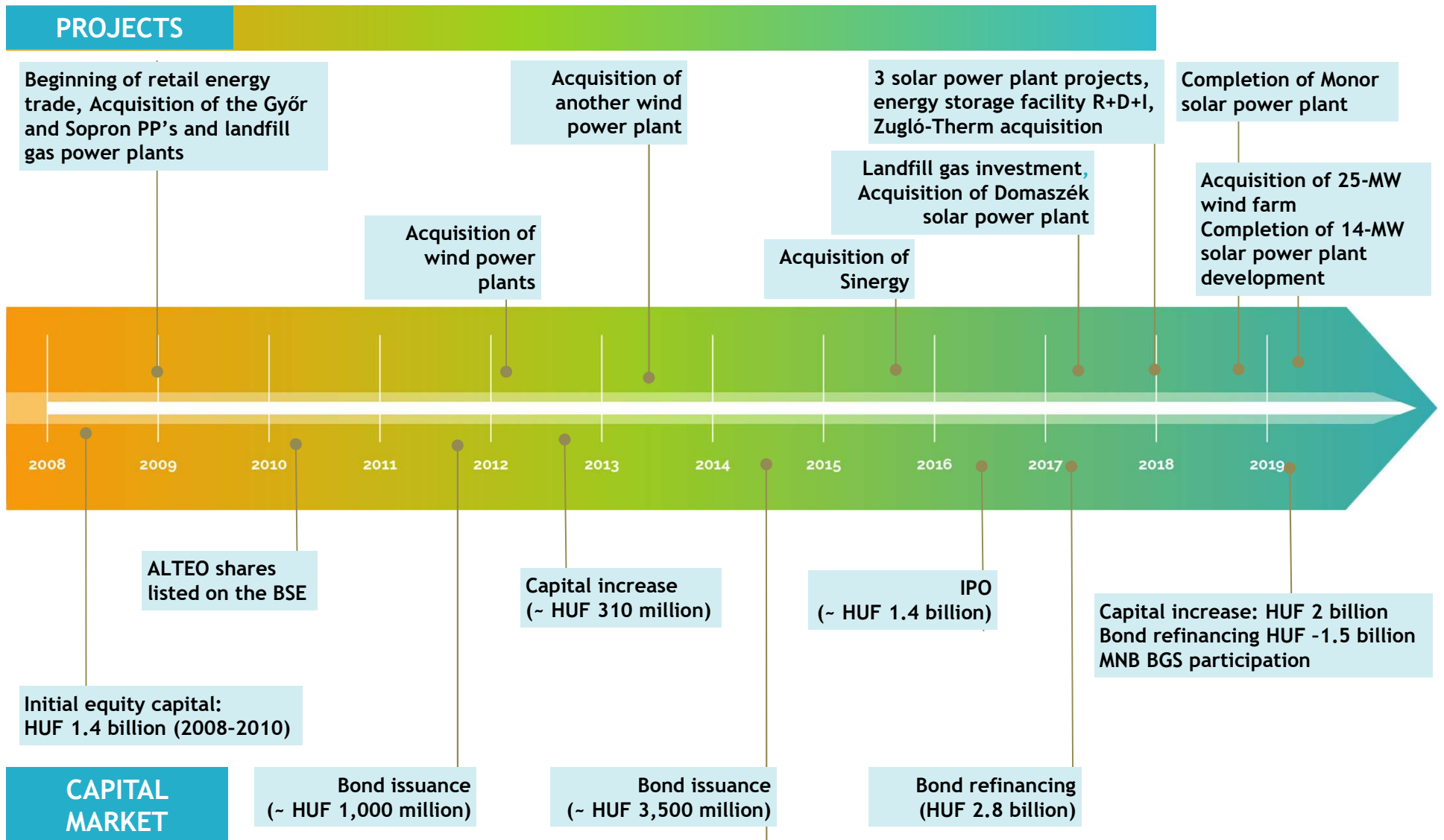
Selected clients



Investment considerations

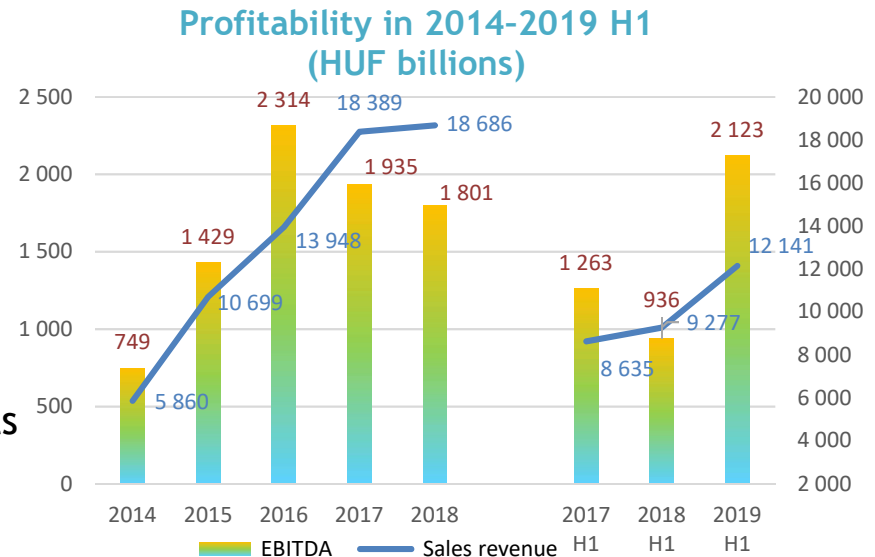
- A leading “Smart Energy” provider with an attractive and diverse clientele, tailor-made solutions and a comprehensive range of products and services
- Excellently positioned to take advantage of a potential upswing in energy-related investments
- Already identified investment opportunities covering the whole value chain of energy management
- Powerful growth track record, proven management skills in acquisitions, developments and capital market transactions (issuance of securities)
- The investment stage commenced after the 2016 IPO was outperformed; the first results of the investments are already reflected in the figures for 2019 H1
- No major changes are expected in indebtedness as we mainly intend to refinance outstanding project loans and bonds already issued
- The main goal is to ensure that the maturity is better aligned with the payback horizon of energy projects

Active investment and capital market presence from the foundation



Dynamic growth

- ✓ Annual EBITDA capacity of HUF 2 billion, +/-15% before the implementation of the investment program is to increase significantly after the implementation, which is reflected in the figures for 2019 H1 already
- ✓ In the 2017-19 period, new investments were in focus
- ✓ In 2019 we have also performed acquisitions that point beyond the investment program started in 2017
- ✓ Over the past 3 years, the sum invested amounted to HUF 20 billion vs. the targeted HUF 10-15 billion
- ✓ Several elements of the portfolio were put into commercial operation or their acquisition was completed in the spring (25 MW wind) or summer of 2019 (14 MW solar), which may boost effectiveness even further in the near future



