



ZSE Group - Investor presentation

November 2023



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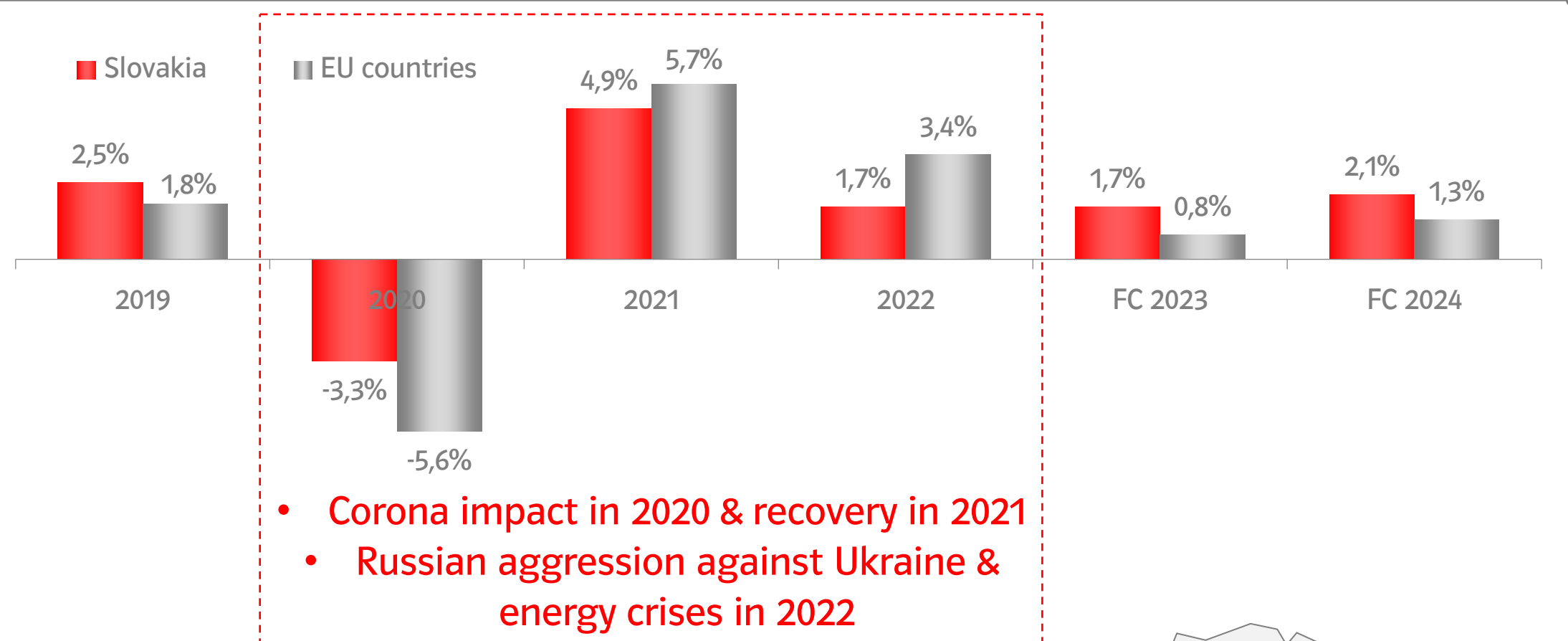
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Slovakia country overview

Slovakia solid economic position

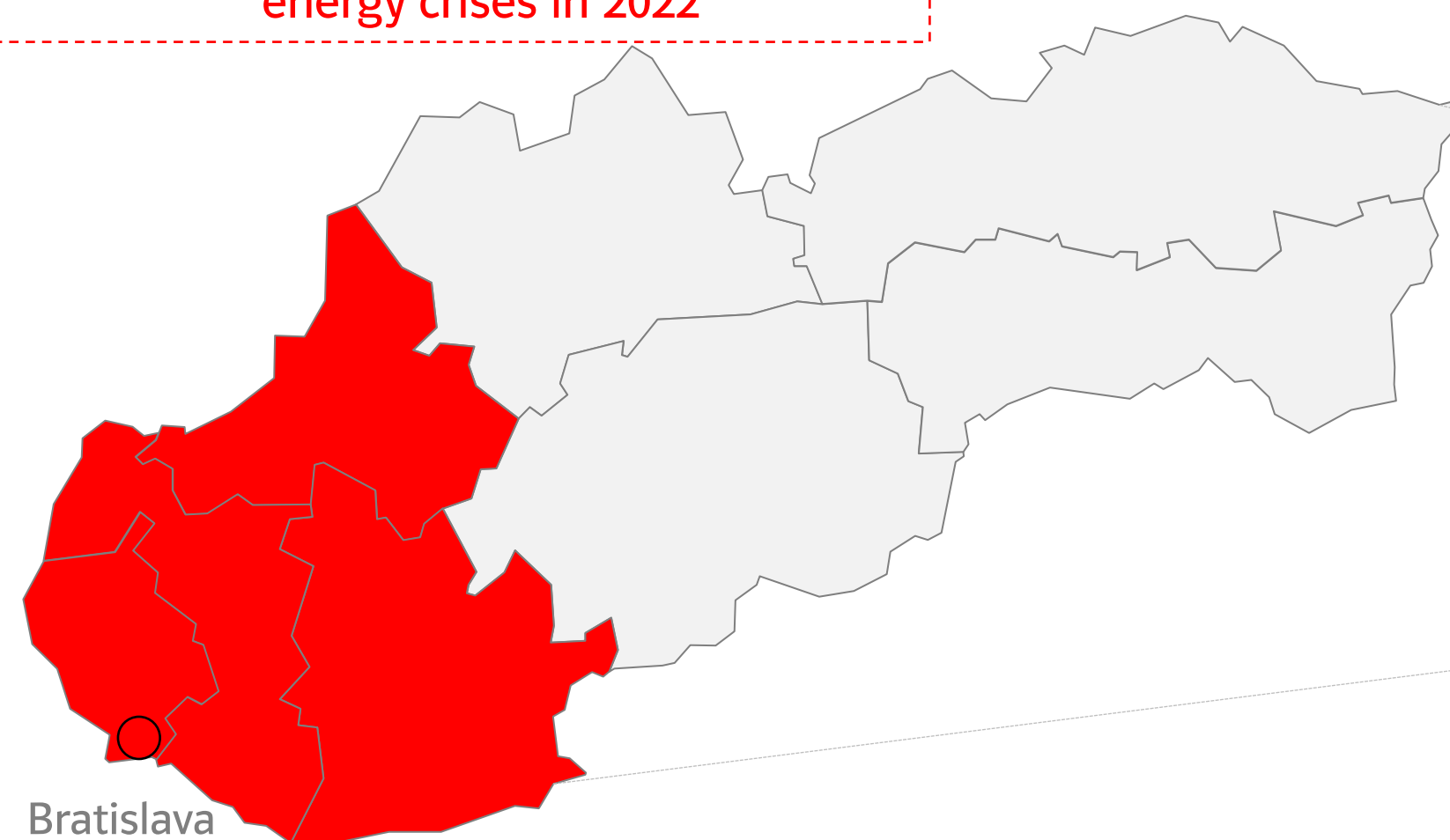
Slovak GDP growth forecast in comparison to EU

