

GEB 2Q22, Result Conference
August 18, 2022

Manuela Ramirez: Good morning everyone. My name is Manuela Ramirez, Financing and IRO in GEB. Welcome to our 2Q22 results call. This conference is being recorded. The presentation that we will see today was sent yesterday and is uploaded in our Investor section on our web page. In the right corner of your screen, you can ask questions at any time in the Q&A section. Please state your full name and the company that you represent so we can easily identify you. Now, let me introduce you to Jorge Tabares, who will lead the call today. Good morning, Jorge.

Jorge Tabares: Hi, everybody. Thank you, Manuela. Thank you for your interest and I'm going to go as typically through the presentation and then we will open it for Q&A at the end, so we welcome any inquiries that you may have.

First, there is the snapshot of our results as headlined. I will say that our operating results were quite positive during the first half of the year, in part because of the structure of our industry as a tariff indexation allows us to capture in some cases the inflation and the fact that we publish our results in Colombian pesos also allow us to benefit from exchange rate depreciation of the Colombian currency or cross currency depreciation of the Colombian peso against the Peruvian Sol, for example. But also, the results show the execution of the inorganic growth strategy that is delivering positive results for us.

On the left, we have the EBITDA, for the quarter, increases by 15%, all these figures are in billion Colombian pesos, and the exchange rate is about COP 4.300, on that order of magnitude. When we look at the composition of the business, gas continues having the most significant contribution as a combination of gas distribution and gas transportation, and I'm very importantly, I think is that the positive results are a consequence of contribution of all businesses. In the quarter, Colombia represents 60% in the region 40%, this in terms of EBITDA, in a quarter in which we don't receive dividends from our non-controlled subsidiaries.

When you look at the table on the bottom revenue increase by 23%. The operating income was flat and, then the control net income increases by 0.8%. I highlight also that we are investing very actively in our portfolio, both organically and inorganically from this USD 227 million, USD 116 million where the amount that we paid for the Elecnorte acquisition and the rest of it is the organic CAPEX mostly in the Colombian transmission operation and in Calida, as we continue expanding the network and connecting more clients in gas distribution in Peru.

In the middle a very healthy net debt to EBITDA at 2.9x, and our return figures are slightly below the figures of the last quarter, mostly because the increase in the asset base that will deliver results and returns on a continuous basis, as we move forward.

A very active macroeconomic environment with the depreciation of the Colombian peso of 6% in the quarter and we continuously see a very high headline numbers in both PPI and IPC.

So, I'll summary of what we have already mentioned to the market, is our acquisition in Brazil, which is the total enterprise value is USD 1.4 billion, a very transformative acquisition for us and one that is fully aligned with the strategy that we outline back in 2020. The transmission lines in Colombia also with Elecnorte.

We raise some money out of placing bonds in the local market which our markets continue to evolve after our issuance proved to be a good timing to go to market.

The District of Bogota found a different funding mechanism to actually agreed with the central government to construct and pay for a new metro line in Bogota, and with that they terminated the process, so we are no longer executing on the District is has no longer in its plans to sell the percent that they were considering Selling.

When we look at the subsidiaries, Calida just completed five-year tariff review, the outcome was positive, the process despite all the political turmoil, and uncertainties in Peru, Osinergmin managed a fairly technical process with a tariff increase by 9.7% on average and that will start being charging since May of 2021. We also now plan almost to double the expected number of connections by year end, reaching 210,000 connections, which is a good source for the revenue for the future. In the near term, it provides for a high CAPEX, but also some increases in the expenses, nevertheless some of them are pass-through.

The Colectora project which is a cornerstone project in Colombia to connect the non-conventional projects, we have reached 90% of the agreement with the local communities, which is an outstanding achievement, 201 agreements and counting, and with the remaining communities, we are engaged in a positive dialogue. The ones that we have not been able to is because of internal issues in the communities themselves, is not something related to our interaction with them. We also managed to demonstrate some delays and we got more time from the Ministry of Energy for both Colectora and Refuerzo Suroccidental which are two key projects for us.

