



# **EMGESA S.A. E.S.P. RESULTS REPORT**

As of September 2020<sup>1</sup>

<sup>1</sup> The figures of Emgesa's Financial Statements as of December 2018 and 2019 used in this report were prepared in Colombian pesos under International Financial Reporting Standards (IFRS) officially applied in Colombia since January 2015.

# EXECUTIVE SUMMARY



- ➔ During the first nine months of the year, the company maintained the first position in the country in terms of net installed capacity with a 19.9% share of the installed capacity of the National Interconnected System (SIN). It also positioned itself as the largest generator in the system with a share of 21.4%, thanks to an adequate operational management in the midst of weather conditions that generated a low hydrology during the course of the year.



- ➔ Emgesa achieved a Net Income of \$958,021 million pesos in the first months of 2020 maintaining solid and positive results within the framework of the current situation caused by COVID 19.



- ➔ Enel-Emgesa maintains its commitment to the care and safety of its workers, collaborators and the communities where it operates, ensuring the continuity of its operation under strict protocols and biosecurity measures, delivering reliability to the National Interconnected System and the attention of its customers nationwide.

# REGULATORY UPDATE



On July 9, 2020, the Energy and Gas Regulatory Commission published Resolution CREG 136, by which it adds a paragraph to Article 42 of Resolution CREG 060 of 2019 whereby it establishes that those wind and solar photovoltaic plants that do not comply with all the technical requirements within the term established for their commercial operation, must submit to CREG a plan for the adequacy of their facilities, or declare the date of disconnection from the STN (National Transmission System) or STR (Regional Transmission System), within a maximum term of 36 months.

Additionally, in August, the Superintendence of Domiciliary Public Utilities (SSPD) issued Resolution 20201000033335 through which the special contribution rate to which domiciliary public utility service providers are subject for 2020 is defined in accordance with the Law of the National Development Plan 2018-2022 "Pact for Colombia, Pact for Equity", and other provisions applicable to the additional contribution provided in Article 314 of Law 1955 of 2019 for the strengthening of the Business Fund are issued.

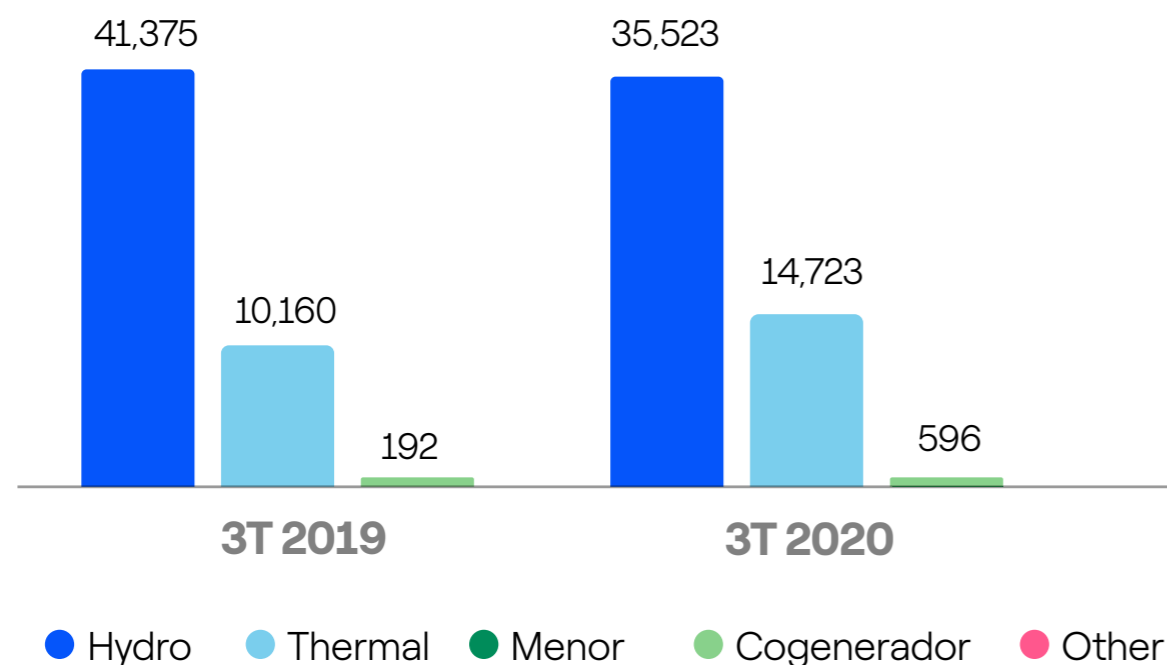
On September 10, 2020, two reconfiguration auctions for the purchase of energy for the periods 2020-2021 and 2021-2022 were held, convened by the CREG through Resolution 099 of 2020, with the purpose of increasing the firm energy of the SIN (National Interconnected System). Six generation resources participated, among which 3,113,391 kWh-days were allocated with an allocation price of 16.6 USD/MWh for the first period, and 852,288 kWh-days with a price of 15.1 USD/MWh for the second period.

Finally, the "Energy Transformation Mission" by the National Government is moving forward, with the publication of the final documents with the analysis and prioritization of proposals that will constitute the roadmap for the energy sector, as a guide for the main transformations to be adopted in the future.

# ELECTRICITY MARKET IN COLOMBIA



## POWER GENERATION COLOMBIA



During the first nine months of 2020, national generation was 50,982 GWh, equivalent to a decrease of 2.4% compared to the same period of 2019, with a generation mix of 70% hydro, 29% thermal and 1% of other technologies. Hydro generation fell by 9.6% while thermal generation increased by 9.4%, due to the deficit of hydro contributions in the SIN presented throughout the year.