Real GDP Growth (%)*



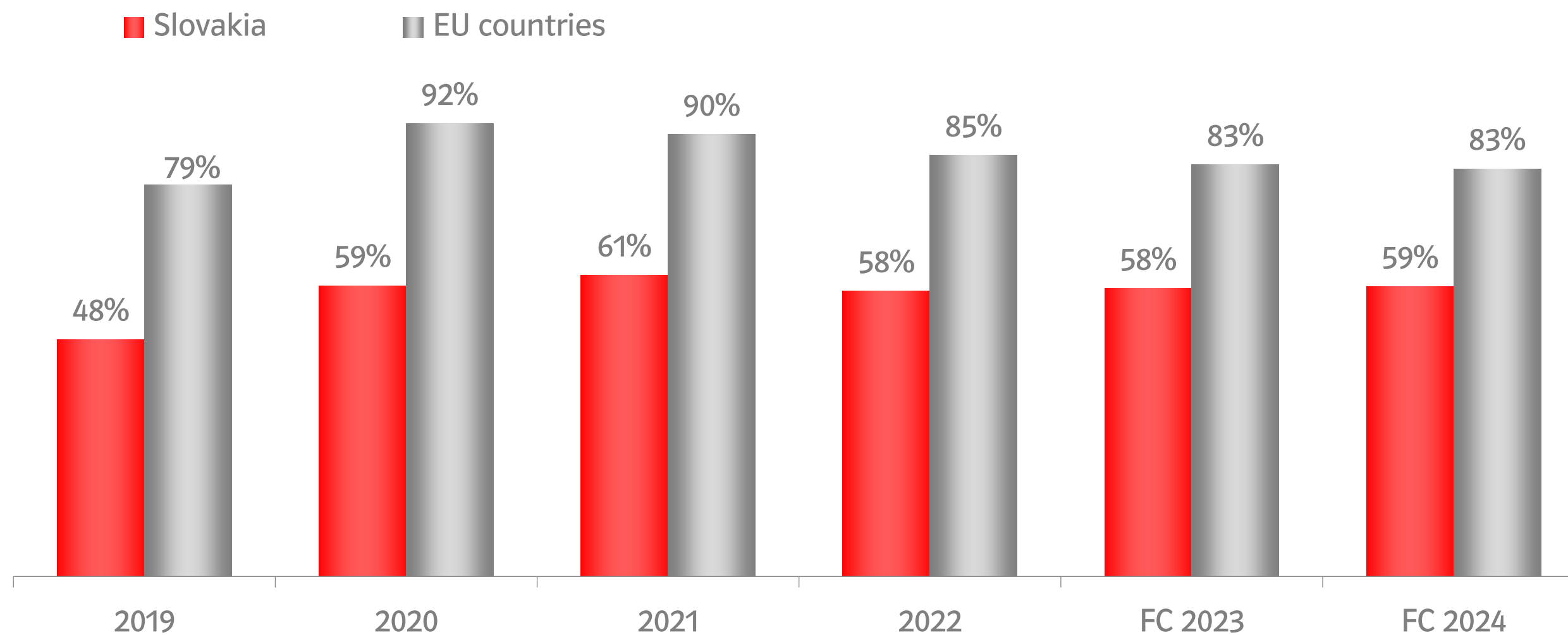
Credit Rating

Agency	Rating	Outlook
S&P	A+	Stable
Moody's	A2	Negative
Fitch	A	Negative



Slovakia national debt development

Public debt over GDP (%)*



Slovakia Factsheet

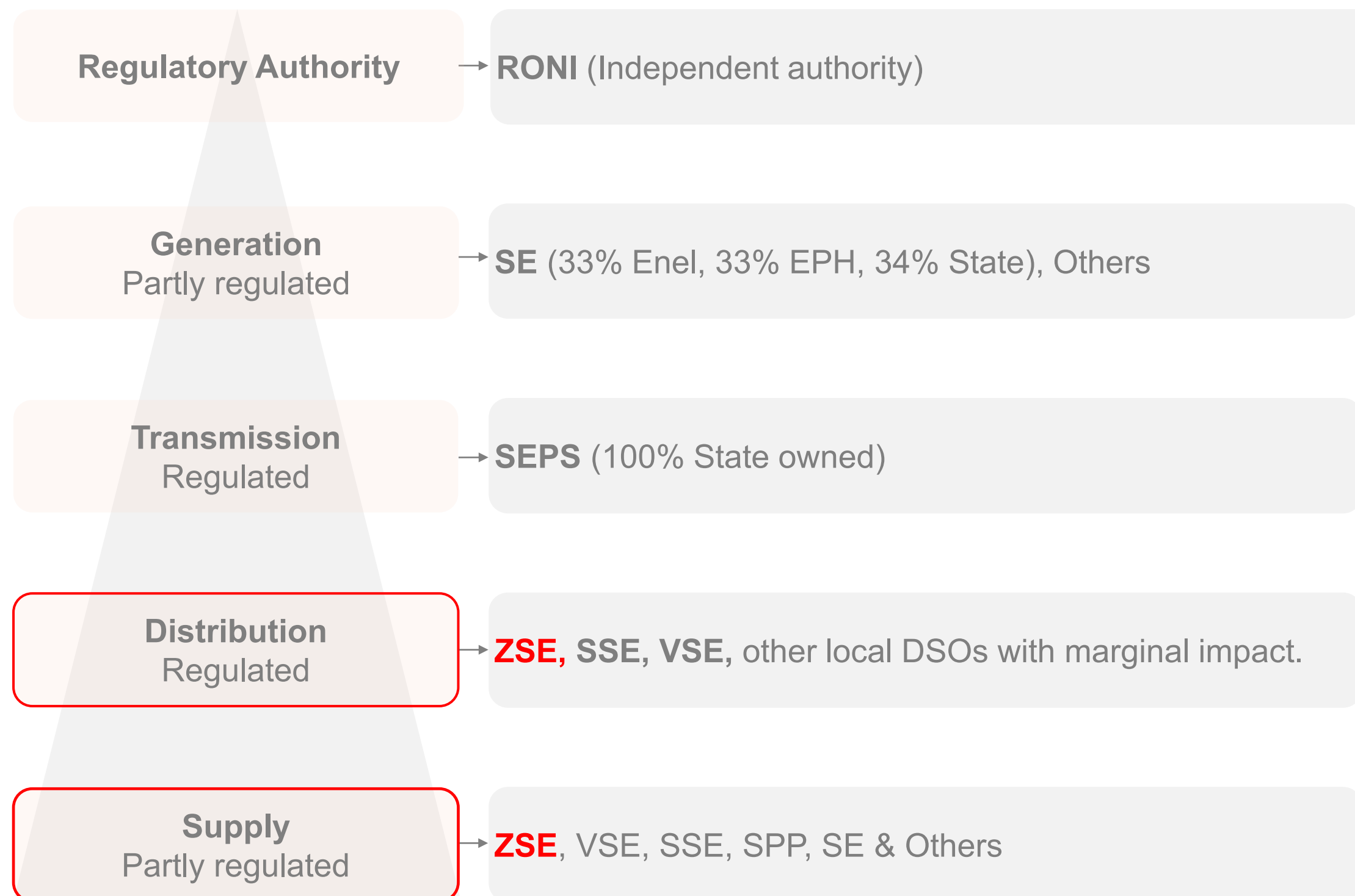
Capital:	Bratislava
Type of government:	Parliamentary system
Membership in:	EU, Schengen Area, OECD, WTO, NATO
Currency:	EURO
Area:	49,035 km ²
Population:	5,4 million
Time zone:	GMT + 1 hour

