

STRATEGIC REVIEW

ALTEO STRATEGY PRESENTATION
2022-2026





Our vision is to create a sustainable business advantage for our partners by providing the best energy solutions today, and to be the companies of tomorrow together.

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DEFINITION OF TERMS IN THE PRESENTATION

ARTEMIS	Autonomous Real-Time Energy Management Information System . A highly automated, autonomous, real-time production management system integrated into an AZURE cloud environment
ASZK or VPP	ALTEO Virtual Power Plant
B2B	Business-to-business transactions not involving retail users
EBITDA	Earnings before financial expenditures and revenues, taxes, depreciation and amortization and other loss-entailing non-financial accounting expenditures, e.g. recognized impairment.
Median EBITDA	A term used by ALTEO management: median EBITDA achievable with assets available at the end of a given period over a period of operation of 12 months under average market and weather conditions, around which actual EBITDA value for the given year may fluctuate
IFRS	International Financial Reporting Standards
IPO	Initial public offering
CEE	Central and Eastern Europe
HUF bn	HUF billion
RPM	Renewable production management, which provides services primarily to weather-dependent renewable power plants, fast-growing solar power plants in particular, by minimizing the balancing energy costs related to production
Renewables	Power production units utilizing renewable energy sources
Payback period	The simple payback period of total invested capital, expressed in years
NOPLAT	Net operating profit less adjusted taxes, increased by the depreciation of intangible assets that no longer require any investment in the future (e.g. KÁT as an intangible asset recorded in IFRS)
O&M	Operation and maintenance services
PPA	Long-term power purchase agreement, where the investor builds, operates, maintains and finances the construction of the power plant and the buyer pays the investor's costs and profits in the price of the energy during the take-over period
ROIC	NOPLAT divided by total invested capital
SPO	Secondary public offering
Total invested capital	The amount calculated by adding up averages of equity and credit for a specific period (i.e. the arithmetic average of volumes at the start and end of a period) of a given year
WACC	Weighted average cost of capital

MACRO-TRENDS AND STRATEGIC RESPONSES I

MACRO-TRENDS

Sustainable and decentralized energy production is increasingly important

- The spread of renewables is unstoppable.
- Decarbonization efforts are stronger than ever. Investments into renewables are no longer only profitable with state support.
- The advance of individual corporate energy strategies based on sustainability continues.
- Ensuring (regulating) the balance of the electricity system will continue to be a key focus area with significant potential for innovation in the future, due to the natural uncertainty of weather forecasts and the spread of weather-dependent electricity producers.
- By 2030, renewable power plant capacities (wind, solar and hydro) are expected to become dominant in the energy production capacity mix in the CEE region and their importance is expected to grow steadily.

OUR STRATEGIC RESPONSES

Focus on sustainability

- We plan to continue to expand our renewable power plant portfolio
- Developing our renewable production management business
- B2B renewable power plant development under PPA
- Developing the VPP and providing B2B decentralized complex energy services (energy production management, implementation, O&M) tailored to specific corporate needs.
- On the energy basis, but beyond energy: supporting the circular economy: waste management and e-mobility – ready to take the leap.

MACRO-TRENDS AND STRATEGIC RESPONSES II

MACRO-TRENDS

Market trends: demand for electricity is decidedly increasing.

- In respect of the energy prices that matter most to us (electricity, balancing energy, regulatory capacity, natural gas and CO₂ quotas): there is considerable uncertainty, but we expect markets and prices to consolidate in the medium term (1-3 years), but we do not expect a return to the low energy price era of before 2021.
- Significant daily and intra-annual seasonality variation due to structural changes in supply-demand conditions (weather-dependent producers, expected intensive development/spread of electromobility and storage technologies).
- Volatility in production and price developments are expected to stay with us in the long term, thanks in large part to the spread of renewables.
- Regulatory capabilities will become more valuable – they will have key significance in the energy markets of the future.
- Regulatory convergence in energy and regulatory markets will continue at the EU level.