ALTEO Group on the map

ALTEO POWER PLANT PORTFOLIO IN HUNGARY



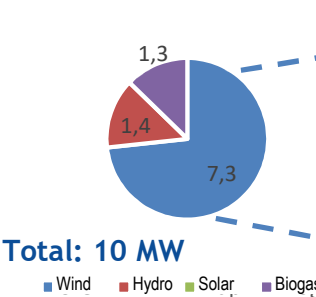
| RENEWABLE ENERGY GENERATION | INDUSTRIAL AND COMMERCIAL SERVICES | GAS ENGINES AND HEATING POWER PLANTS |
|---|--|---|
| <p>ALTEO Group has significant competencies, among others, in the utilization of renewable energy sources.</p> | <p>By providing professional services to industrial plants, ALTEO Group contributes to the energy efficiency of its customers.*</p> | <p>ALTEO Group operates highly efficient, hydrocarbon-fuelled electricity generating systems.</p> |
| <p>WIND POWER PLANTS Ács Jánossomorja Pápakovácsi Törökszentmiklós Bony</p> <p>RENEWABLE GAS Debrecen – landfill gas Nagykőrös – biogas</p> <p>HYDRO POWER PLANTS Felsődobcsa Gibárt</p> <p>BIOMASS Tiszaújváros</p> <p>SOLAR PLANT Domaszék Monor Balatonberény Nagykőrös</p> | <p>BORSODCHEM: BC-Therm boiler BC-Power Plant</p> <p>MOL PETROLKÉMIA: TVK Power Plant TISZA-WTP Water Treatment Plant</p> <p>AUDI MOTOR HUNGÁRIA KFT. HEAT SUPPLY</p> <p>HEINEKEN: HEAT SUPPLY</p> <p>MOM PARK: ENERGY CENTER</p> <p>AGRIA PARK: ENERGY CENTER</p> | <p>HEATING POWER PLANTS Kazincbarcika Heating Power Plant Tiszaújváros Heating Power Plant Ózd Power Plant Zugló Power Plant Győr Power Plant Sopron Power Plant</p> |

Results of the investment program in progress

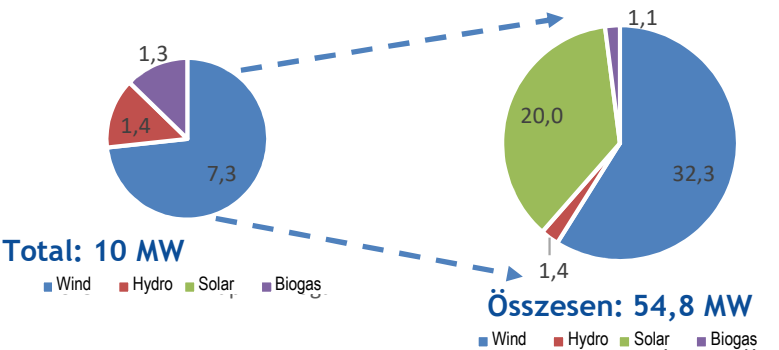
Renewable projects

- A low-output landfill gas plant (0.5 MW) was inaugurated in 2017 in Debrecen in addition to the existing unit. We also acquired the Domaszék solar power plant (2 MW)
- The Monor solar power plant (4 MW), our internal development, started production in December 2018
- The Balatonberény (7 MW) and Nagykőrös (7 MW) solar power plants started production in summer 2019. The acquisition of Euro Green Energy (25 MW) was concluded in spring 2019
- The reconstruction of the Gibárt hydropower plant commenced in summer 2019; its capacity is expected to almost double by 2020

Renewable capacities 2016, in MW



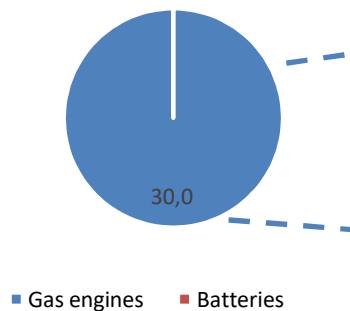
Renewable capacities 2019, in MW



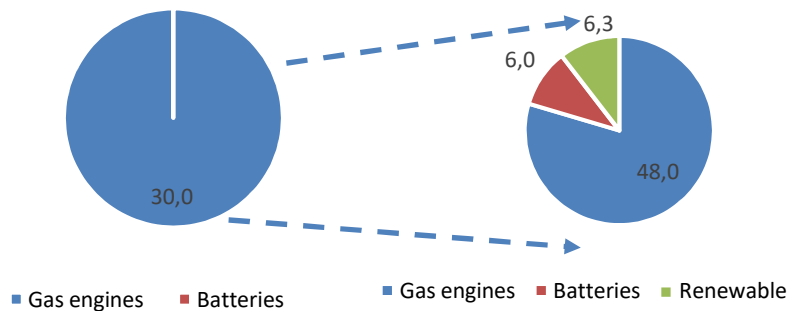
Non-renewable projects

- In 2018, ALTEO acquired a 51% stake in Zugló-Therm, and thus became the exclusive owner of the company
- The energy modernization of the Sopron power plant was completed in 2018
- **The Batteries for Energy Storage R+D+I project** was concluded. The total cost of the project was HUF 1.1 billion, for which the company was awarded funding amounting to HUF 500 million
- **Waste management:** In early 2019, ALTEO launched its waste management division. In the first step it acquired a 66.6% stake in a company with an established market presence and social capital

