ALTEO
INVESTOR PRESENTATION
Q3 2018
(non-audited financial results)

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10 WE'VE BEEN SHARING THE FUTURE FOR 10 YEARS

NON-AUDITED FINANCIAL RESULTS Q3 2018

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The most important goals, events and results of 2018 so far

Implementation of the investment programme

- The implementation of the HUF 10-15 billion investment, capital expenditure is being conducted in line with the 2017-2019 strategy, laying down the foundations of future growth. The Group has implemented more than HUF 11 billion in investment until Q3 2018 through already completed and ongoing investments.
- **Batteries for energy storage R+D+I project**; total cost: HUF 1.1 billion; amount of subsidy awarded to the company for the project: HUF 500 million. The largest item within the project, the energy storage unit was completed and delivered at the end of August, and has started its commercial operation. Additional smaller developments are still ongoing within the project (electricity based heat generating unit, IT developments), the final completion is expected in 2019.
- The acquisition of 51% of **Zugló-Therm Kft.** was completed in the month of March.
- **Solar plant** developments: following the acquisition of the 2 MW solar plant in Domaszék, other significant solar plant development opportunities were also added to the portfolio of the Group in 2018. After the expected completion of the construction of these plants (by end of H1 2019), the Group will own and will be operating a 20 MW solar plant portfolio: the acquisition of the project companies has been completed and the implementation works have started on the 7 MW solar plant in **Balatonberény**, the 4 MW solar plant in **Monor**, and the 7 MW solar plant in **Nagykőrös**.
- **Energy services – Service projects (construction and maintenance)** – in overall favourable macroeconomic conditions that encourages investments, new tendering opportunities at our existing and new clients related to the implementation of their ongoing capital expenditure projects and the maintenance of already existing facilities are announced on an ongoing basis. We have successfully completed the new steam boiler project for MOL Petrolkémia as a general contractor, as well as the Tisza-WTP capacity extension project, and we have started the energy efficiency upgrades of the Sopron power plant.
- **Expansion in Germany** the German subsidiary was founded. The main task of the company is to find new opportunities on the control centre services market.

The most important goals, events and results of 2018 so far

Optimal operation of the existing asset portfolio

- **Consolidated sales revenue** increased by 7% compared to the same period in the previous year, primarily as a result of the 40% growth of the electricity and natural gas retail segment, which offset the reduction in the volume of wind energy plants exiting the KÁT system, and of construction works completed for external third parties. In 2018, the Group focuses on self-implemented, primarily solar plant projects, whose implementation profit will thus remain within the Group and will increase shareholder value via improved return on investment. The sales revenue and EBITDA of self-implemented projects is filtered out during consolidation.
- **Consolidated EBITDA** decreased by 18% compared to the same period last year. The reduction is mainly due to the lower EBITDA generated on wind energy plants exiting the KÁT system, as well as higher CO_2 expenses, and the effects of certain favourable one-off items booked in 2017 the latter of which increased the base.
- **The heat and electricity production segment (market based)** generated HUF 408 million less EBITDA with 3% higher sales revenue primarily due to higher CO_2 expenses, and the effects of favourable one-off items in this segment booked in 2017 increasing the base. The wind energy plants that were removed from the scope of the compulsory feed-in tariff system were successfully integrated into our Control Centre.
- The sales and the profitability of **the retail energy trade segment** has increased significantly as a result of the favourable volume and price effects in natural gas and electricity trade, as well as the change in the implemented hedging policy.
- **Energy services:** The implementation of the solar plants in Monor, Balatonberény, and Nagykőrös – implemented as own investment – is in progress. The task of this segment this year and in the first half of next year, in addition to providing services to our existing clients, is to complete the implementation of our own solar plant development projects representing a total nominal capacity of 18 MW.

