

- PGE Group has acquired the Polish assets of the French group EDF. The final value of the transaction, which was completed eight weeks ahead of schedule, is PLN 4.27 billion. This is nearly PLN 250 million less than the value of the acquired enterprise as at the end of 2016.
- The purchase of EDF Polska, which is changing its name to PGE Energia Ciepła, will strengthen PGE's financial standing. The acquired companies generated approx. PLN 5 billion revenues in 2016, with EBITDA in excess of PLN 1 billion.
- Thanks to this transaction, PGE Group has become the leader on both the electricity market and the market for the production of eco-friendly district heating, supplied through urban district heating networks.
- The acquisition of eight CHP plants in the largest Polish agglomerations makes it possible for PGE to expand its geographical presence within the country and gives it access to 4.5 million potential clients.
- PGE Group will unveil its District Heating Strategy, including development plans for the Rybnik power plant, on 14 December 2017.

"The acquisition of EDF's Polish assets and commencement of the process to incorporate them into PGE Group is a historic moment and a great success for us. Closing this strategic transaction will positively change the Group's business structure, making room for significant growth in the promising segment of regulated district heating and cementing PGE's leading position on the energy market," said **Henryk Baranowski, President of the Management Board and CEO of PGE Polska Grupa Energetyczna.**

"The purchase of one of the largest Polish power plants, in the Silesian city of Rybnik alongside eight CHP plants is changing the architecture of the entire Polish energy market. I can say with satisfaction that finalising the purchase of EDF Polska is positive for both PGE Group as well as its existing and future clients," added **Henryk Baranowski.**

The transaction, one of the largest on the Polish and European M&A market in recent years, was signed on 13 November 2017. The transaction encompasses the Rybnik power plant in Silesia, eight CHP plants in the largest Polish agglomerations such as the Tri-City area, Wrocław and Kraków, and nearly 400 km of district heating networks.

With the independent acquisition EDF Polska's asset, PGE Polska Grupa Energetyczna is doubling its heating capacities to over 7.5 GWt and increasing its installed power generation capacities by 25% to nearly 16 GWe. Maintaining the level of production reported in 2016 will increase the Group's heating output by more than 150%. By combining the installed capacities of PGE and EDF, PGE Group has solidified its leading position in the power generation segment and has become the largest supplier of eco-friendly district heating in the country, with a 15% market share.

"The acquisition of assets of this size within such a short timeframe was a very complex and challenging undertaking from an operating point of view. On behalf of PGE Group's entire management board, I want to express my appreciation to the fully involved and professional teams on both sides of the transaction. It is thanks to their work that we were able to successfully conclude negotiations and meet all of the formal and administrative requirements, leading to a positive outcome," added **Henryk Baranowski.**

In accordance with a condition imposed by the Office of Competition and Consumer Protection, in 2018-2021 PGE Group will have to sell through the power exchange a volume of electricity corresponding to the Rybnik power plant's output. Another obligation arising from legal regulations involves PGE having to announce a tender offer (for up to 66% of share capital) for the shares of exchange-listed ZEW Kogeneracja, which is part of the acquired EDF Polska assets. ZEW Kogeneracja currently manages four CHP plants (Wrocław, Zielona Góra, Zawidawie, Czechnica) and three district heating networks. PGE is required to announce the tender offer within three months from the transaction closing.

PGE Group is the undisputed leader in electricity generation and the acquisition of eight CHP plants together with district heating network infrastructure places it first on the district heating market as well.

"We are confident that the district heating market in Poland is facing good prospects. The development of district heating is economically and environmentally the best way to improve the quality of air in about 200 Polish cities. We believe that the regulatory environment will be favourable for the development of this segment and will stimulate its further growth. This is why we worked so hard in recent months on a new strategy for development in the segment of regulated district heating and cogeneration based on the acquired assets," said **Ryszard Wasilek, Vice-President of PGE Polska Grupa Energetyczna, in charge of operations.**

"PGE Group's District Heating Strategy, which will include a scenario for the development of the Rybnik power plant and our ambitious strategic plans for the entire segment, will be unveiled on 14 December," announced **Henryk Baranowski.**

Completion of the acquisition of EDF's assets and their inclusion in PGE's structure are in line with the Group's 2020 strategy, updated in September 2016. The acquired district heating assets are aligned with PGE's business profile and will increase the contribution of stable EBITDA from regulated activities and, through a multi-directional diversification, reduce the company's overall operational risk, thus contributing to improving Poland's energy security.

PGE's total expenditures related to the acquisition of EDF's assets in Poland reached approx. PLN 4.27 billion and included the price to purchase EDF Polska shares and the direct purchase of EDF Investment III BV shares (shareholder of ZEW Kogeneracja), amounting to a total of PLN 2.54 billion (including interest), as well as approx. PLN 1.73 billion to repay intra-group debt of EDF Polska and EDF Paliwa.

Finalising the agreement to purchase EDF Polska will start a process to change its name to PGE Energia Ciepła, which will

be a part of PGE Group, which comprises powerful business lines managing: the two largest mining and power generation complexes in Poland – Bełchatów and Turów, distribution networks in north-eastern and south-eastern Poland and the largest renewable energy resources in the country. PGE Group also owns young and modern businesses such as PGE Ventures and PGE Nowa Energia, both set up in 2017, operating in the areas of innovation, electromobility and startups.

White&Case M.Studniarek i Wspólnicy served as legal adviser for PGE Group on the transaction, while Bank PKO BP acted as financial adviser. DLA Piper Wiatery Sp.k. and BDO Sp. z o.o. were also involved in the project, as were technical advisers Energoprojekt Warszawa and Ramboll.

PGE's M&A team spent 15 months on the transaction, which included over 20 negotiation sessions, tens of video conferences, several hundreds of meetings and tens of thousands of emails.

Files to download

- [PGE dominates Poland's electricity and district heating markets](#)

Presentation: Acquisition of EDF assets - May 2017

- [Acquisition of heating assets and Rybnik pp - PGE presentation](#)