Proprietary control center capacities 2016, in MW



Proprietary control center capacities 2019, in MW



Consolidated profit and loss statement (IFRS)

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Consolidated profit and loss statement

| data in HUF million | H1 2019 | H1 2018 | Change | Change |
|--|---------------|--------------|---|----------------------------|
| | non-audited | non-audited* | HUF million compared to the previous year | % over previous year |
| Revenues | 12,141 | 8,814 | 3,328 | 38% |
| Material-type expenditures | (8,407) | (6,751) | (1,657) | 25% |
| Personnel expenditures | (1,291) | (1,245) | (46) | 4% |
| Depreciation and amortization | (908) | (336) | (572) | 170% |
| Other revenues, expenditures, net | (321) | 119 | (440) | (369%) |
| Impairment loss | (80) | (22) | (58) | N/A |
| Operating profit or loss | 1,134 | 579 | 555 | 96% |
| Net financial profit | (361) | (26) | (335) | 1,290% |
| Profit before taxes | 773 | 553 | 220 | 40% |
| Income tax expenditure | (290) | (201) | (89) | 44% |
| Net income | 483 | 352 | 131 | 37% |
| <i>Of which, to owners of parent company</i> | 483 | 352 | 131 | 37% |
| <i>Of which, to minority shareholders</i> | - | (1) | 1 | (100%) |
| Base EPS (HUF/share) | 28.10 | 22.51 | 5.60 | 25% |
| Diluted EPS (HUF/share) | 26.89 | 21.45 | 5.44 | 25% |
| EBITDA | 2,123 | 936 | 1,187 | 127% |

Consolidated comprehensive profit and loss statement

| data in HUF million | H1 2019 | H1 2018 | Change | Change |
|--|--------------|-------------|--------------------------------------|----------------------------|
| | non-audited | non-audited | HUF million over previous year | % over previous year |
| Net profit | 483 | 352 | 131 | 37% |
| Other comprehensive profit (after taxes on profits) | (1,061) | (116) | (945) | 815% |
| Comprehensive income | (578) | 236 | (814) | (345%) |
| <i>Of which, to owners of parent company</i> | (578) | 237 | (815) | (344%) |
| <i>Of which, to minority shareholders</i> | - | (1) | 1 | (100%) |

In addition to the HUF 3,328 million growth in sales revenue, EBITDA also shows a rise of 127% over the same period in the preceding year.

Most important changes in operating profit and loss items:

- Sales revenue increase:** primarily due to the expansion of the retail electricity and natural gas segments, as well as concluded investment projects and acquisitions.
- Increase in material-type expenditures:** Primarily the result of the larger market share of the Energy Retail segment, mitigated by the fees now paid to non-third-parties as a result of the consolidation of Zugló-Therm Kft.
- Other revenues, expenditures:** The deviation from H1 last year is linked to 2018 revenue with retroactive accounting linked to a long-term service agreement and the CO₂ quota. With the acquisition of the Zugló power plant, the Group's quota to be purchased for the CO₂ emissions increased significantly, to which the considerable rise in exchange rates was added.
- Financial results:** The deterioration of net financial profits is caused by interest booked on the loan portfolio increased as a result of intense investment activity.
- Net profits** increased significantly, by 37%. The rate of the increase of net profits falling short of EBITDA can be primarily traced back to increased depreciation expenditures due to realized investments, and increased interest expenditures linked to the greater loan portfolio.
- Other comprehensive income:** ALTEO concludes hedging transactions in order to keep the future profit content of its activity independent of any changes in the price of factors it cannot control (e.g. interests, gas/electricity/CO₂). Within hedging transactions, the prices fixed in respect for the future at any given time may be different from the current market price of the given product. In such cases, the accounting profit not actually realized must be accounted as per IFRS rules.

