

Acquisition of 100% shares in PKPE Holding sp. z o.o.

INVESTOR PRESENTATION

December 28, 2022



Leading in the green transition



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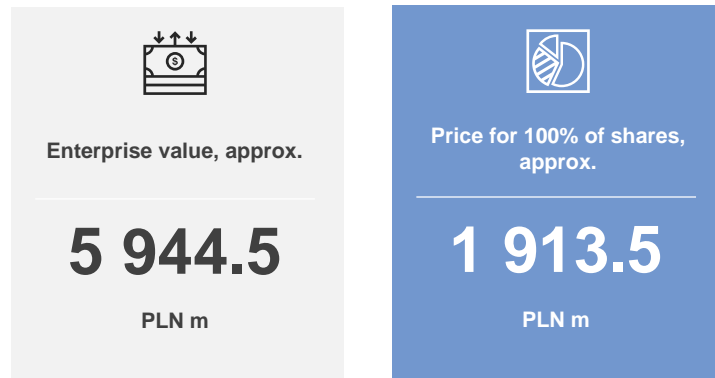
Transaction in a nutshell

Transaction summary

Target company

- The subject of the transaction is the acquisition of 100% shares of PKPE Holding Sp. z o.o., including 100% shares of PKP Energetyka S.A. and shares in other subsidiaries owned by the PKPE Holding.
- PKPE Holding is a holding company integrating its subsidiaries, whose activities are focused around the main entity in the holding (PKP Energetyka S.A.) and are divided into three key segments:
 - Distribution,
 - Trade
 - Services

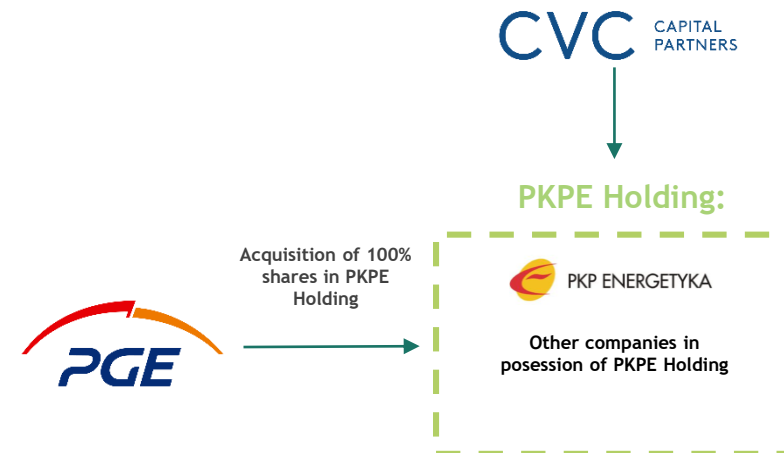
Price (based on the enterprise value, set as at March 31, 2022)



Key aspects of the transaction

- PKPE Group operates on the prospective railway market, which could **offer to PGE new development opportunities** and ensure **diversification of current operations**.
- Adopted Green Railway program and the activities of PKPE in the Railway Energy Efficiency Center are **contributing to the PGE's strategic goals**, i.e. achieving neutrality in terms of CO2 emissions. The transaction will contribute to maintaining the leading position in the sustainable energy transition in Poland.
- **Participation in the digital transformation** through the planned implementation of investments in grid infrastructure and the development of modern IT solutions.

Transaction structure

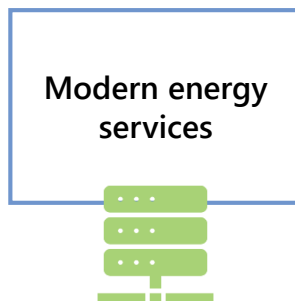
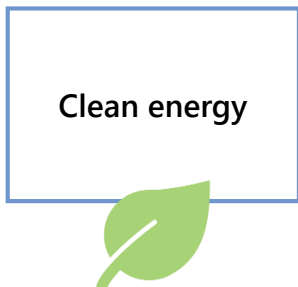


Strategic rationale

#PGE2030 Strategy- main strategic objectives



Leader of sustainable energy transition



The acquisition of PKPE is in line with the strategy of the PGE Group, potential synergies could facilitate the achievement of strategic goals, such as:

