# INVESTOR PRESENTATION – ALTEO Group

## 2019 1st Quarter

## (non-audited financial results)

10 YEARS OF WORKING TOWARDS
A COMMON FUTURE

# 2019 NON-AUDITED FINANCIAL RESULTS Q1 2019

*This information was not compiled on the basis of international accounting standard IAS 34 – Interim Financial Reporting; the information contained therein are non-audited in terms of Q1 2019 results, and have not been audited by an independent auditor. This presentation is for advance information purposes only.*

# The most important goals, events and results of 2019 so far



## Implementation of the investment program started

- The implementation of the HUF 10-15 billion investment and 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 12 billion in investment by the end of Q1 2019 through already completed and ongoing investments.
- **Successful private placement:** ALTEO's management identified further major investment opportunities in the current favorable economic environment, implementation of which could lead to substantially exceeding the HUF 10-15 billion investment volume planned for earlier. In the interest of exploiting these investment opportunities deemed to be attractive, ALTEO raised a successful private placement of HUF 2 billion at the end of March 2019.
- Following the closing of the quarter, ALTEO concluded a business share purchase contract concerning a **25 MW wind farm** . The wind farm is located in the region of Bőny.
- The **Battery-based energy storage R+D+I project** will be completed by mid-2019; of which expected total cost is HUF 1.1 billion, and for which the amount of grant awarded to the company was HUF 500 million. The largest item within the project, the energy storage unit was completed and delivered, entering live operation at the end of August 2018.
- **Solar power plant developments:** Last year, significant solar plant development opportunities were added to the Group's portfolio. Of these, the 4 MW Monor solar plant was delivered at the end of 2018, and the construction of the 7 MW **Balatonberény** and the 7 MW **Nagykőrös** solar power plants is in progress. The latter are expected to start production in H2 2019.
- **Energy services – Service projects (construction and maintenance)** – in an overall positive macro-economy 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 constantly being announced. The energy efficiency-increasing modernization of the Sopron Power Plant has already been partially implemented, and preparations for the reconstruction works of the Gibárt hydropower plant have also commenced.