* In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (a profit category from which financial items, taxes, depreciation, and non-systematic reductions - typically impairments - have been removed). Therefore, impairment and local business taxes and innovation contributions - if any - have been removed from the Other Revenues and Other Expenditures lines that are used to provide a more detailed elaboration of the EBITDA in the above table. The data of the comparison column was amended on account of the net accounting of a specific transaction, which data do not amend the Group's consolidated EBITDA or the value of net profits.

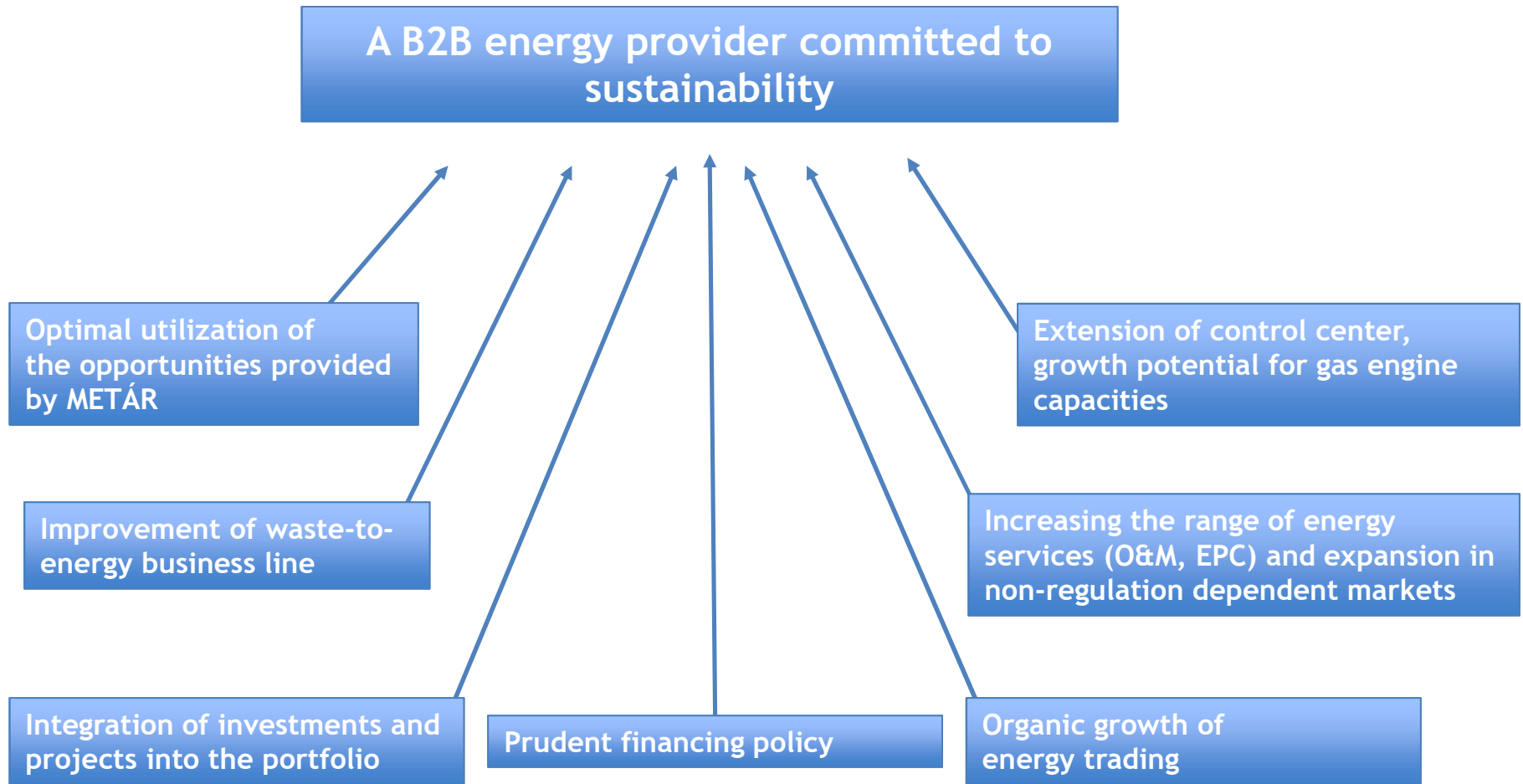
Consolidated balance sheet (IFRS)