The accumulated for the January–September period, shows that at national level there was a deficit of contributions, closing at 77% of the historical average, occupying for the fourth consecutive month the third lowest place in history. Emgesa, on the other hand, showed a value of contributions higher than the national average, being the accumulated for the first nine months of the year 85% below the historical average. In September, the basins afferent to the Bogotá river showed contributions of 123% of the historical average, which led to accumulated contributions of 90%. The Guavio power plant presented accumulated contributions of 85% of the historical average, followed by El Quimbo with 83% and the Betania basin with contributions of 67%.

The deficit of hydro contributions to the SIN led the average spot market exchange price during the first nine months of 2020 to average COP\$274/KWh, 31.1% higher than the average recorded during the same period of 2019 of COP\$209/KWh.



# Emgesa's generation during the first nine months of 2020 reached **10,888 GWh.**

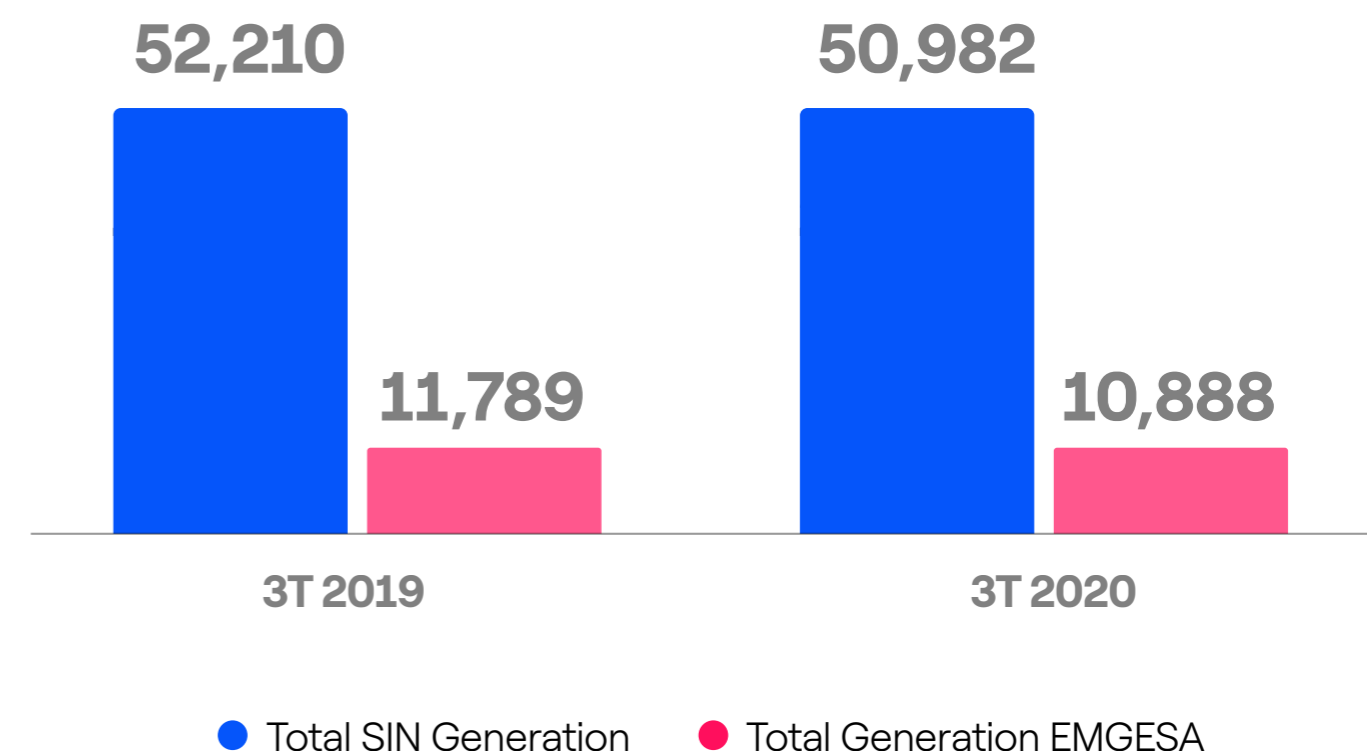
During the first nine months of the year, Emgesa generated 10,888 GWh through its portfolio of assets, presenting a decrease of 7.6% compared to the same period of 2019. Generation with hydro sources contributed 94.1% of the company's total generation while thermal generation contributed 5.9%. The decrease in the company's generation was mainly driven by the lower hydro generation (-9.5%) mainly explained by the low hydrology that was recorded especially during the first half of the year. This was offset by an increase in thermal generation (+36.5%).

As of September 30, 2020, Emgesa's generation represented 21.4% of the SIN's total generation, making it the largest generator in the system in terms of energy production.

Likewise, Emgesa maintains the first position in the country in terms of net installed capacity with a total of 3,606 MW, representing a 19.9% share of the SIN's installed capacity.

The availability of Emgesa's generation plants stood at 92.4%, which represents an increase of 2.1% compared to the same period of 2019, mainly explained by the corrective and scheduled maintenance carried out in the plants in the previous year.