- **Proven stable trend** in public debt over GDP
- Since 2020 impacted by Corona pandemic



Slovakia: power market overview

Power Market Overview



Power Distribution (2022)



- ZSE is the **largest electricity Distribution System Operator (DSO) in Slovakia**
- ZSE is **as natural monopoly** in its **respective territory** with 100 years history

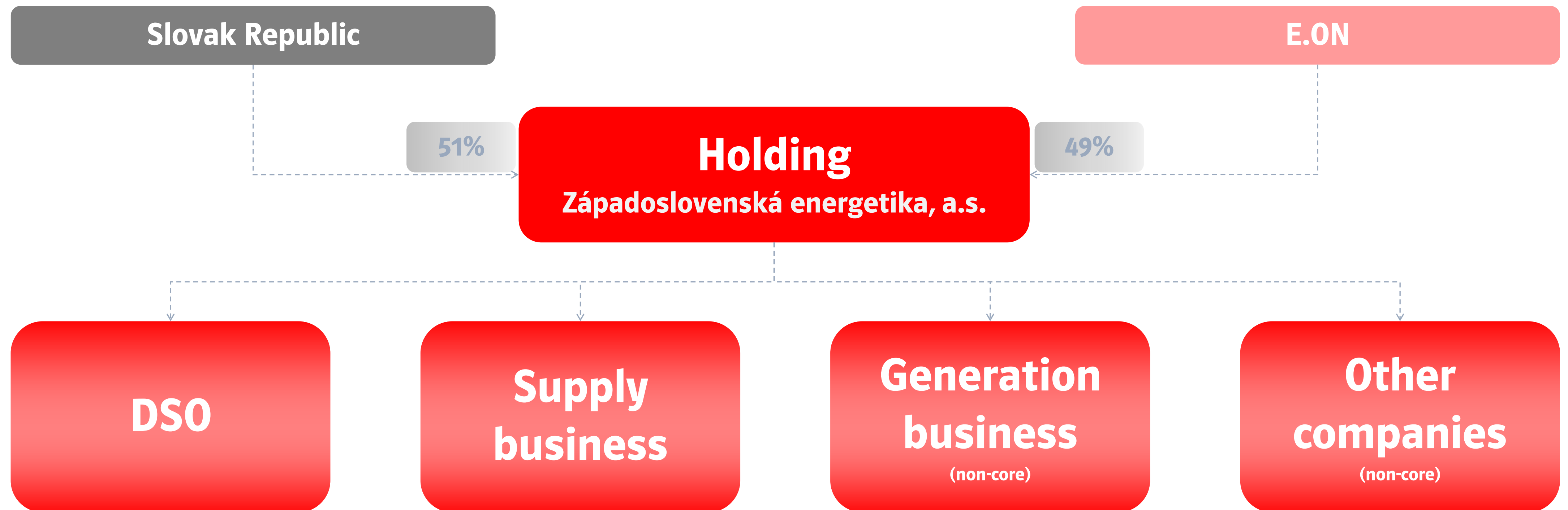


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ZSE at a glance

ZSE corporate and shareholder structure



- Majority-owned by the **Slovak government**
- Strong shareholder structure
- CCGT powerplant with Slovak State call option until 2024

Stable earnings secured by regulated cashflows

Distribution Business

- Large and stable customer base of 1.2 million connection points
- Monopolistic market position is regulated
- Regulatory mechanism - **price CAP regulation**