| Consolidated balance sheet | | | | | |
|---|---------------------------|---------------------------|-----------------------|-----------------------|-------------|
| <i>data in HUF million</i> | 06/30/2019 non-audited | 12/31/2018 comparison* | 12/31/2018 audited | Change million HUF | Change % |
| Non-current assets | 24,087 | 13,809 | 13,716 | 10,278 | 75% |
| Current assets | 9,124 | 9,143 | 9,143 | (19) | (0%) |
| <i>of which, financial assets</i> | 2,333 | 2,561 | 2,561 | (228) | 9% |
| TOTAL ASSETS | 33,211 | 22,952 | 22,859 | 10,259 | 45% |
| Equity | 6,310 | 5,145 | 5,145 | 1,165 | 23% |
| Long-term liabilities | 19,876 | 9,192 | 9,130 | 10,684 | 117% |
| <i>of which credit, loans, bonds, leasing</i> | 18,308 | 8,227 | 8,165 | 10,081 | 123% |
| Short-term liabilities | 7,025 | 8,615 | 8,584 | (1,590) | (19%) |
| <i>of which credit, loans, bonds, leasing</i> | 1,775 | 1,628 | 1,597 | 147 | 9% |
| TOTAL EQUITY and LIABILITIES | 33,211 | 22,952 | 22,859 | 10,259 | 45% |