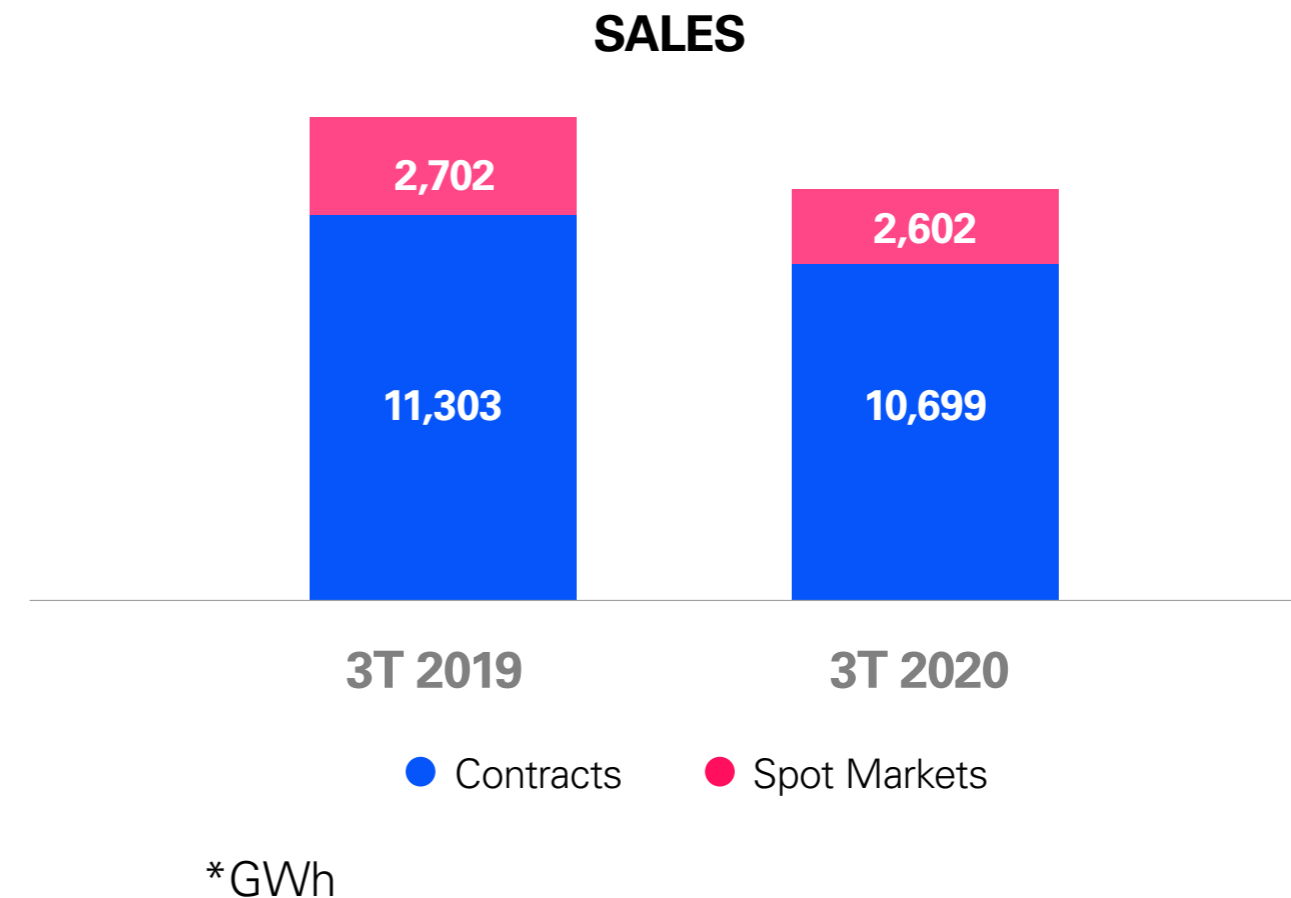
## EMGESA PARTICIPATION



# Emgesa sold **13,301 GWh** during the first nine months of 2020.

During the January–September period, Emgesa sold 13,301 GWh, 5.0% lower than the volume presented in the same period of 2019. 80.4% of sales were made through contracts with wholesale and non-regulated market customers (74.4% in MM and 24.6% in MNR) and 19.6% corresponded to sales in the spot market and through the AGC mechanism. Sales in contracts decreased 5.3%, mainly explained by a decrease in consumption by customers in the unregulated market as a consequence of the mandatory isolation decreed by the COVID-19 pandemic during the first half of the year. Additionally, sales in the spot market recorded a 3.7% decrease, explained by lower generation levels compared to 2019.

On the other hand, energy purchases registered a 7.3% growth, mainly due to the lower generation levels of the Company as a consequence of the low hydrology presented during the course of the year.



# OPERATING RESULTS

## THIRD QUARTER 2020



The following is a summary of the main operating results as of the third quarter of 2020:

