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## **ADMIE Holding**

### **"Full Year 2021 Financial Results Conference Call"**

Tuesday, 19<sup>th</sup> April 2022 16:00 GR Time

#### **Conductors:**

***Mr. Ioannis Karamelas, CEO of ADMIE Holding***

***Mr. Iason Rousopoulos, Deputy CFO of IPTO SA***

***Mrs Eleni Zarikou, Financial Director of IPTO SA***

***Mr. George Eleftheriou, Head of IR***

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, I am Popi your Chorus Call operator.

Welcome and thank you for joining the ADMIE Holding Conference Call to present and discuss the Full Year 2021 Financial Results.

At this time, I would like to turn the conference over to Mr. Ioannis Karampelas, CEO of ADMIE HOLDING SA.

Mr. Karampelas, you may now proceed.

KARAMPELAS I: Good afternoon, ladies and gentlemen, and good morning to those of you listening to us across the globe. Welcome to this conference call with ADMIE Holdings Full Year Results for 2021. We appreciate you taking time today to join us. Mr. Iason Rousopoulos, Deputy CFO and Mrs. Eleni Zarikou, Finance Director of IPTO are next to me, as well as Mr. George Eleftheriou, Head of IR.

I will briefly highlight the financial performance of ADMIE Holding, and then Iason will proceed with his remarks to IPTO. As this is only a summary of our results, please refer to the financial statements that are available on the website of this company for further details, if needed. After the presentation, our team will be at your disposal for any questions you may have.

2021 was a year full of challenges on many fronts. However, we successfully overcame these challenges, and made it out even stronger and more resilient for the future. Starting with

the global warming, we moved from heavy snowfall to excessive heat and wildfires, and over 2 years of pandemic conditions, it seems that our life is gradually returning to normality. I would like to thank and congratulate IPTO's people who went through hardship working around the globe to assure the unilateral power supply and the security of the system.

Moving to the financials, in 2021 ADMIE reported actually the net profit of €35 million marking a decrease of 19% compared to last year. Operating expenses stood at €601,000 related mainly to personnel fees and fees to third parties such as legal, accounting and audit services as well, as one-off expenses related with companies compliance with new law of corporate governance. The company's cash result at year end amounted to €4 million and deposited in a special account in Bank of Greece, providing an average 1.5 returns. Due to active cash management, the financial income amounted to €157,000 partially offsetting the operating expenses. It is worth noting that the ADMIE Holdings has no debt.

The main revenue for ADMIE Holding is dividend received from the affiliate company IPTO S.A. Further on this, IPTO S.A. has the dividend policy of distributing the 50% of its net income to its shareholders while maintaining the rest in order to fund its extensive investment plan. Thanks to ADMIE Holdings dividend policy for 2021, the company distributed on September the maximum permissible payout of cash dividend received from IPTO within the year, in the form of an interim dividend. The interim dividend per share amounted to €0.085 per share and it was the total dividend for the fiscal year of 2021.

In addition, the company in accordance with the dividend that company will receive from its IPTO in 2022, will propose a maximum allowed amount for distribution of interim gross dividend of €0.068 per share, for financial year 2022, which corresponds to a yield of 2.9 according to last Thursday [ph] closing price.

With that, I am handing over to IPTO's Deputy CFO, Iason Rousopoulos. Iason...

ROUSOPOULOS I: Okay, thank you, Ioannis. Before I dig into the numbers, I would like to provide you with a brief update of our key strategic priorities. 2021 was a toughchallenging year, but it was a year we consider operationally very successful, laying the foundation of the growth for the years to come. It was the first year of our 2021-2024 Strategic Plan, with the mission to transform IPTO into a modern company that would make use of its infrastructure and knowhowin order to accelerate its growth potential.

The first pillar of IPTO's Strategic Plan relates to the security, reliability and resilience of the transmission system in a dynamic and difficult environment. Our projects require faster implementation, due to the climate change, in order Greece to be able to safely transit into the clear energy era, when...in the next years. In 2021, we have made significant steps in this direction but we have expanded...significantly expanded our assets renewal program launched in 2018, increasing our budget from €80 million to €200 million. By end...by 2023, we expect to have modernized all the critical assets and by 2026,

we will have replaced the 60% of existing equipment with new ones.

The second pillar of our strategy relates to the transmission system network development and their contribution to the energy transition. On this front, we implement new green infrastructure, the major one of which is the interconnection of the Greek...almost all of the Greek Island...the big Greek Island.

In 2021, the first phase of Crete Interconnection with the mainland system through Peloponnese started its operations with the largest and longest AC power cable in the world, while the Phase B Crete-Attica Interconnection that is a larger one is progressing at a steady pace.

Additionally, the tenders for the first section of Phase 4 of Cycladic Interconnections, Naxos-Santorini was completed, the tenders were completed. And Folegandros, Milos and Serifos tender results are expected to be announced soon. At the same time, we promote international interconnections where IPTO took decisive and a business steps in order to become an energy and technology hub of Southeastern Europe.

The third strategic pillar pertains the utilization of our infrastructure such as large lands we own property building fleet, as well as, our knowhow in order to produce added-value services aside from the core of our business, bringing additional value to the company, but also benefits to all the citizens in the country.

Furthermore, we expand our asset base through state-of-the-art technologies such as fiber optic network, data centers that will contribute directly to the digital transformation of our country. Indicatively towards this endeavor, Grid Telecom that in a joint venture with Terna Energy has been awarded 4 of the total 7 lots of ultrafast broadband telecommunication project with a budget of around €400 million.

