



NON-RATING ACTION COMMENTARY

Fitch Ratings Views Agreement Between Enel Americas and GEB Positively

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Fitch Ratings-New York/Bogota/Santiago-24 June 2021: Fitch Ratings views the recent merger agreement of Colombian and Central American subsidiaries between Grupo Energia Bogota S.A. E.S.P. (GEB; BBB/Stable) and Enel Americas S.A. (A-/Stable) as moderately positive for GEB as it will increase dividends received from non-controlled companies in future years and expand its footprint in renewable energy generation.

The credit impact for Enel Americas is neutral. Colombia remains a key market for the company and is expected to contribute approximately 40% of total EBITDA for Enel Americas in 2021. The financial impact of the announced merger is not expected to materially change Fitch's base case over the rating horizon.

Fitch may also view positively for Emgesa's rating the incorporation of operating assets in Panama, whose country ceiling is 'A-'. Emgesa's foreign currency rating has a Negative Rating Outlook since it is currently limited by Colombia's country ceiling of 'BBB' and the sovereign Outlook is Negative. The credit impact on Emgesa's rating will depend on the new company's financial strategy to fund expansions and the amount of hard currency interest expense.

The end of the longstanding dispute between the two companies over back dividends accrued at Emgesa S.A. E.S.P. (BBB/Negative) and Codensa S.A. E.S.P. (AAA[col]) from 2016

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to 2020 is also viewed positively.

GEB and Enel Americas plan to merge Emgesa, Codensa and Enel Green Power's renewable assets in Colombia and Central America into a single company, named ENEL Colombia. Enel Americas will own 57.345% of the new company, GEB will own 42.515% and minority shareholders will own the remaining shares. Under the current structure, Enel Americas owns 56.4% of the voting rights of Emgesa, 56.7% of Codensa's voting rights and GEB owns 43.6% of Emgesa and 42.8% of Codensa. However, GEB has an additional 7.9% of Emgesa and 8.5% of Codensa in preferred shares, which carry economic but not voting rights.

Under the current structure, Enel owns 100% of Enel Green Power Colombia and Enel Green Power in Panama, Guatemala and Costa Rica. Thus, in broad terms, GEB will exchange its roughly 8% preferred shares in Emgesa and Codensa for a proportional ownership in the Enel Green Power companies in Colombia and Central America.

The shareholder agreement for the newly-created Enel Colombia will specify clear rules for dividend distributions with an expected initial level of 90% given current leverage metrics. The previous shareholder agreement featured a commitment to pay out maximum dividends, subject to applicable laws, credit contracts and good business practices. The board of directors will consist of seven members: three from Enel Americas, two from GEB and two independents.

Enel Colombia is a major market participant in Colombia and now in Central America. Enel Colombia is estimated to have a total installed capacity of 4.2GW (3.6GW in Colombia and the remaining in Central America) with planned expansion in Central America, and Colombia expected to bring the total capacity to 5.5GW. The company distributes electricity to 3.6 million customers in Colombia.

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