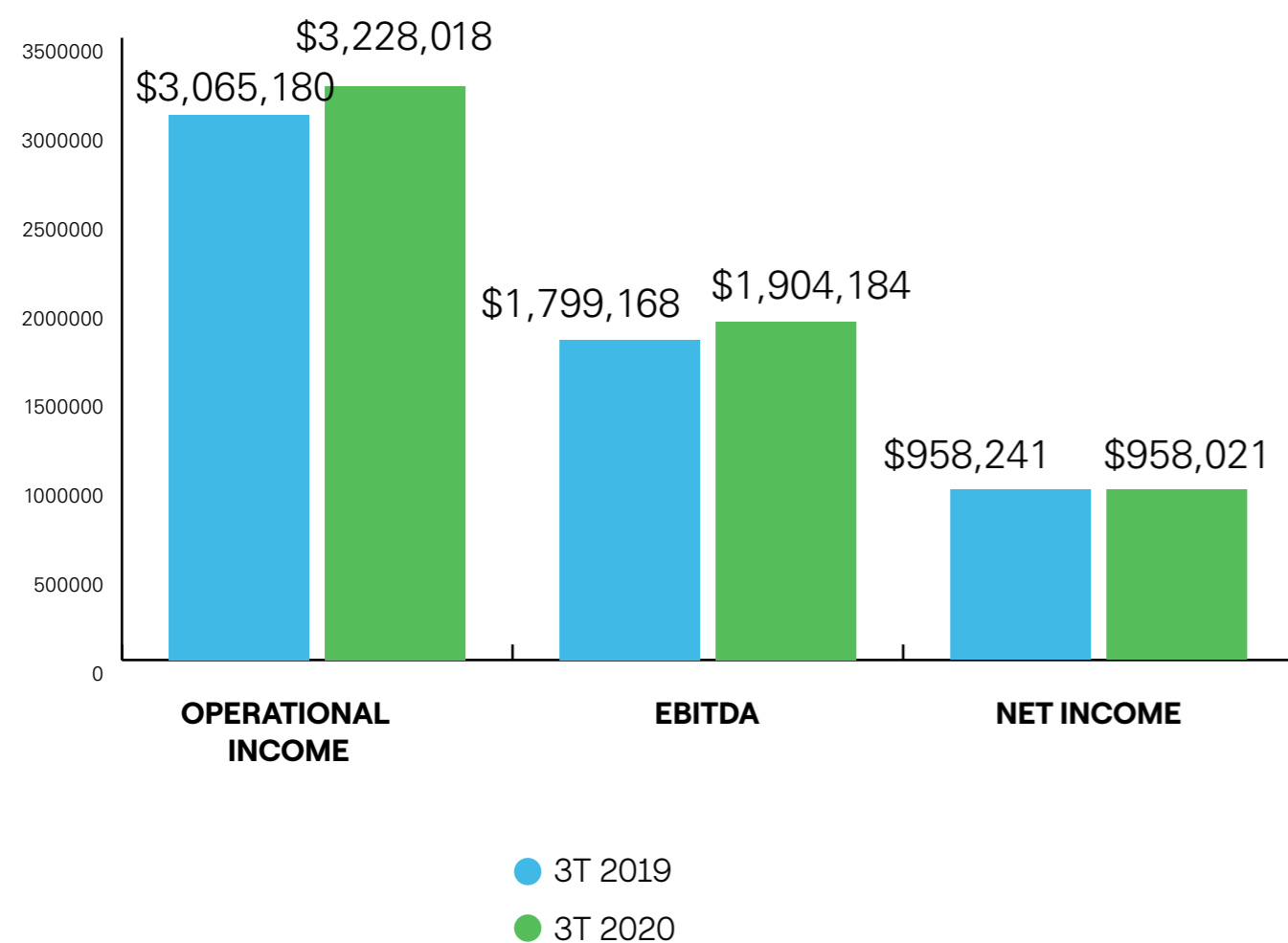
	January to September 2020	January to September 2019	Variation (%)
<b>GeneracióEmgesa Generation (GWh)</b>	10.888	11.789	-7,6%
<b>Hydro</b>	10.251	11.322	-9,5%
<b>Thermal</b>	637	467	+36,5%
<b>Emgesa Net Installed Capacity (MW)</b>	3.506 <sup>(1)</sup>	3.506 <sup>(2)</sup>	0,0%
<b>Sales (GWh)</b>	13.301	14.005	-5,0%
<b>Contracts</b>	10.699	11.303	-5,3%
<b>Spot</b>	2.602	2.702	-3,7%
<b>Plant Availability</b>	92,4%	90,4%	+2,1%
<b>Purchases (GWh)</b>	2.550	2.377	+7,3%

(1) As 30 of september, 2020

(2) As 30 of september, 2019

# FINANCIAL RESULTS 2020

Emgesa's EBITDA reached **\$1.9 trillion pesos**



During the first nine months of the year, Emgesa's operating revenues reached \$3.2 trillion pesos, showing an increase of 5.3% compared to what was recorded a year ago. The positive behavior of revenues is explained by: i) The increase in energy prices on the exchange, compared to what was recorded in the same period of 2019, as a result of the delay in the entry of the first winter in May 2020, together with an optimization of the generation portfolio through the use of the Thermal Power Plants and the management of its reservoirs, and ii) a higher income from the optimal management of the resource that contributed to the increase of 84%, compared to the same period of 2019, in the allocation of auxiliary services for the regulation of the frequency of the system (AGC).

**The increase in operating revenues was offset by:**

- An increase in the volume of energy purchases in the exchange to partially meet existing contractual obligations due to the effect of the reduction in generation, due to low hydrology.
- Decrease in energy demand in non-regulated customers at the national level caused by the pandemic that led to lower energy sales. This risk was mitigated by, among other things, new sales in short-term contracts of up to 170 GWH.
- Higher costs associated with the special contribution of the Superintendencia de Servicios Públicos Domiciliarios for the strengthening of the Fondo Empresarial, approved as a transitory measure within the National Development Plan.

Thus, the contribution margin totaled \$2.1 trillion pesos, 6.9% above that recorded in the same period of 2019.