ALTEO Group Portfolio

RENEWABLE ENERGY GENERATION	INDUSTRIAL AND COMMERCIAL SERVICES	GAS ENGINES AND HEATING POWER PLANTS
ALTEO Group has significant competencies, among others, in the utilization of renewable energy sources.	By providing professional services to industrial plants, ALTEO Group contributes to the energy efficiency of its customers.*	ALTEO Group operates highly efficient, hydrocarbon-fuelled electricity generating systems.

RENEWABLE ENERGY GENERATION

WIND MILLS
Ács
Jánossomorja
Pápakovácsi
Törökszentmiklós

RENEWABLE GAS
Debrecen – landfill gas
Nagykőrös – biogas
Kisújszállás – thermal methane gas

HYDROELECTRIC POWER PLANTS
Felsődobsza
Gibárt

BIOMASS
Tiszaújváros

SOLAR PLANT
Domaszék
Monor
Balatonberény
Nagykőrös

INDUSTRIAL AND COMMERCIAL SERVICES

BORSODCHEM:
BC-Therm boiler
BC-Power Plant

MOL PETROLKÉMIA:
TVK Power Plant
TISZA-WTP Water Treatment Plant

AUDI MOTOR HUNGÁRIA KFT: HEAT SUPPLY

HEINEKEN: HEAT SUPPLY

MOM PARK: ENERGY CENTER

AGRIA PARK: ENERGY CENTER

GAS ENGINES AND HEATING POWER PLANTS

HEATING POWER PLANTS
Ózd Power Plant
Tiszaújváros Heating Power Plant
Kazincbarcika Heating Power Plant
Füredi út Gas Engine Power Plant
Győr Power Plant
Sopron Power Plant

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Consolidated profit and loss statement (IFRS)

Consolidated profit and loss statement					
data in HUF million	30.09.2018 non-audited	30.09.2017 Comparison	30.09.2017 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenues	**13 257**	**12 379**	**12 379**	**878**	**7%**
Material expenses	(10 253)	(9 664)	(9 664)	(589)	6%
Personnel expenses	(1 808)	(1 702)	(1 702)	(106)	6%
Depreciation and amortisation	(502)	(420)	(420)	(82)	20%
Other revenues, expenses, net	(29)	413	295	(442)	-107%
Impairment loss	(28)	-	-	(28)	N/A
Operating profit	**636**	**1 006**	**888**	**-370**	**-37%**
Net financial profit	(117)	(246)	(246)	129	-52%
Profit before taxes	**519**	**760**	**642**	**-241**	**-32%**
Income tax expenditure	(216)	(237)	(119)	21	-9%
Of which: Local business tax expenditure	(150)	(118)	-	(32)	27%
Net profit	**303**	**523**	**523**	**-220**	**-42%**
Of which, to owners of parent company	304	525	525	(221)	-42%
Of which, to minority shareholders	(1)	(2)	(2)	1	-50%
Base EPS (HUF/share)	**19,41**	**33,55**	**33,55**	**(249,00)**	**-93%**
Diluted EPS (HUF/share)	**18,50**	**31,98**	**31,98**	**(237,30)**	**-93%**
EBITDA*	**1 167**	**1 425**	**1 307**	**(258)**	**-18%**

Other comprehensive income					
data in HUF million	30.09.2018 non-audited	30.09.2017 Comparison	30.09.2017 non-audited	Change HUF million over previous year	Change % over previous year
Net profit	**303**	**523**	**523**	**-220**	**-42%**
Other comprehensive income (after profit tax)	322	(429)	(429)	751	-175%
Comprehensive income	**625**	**94**	**94**	**531**	**565%**
Of which, to owners of parent company	626	96	96	530	552%
Of which, to minority shareholders	(1)	(2)	(2)	1	-50%

*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 Income and Other expenses lines that are used to provide a more detailed elaboration of the EBITDA in the above table.
In addition to the adjustments made for local business taxes and innovation contributions, the comparison column was also adjusted for re-categorisations across segments, which do not impact the consolidated value of the Group's EBITDA.

Besides the HUF 878 million increase in sales revenue, EBITDA is in the median range of the performance capacity of the current portfolio.