# The most important goals, events and results of 2019 so far

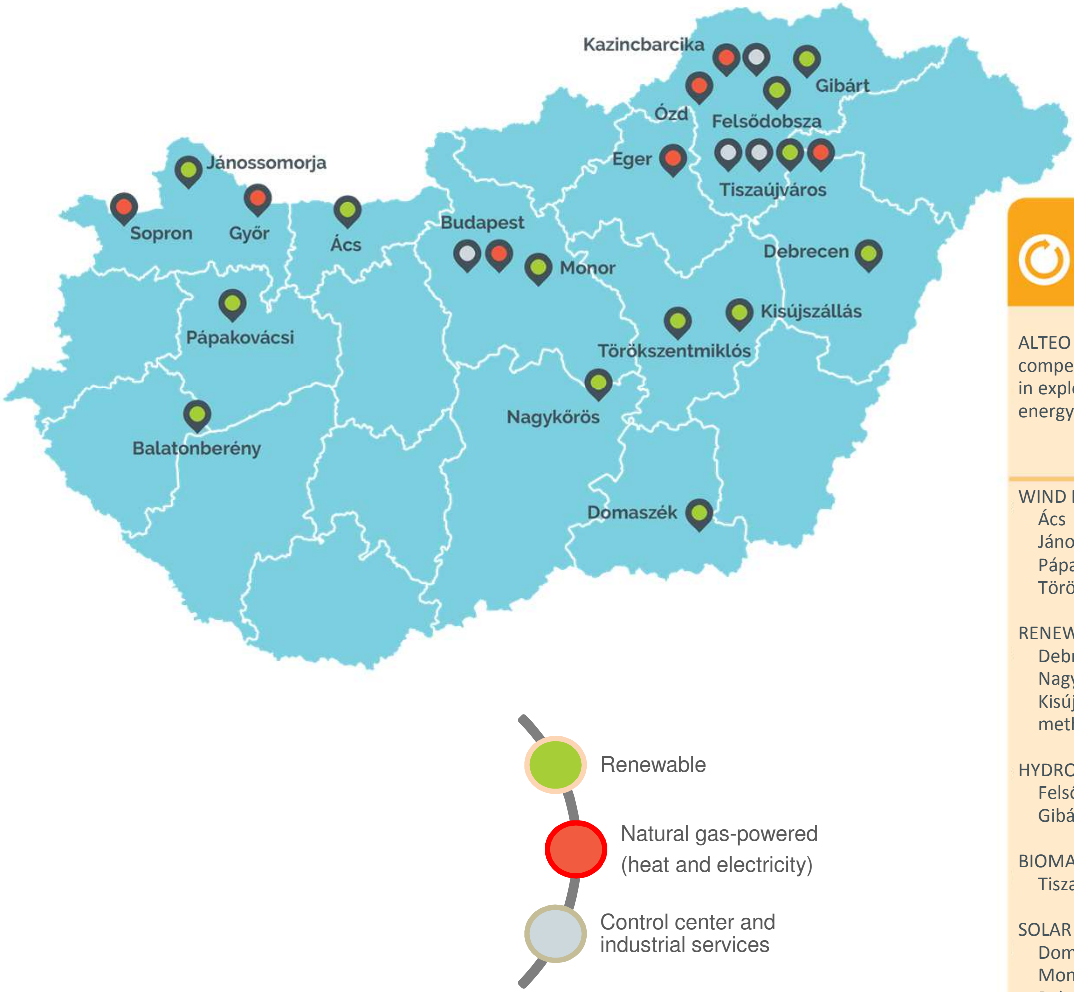


## Optimal operation of the existing asset portfolio

- **Consolidated sales revenue** increased by 25% compared to the same period in the previous year, primarily as a result of the 49% growth of the electricity and natural gas retail segment, which offset the lower revenues by hydropower plants.
- **Consolidated EBITDA** increased by 12% compared to the same period last year, which is primarily the result of the dynamic growth of the Energy Production (market) and Retail segments.
- With 33% higher sales revenue, the **Heat and Electricity Production segment (market)** realized HUF 78 million higher EBITDA, primarily due to the profit of the energy storage project implemented last year and the acquisition of Zugló Therm Kft. The wind energy plants exiting from the compulsory feed-in tariff system were successfully integrated into our Control Centre last year.
- The sales revenue generated by and the profitability of **the retail segment** has increased significantly as a result of the favorable volume and price effects in natural gas and electricity trade.
- **Energy services:** The implementation of the solar plants in 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 14 MW.

# ALTEO Group Portfolio






| RENEWABLE ENERGY PRODUCTION | INDUSTRIAL AND COMMERCIAL SERVICES | HEATING POWER PLANTS |
|---|---|---|
| ALTEO Group has significant competence, among others, in exploiting renewable energy sources. | By providing professional services to industrial plants, ALTEO Group contributes to the energy efficiency of its customers | ALTEO Group operates high-efficiency, combined heat and electricity (cogeneration) plants. |
| WIND POWER PLANTS<br>Ács<br>Jánossomorja<br>Pápakovácsi<br>Törökszentmiklós<br><br>RENEWABLE GAS<br>Debrecen - landfill gas<br>Nagykőrös - biogas<br>Kisújszállás - thermal methane gas<br><br>HYDROPOWER PLANTS<br>Felsődobsza<br>Gibárt<br><br>BIOMASS HEATING PLANT<br>Tiszaújváros<br><br>SOLAR POWER PLANTS<br>Domaszék<br>Monor<br>Balatonberény<br>Nagykőrös | BORSODCHEM<br>BC-Therm - heat supply service<br>BC Power Plant - operation<br><br>MOL PETROLKÉMIA<br>TVK Power Plant - operation<br>Tisza-WTP - treated water service<br><br>Audi Motor Hungária Kft. - heat supply<br><br>Heineken Soproni Sörgyár - heat supply<br><br>MOM Park - energy center<br><br>Agria Park - energy centre | HEATING POWER PLANTS<br>Ózd Power Plant<br>Tiszaújváros Heating Power Plant<br>Kazincbarcika Heating Power Plant<br>Füredi út Gas-Engine Block Power Plant<br>Győr Power Plant<br>Sopron Power Plant |