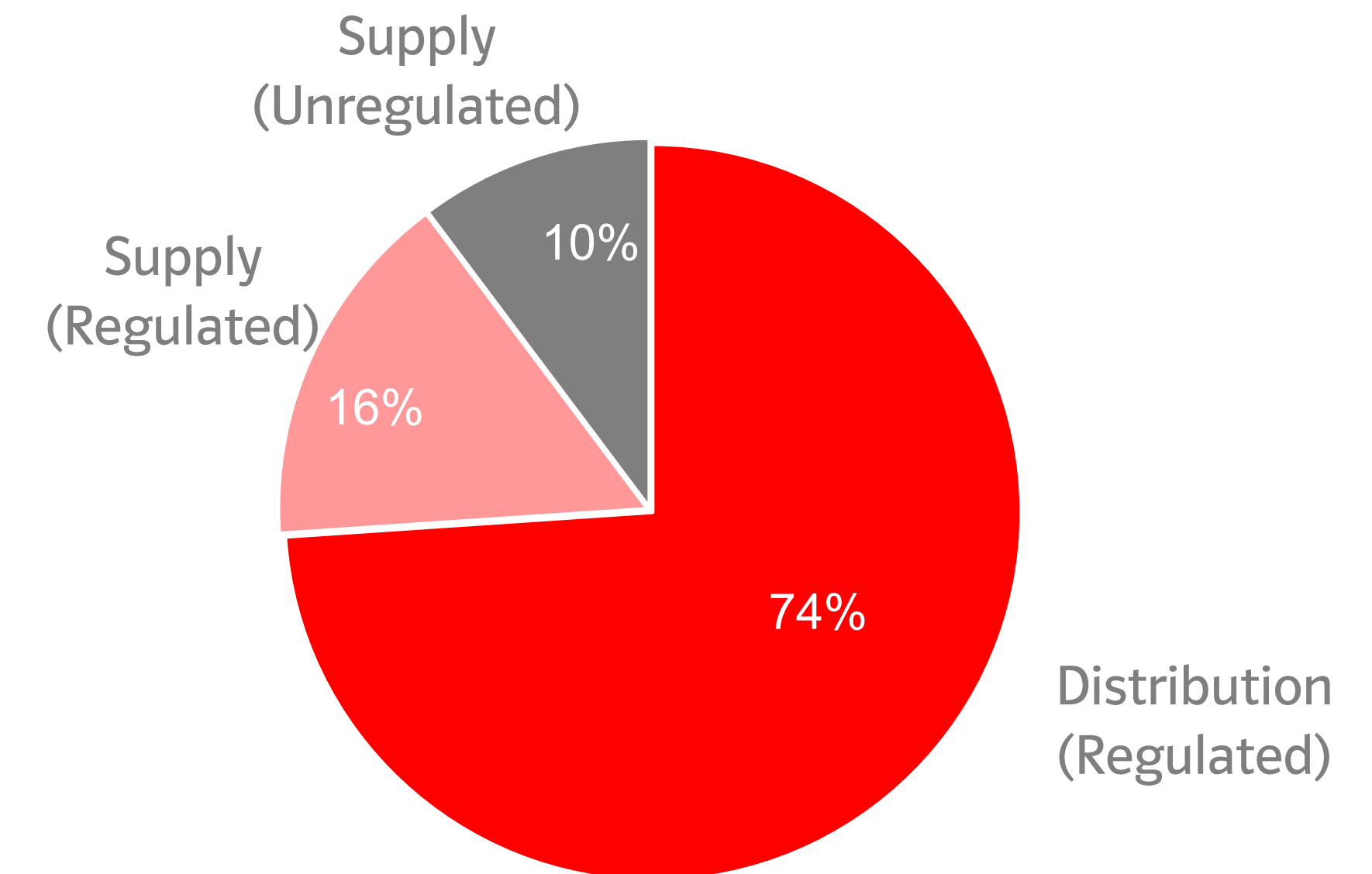
Supply Business

- Supply of power and gas to **households** is fully regulated
- Supply to **small SMEs** (power < 30MWh p.a. & gas < 100 MWh p.a.) subject to regulation

Key take-away

Almost fully regulated earnings

ZSE 2022 EBITDA



≈90% of EBITDA regulated*

Excluding non-core Malzenice powerplant

Environmental Social Governance (ESG)

ZSE as an active initiator of green change in our region on its path to sustainability

- **Sustainability report for 2022** published as a part of Annual report
- **External ESG rating** by Sustainalytics with Medium ESG Risk Rating (May 2023)
- ZSE Green financing framework introduced in Nov 2022
- Core business: **distribution grid operation** as well as **sales (mainly power)** in compliance with **ESG pillars**
- Other selected ESG relevant business activities:
 - **Grid modernization** – e.g. via EU co-financed PCI projects ACON & Danube InGrid
 - **Guarantees of origin** – as 1st in SK offered the households to cover their consumption with EE from RES
 - **E-mobility** – (#1) largest charging infrastructure operator on the SK market with over 400 charging points
 - Cooperating on **corporate social responsibility projects** focusing on environment protection & education

ZSE strategic goal: gradual reduction of GHG emissions towards carbon neutrality by 2050

- **Scope 1 and Scope 2:** -75% by 2030 and -100% by 2040
- **Scope 3:** -50% by 2030 and -100% by 2050

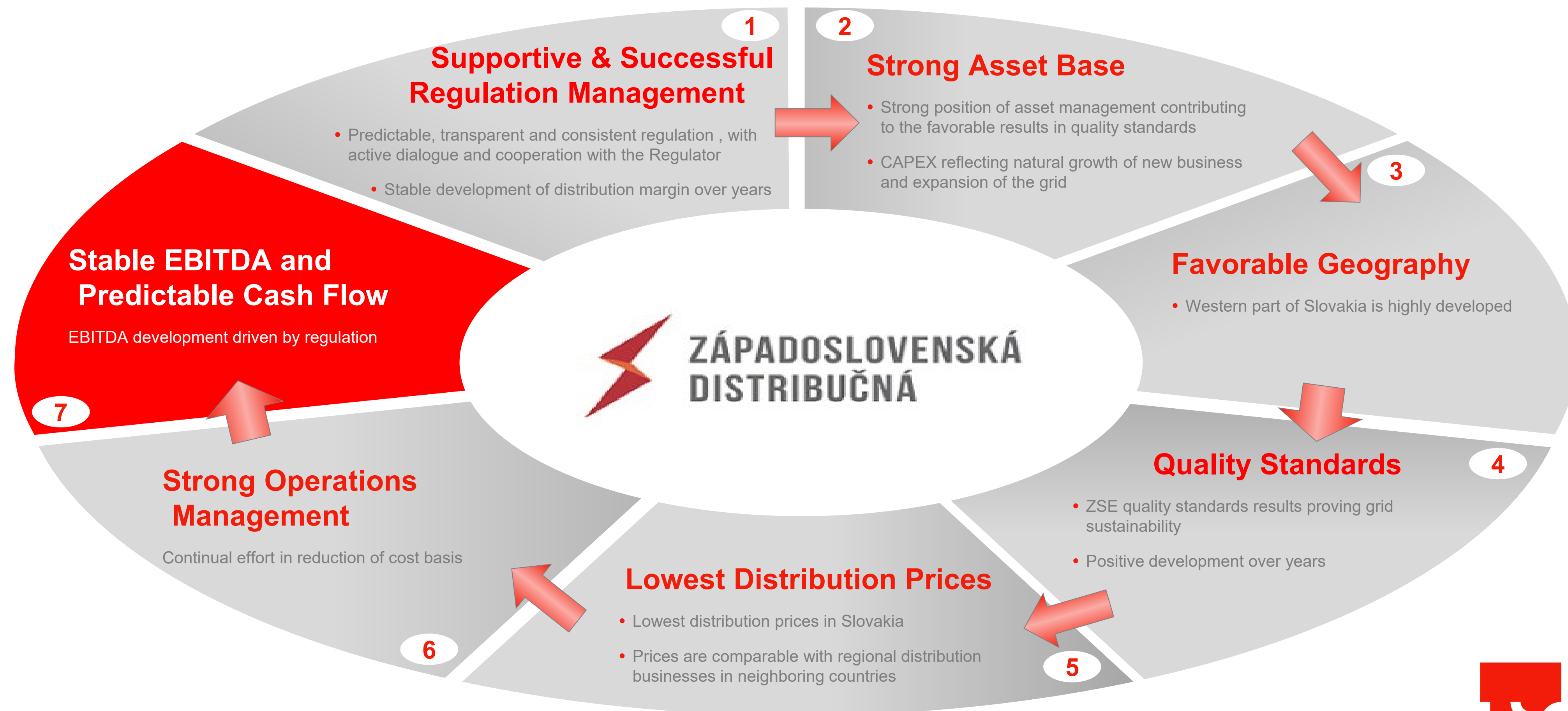
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Distribution
business