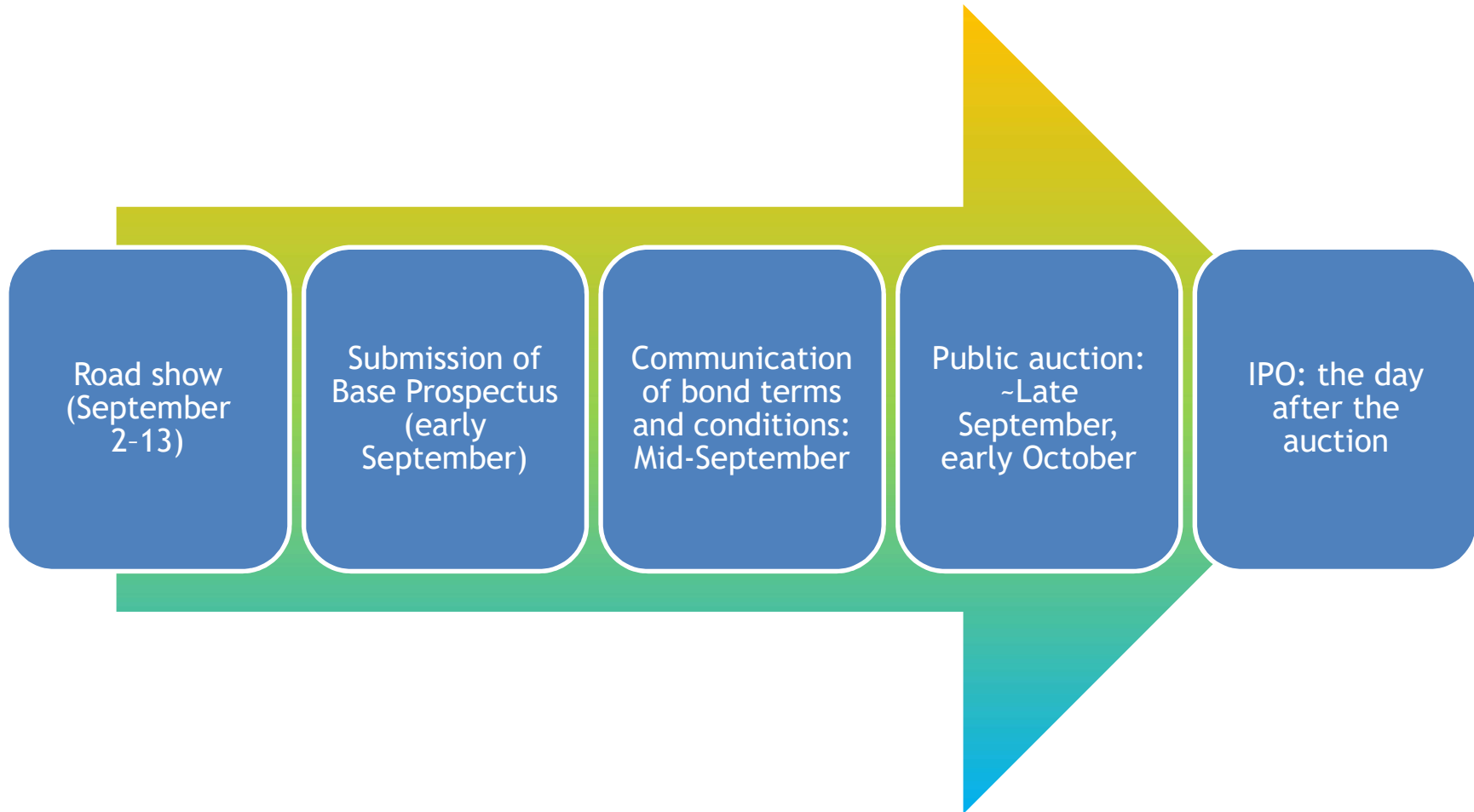
*The comparison column shows data for the preceding year generated through the use of the IFRS 16 standard.

- **Investments, capital expenditures** the capital intensive phase of investments and capital expenditures continued in 2019. The total joint investment size (own funds plus project loans) of the investment and capital expenditure projects begun in 2017 that for the most part have already been completed or are ongoing exceeds HUF 20 billion.
- **Working capital:** Due to seasonal and structural reasons, the volume of trade payables is lower, but at the same time unrealized hedge positions increase the volume of liabilities. The portfolio of financial assets dropped slightly, mainly on account of intense investment activity, something that was not fully compensated for by this year's private placement (HUF 2 billion) and bond issue (HUF 1.5 billion). The majority of the latter was used to refinance bonds maturing this year.
- **Equity:** The effect of the private placement represented an increase on the equity line, which is partly offset by the unrealized effect of hedge position changes booked against equity.
- The fundamental reasons for the increase of **long-term liabilities:** (i) additional phases of bank financing were drawn down in relation to the new solar projects, and (ii) the purchase of the acquired wind farm was also completed through a bank loan,

ALTEO in the future - Key objectives



Preliminary bond issuance schedule



Further information

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- Scope credit rating: <https://www.scooperatings.com/#search/research/detail/160507EN>
- Information memorandum for the launch of 2022/II bond: https://alteo.hu/wp-content/uploads/2019/05/ALTEO_infomemo_20190529_signed.pdf
- Consolidated financial statements for 2018: https://alteo.hu/wp-content/uploads/2019/04/ALTEO_konzlidal-t-Penzugyi-Kimutatasok-2018-1.pdf
- Other news and reports on the BSE's website at [https://bet.hu/oldal/ceg_adatlap/\\$issuer/3353](https://bet.hu/oldal/ceg_adatlap/$issuer/3353) or at <https://alteo.hu/befektetoknek/az-alteo-nyrt-kozlemenyei/> or kozzetetelek.hu
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