In TGI a lot of good news, we highlight here that the bidirectionality of the gas transportation system in Colombia has now been tested, which means that we can use in TGI get gas from the North Coast Regas facility all the way to the center of the country.

In terms of performance, you see here the operating income flat, some of the cost and the administrative expenses have their corresponding increase also on the revenue side, which is an important element because some of the growth figures for the expenses are relatively high, but I'll say that they are healthy, and we continue managing and have under control the cost base of the company.

A 23% increase in revenues is something remarkable given the maturity of our businesses and I highlight the Elecnorte contribution of almost COP 40,000 million. The FX effect which reflects the currency diversification of the company and the contribution from the base operation of COP 200 million which is compounded as I mentioned by contributions from all segment lines.

The way to look at this relatively high variations on expenses on the top right, is better understood if we look at the margins because the macroenvironment reflect some of the of the increase in the expenses and also because we are organically connecting more people and that also implies some additional expenditures.

On the administrative expenses, on natural gas distribution where we have this 40% increase, It's part because we lost a dispute with a Egesur in Peru and had to write off USD12 million of income that we were expecting from this company.

The 15% increase in EBITDA shows how all businesses contribute, notably natural gas distribution which reflects Calida for the most part, and the energy transmission which is where we are focusing our growth strategy and is already delivering positive results. 99% of the EBITDA this quarter came from the control entities because of the dividend issue that I mentioned before, and when you look at the EBITDA pie business by company, TGI and Calidda, still are the most representative form all the businesses we have.

In terms of net income for the quarter here perhaps is highlighting the financial expenses, despite having 70% of the total debt in fixed income, we are seeing the indexation and the higher cost of financial expenses due to that indexation and that is partially compensated by the current tax which overall reduces by 109, so just growing 9%.

When you look at the equity method that is COP 546 million, most of the companies are growing or being relatively stable, in Enel Colombia, the reduction is for the most part associated with the generation business and the lower spot prices in Colombia because this year has been a raining year. And the two businesses operated by ISA in Peru are showing increases reflecting that our Peruvian overall business position is healthy not just because of Calidda, but also because of the businesses managed by ISA. Also, we show a positive growth from Argo which is where we are focusing most of our growth efforts and are in the process of closing the announced transaction.

In terms of debt, It's almost COP 4 billion, 70% of that is fixed. And on the bottom right basically have minimal exposure to the high interest environment that we are seeing, the USD 176 million this year is something manageable for us and out of the USD 417 for 2023, the Calida USD320 million we have already signed a committed line, and we're able to capture very low financial cost, for the rollover of that maturity.

Our net debt is 2.9x which we consider healthy, and It will increase by about 0.3x due to the acquisition of the Brazilian business. We do have a healthy cash position of around USD 350 million at the group level which again allow us to be quite disconnected from the high interest rates that we are seeing both in COP and in USD. We still have leverage capacity, and. We are continuing to look into acquisitions, not on the size of the one that we announced in Brazil, but we believe that we have still some capacities to continue growing on the back of that increase in the EBITDA of the group.

CAPEX was a positive. Organically, we grew our CAPEX by 40% and this is mainly, as I mentioned, Calidda, in which we invested USD 79 million and the transmission business in which we invested USD 78 million, and the total was USD 306 million. We see a very healthy balance in our continuous CAPEX profile to highlight here is that these figures already include the Calidda commitment, as I mentioned, Calidda closed the five-year tariff renewal, and that incorporates a about COP250 million of additional investments in Peru to continue expanding our network and reaching basically the full cover of the concession area in Lima.

In terms of rather opportunities there we are evaluating our expanding, on the proximity of our concession in leverage on our infrastructure and be aligned with the President Castillo on Peruvian

government overall, intent of massification of gas in which we think we can play a role and develop a profitable business there. We are also looking initially from the financial perspective, the Colombian potential regas facility, the previous government decided to restart the project in order to develop some resilience in our gas sources, and we are evaluating on the other terms we have yet to speak with the new government to see what they think about that additional gas connection point to the world markets. So, the CAPEX is and will continue being a combination of executing our organic projects plus Looking for acquisition that we could execute on a profitable basis.