- ☒ PGE Group - leader of sustainable energy transition in Poland
- ☒ Obtaining high dynamics of transformation thanks to new market opportunities is result of acquisitions
- ☒ Diversification of activities and strengthening the group's profile as a result of entering a new business area - the railway market
- ☒ Building the value of the PGE Group through new investment projects in grid infrastructure
- ☒ Potential for increasing EBITDA
- ☒ Obtaining potential synergies in the field of energy trading and reduction of head office costs in PKPE

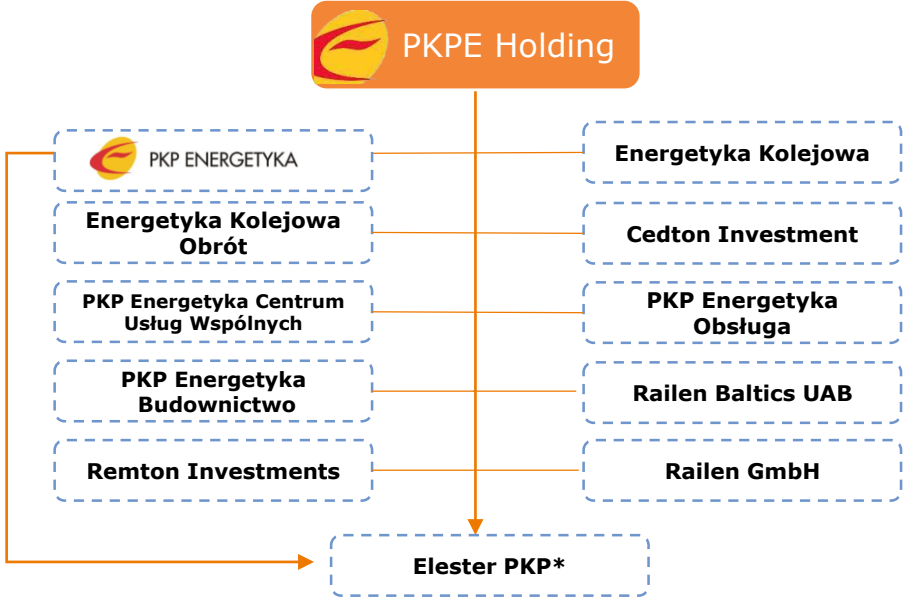
Subject of the transaction

- PKPE Holding is a holding company integrating its subsidiaries, whose activities are focused around the main entity in the holding (PKP Energetyka S.A.)
- **PKPE is a leader of energy services for railway infrastructure.** The Group is a distributor and seller of electricity to traction network and also provides traction network maintenance services.
- PKPE's largest customers include PKP Group.
- Business operations of PKPE are divided into three segments: **Distribution, Trade and Services.**
- **Distribution segment** is an operator of railway distribution grid and also non-railway distribution grids.
- **Trade segment** is the only provider of the traction power for railway undertakings. The segment also sells electricity to non-railway clients.
- **Services segment** provides traction network maintenance services as well as construction and modernization services.