# Consolidated profit and loss statement (IFRS)



**Consolidated profit and loss statement**

| *data in HUF million* | 3/31/2019 non-audited | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
|---|---|---|---|---|---|
| **Revenues** | **6,494** | **5,191** | **5,201** | **1,303** | **25%** |
| Material-type expenditures | (5,192) | (4,159) | (4,169) | (1,033) | 25% |
| Personnel expenditures | (650) | (623) | (623) | (27) | 4% |
| Depreciation and amortization | (523) | (160) | (160) | (93) | 58% |
| Other revenues, expenditures, net | (198) | (5) | (56) | (193) | n/a |
| Impairment loss | - | - | - | - | |
| **Operating profit or loss** | **201** | **244** | **193** | **-43** | **-18%** |
| Net financial profit | (147) | (62) | (62) | (85) | 137% |
| **Profit before taxes** | **54** | **182** | **131** | **-128** | **-70%** |
| Income tax expenditure | (78) | (52) | (1) | (26) | 50% |
| Of which: Local business tax expenditure | (84) | (51) | - | (33) | 65% |
| **Net profit** | **-24** | **130** | **130** | **-154** | **-119%** |
| *Of which, to owners of parent company* | (24) | 130 | 130 | (154) | -119% |
| *Of which, to minority shareholders* | - | - | - | - | |
| **Base EPS (HUF/share)** | **(1.49)** | **8.51** | **8.51** | **(10,00)** | **-118%** |
| **Diluted EPS (HUF/share)** | **(1.42)** | **8.11** | **8.11** | **(9.53)** | **-118%** |
| **EBITDA*** | **454** | **404** | **354** | **50** | **12%** |

**Consolidated overall profit and loss statement**

| *data in HUF million* | 3/31/2019 non-audited | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
|---|---|---|---|---|---|
| **Net profit** | **-24** | **130** | **130** | **-154** | **-119%** |
| Other comprehensive income (after income tax) | (741) | 134 | 134 | (875) | -653% |
| **Overall profit** | **-765** | **264** | **264** | **-1029** | **-390%** |
| *Of which, to owners of parent company* | (765) | 264 | 264 | (1029) | -390% |
| *Of which, to minority shareholders* | - | - | - | - | |

**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 Expenditures 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-categorizations across segments, which do not impact the consolidated value of the Group's EBITDA.*

## With a sales revenue increase of HUF 1,303 million, EBITDA also shows a 12% rise compared to the same period last year.

- **Most important changes in operating profit and loss items:**
  - **Sales revenue increase**: growth was primarily the result of the market share increase by the energy retail segment and the consolidation of the Zugló power plant from Q2 2018. This was somewhat mitigated by the fact that two wind energy plants operating within the compulsory feed-in tariff system reached the maximum allowed production quota by the end of H1 2018 while the Gibárt hydropower plant did the same by September 2018, which means that this year they have been selling their output at market price, resulting in lower sales revenue.
  - **Increase in material-type expenditures:** Primarily the result of the larger market share of the Energy Retail segment, which has been mitigated by the fees now paid to non-third-parties as a result of the consolidation of Zugló-Therm Kft.
  - **Other revenues, expenditures:** Deviation from Q1 last year can be linked to the $CO_2$ quota. Through the acquisition of the Zugló power plant, the Group's quota to be purchased for $CO_2$ emissions increased substantially, supplemented by the significant rise in exchange rates.
- **Financial profit:** The decrease of net financial profit was caused by the interest booked for the loan portfolio that has increased on account of intense investment activity.
- The drop in **net profit** was primarily the result of increased depreciation on account of investments and interest-related costs linked to the increased loan portfolio.
- **Other overall results:** ALTEO concludes hedges in order to make its profitability independent from the factors which cannot be affected by itself (e.g. interest rate,gas,electricity,CO2). In the hedges the fixed prices may differ the actual market prices and in these cases non-realised results shall be booked according to IFRS rules.

# Consolidated balance sheet (IFRS)



| Consolidated balance sheet | | | | |
|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 non-audited | 12/31/2018 audited | Change HUF million | Change % |
| **Fixed assets** | **16,324** | **13,716** | **2,608** | **19%** |
| **Current assets** | **9,461** | **9,143** | **318** | **3%** |
| *of which, financial assets* | *3,574* | *2,561* | *1,013* | *40%* |
| **TOTAL ASSETS** | **25,785** | **22,859** | **2,926** | **13%** |
| | | | | |
| **Shareholders' equity** | **6,396** | **5,145** | **1,251** | **24%** |
| **Long-term liabilities** | **11,483** | **9,130** | **2,353** | **26%** |
| *of which credit, loans, bonds, leasing* | *10,386* | *8,165* | *2,221* | *27%* |
| **Short-term liabilities** | **7,906** | **8,584** | **-678** | **-8%** |
| *of which credit, loans, bonds, leasing* | *1,578* | *1,597* | *-19* | *-1%* |
| **TOTAL EQUITY and LIABILITIES TOTAL** | **25,785** | **22,859** | **2,926** | **13%** |