OUR STRATEGIC RESPONSES

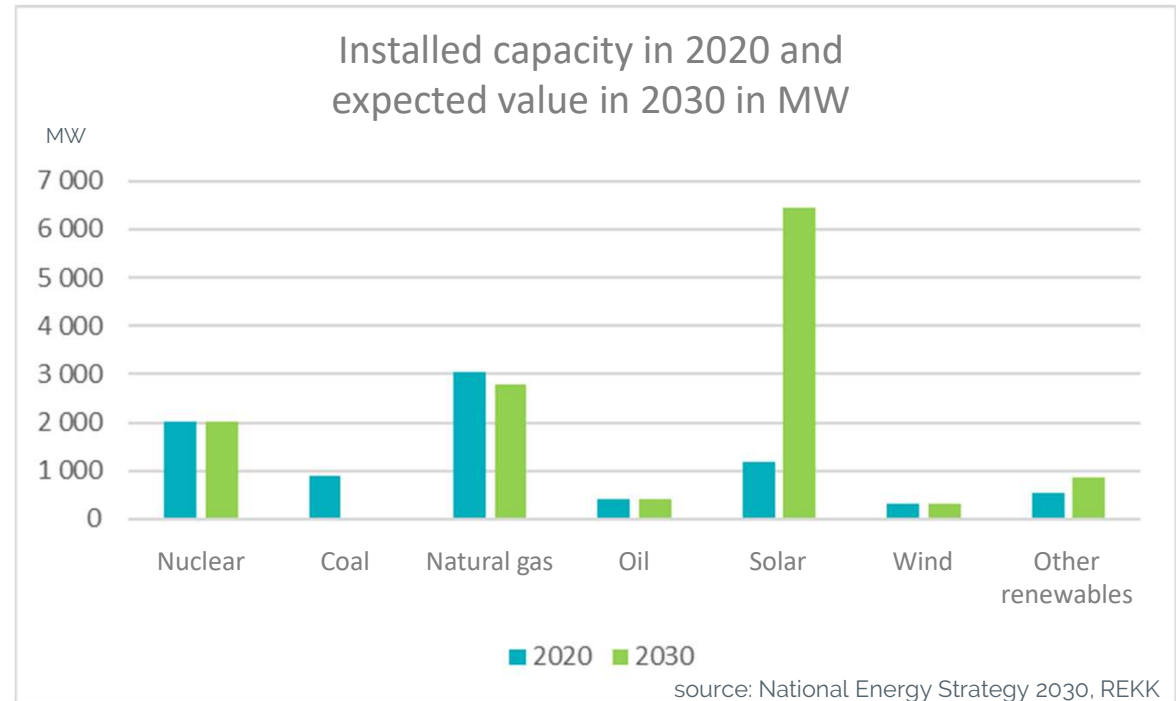
Virtual Power Plant development.

- Proven to be an excellent tool for managing a volatile external environment.
- Besides renewables, the other main area of planned capacity expansion is power plants and energy storage.
- IT development of real-time autonomous response capabilities (ARTEMIS project), preparing for the merging of markets.
- B2B regulatory services, production management for PPA contracts.

DIRECTION OF THE HUNGARIAN ENERGY STRATEGY

The adopted Hungarian Energy Strategy 2030 is on its way to implementation:

- RENEWABLES – strong growth in solar capacities, becoming the number one renewable power plant technology in the country.
- NATURAL GAS – will continue to play an important role in the long run, as an essential technology for control services.
- NUCLEAR – PAKS 2 is in preparation.



*The ratios of actual production volumes may deviate from installed capacity ratios

2019 STRATEGIC OBJECTIVES - SIGNIFICANT OVERPERFORMANCE

2019 GOALS

CURRENT STATUS

BUSINESS-FINANCIAL

- **Realizing investments of up to HUF 20 bn** by 2024.
- If the environment is suitable, **Median EBITDA should reach HUF 7 bn by 2024.**
- ALTEO remains a **growth story**, but is looking to maintain the current level of dividend payout per share.
- **Maintaining the credit rating (BBB-).**
- Substantial expansion of the large corporate services customer portfolio.
- Renewable production management – we planned for it.