Largest electricity distribution system operator

Key Company Drivers



Distribution regulatory mechanism

Key Features

- 5-year term
- Previous regulatory period (2017 - 2021) extended by one year (2017 - 2022)
- Current regulatory period (2023-2027)
- Stable & predictable regulation
- Price CAP mechanism

Regulatory Period

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Previous regulatory period						Current regulatory period				

Adequate Profit Calculation

RAB

Regulation Assets Base

X

WACC

=

Profit

Allowed Revenue Calculation

Profit

+

D&A

Depreciation & Amortization

+

Opex

=

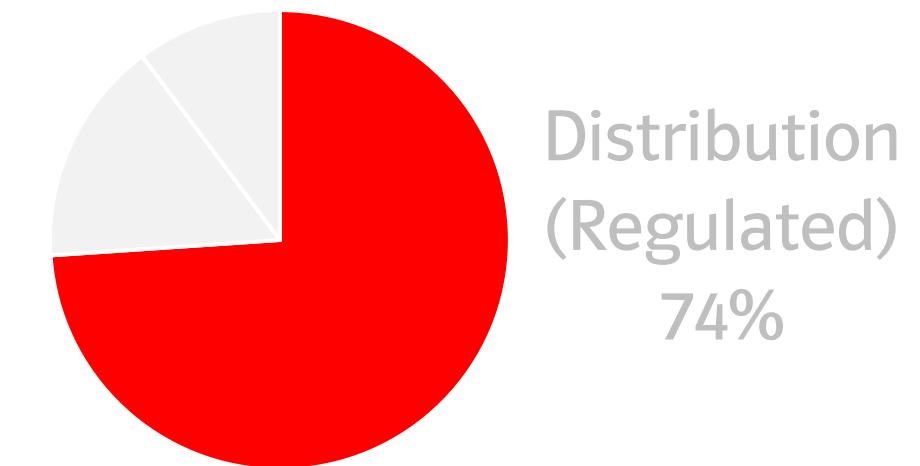
Allowed revenue

Distribution business

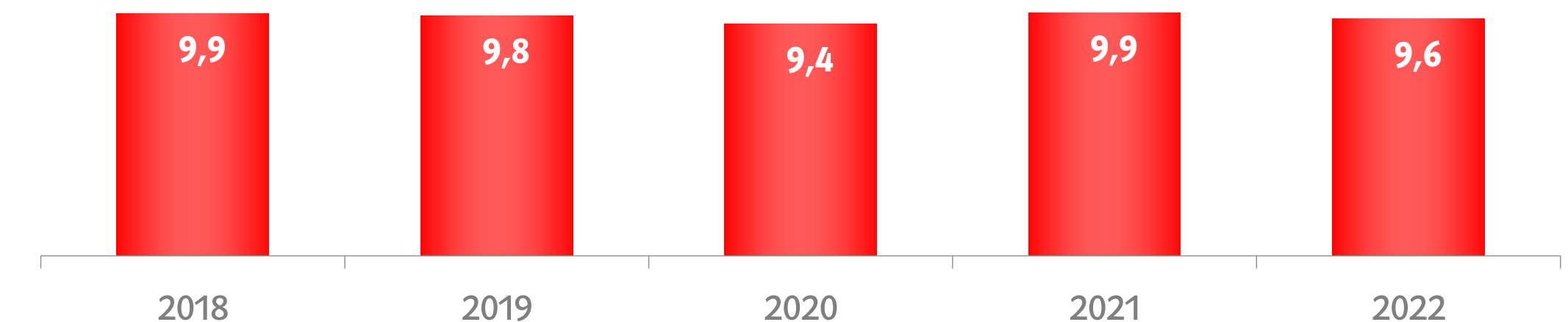
Stable Earnings Proven by Regulation

- **Stable** economic development of distribution region and distributed volume with one-off effects (Corona 2020 & energy crises 2022)
- **Long-term stable distributed volume**
- **Business organic growth** driven by economic development and decarbonization
- Operates in **most-developed Western part of Slovakia** with customer base over 1,2m delivery points

ZSE consolidated EBITDA
Excluding non-core Malzenice powerplant

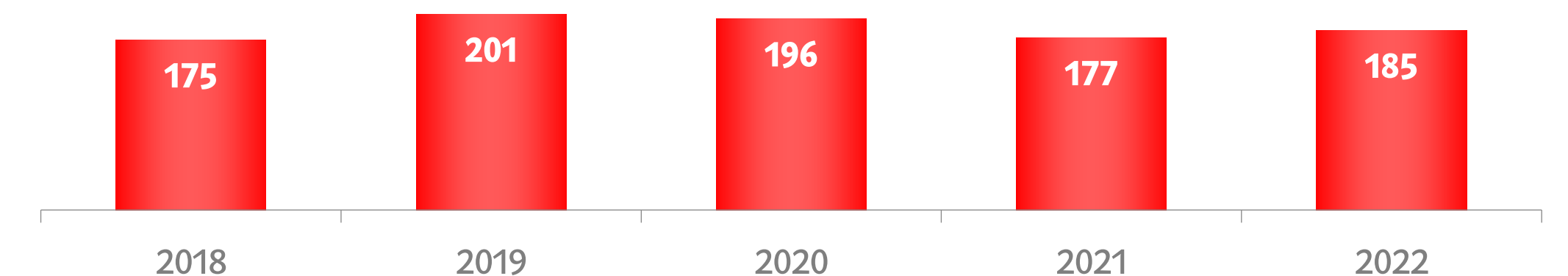


Distributed Volume (TWh)