- **Investments, capital expenditures** The capital intensive phase of investments and capital expenditures continued in 2019. The total joint investment size (own 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 12 billion.
- **Working capital:** Due to seasonal and structural reasons, the portfolio of trade payables is lower, and unrealized hedge positions increase the portfolio of liabilities. The growth in the portfolio of financial assets is caused by a combination of the amount generated during the private placement that has been concluded, along with the own funds part of the financing of ongoing capital expenditures.
- **Shareholders' equity:** The effect of the private placement resulted in a growth on the equity line, which is partly offset by the unrealized effect of the hedge position changes recognized against equity.
- **Liabilities:** In relation to new projects, new bank financing phases were drawn down.

# Heat and Electricity Production (market rate, outside the compulsory feed-in tariff system)



| Heat and electricity production (market rate, outside the compulsory feed-in tariff | | | | | |
|---|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 actual | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
| **Sales revenue** | **3,866** | **2,899** | **2,886** | **968** | **33%** |
| Material-type expenditures | -3,339 | -2,687 | -2,679 | -652 | 24% |
| Personnel expenditures | -22 | -10 | 0 | -12 | 129% |
| Other revenues and Other expenditures | -239 | -14 | -25 | -225 | n/a |
| **EBITDA*** | **266** | **188** | **181** | **78** | **42%** |

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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-categorizations across segments, which do not impact the consolidated value of the Group's EBITDA.*

- The segment's sales revenue increased by 33% (HUF +968 million), primarily due to revenues of the Batteries for Energy Storage project commissioned in Q3 2018 and the consolidation of Zugló Therm Kft. from April 2018.
- Concurrently, the segment's material-type expenditures rose by 24% (HUF -652 million).
- The effect of the cost increase falling short of the rise in revenues was offset by the growth of expenditures arising from the surplus $CO_2$ emissions due to the consolidation of Zugló Therm Kft. and the sharp increase in the quota rates, and as a joint effect of these factors the segment realized **HUF 78 million (42%) higher EBITDA**.
- The Control Center successfully integrated into its portfolio several wind power plants owned by ALTEO Group that completed production according to the compulsory feed-in tariff system (KÁT) quotas, as well as a hydropower plant.

# Heat and Electricity Production (market rate, outside the compulsory feed-in tariff system)



The **segment's** profitability is showing a trend of improvement. The positive impact of the lower level of material-type expenditures compared to the dynamics of revenue growth was partly offset by increased $CO_2$ costs, which together resulted in HUF 78 million (+42%) higher EBITDA for the segment as compared with the preceding period.

- The higher profits realized on the production of **structured electricity products** can primarily be traced back to the following factors:
  - The surplus profit effect on the consolidation of Zugló-Therm Kft. from Q2 2018
  - The profit realized by the Batteries for Energy Storage R+D+I project which commenced live operation in August 2018.
  - The higher hedging achieved of self-owned cogeneration heat and electricity power plants tied into the Control Center.
  - The Control Center can already use the successfully integrated energy production units on the System Services market, enabling it to achieve higher added value.
- The profit-generating capacity of **Heat Energy (District Heating) Production and Sale** did not change substantially between the periods reviewed. The loss arising from low market gas prices, realized on the gas volume that was hedged but unused during heat production on account of the mild weather for the season, had a somewhat negative impact on the profitability of the sub-segment.

# Electricity production (KÁT system)



| Electricity production (within the compulsory feed-in tariff system) | | | | | |
|---|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 actual | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
| **Sales revenue** | **135** | **203** | **203** | **-67** | **-33%** |
| Material-type expenditures | -63 | -50 | -50 | -13 | 26% |
| Personnel expenditures | 0 | -25 | -25 | 25 | -100% |
| Other revenues and Other expenditures | 10 | 10 | 7 | 0 | 1% |
| **EBITDA*** | **82** | **137** | **135** | **-55** | **-40%** |

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*The comparison column has been amended with the rate of local business tax and innovation contributions.*