During the first nine months of the year, fixed costs showed an increase of 5.5% over the same period of 2019, mainly explained by an increase in personnel expenses, given the salary increases (indexed to the CPI and minimum wage); higher costs for the repair works of the Garzón Gigante road in the Bengala sector, due to landslides presented in one of the slopes of the El Quimbo reservoir in mid-July 2019; an increase in costs associated with the pandemic caused by COVID-19 derived from the biosecurity protocols and the donation made by the company for \$1.750 million to contribute to health and food initiatives during this juncture and the negative judgment of the Council of State in second instance for the liquidation of the income tax and complementary taxes for 2003 of the Betania Hydroelectric Power Plant, due to the application of the exemptions provided in the Paez Law.

**In line with the above, EBITDA at the end of September 2020 was 2,536,605 million pesos, an increase of 5.8% compared to the same period of the previous year, reaching a margin of 59.6% over operating revenues.**

**EBIT in the first nine months of the year reached 1.7 billion pesos, an increase of 6.1% compared to the same period of the previous year, due to higher depreciation and amortization, which had a variation of 3.1% due to the entry into operation of some fixed assets related to the projects to extend the useful life and improve the environmental performance of the Termozipa plant.**



# FINANCIAL INDICATORS



Net financial expense  
increased

9.2% 

The accumulated net financial expense in the third half of 2020 recorded an increase of 9.2% compared to the same period of 2019, totaling 284,637 million pesos.

On the one hand, gross financial expense increased 7%, totaling 243,732 million pesos. This increase is mainly due to the recording of interest derived from the negative ruling of the Council of State, in relation to the settlement of the 2003 income tax and complementary taxes of the Betania Hydroelectric Power Plant mentioned above, which offset the lower debt expense as a result of a lower 12-month Consumer Price Index (CPI), to which 61% of the Company's debt is indexed at the end of September, and a lower average debt balance compared to the previous year.

Likewise, financial income increased 1.0%, mainly explained by higher average cash levels compared to 2019.

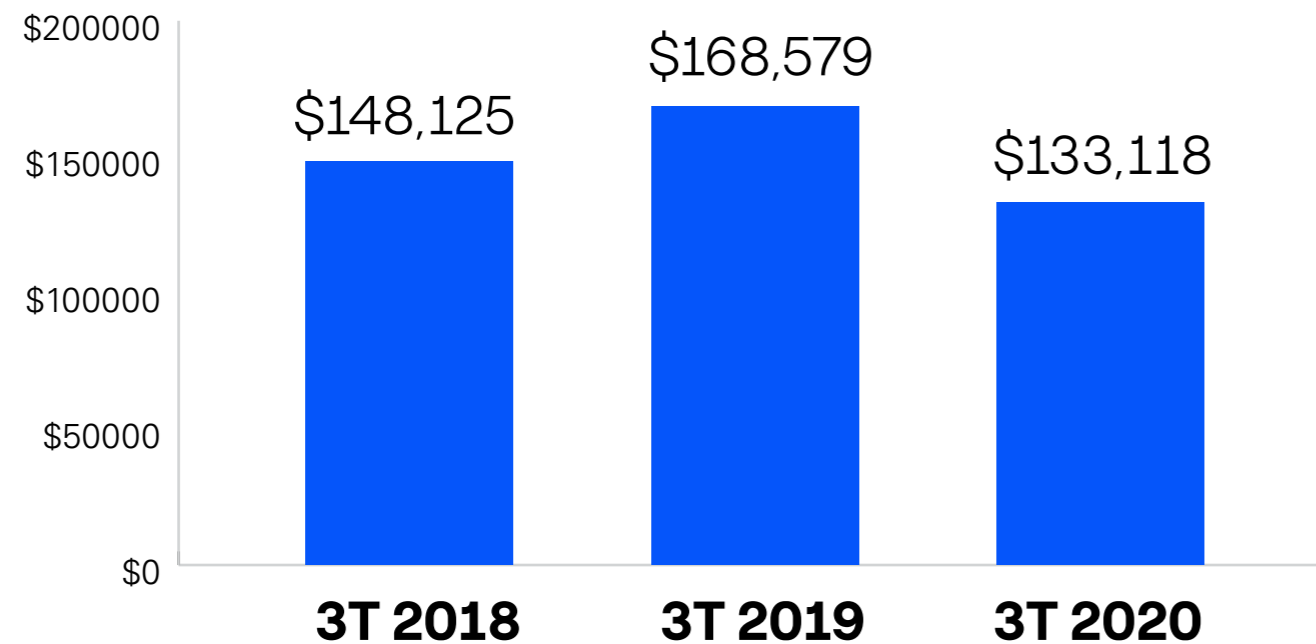
Thus, Emgesa reported a pre-tax profit before taxes (EBT) of \$1.5 billion pesos, presenting an increase of 5.7% compared to the same period of the previous year.

**Finally, the accumulated net income remained stable compared to September 2019 reaching \$958,021 million pesos, in line with what was previously explained and considering a higher effective tax rate as a consequence of the negative ruling of the Council of State, in relation to the income and complementary tax liquidation of 2003 of the Betania Hydroelectric Power Plant mentioned above.**