Stable trend in distributed volume impacted by one-off effects

EBITDA Development (m€)



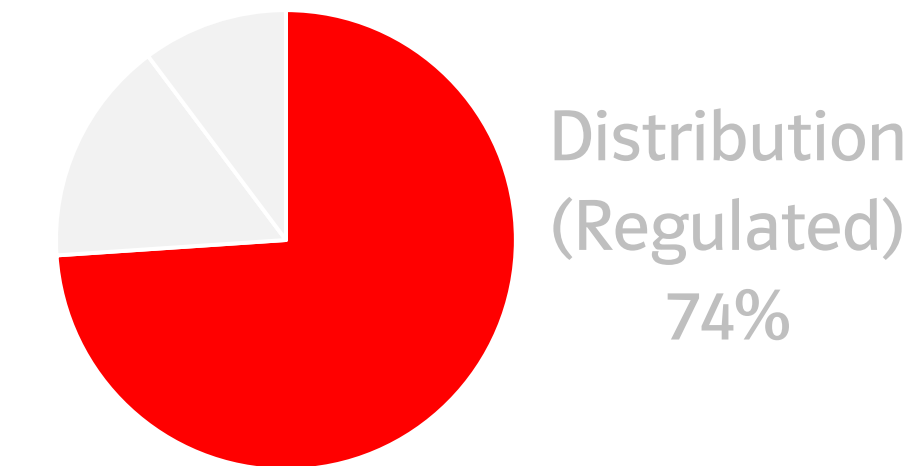
EBITDA development secured by regulation

Distribution business

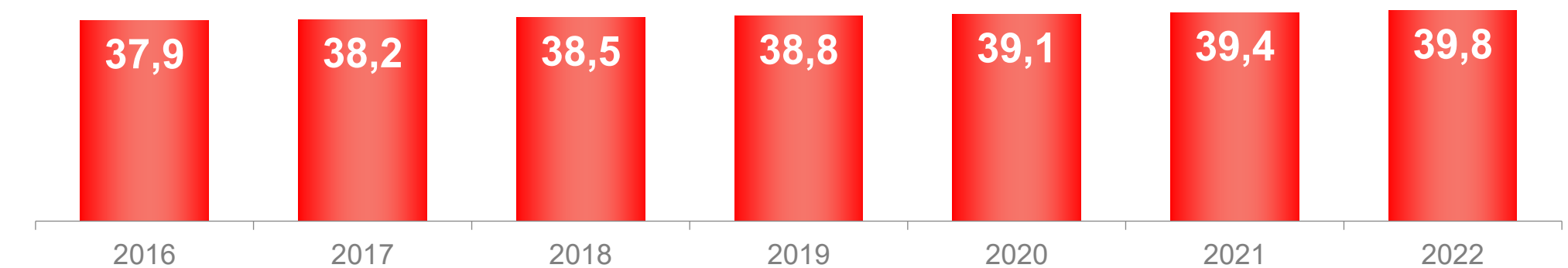
Asset Driven Business

- Renewal of distribution network in line with stable grid needs to **ensure distribution service at required level**
- Investment's strategy constantly **reduces network losses** and **increases the quality and reliability of the grid**
- **Focus on development and maintenance of the grid to ensure fulfillment of the quality standards** required by Regulator
- **CAPEX reflecting natural growth** of new business and expansion of the grid mainly driven by new connections

ZSE consolidated EBITDA
Excluding non-core Malzenice powerplant

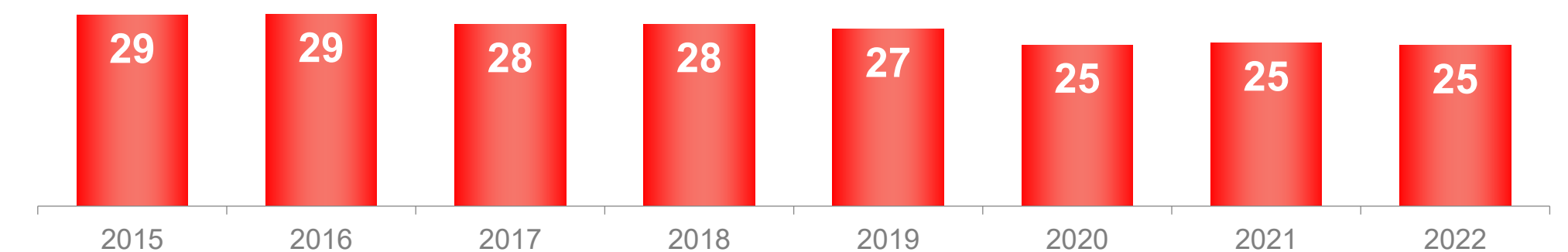


Network Length Development (000 km)



Stable annual development of the network

Assets Age Development (years)