- The Group is continuously monitoring investment opportunities into renewable energy. Accordingly, the Group expanded its weather-dependent renewable portfolio with a new investment project at the end of 2018, the **Monor solar power plant**, which represents an expansion of 4 MW. As a result of the capital expenditure, the segment's **EBITDA value increased by HUF 36 million**.
- The primary reason for the decrease of the segment's EBITDA is **the removal of the two wind power plants** and the Gibárt **hydropower plant from the KÁT system** in 2018. For the other plants in the segment producing under a subsidized system (hydropower plants, wind energy plants, landfill gas plants), production slightly fell short of last year, primarily due to a drop in water yield as well as several minor faults and breakdowns that have since been repaired. The drop in EBITDA arising from these errors and breakdowns and the removal of the power plants from the KÁT system was partly offset by the profit by the **Monorsolar power plant** implemented in the meantime.
- On account of the **solar plant projects in progress**, the generation of substantial growth is expected in the sector. In addition to the Domaszék and Monor solar plants, we will be completing the development of an additional 14 MW solar plant project until the end of H2 2019.

# Energy services



| Energy enterprises and services | | | | | |
|---|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 actual | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
| **Sales revenue** | **3,464** | **1,072** | **1,085** | **2,392** | **223%** |
| Material-type expenditures | -2,315 | -423 | -425 | -1,892 | 448% |
| Personnel expenditures | -475 | -377 | -334 | -98 | 26% |
| Other revenues and Other expenditures | -38 | -1 | -21 | -38 | n/a |
| **EBITDA*** | **636** | **271** | **304** | **365** | **135%** |

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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-categorizations across segments, which do not impact the consolidated value of the Group's EBITDA.*

- The sales revenue of Energy Enterprises and Services increased by 223% (HUF 2,392 million), which is primarily the effect of **self-implemented solar plant capital expenditures (Balatonberény, Nagykőrös)** started in Q3 2018. Concurrently, material-type expenditures also increased significantly. In this quarter, our Group focused on implementing these internal projects, and we executed no significant works for external parties in the quarter.
- A significant part of Sales Revenue, Material-Type Expenditures, as well as the HUF 365 million EBITDA growth, as profit realized on internal projects, was eliminated during the consolidation. The internal profit thus eliminated, through lower implementation costs, results in better return on the project.
- The sales of **maintenance services** to external buyers is also expanding on an ongoing basis. (MOL, DUFI, BERT, Gönyű Power Plant, LEGO, Veolia)

# Retail energy trade



| Retail energy trade | | | | | |
|---|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 actual | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
| **Sales revenue** | **2,673** | **1,790** | **1,790** | **884** | **49%** |
| Material-type expenditures | -2,597 | -1,772 | -1,772 | -825 | 47% |
| Personnel expenditures | -18 | -12 | -12 | -6 | 48% |
| Other revenues and Other expenditures | 8 | 0 | 0 | 8 | n/a |
| **EBITDA*** | **66** | **5** | **5** | **61** | **n/a** |

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*The comparison column has been amended with the rate of local business tax and innovation contributions.*

- **Sales revenues for Q1 2019 increased substantially, by 49% (HUF 884 million)** over the preceding period of 2018. The growth of sales revenue was mainly the result of market share increase by the electricity business line (HUF 542 million), but the gas trade business line also produced significant growth (HUF 342 million).
- As a result of the **increased volume and margins**, the margin of electricity trading improved by HUF 34 million while that of gas trading by HUF 14 million as compared to 2018.
- The **segment's EBITDA increased by HUF 61 million** over the same period in 2018.

# Other activities not assigned to segments



| Other segments | | | | | |
|---|---|---|---|---|---|
| *data in HUF million* | 3/31/2019 actual | 3/31/2018 comparison | 3/31/2018 non-audited | Change HUF million over previous year | Change % over previous year |
| **Sales revenue** | **100** | **94** | **103** | **6** | **7%** |
| Material-type expenditures | -94 | -101 | -108 | 7 | -7% |
| Personnel expenditures | -176 | -208 | -251 | 31 | -15% |
| Other revenues and Other expenditures | 0 | 0 | -9 | 0 | -230% |
| **EBITDA*** | **-171** | **-215** | **-266** | **44** | **21%** |

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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-categorizations across segments, which do not impact the consolidated value of the Group's EBITDA.*

- The segment's sales revenue primarily comprises the services provided to subsidiaries, which are not taken into account in consolidated figures.
- Personnel expenditures in the segment were HUF 31 million lower, primarily due to the effect of one-off costs related to the management restructuring implemented last year.

THANK YOU FOR YOUR ATTENTION!

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