- **Most important changes in operating profit and loss items:**
- **Sales revenue increase**: growth was primarily the result of the market gains of the retail energy trade segment. This was somewhat mitigated by the implementation focus of the Energy Services segment, and that three wind energy plants reached the maximum allowed production quota in KÁT system by the end of H1 2018, which means that since that time they have been selling their electricity at market price, resulting in lower sales revenue.
- **Increase in material expenses:** Primarily the result of increased market share of the Retail Energy Trade segment, which has been mitigated by the fees paid to non-third-parties as a result of the consolidation of Zugló-Therm Kft.
- **Other revenues, expenses**: The variance compared to last year is mainly the result of three items. In the same period of 2017, provisions of HUF 330 million set aside for non-performing contracts were released. The price of CO_2 quotas that power plants are required to buy has increased considerably (HUF -325 million), and the Group has come to an agreement on a retrospective settlement related to a long-term contract (HUF +244 million).
- **Financial results:** The improvement in net financial results was primarily caused by the foreign exchange rate difference realised on leasing receivables, and other transactions invoiced in a foreign currency, as well as the non-realised exchange rate gain caused by revaluations at the end of the period.
- **Other comprehensive income:** the valuation of hedging transactions (mostly natural gas hedge) completed at the balance sheet date, a nonfinancial accounting item the day-to-day valuation of which may show significant volatility, which resulted in a surplus this year as opposed to last year.

Consolidated balance sheet (IFRS)

Consolidated balance sheet				
	30.09.2018	31.12.2017	Change	Change
data in HUF million	non-audited	audited comparative	HUF million	%
Fixed assets	**11,906**	**7,546**	**4,360**	**58%**
Current assets	**7,752**	**9,106**	**- 1,354**	**-15%**
of which cash and cash equivalents	*1,280*	*2,826*	*- 1,546*	*-55%*
TOTAL ASSETS	**19,658**	**16,652**	**3,006**	**18%**
Shareholders' equity	**5,491**	**5,119**	**372**	**7%**
Long-term liabilities	**7,394**	**6,255**	**1,139**	**18%**
of which credit, loans, bonds, leasing	*5,975*	*5,382*	*593*	*11%*
Short-term liabilities	**6,773**	**5,278**	**1,495**	**28%**
of which credit, loans, bonds, leasing	*1,430*	*547*	*883*	*161%*
SHAREHOLDERS' EQUITY and LIABILITIES TOTAL	**19,658**	**16,652**	**3,006**	**18%**

- **Investments, capital expenditures:** the capital intensive phase of investments and capital expenditures continued in 2018. The total investment size (equity plus project loans) of the investment and capital expenditure projects begun in 2017 that in certain cases have already been completed or are ongoing exceeds HUF 11 billion.
- **Working capital**: Accounts receivable and accruals are lower due to seasonal and structural reasons. The significant reduction in cash and cash equivalents is caused by the significant equity requirement of completed capital expenditures and acquisitions. After the disbursement of bank project loans additional financial resources in excess of the equity requirement can be used to finance additional projects.
- **Shareholders' equity:** The increase in shareholders' equity resulting from profits generated during the period exceeded the reduction caused by paid dividends and repurchased shares.
- **Liabilities:** The first phase of bank loan amounts have been drawn down on the new projects, and the bank loan of Zugló-Therm was stated in the Group's books following the acquisition of that company, as a result of which the loan portfolio of the Group increased. The increase in short-term loans is the result of the re-categorisation of bonds maturing next year (HUF 869 million).

Heat and Electricity Production (market based, outside the KÁT system)

Heat and Electricity Production (market based, outside the KÁT system)					
	2018.09.30	2017.09.30	2017.09.30	Change HUF million	Change %
data in HUF million	actual	Comparison	non-audited	over previous year	over previous year
Sales revenue	**6 762**	**6 555**	**6 921**	**208**	**3%**
Material expenses	-5 937	-6 010	-6 057	73	-1%
Personnel expenses	-20	-1	-1	-19	1838%
Other revenues and Other expenses	-337	332	254	-669	-201%
EBITDA*	**468**	**876**	**1 117**	**-408**	**-47%**

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In addition to the adjustments made for local business taxes and innovation contributions, the comparison column was also adjusted for re-categorisations across segments, which do not impact the consolidated value of the Group's EBITDA.