We had conducted a conference call to discuss all the details of our Brazilian acquisition, so far we signed, but in the process of approval and just to highlight the key elements of that acquisition is that these are assets that do not have a demand risk, that the regulatory environment has been fairly stable and the periodic tariff reviews we just need to incorporate the actual cost, financial expenses of the company and with that the tariffs are updated. It's a BRL revenue stream and these five concessions are in the northeast of Brazil which is fully connected with our ESG strategy on the environmental part, because this is the area of Brazilian which more wind and solar projects are going to be developed, and more transmission lines are going to be needed to connect that new electricity with the consumption centers in Rio, in Sao Paulo and in the state of Minas Gerais, and besides, that kind of organic expansion of the system as we move forward the seller of these assets still has four more concessions that we think are going to be sold in in the near future and just being present and having a bigger scale in Brazil will allow us much more flexibility on some synergies to be competitive on a potential divestment of those four additional assets.

The two additional elements of that are in terms of synergies and leveraging on the platform we have the whole due diligence and investment analysis processed with REDEIA which was previously Red Electrical of Spain was very constructive and allow us to have much more confidence on the valuation on the assessment of the potential value that we could extract from this company. So, we are leveraging on that position that we established and also it tested, our local teams. We have a very solid local team with a deep expertise and knowledge of the of the industry in in Brazil and again, that gives us confidence about our ability to capture value from this acquisition.

Then there's the COP 116 million investment in Elecnorte, so we added 138 kilometers, these are two lines on the Guajira Department, which again allow us to leverage on the knowledge of this territory from all what we have learned to the Colectora project is going to be useful here, although these assets are already constructed and operating.

So, transmission is the key focus area for us, and here's a very nice picture of how we are adding geographical footprint and expanded this business, so if we count the operating and non-operating assets, the ISA ones, our total footprint will be of 15,000 kilometers. In the last 12 months, we have added two 2.900 kilometers, and from years past, effort dating back to 2015, 2016, we are constructing also about 3,000, kilometers. When all of all of that is operating, we will have 21,000 kilometers, which is 37% increase from the current footprint that we have in the electricity transmission business. This is going to be a key part of our financial growth strategy, but also the development of the technical capabilities and the synergies that we have to run these assets, gives us confidence to being able to operate in a profitable way on, in high reliability, which is what the systems and the regulations require from us; and when you look at the different countries, of

course, Brazil has a 21% increase, Colombia 7% and then also Peru we have growth. So, it's balanced growth, clearly with emphasis on Brazil.

So that's what we had as the overall summary. We like to make it short to allow time for questions that may be more interesting, so I go back to you, Manuela.

Manuela Ramirez: Thank you very much and thank you everyone. We have some questions. So, I'm going to try to go through them, and remember in the Q&A section in the top right part of your screen you can ask your questions, please state your name and the company represents so we can easily identify you.

So, I think Fredy we need to clarify and as of the second quarter we had a date of entry into operation for Colectora in 2024, but now that they it has been updated for July to 2025, that's correct.

Fredy Zuleta: Yes, that's correct.

Manuela Ramirez: OK, perfect. So, I'll start with you with this question that we have on Colectora to continue on topic and then I can go through the rest of the questions. So, this question is from Andres Duarte from Corficolombiana. Can you please explain the effects of delaying the startup deadline for Colectora considering the auctions are ordered in 2019 and 2021, he's meaning the effects on the generators, on the distributors and on GEB as well.

Fredy Zuleta: OK, I would say that we are aware of the problems we will have in the country because of this delay, but you have to know that, we are doing everything we can to do it as soon as possible, the first part is going to have the environmental license probably this week or maybe next week, and then we will start building the Substation in order to put it in operation as soon as possible, and as soon as we got the 100% of the agreement with the communities we will also start the process of licensing and do everything we can to build it as soon as we can, 2025 is the deadline, but we are putting every effort we can to do it sooner than that.