Constant investment cycle with renewal of grid assets

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Sales
business

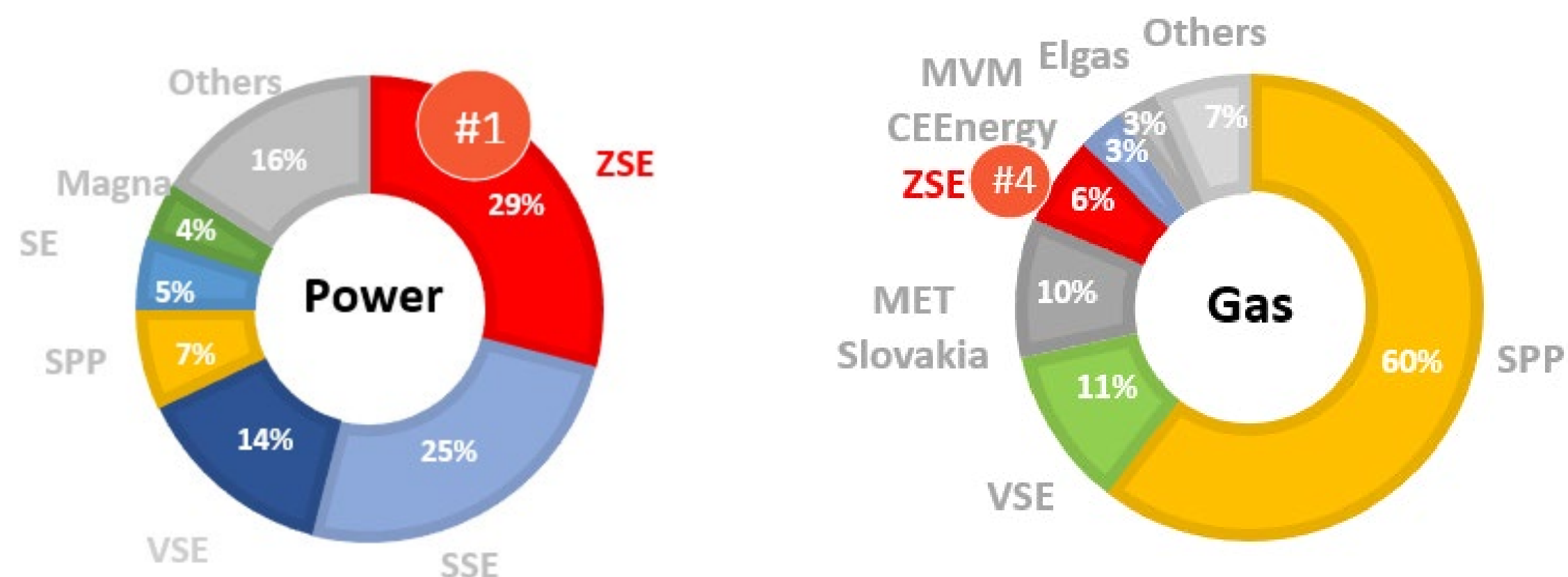
Supply business

Key Topics

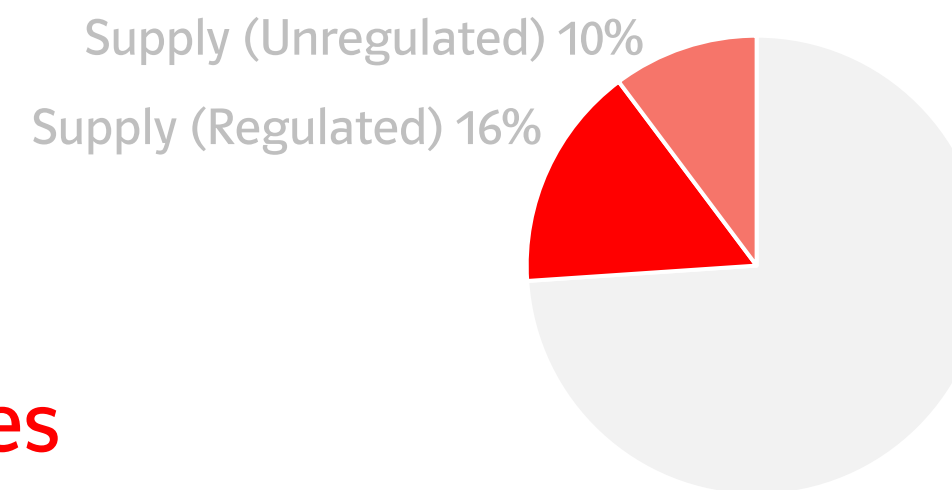
Power & Gas Business

- Long-term regulated EBITDA share $\approx 2/3$
- Largest electricity supplier ($\approx 1/3$ of market share)
- Gas with stable position with supplied volume at 2,8TWh
- Very low churn rate in retail segment
- Market leading position in supply business

Market Shares in Slovakia 2022*

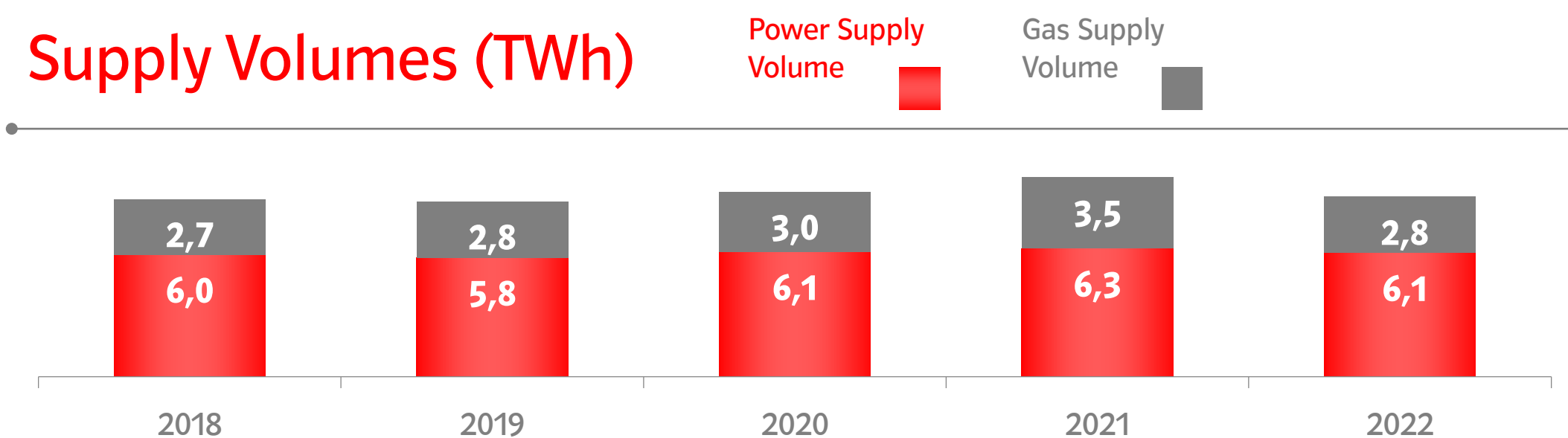


ZSE consolidated EBITDA
Excluding non-core Malzenice powerplant



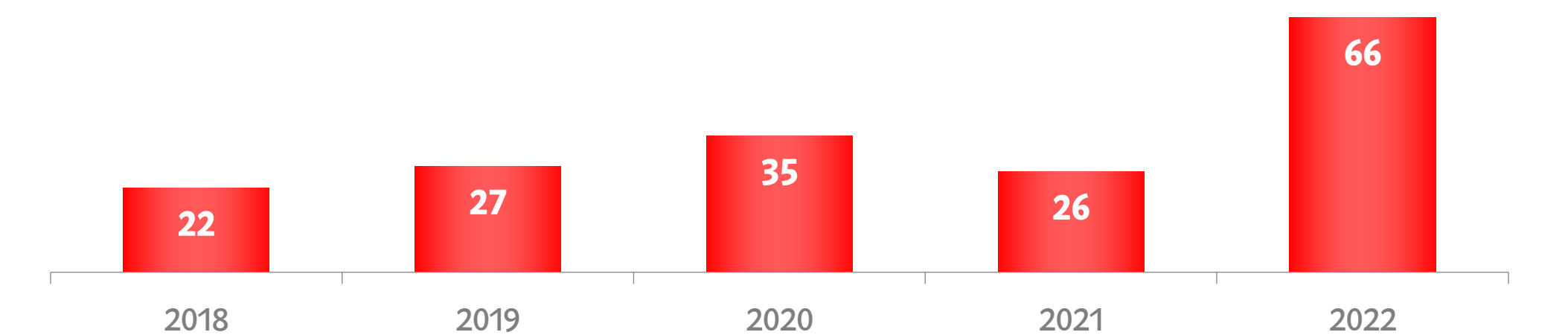
Key Figures

Supply Volumes (TWh)