- The sales revenue of the segment increased by 3% (HUF 208 million), while **material expenses were reduced by HUF 73 million**. Despite the significant cost reduction, **as a result of a one-off item** (releasing of provisions generated in 2017 for non-performing contracts), and higher CO_2 purchase costs (HUF -325 million), the segment **generated HUF 408 million less in EBITDA**.
- The Control Centre successfully integrated several wind energy plants that had completely produced its quota granted in the KÁT system.
- The implementation of the innovative application model for the energy storage batteries has been completed, for which the Group has been awarded a HUF 500 million non-refundable grant from the National Research, Development and Innovation Office. The energy storage unit that is the main component of the project has been operating since September; the remaining smaller developments in the project will be completed in 2019.

Heat and Electricity Production (market based, outside the KÁT system)

The reduction in the profitability of the **entire segment** was primarily caused by higher CO_2 costs and the one-off positive effects affecting the base. At the same time, however, the core operation of the segment was successful:

- The higher profits realised on the production of **structured electricity products** can primarily be traced back to three factors:
  - In 2018, we managed to obtain significantly higher margins on successful **capacity tenders**.
  - With the consolidation of Zugló-Therm Kft in April 2018 the margin previously paid to an external third-party was channelled back into the Group in the second and third quarters of 2018
  - As a result of the joint occurrence of **extreme weather, extreme electricity prices and production equipment downtimes** in the beginning of 2017, our profit generating capacity temporarily dropped – similarly to other market players –, which was not the case during 2018.
- The profit generated on **heat production (district heating) sales** also improved compared to the same period of the preceding year
  - Last year, in order to satisfy the increased heat demand resulting from **extreme weather conditions** higher than planned quantities (calculated on the basis of heat requirements based on average temperatures over recent years) of natural gas had to be used for heat production. The cost of the required additional natural gas (which was available on the market at that time) was higher, therefore, 2017 profit decreased in parallel with sales volumes. These events did not occur in 2018.

Electricity production (KÁT system)

Electricity production (KÁT system)					
	2018.09.30	2017.09.30	2017.09.30	Change HUF million	Change %
data in HUF million	actual	Comparison	non-audited	over previous year	over previous year
Sales revenue	**519**	**641**	**641**	**-123**	**-19%**
Material expenses	-127	-166	-166	39	-24%
Personnel expenses	-73	-73	-73	1	-1%
Other revenues and Other expenses	33	29	20	4	15%
EBITDA*	**353**	**431**	**423**	**-79**	**-18%**

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- The Group is continuously monitoring investment opportunities into renewable energy. Accordingly, in 2017 it implemented a new capital expenditure to expand the **Debrecen landfill gas power plant** owned by the Group by approximately 0.5 MW, and in November 2017 acquired the **solar plant** located in **Domaszék**, through which it increased its weather-dependent renewable portfolio by an additional 2 MW. As a result of the capital expenditure and the acquisition, the segment's **EBITDA value increased by HUF 94 million**.
- The primary reason for the drop in the segment's EBITDA is the removal of the Ács, Pápakovács and Jánossomorja **wind energy plants from KÁT system** (HUF -178 million) and their re-categorisation into the Heat and Electricity Production segment (market-based, outside the KÁT system).
- With respect to other plants in the segment producing under the subsidised system (hydroelectric power plants, wind energy plants, landfill gas plant), there was no overall substantial change compared to production and profitability in the base period.
- Due to the **solar plant projects in progress**, the generation of substantial growth is expected in this segment. In addition to the Domaszék solar plant, we will be completing the development of an additional 18 MW solar plant project until the end of H1 2019.