Jorge Tabares: I would like to add that the fact that we have managed to reach agreement with more than 200 communities, it's a very strong demonstration of our ability to engage with the communities we are living in a new environment here in Colombia with the new government and we're confident that we can sit down with the new officials and demonstrate that we have been listening to the communities and have managed to very amicable way and following the two processes that are required on the Colombian regulation, with having a much benefit for them and for the country as this very critical piece of infrastructure is be online in order for Colombia to develop the decision of the energy transition that is a top goal of the government so we are aligned with their direction, we have done a lot of effort so communities and because of the relevance of the solar and wind projects are being developed in the Guajira, we think we can collaborate with the new government and move forward this project.

Manuela Ramirez: Thank you, Jorge. I have a question for Andres Baracaldo, our VP of growth here in GEB. Is GEB planning to acquire power generation businesses of projects in countries where Enel Green Power Colombia is not present.

Andrés Baracaldo: OK, good morning, everyone. We look at opportunities in all the countries in which we are currently present, and you know that we are present across the chain, and we look at opportunities on a case-by-case basis and look at the metrics of each one. So, we do look at all types of opportunities, but I will say that the focus as Jorge mentioned before, the focus currently is probably not on that segment within the strategy that the group approve a couple of years ago. We're probably going to continue being more focused on transmission rather than the generation opportunities, but as I said, we look at every opportunity and look at it on its own merit, so, but probably the focus is not going to be along that space.

Manuela Ramirez: Thank you, Andrés.

Andrés Baracaldo: I think I'll take the opportunity to answer question number 4, because I think there was a question related to Brazil and the yeah,

Manuela Ramirez: Yes, I going to give you that one. This is also from Andres Duarte; Do you have an EBITDA margin estimate for the five concessions ones in Brazil?

Andrés Baracaldo: OK, these are normal businesses that have an EBITDA margin close to 90%. In the case of the assets we acquire, it's closer to 91% -92% which is just reflection of the type of businesses it is, and we do expect to have a modular along those lines and probably a little bit higher going forward.

Manuela Ramirez: Thank you Andres. Jorge, what is the accounting effect, if any, of the expiration of the intercompany loan with the TGI?

Jorge Tabares: Thank you so for all the participants, we have an intercompany loan to TGI of COP 370 million which is expiring in December of this year, the announced strategy is to finance that loan by TGI on a standalone basis most likely in the Colombian local market as the company revenues are likely moving to pesos in the near future, it is a minor effect and it's associated with taxes, we made the loan when the exchange rate was much lower, at the time of exploration, we will monetize it will a tax gain on the repayment of that loan and that generates some tax impact, but it's not a material at the group level.

Manuela Ramirez: Thank you, Jorge. We have a question of someone that didn't give us the name are the total cost going to continue having bigger variations related to revenues, annually and quarterly, in the third quarter and fourth quarter.

Jorge Tabares: Thank you. That's a very good question because we struggle a lot how to how to explain to you in the best possible way those high variations. As a key message, our cost base is under control, we we're being very disciplined across businesses and are being able to control costs. There are a lot of one off and a lot of expanding expenses that are reflected in the numbers you are seeing. The bigger one is on Calidda, the more connections and selling more gas, both have a nominal effect on the cost increases, as we move forward and we try to estimate the end of the year, In Calidda for example, the results are going to be increased in our EBITA. In fact, we just

increase our estimate to close the year in about 205 to 210 million of EBITDA in Calidda. So, we will continue trying to explain you in the best possible way, there are many moving parts and there are some one offs that are reflected in those. I invite to the person who made the question to come back to us if there is any explanation that you want. But we have a very disciplined approach and austerity programs that allow me to say that it we do not have a cost inflation as a material and continue that cost inflation in our businesses.

Manuela Ramirez: Thank you Jorge. We have two similar questions regarding the gas situation in Colombia, So I will ask both so you can answer them. One is from Juan Jose Muñoz from BTG Pactual, who asked, could you update us on the current regulatory situation of the gas transportation sector in Colombia and have you received any news about the regulation that will adjust Resolution 175? and the other one, is there any update with regards to the new Gas regulation scheme in Colombia? that one is from Fernando Gonzalez also from BTG.