Distribution grid of PKPE

Structure of PKPE Holding



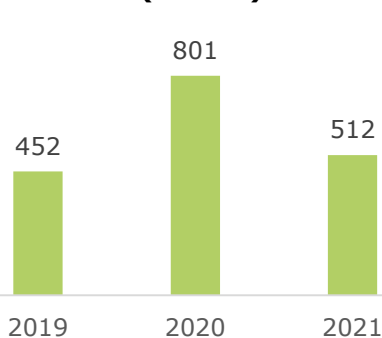
* PKPE holds 90% shares in the company

PKPE Group - operating segments

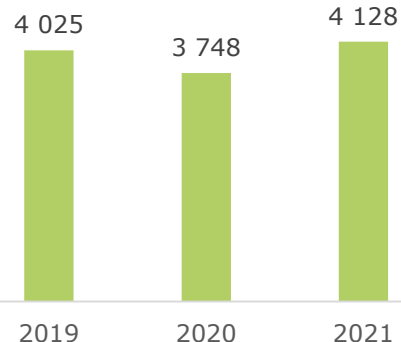
Distribution

- The group is a Distribution System Operator (DSO) responsible for distribution of electricity to traction network (over 60% of the distribution volume of the Group).
- Distribution grids of PKP Energetyka are located along the main railway lines.
- The main clients of the Distribution segment are railway network operators and other entities possessing their own parts of the traction network.
- Regulated Asset Base (RAB) at the end of 2021 amounted to **PLN 3.05bn**.
- Length of the power lines is at approx. **21 500 km**.
- **Volume of distributed electricity** in 2021 was at **4.13 TWh**, including 2.62 TWh of traction electricity.

Capex in the Distribution Segment, (PLN m)

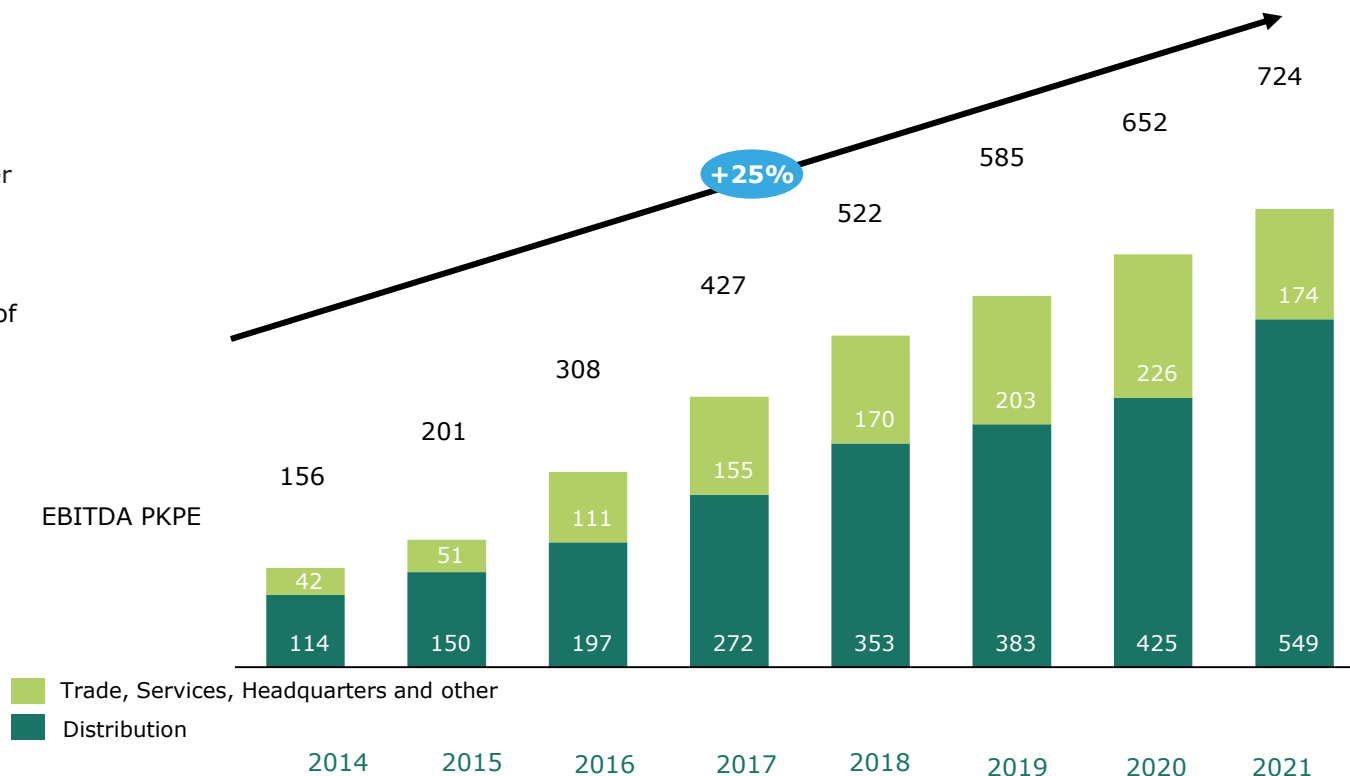


Volume of distributed electricity (GWh)