- **More than half of** the investment plan (HUF 11 billion) has been completed by 2021.
- We can invest in **excess of HUF 35 billion** to finance growth between 2022 and 2026, depending on investment opportunities.
- By 2021, **Median EBITDA had already exceeded HUF 7 billion.**
- **Growth story**, but the **dividend per share** can be increased substantially.
- **High bond rating maintained.**
- **4 power plants won substantial maintenance tenders**, while the **existing contract portfolio has been successfully extended for significant terms.**
- Business line of the future: **Renewable production management (RPM) - launched.**

CAPITAL MARKET

- **BUX membership** by 2024.
- **ALTEO** to become a definitive **impact investment opportunity** in the Hungarian capital market.



- **Achieved**
- **ESG-driven company:** we have started the ESG certification of ALTEO by an independent international ESG certification company

STRATEGIC DIRECTIONS ENERGY PRODUCTION AND PRODUCTION MANAGEMENT

PRIORITY STRATEGIC AREA: STRONG EXPERTISE, PAIRED WITH A STRONG MARKET POSITION

2019 STRATEGY

- Capacity expansions.
- Continuous real-time production management and optimization (IT developments)
- Using of regulatory capabilities in production management services for renewable power plants.

RESULTS TO DATE

- Delivery of 18 MW of gas engine capacity in 2020.
- After Zugló (6 MW), delivery of a new energy storage facility (5 MW) in Kazincbarcika.
- IT developments are ongoing, with another successful RDI tender.
- Launch of the renewable production management (RPM) business: provided to a portfolio of 340 MW in total (~15% market share).
- The excellent result in 2020 is surpassed by the record result in 2021.

UPDATED STRATEGY

- Ongoing capacity expansions in energy production and energy storage.
- Completed and ongoing investment in the ARTEMIS project is a key factor for further improving competitiveness.
- Selling the capabilities of the VPP not only to MAVIR, but also to industrial companies in the framework of complex industrial services (provision of regulatory and production management services).
- Increasing and maintaining the market share of the RPM business from 15% to 25%.

STRATEGIC DIRECTIONS RENEWABLE ENERGY DEVELOPMENTS

FOR INDUSTRIAL CUSTOMERS UNDER A PPA / EXPLOITING METÁR OPPORTUNITIES

2019 STRATEGY

- Further expansion of renewable energy capacities.
- Renewable energy investments for industrial companies.
- Exploiting the opportunities afforded by METÁR.

RESULTS TO DATE

- The segment achieves record results in 2021.
- The return and profit outlook of our power plants removed from KÁT could improve significantly in the short to medium-term thanks to the current high electricity prices.
- 15 MW wind farm acquisition (2020).
- Renovation of the Gibárt hydropower plant (2020, under METÁR).

UPDATED STRATEGY

- Renewable developments primarily for industrial service providers via PPA.
- Additional investments in renewables, including under METÁR, depend on the risk-return conditions and competitiveness with the returns available on our alternative investment opportunities.

STRATEGIC DIRECTIONS ENERGY SERVICES

FOR EXTERNAL CUSTOMERS, FOCUS IS ON DEVELOPMENTS (PPA) AND COMPLEX ENERGY SERVICES

2019 STRATEGY

- Large-scale industrial energy services contracts.
- Becoming the No. 1 independent gas engine repair service provider.
- General contracting, operation and maintenance in respect of renewables.

RESULTS TO DATE

- Conclusion of 4 new major power plant maintenance contracts.
- 4 expiring service contracts have been extended (e.g. district heating contracts in Ózd and Kazincbarcika, Borsodchem power plant O&M contract).
- Construction of gas engine power plant capacity expansion, high level maintenance and operation of own portfolio, and the renovation of gas engines.

UPDATED STRATEGY

- In respect of O&M, the primary objective is to provide a high level of service for self-owned assets and to serve industrial customers within a complex energy services framework.
- Implementation of power plant developments, primarily for industrial service providers through PPAs.
- Long-term O&M services related to PPA contracts.
- EPC services for METÁR winners.

STRATEGIC DIRECTIONS ENERGY TRADE

CONTINUING ON THE PATH OF ORGANIC DEVELOPMENT

2019 STRATEGY

- Exploiting customer acquisition opportunities.
- Entering the natural gas wholesale market.
- Selling ALTEO's green electricity capacities.