# Emgesa invested **\$133,118 million pesos** through the third quarter of 2020.



**Inversión (CAPEX + Expansión)**

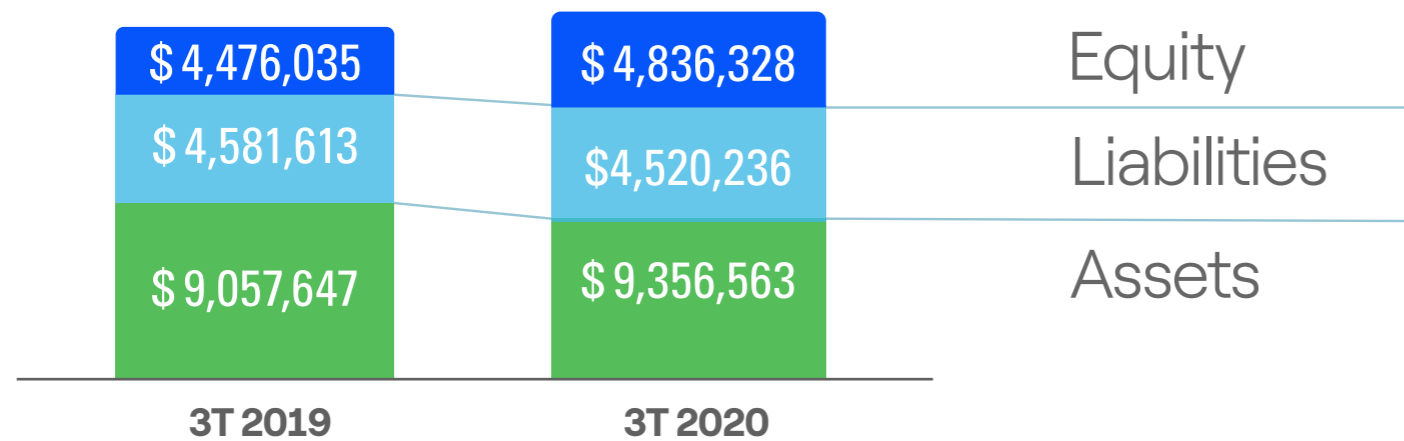


During the first nine months of 2020, Emgesa executed investments for \$133,110 million mainly in maintenance of its Plants, in environmental performance improvement projects in the Termozipa Power Plant (BEPP) and installation of energy storage systems (BESS), and in the El Quimbo project. Emgesa's investments decreased 21.0% in annual terms, mainly explained by the rescheduling in the execution of projects as a consequence of the pandemic caused by COVID-19.

\*Cifras en millones de pesos

# BALANCE SHEET STRUCTURE

**BALANCE SHEET**



**As of September 30, 2020, the Company's assets totaled \$9,356,563 million pesos, presenting an increase of \$239,076 million pesos compared to that recorded at the end of 2019 (+2.6%), mainly explained by an increase in the company's cash levels.**

The company's net property, plant and equipment represented 87% of total assets, reaching a value of 8,103,529 million pesos, remaining practically unchanged compared to that recorded at the end of 2019.

Emgesa's total liabilities at the end of September 2020 amounted to 4,520,236 million pesos, presenting an increase of 3.3% compared to the end of 2019. The increase in the Company's liabilities is mainly explained by an increase in the balance payable for dividends to shareholders.

The Company's equity was 4,836,328 million pesos, registering an increase of 2.0% compared to December 31, 2019 mainly explained by an increase in retained earnings for the period.

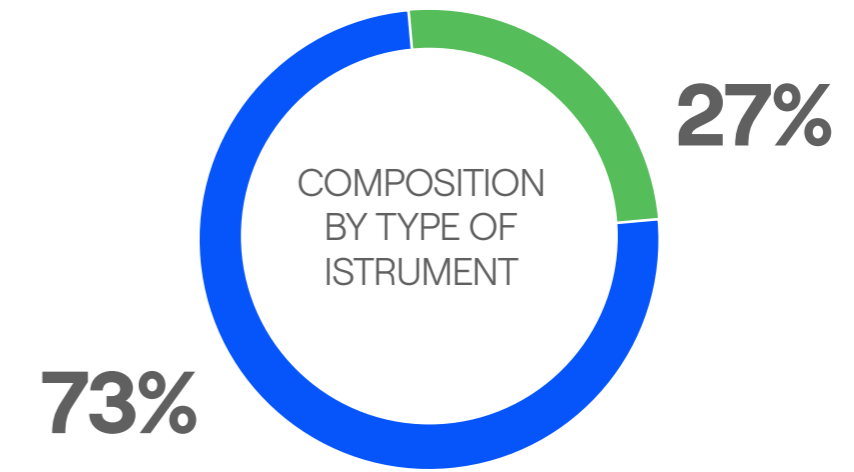
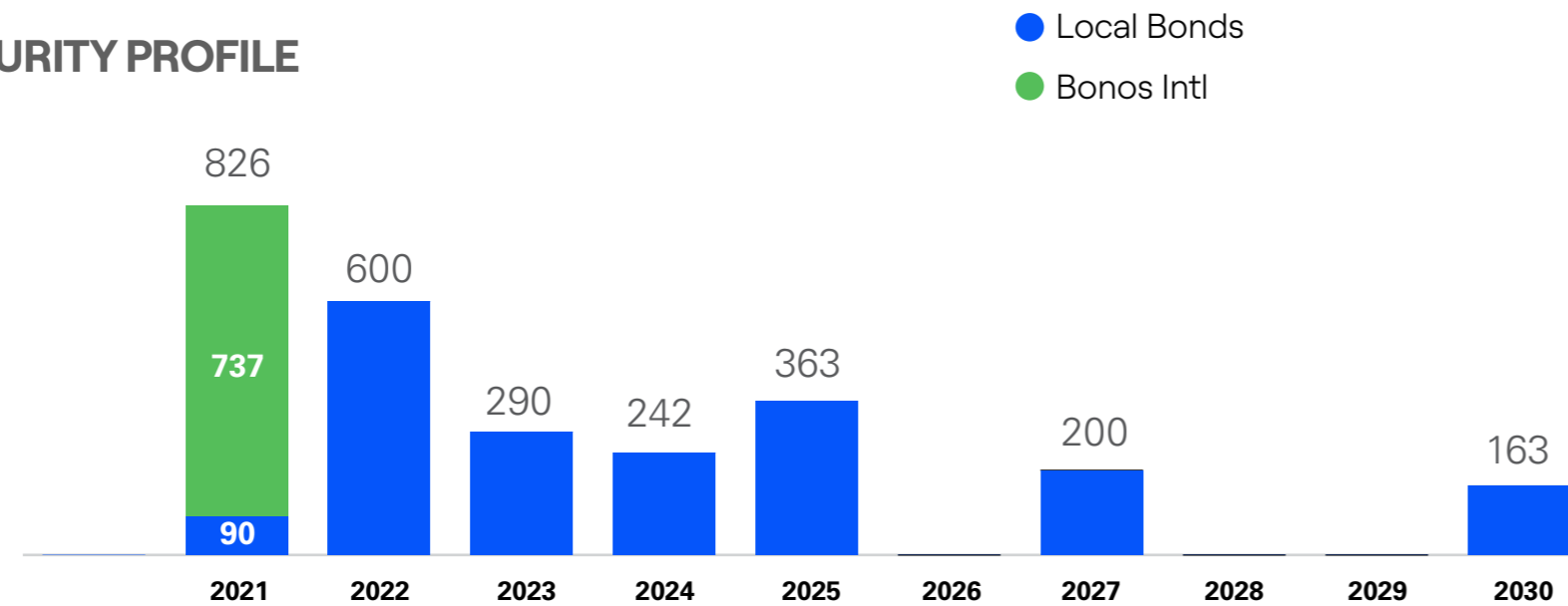
Regarding the company's financial structure, liabilities corresponded to 48.3% of total assets and equity to 51.7%. Financial debt represented 29.0% of total assets at the end of September 2020.