EBITDA of operating segments, PLN m
(managerial data of PKPE)

CAGR 2014-21



PKPE Group - operating segments

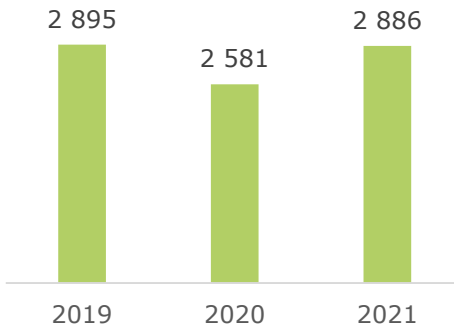
Trade

- In the Trade segment, the PKPE Group, as the only supplier, provides electricity to railway undertakings with a unique ability to balance demand (traction electricity) and also to other customers.
- The segment also sells fuels for railway undertakings in 19 fuel stations located in different parts of Poland.
- **Volume of electricity sold** in 2021 amounted to **2.89 TWh**, including 2.62 TWh of traction electricity.

Services

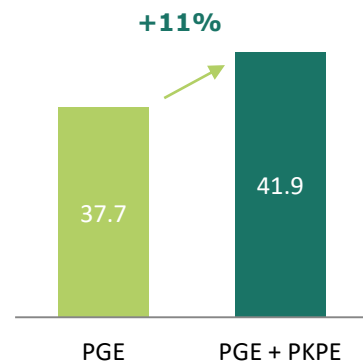
- The Services segment provides **traction network maintenance services**, as well as **construction and modernization services** (focused mainly on the implementation of projects related to the traction network).
- Traction **network maintenance services** account for the majority of revenues and margin, and are provided mainly under long-term agreement concluded with PKP PLK for the years 2019-2023. Preliminary agreement was concluded for the period 2024-2027.
- The segment also manufactures traffic control and signaling systems.

Electricity sold (GWh)

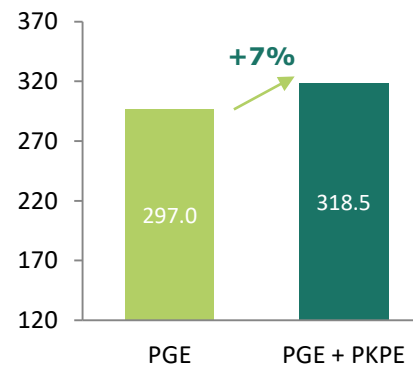


PGE Group after acquisition (Pro Forma 2021)

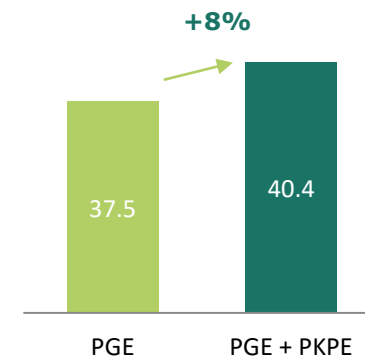
Distribution of electricity (TWh)



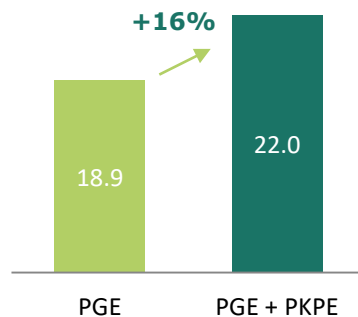
Distribution lines (ths. km)



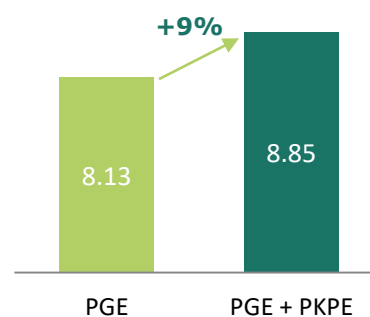
Sale of electricity (TWh)