Jorge Tabares: OK, Fernando and José we have continue engagement with the CREG to try to delay the resolution 102, which was the one that modified the 175, as we think that these are not the best time to try to implement the hedging strategy that TGI has decided if that resolution will start its application as it's written now on September 1st. We are engaged with the new government, the Ministry of Mines, the Ministry of Treasury to explain to them that what we consider is bad timing to execute ahead in policy because financial markets are very volatile, the interest rates are too high, and do the hedging for five or six years in the middle of this volatility is not perhaps the best approach and delaying it is our target. If not, we will implement the hedging strategy, we have advanced conversation with key banks and we have a lot of the administrative work needed to do heading in place. The rest or a key impact of the resolutions 175 and 102 is how much it will be recognized and paid to the company for the assets that reach 20 years old. In the coming years, that only will have impact on TGI starting in 2026. So, we expect to continue explaining and demonstrating to the to the regulator and to the government.

Manuela Ramirez: Thank you, Jorge. That's all the questions we have right now, let's give us a second to see if anyone wants to post an additional question. I will also ask everyone to give us your feedback.

Jorge Tabares: Manuela just looking here are some of the questions, the EBITDA margin estimate for the five concessions in Brazil.

Manuela Ramirez: That one was answered by Andres. I think I didn't miss anything. I ask everyone if you can provide feedback on this new having two calls, one in English and Spanish, which will help us a lot to see if it's better and if it's more understandable with the without the translator. We do have new questions here so.

Juan Diego Prieto from BNP Paribas ask us considering potential gas shortage and regulation changes. Do you expect TGI to continue contributing the same to EBITDA and revenues in coming years? If so, which strategies will be implemented.

Andrés Baracaldo: I think from our side, and you correct me if I'm mistaken, but we expect a relative stable contribution from TGI, I mean we know that there are some questions regarding where in the long term gas is going to come. But we think that the opportunity that Colombia has is that there

are certain potential sources for that gas, as you know, we are in the midstream, so we are not directly involved in some of those discussions regarding the upstream, but what we think is good about Colombia, we have different sources, So we have the offshore that we all are aware of. There has been some discussion about potentially importing and there is of course all day on shore exploration and that has been going on and what we hear from the from the new government is that the current exploration contracts are going to be kept and therefore that guys should come to market at some point in time. So, we are not particularly worried about that in the for the for the short and medium term. So, we will expect TGI to contribute that similar share to has been contributed contributing to the group in the past. Obviously, we have to keep an eye on regulation developments and entire views. But for the time being that's our expectation.

Manuela Ramirez: Thank you, Andres. I will add that Colombia has about eight years of proven reserves at the moment for gas. So that to complement your clear answer. We have a question from Fernando Gonzalez from BTG Pactual, what are your first impressions of the new energy and Mines Minister?

We have to wait a little be more and see, we hope for the best in the regulation system in Colombia and we hope the best for the new Ministry. But I think we have to wait a little bit more and see how it develops in Colombia, especially understanding that the gas is absolutely important and absolutely mandatory for the transition in Colombia, and we are expecting there to see what happens.

We have another question from Fernando Gonzalez as well, he is asking about the taxes, Do you foresee any impact from the tax reform and in particular from carbon taxes?

Andrés Baracaldo: Manuela, Jorge is obviously having problems with the connection. I would love to answer that one, but I don't know the precise answer to that and so I wouldn't want to make up a number here on impact, but also suggested that we don't. Why don't we reply to them with an e-mail or with some other form of communication to those questions? Because I think Jorge is having trouble.

Manuela Ramirez: Yes Andres, I will contact Fernando personally later and answer that question. We are still reviewing the tax reform, the tax reform is still the first draft, so we might see a lot of changes on the way as it usually happens, but we continue to monitor the changes there and I will contact Fernando directly to answer that question.

So, thank you everyone and we will have the version of this call at 9:15 in Colombian time in Spanish and we will upload this recording into our web page and we hope you contact us for any question that was left unanswered or that you may have. Thank you very much to all and let's hope to see everyone soon.