RESULTS TO DATE

- A sharp rebound in profitability as the COVID crisis mitigates.
- We have created the possibility for transactions in the wholesale natural gas market where it makes business sense.
- We have also emerged as winners in an extreme environment (high and volatile energy prices, COVID) – ALTEO's financial strength and expertise is able to ensure the long-term profitability of the energy trading business.

UPDATED STRATEGY

- Emphasis is now more on profitability and less on increasing volume.
- The focus remains on organic development.
- Market consolidation: Consolidation itself also creates opportunities (competitors' exit or changed strategy). Acquisitions can also have potential, but only opportunistically.

STRATEGIC DIRECTIONS OPPORTUNITIES BEYOND THE CURRENT FRAMEWORK

CIRCULAR ECONOMIC TRENDS



WASTE MANAGEMENT

Expertise and knowledge are in place, successful business launch with the acquisition of Eco-First.

Expansion through acquisition, both organic and inorganic.

FOCUS:

- Waste-to-energy recovery.
- Developing collection and recycling capabilities (through acquisitions).



E-MOBILITY

We are already present, we need to find a successful business model.

Primarily again **with a B2B focus** to serve corporate needs as efficiently as possible.

INTEGRATED SERVICES: distribution, installation and operation of chargers for corporate customers.

BEYOND THE HUNGARIAN MARKET



INTERNATIONAL REACH

Primary focus remains on the Hungarian market; as long as there is growth potential in Hungary, international expansion takes a back seat, however, we continue to explore opportunities.

MAIN TARGET AREAS

Acquisition of virtual power plants, renewable energy development companies.

INVESTMENT GUIDELINES 2021-2026:

Unchanged investment directions, highly increased investment volume

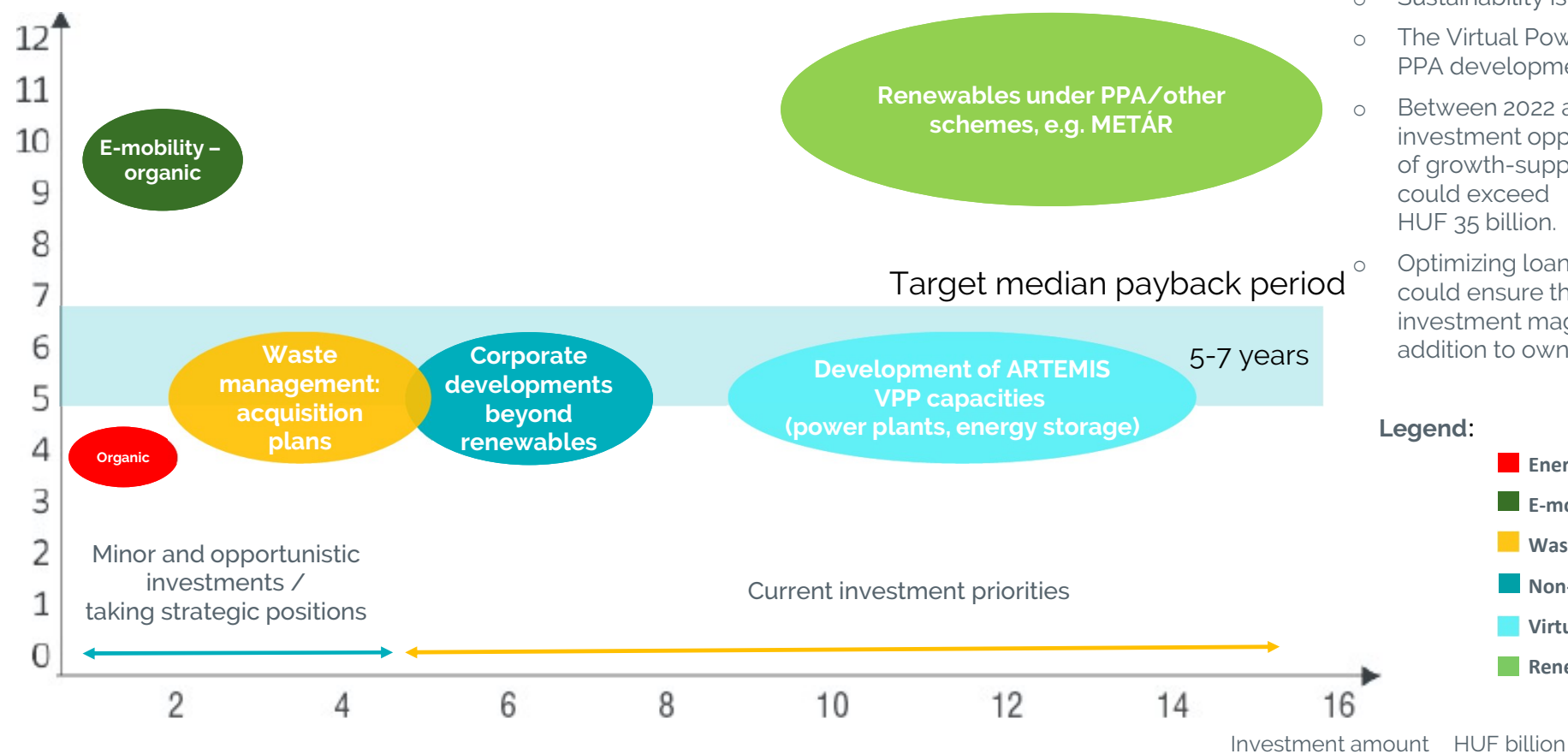
FUNDAMENTAL INVESTMENT PRINCIPLES:

- Sustainability is a key aspect.
- The Virtual Power Plant and renewable PPA developments are a priority.
- Between 2022 and 2026, depending on investment opportunities, the amount of growth-supporting investments could exceed HUF 35 billion.
- Optimizing loan/bond opportunities could ensure that the targeted investment magnitude be financed in addition to own funds.

Legend:

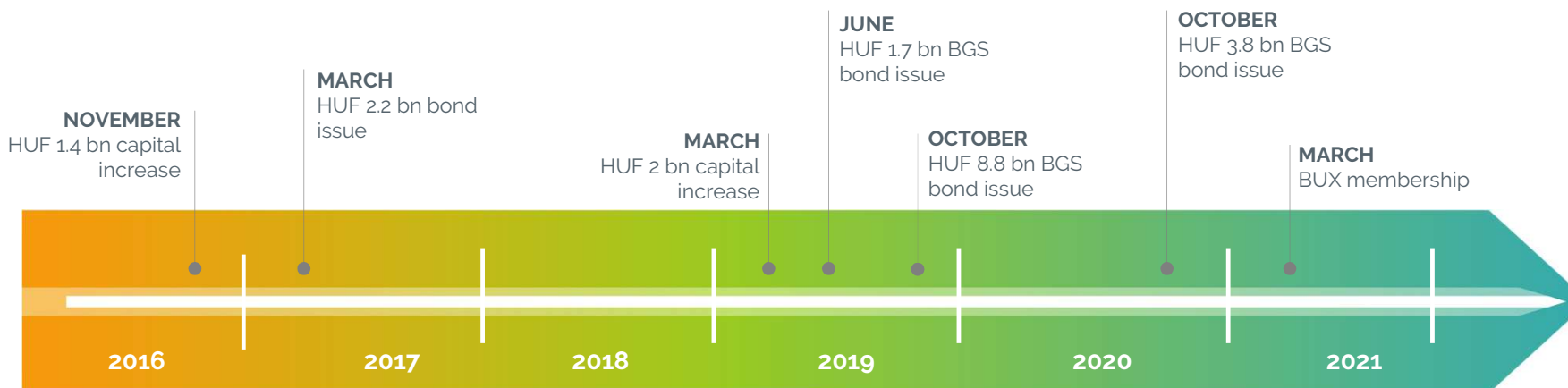
- Energy trade
- E-mobility
- Waste management
- Non-renewables industrial PPA
- Virtual Power Plant
- Renewables developments PPA

Payback period (years)



ACTIVE ROLE IN THE CAPITAL MARKETS – SOMETHING WANT TO CONTINUE

No further capital increase is needed to implement the investments under the strategy, however, if additional fundraising is needed, we will actively use the capital market