Long- term stable development in total supplied volumes

EBITDA Development (m€)



Strong EBITDA growth in past years



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Selected
topics for discussion

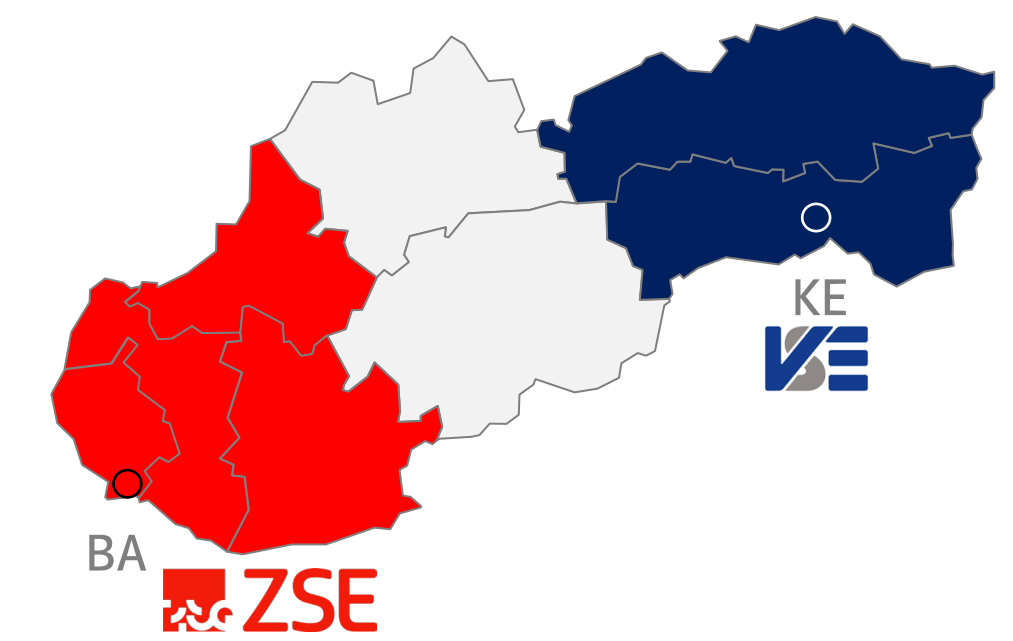
VSE integration

Company Combination

- Resulting from E.ON asset swap with RWE (VSE was part of Innogy)
- **Ownership structure** in both groups is **the same**: E.ON (49%), SK state (51%)
- Apr/2022 ZSE shareholders entered into the Future Consolidation Agreement
- Anticipated transaction assumes contribution of 100% of VSE Holding's shares to ZSE, followed by sale of VSE Holding's subsidiaries to ZSE
- Transaction **conditions precedent met**: Government approvals, European Commission merger clearance, Slovak Anti-monopoly Office clearance
- **Pending minister's sign-off** on shares' transfer & new Shareholders' agreement
- **Estimated transaction closing is Q1 2024**

Transaction Rationale

- Integration will bring **operational & financial upsides**
 - Scaling of financial (e.g. EBITDA) & operation KPIs (volumes, customer base, RAB)
 - Synergies & benefits from shared services
 - Integrated sourcing benefits
 - Reducing leverage (VSE leverage lower)
- New Group will be **bigger and financially stronger**



VSE Operational KPIs

KPI	Units	2020	2021	2022
Revenue	m€	788	803	1,117
EBITDA	m€	127	92	102
o/w EBITDA DSO	m€	97	87	90
PPE*	m€	588	609	618
CAPEX	m€	48	53	60
FTEs avg.	#	1,682	1,679	1,657



315m€ bond refinanced via green loans

- **Q4'22 ZSE established Green Financing Framework (GFF)** as a part of its **broader sustainability strategy**
- **10-yrs 315m€ bond** due in Oct 2023 **successfully refinanced** already in Apr 2023 via **green bank loans** maturing in Oct 2026
- Transaction proved **sound relationships with banks** and demonstrated **high standing in credit markets**
- Outstanding **315m€ bond due in early 2028** provides **solid financing terms with coupon of 1,75%** comparing it to current peaking interest rates

Bond refinancing well in advance with long-term green bank loans

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ZSE group key highlights

ZSE key highlights

Overview

- 1 **State co-owned company** with investment grade-rated shareholders
 - 2 Expected **combination with VSE** presenting operation & financial upsides
 - 3 **≈90%* of earnings regulated** and low-risk
 - 4 **Strong and stable financials** with solid earnings
-

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Appendix

Consolidated figures from Financial Statements

Balance Sheet items € m	2018	2019	2020	2021	2022
Current Assets	241	254	254	255	491
Non-Current Assets	859	996	1 082	1 170	1 185
Total Assets	1 100	1 250	1 336	1 426	1 675

Equity	80	155	217	269	313
Current Liabilities	249	287	302	337	822
Non-current Liabilities	771	807	816	819	540
Total Liabilities	1 020	1 094	1 118	1 157	1 362
Total Equities and Liabilities	1 100	1 250	1 336	1 426	1 675

Profit & Loss items € m	2018	2019	2020	2021	2022
Revenue	1 125	1 290	1 211	1 341	1 991
EBITDA	204	234	240	247	260
EBIT	154	177	177	184	192

Income	1 151	1 318	1 258	1 372	2 053
Expenses	(1 020)	(1 158)	(1 099)	(1 205)	(1 879)
EBT	130	160	159	167	174
Income tax expense	(32)	(40)	(24)	(31)	(43)
Net profit	98	120	134	136	131

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