During the first nine months of 2020, Enel-Emgesa paid 511,002 million pesos in dividends to its shareholders in the months of January and May respectively, corresponding to the last installment of dividends for 2018 and the first installment of dividends generated during 2019.

# FINANCIAL DEBT



MATURITY PROFILE



● Local Bonds ● Int. Bonds ● Banks



100% COP  
CURRENCY



2,95X  
AVERAGE LIFE

1,5X  
NET DEBT / EBITDA



7,25%  
COST

At the end of September 2020, Emgesa's financial debt including interest payable totaled 2,750,381 million pesos, presenting a decrease of 8.9% with respect to the balance as of December 31, 2019.

During the first nine months of 2020, all financial obligations were amortized with the company's internal cash generation as follows:

- \$241,070 million pesos corresponding to a local bond of the sixth tranche of the Company's Issuance and Placement Program.

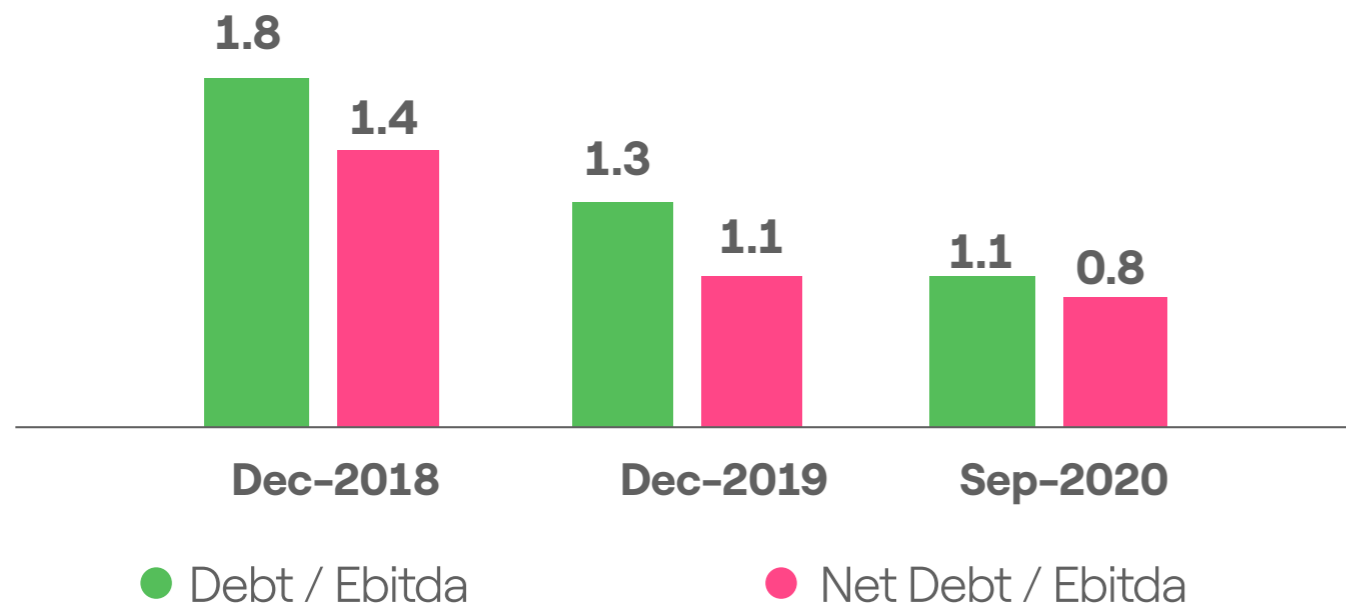
Emgesa's financial debt at September 30, 2020 was represented by local bonds (73%) and international bonds denominated in pesos (27%). The interest of 61% of the financial debt was indexed to the CPI, and 39% at a fixed rate.