Energy services

Energy Services

data in HUF million	2018.09.30 actual	2017.09.30 Comparison	2017.09.30 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**5 118**	**4 217**	**3 749**	**900**	**21%**
Material expenses	-3 275	-2 167	-2 024	-1 108	51%
Personnel expenses	-1 127	-1 030	-958	-97	9%
Other revenues and Other expenses	243	54	59	189	353%
EBITDA*	**958**	**1 074**	**825**	**-115**	**-11%**

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In addition to the adjustments made for local business taxes and innovation contributions, the comparison column was also adjusted for re-categorisations across segments, which do not impact the consolidated value of the Group's EBITDA.

- The sales revenue of Energy Services increased by 21% (HUF 900 million), primarily due to the solar projects which accelerated in the third quarter. Last year the **ALTEO Group realised more EPC projects for external parties**, as opposed to 2018 when the Group is focusing more on **its own, primarily solar plant, projects**.
- We **implemented a steam boiler project** for **MOL Petrolkémia**, and the facility construcion has been completed. In the meantime, the costs of the prolonged construction have increased substantially, primarily due to the general labour shortage observed in the construction industry, which had an unfavourable impact on the project's profitability. At the same time, this was more than compensated for by the profit on the segment's other revenues/expenses.
- The sales of **maintenance services** to external buyers is also expanding dynamically. (MOL, DUFI, BERT, Gönyű power plant, LEGO)
- **The profit on other revenues/expenses** changed primarily as a result of an income as yet unrealised (HUF 244 million) in relation to a retroactive **settlement** linked to a **long-term service agreement** and the release of provisions generated in 2017 for a disputed matter (HUF -63 million).

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Retail energy trade

Retail energy trade					
	2018.09.30	**2017.09.30**	**2017.09.30**	**Change HUF million**	**Change %**
data in HUF million	**actual**	**Comparison**	**non-audited**	**over previous year**	**over previous year**
Sales revenue	**4 915**	**3 522**	**3 495**	**1 393**	**40%**
Material expenses	-4 724	-3 576	-3 549	-1 149	32%
Personnel expenses	-35	-35	-35	0	1%
Other revenues and Other expenses	20	2	-9	19	
EBITDA*	**175**	**-88**	**-98**	**263**	**300%**

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In addition to the adjustments made for local business taxes and innovation contributions, the comparison column was also adjusted for re-categorisations across segments, which do not impact the consolidated value of the Group's EBITDA.

- **Q3 2018 sales revenues increased significantly, by 40% (HUF 1 393 million)** over Q3 2017. The growth of sales revenues was mostly the result of market gains in the electricity business line (HUF 1 209 million), and the gas trade business line also produced significant growth.
- As a result of the **successfully amended hedging policy**, the margin of electricity trade increased by HUF 281 million compared to the same period in 2017 and, at the same time, the margin of gas trade dropped by HUF 11 million. Material expenses increased in line with growth, and as such **the segment's EBITDA increased by HUF 263 million** over the identical period of 2017.

Other activities not assigned to segments

Other segment

data in HUF million	2018.09.30 actual	2017.09.30 Comparison	2017.09.30 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**253**	**247**	**554**	**6**	**2%**
Material expenses	-368	-285	-586	-83	29%
Personnel expenses	-562	-566	-635	4	-1%
Other revenues and Other expenses	-7	-2	-30	-5	-223%
EBITDA*	**-683**	**-605**	**-696**	**-78**	**-13%**

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In addition to the adjustments made for local business taxes and innovation contributions, the comparison column was also adjusted for re-categorisations across segments, which do not impact the consolidated value of the Group's EBITDA.

- The segment comprises the services provided to subsidiaries, the majority of these items are filtered out in consolidated figures.
- In Q3 2018, material expenses were HUF 83 million higher due to the elevated consulting fees related to **investments and group restructuring,** as well as the marketing, training and IT costs related to **the optimisation of the Group's operation**.

THANK YOUR FOR YOUR ATTENTION!

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