Average equity return including dividends since the IPO: >30%

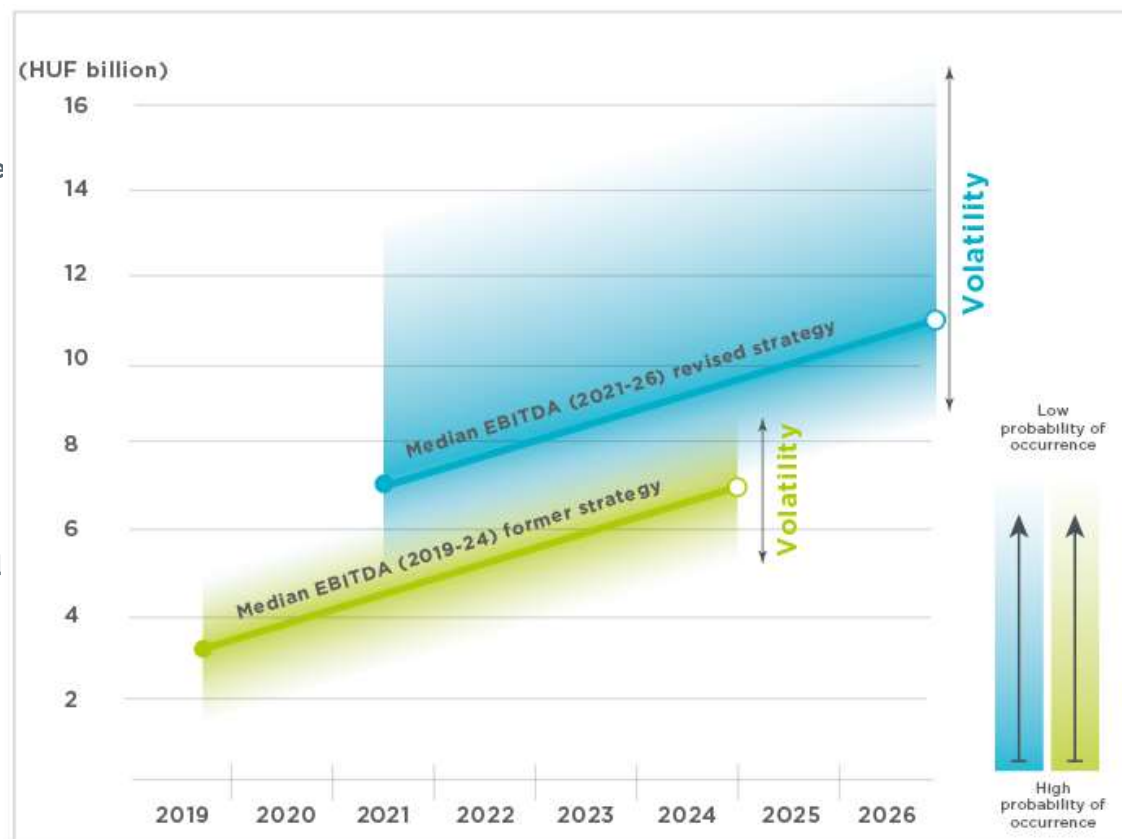
FURTHER OBJECTIVES:

- ➔ Increasing analyst coverage
- ➔ Further improving liquidity
- ➔ Achieving SPO capability

PRIORITY FINANCIAL OBJECTIVES UNTIL 2026

INCREASED EBITDA TRAJECTORY AND INVESTMENT VOLUME

- ➔ A volume of up to HUF 35 billion or more could be realized between 2022 and 2026.
- ➔ Targeted Median EBITDA 2026: HUF 11 billion.
- ➔ We have the ability to effectively exploit market volatilities and price spikes, and thus there is a higher probability of a positive deviation from the Median EBITDA level.
- ➔ Long-term capital structure: (capital/interest-bearing debt): 30%/70%.
- ➔ Maintaining the credit rating (BBB-):
 - Net debt/EBITDA: under 4x.
 - EBITDA /interest payment ratio: above 5x.
- ➔ Dividend payout depend on the financing need of growth opportunities and on profitability. In the short-medium term (1-3 years), we also see the potential for a significant increase in dividend per share, even compared to the record ALTEO dividend of HUF 24/share paid for 2020.
- ➔ Maintaining ROIC greater than WACC (minimum ROIC target: ~9%, WACC: ~6-7%*)



* ALTEO estimate



THANK YOU FOR YOUR ATTENTION!

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