# FINANCIAL DEBT

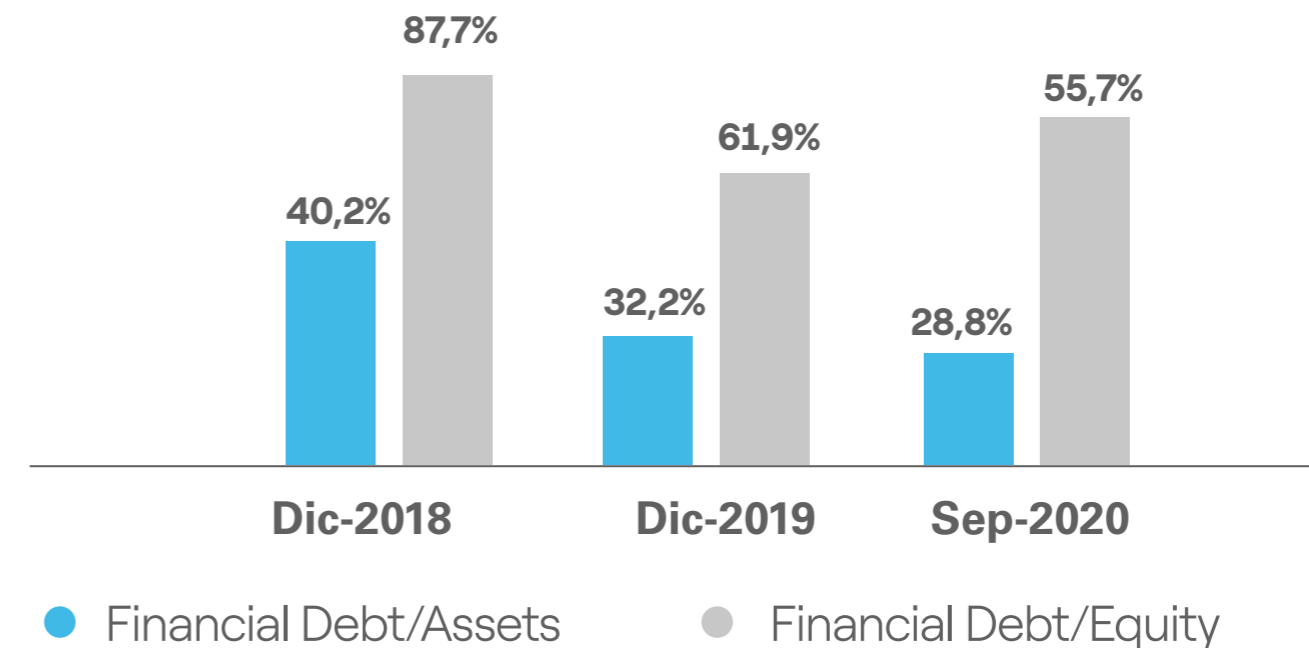
All of the company's debt continues to be denominated entirely in Colombian pesos. The average maturity of the debt at September 30, 2020 was 2.97 years.

All of Emgesa's local bond issues maintain the highest AAA rating (local scale rating) by Fitch Ratings and Emgesa's international bond issues are rated BBB (stable) by Fitch Ratings and Standard & Poors.

DEBT COVERAGE



LEVARAGE





# FINANCIAL DEBT

El siguiente cuadro presenta el detalle de las condiciones de la deuda financiera<sup>3</sup> de Emgesa con corte al 31 de marzo de 2020:

Instrument	Coupon/Interest	Expiration	Amount (MM COP)	Average Life (years)	Qualification
<b>Local Bonds</b>					
Seventh Broadcast (Fourth Broadcast Under the Program)	Serie B-10: IPC + 3,52%	Dec.13, 2022	\$300.000	2,20	AAA (local)
	Serie B-15: IPC + 3,64%	Dec.13, 2027	\$200.000	7,21	AAA (local)
Eighth Broadcast (Fifth Issue Under the Program)	Serie B-12: IPC + 5,00%	Sept.11, 2025	\$363.030	4,95	AAA (local)
Ninth Broadcast (Sixth Broadcast Under the Program)	Serie B-10: IPC + 3.83%	May 16, 2024	\$ 186.430	3,63	AAA (local)
	Serie B-16: IPC + 4.15%	May 16, 2030	\$ 162.500	9,63	AAA (local)
Tenth Broadcast (Seventh Broadcast Under the Program)	Serie B-7: IPC + 4.69%	February 11, 2023	\$ 290.130	2,37	AAA (local)
Eleventh Broadcast (Eighth Broadcast Under the Program)	Serie E-6: 7.59% EA	Sept. 27, 2022	\$300.000	1,99	AAA (local)
			<b>\$1.947.170</b>	<b>3,94</b>	
<b>International Bonds</b>					
144 A /Reg SI	8,75% E.A <sup>1</sup>	January 25, 2021	\$ 736,760	0,32	BBB / BBB (Intl.)
			<b>\$ 736,760</b>	<b>0,32</b>	
			<b>\$2.683.930</b>	<b>2,95</b>	

<sup>3</sup> Tasa cupón antes de retención aplicable (Withholding Tax)

If you require additional information, please contact our **Investor Relations (IR) team:**

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