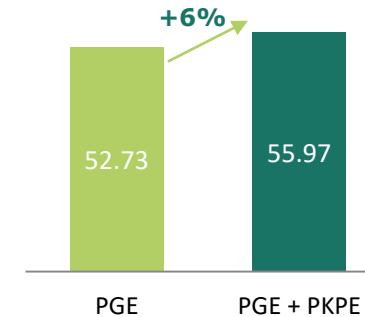
Distribution RAB (PLN bn)



EBITDA¹ (PLN bn)



Revenues (PLN bn)



1) EBITDA recurring PGE Group, EBITDA managerial data PKPE

Comparable transactions */ilustrative/*

Transaction parameters

[PLN m]	
Equity price*	approx. 1 913.5
Net debt**	approx. 4 031.0
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= Enterprise Value (EV)	approx. 5 944.5

*price for 100% shares of PKPE Holding Sp. z o.o., including 100% shares of PKP Energetyka S.A. and shares in other subsidiaries owned by the PKPE Holding. The price will be settled in a locked – box formula as at 31/03/2022. The price will be subject to eventual adjustments, particularly by amount of outflows from PKPE Group to the Seller's group.

**Normalized net debt (as at 31/03/2022), including mainly loan liabilities and reverse factoring liabilities.

Summary of selected comparable transactions

Date of Publication	Target company	Acquirer	EV ¹	EV/ EBITDA
18.03.2021	Narragansett Electric Co.	National Grid PLC	5 300 ²	16.4x
29.10.2020	Switch Nordic Green AB	Fjordkraft Holding ASA	34	6.8x
25.03.2020	MVV Energie AG	First State Investments (UK) Limited	3 144	9.0x
23.12.2019	Sorgenia SpA	F2i SGR SpA Asterion Industrial Partners SGEIC, S.A.	1 000	8.2x
30.09.2019	Luz del Sur S A A (83.6% udziałów)	China Yangtze Power Co., Ltd	4 469	18.5x
12.03.2019	Innogy SE (76.8% udziałów)	E.ON SE	36 520	8.4x
20.04.2018	Enel Distribuicao Sao Paulo	Neoenergia S.A.	2 500	9.3x
02.02.2018	The Dunamis Group Limited	Fulcrum Utility Services Limited	25 ³	17.1x
14.12.2016	RTE Reseau de Transport d'electricite (49.9% udziałów)	Caisse des Depots et Consignations CNP Assurances SA	16 460	8.6x
21.06.2016	Electrica del Ebro S.A	Endesa, S.A.	21	10.9x
30.07.2015	Swissgrid AG (30.3% udziałów)	BKW Netzbeteiligung AG	2 455 ⁴	9.6x
23.07.2015	PKP Energetyka	CVC Capital Partners Limited	477	12.6x

Sources: Mergermarket, S&P Capital IQ, PwC analysis

1) EUR m; 2) USD m; 3)GBP m 4) CHF m

Transaction in a nutshell

Key elements

Price conditions

- The subject of the transaction is the acquisition by PGE Group of 100% shares of PKPE Holding Sp. z o.o., including 100% shares of PKP Energetyka S.A. and shares in other subsidiaries owned by the PKPE Holding.
- Base price for 100% shares of PKPE Holding Sp. z o.o. amounts to approx. PLN 1 913.5 milion.
- The price will be settled in a locked – box formula (as at 31/03/2022). The price will be subject to eventual adjustments, particularly by amount of outflows from PKPE Group to the Seller's group.

Enterprise value

- Enterprise value of PKPE Holding amounts to approx. PLN 5 944.5 milion.
- Normalized net debt (as at 31/03/2022) was at approx. PLN 4 031 milion.

Conditions precedent to the transaction. The withdrawal from the transaction.

- The closing of the transaction is conditional upon satisfaction, in particular, of the following conditions:
 - obtaining the consent of Office of Competition and Consumer Protection (UOKiK).
 - closing of the court dispute concerning the privatisation of PKP Energetyka.
 - obtaining the consent of the Minister of the State Assets.
 - obtaining waivers from the financing institutions.
- In case of occurrence of particular circumstances, including differences in actual and forecasted values of certain financial data, the parties may withdraw from the transaction.

Transaction date

- Preliminary Sale Agreement, December 28, 2022.
- The closing of the transaction is planned on April 3, 2023.

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Thank you