Last but not least, the fourth pillar of our Strategic Plan 2021-2024 focuses on our people corporate governance practices and environment. We aim to shape an even more safe and fair working environment that will be based on equal opportunities and respect diversity, while we put our efforts to collaborate effectively with local communities in inclusive way, trying to create value wherever we operate. More importantly, we attempt to enhance transparency in our procedures, establishing the appropriate framework that places even more emphasis on consultation of all interested parties and stakeholders.

With that, I would like to turn now into the financial performance of IPTO for the year 2021. Starting from our top line, the 2021 revenues from transmission system rent decreased slightly by 0.6% and amounted to €271.9 million versus €273.6 million in 2020. However, let me stress that this decrease was because of the under recovery of the required revenue amounting to €4 million as a result of the delayed revision of system usage tariffs, which get effective from 1st of August. This means that we will collect this money in 2 years time from now...from 2021, so in 2023.

Total other revenue increased by €1.9 million, mainly attributed to the increase from contracting. Consolidating operating expenses, excluding depreciation and amortization increased by 16.8% at €102.1 million compared to €87.4 million in 2020. On the most significant element of OPEX payroll costs increased by 6.4% to €59.3 million, mainly due to retroactive charges of €2 million, which relates to payroll of technical staff by the implementation of the National General Collective agreement while contractors cost amounted to €1.9 million and connected with a corresponding Greece of contractors revenues.

At the same time, third-party fees and benefits showed a cumulative increase of €6 million attributed to the increase in the number of new employees with freelancers contract, plus €4.2 million. In order to cover the extended operational needs as a result of the company's expansion and the continuously high level of wider range of services albeit included in our regulated revenue. And in the end, the increase of €0.6 million of license software for the upcoming transition in the new SAP ERP software.

Moving on to profitability, consolidated EBITDA for the fiscal year is €190.3 million, lower by 99.6% against the last year. However, when excluding one-off items, the adjusted EBITDA came in at €191.1 million, lower by 5.8% compared to the corresponding amounts last year.

Turning to the financials, financial income of the Group amounted to €6.1 million positively affected by one-off amount of €2.1 million, which came after the successful renegotiation of the margin of our syndicated bond loan. Financial expenses

amounted to €14.9 million, increased by 13.3%, mainly due to the increase of leverage and the longer, I think, commission.

At the bottom line, our consolidated net profit decreased by 18.3% at €69.4 million versus €84.9 million in 2020, while adjusted net income came in at €67.7 million versus €81.5 million last year. The Group in 2021 continues its dynamic progress, marking another year of high investment, which amounted to €412.7 million, while its net debt amounted to €664.9 million with the ratio of net debt to adjusted EBITDA raising 3.47 times.

The pickup in investments reflects the progress in the constructing and construction phase for a series of major projects such as Crete-Attica interconnection, Crete-Peloponnese, Phase 4 of the Cyclades interconnection, the expansion of the 400k Kilovolt system of Peloponnese and the transfer of fixed assets related to the high voltage electrical system of Greece from PPC, while planning for the inclusion of the Peloponnese interconnection with the cost of approximately €1.5 billion in the northeastern Aegean interconnection with an estimated cost of almost €1 billion. Two major projects that is expected to be considered as projects of major importance are Attica-Crete and fourth phase of Cyclades.

Moving to the new regulatory period starting from this year 2022 until 2025, the focus is...and that's for the management team, on getting the right regulatory framework towards building on our existing efficiency program to identify further opportunities. The next key regulatory milestone is the publication of RAE's decision regarding the allowed revenue and asset base of the next WACC...of the next the next regulatory



period, which is expected until next month. The next four years is a crucial period for ITPO's infrastructure when rapid change is expected in the energy system to reduce carbon emissions and get Greece in track to meet its long-term environmental goals.

Therefore, we need a regulatory framework that can unlock investments, which is needed in the most efficient way, of course providing on the one hand incentives and on the other hand clarity. This also means a fair base level of return to commensurate with the risk one take concerning the current turmoil and market conditions.

Closing this presentation, I thank you for your time and patience. Despite the adverse conditions of COVID-19 pandemic, the company responded instantly to the crisis, setting as priorities the health and safety of our human resources, our personnel while taking measures that ensured the continued development of our important projects with the least possible impact on budget and on time.

Looking forward to 2022, the Russian invasion in Ukraine brought rapid turbulence in the markets globally. However, the company does not expect that in the near future these events will have a material effect on its operations. In any case, we monitor closely every day these developments and we are continuously in the process of assessing the possible effects and taking all the measures in order to mitigate them.

With that, I would like again to thank you for participating in this presentation...in this call and we are ready to take any questions you might have. Thank you.

## Q&A

OPERATOR: The first question comes from the line of the Zacharopoulou Katerina with Eurobank Equities. Please go ahead.

ZACHAROPOULOU K: Good afternoon from my side. One question and one clarification, if I may. First, because the line broke down and I didn't hear you quite well. Did you mention that you expect news on the new regulatory period by the end of next month, this is the first clarification? And then a question. Almost a year ago during the New York investment forum, you had provided with a certain long-term outlook. Do you stand by that guidance for RAB around €2.6 billion by 2024 and EBITDA of around €280 million? Thank you.

ROUSOPOULOS I: First, yes, indeed what we expect and what we have discussed with regulator is that after the eastern periods, they have to...they will issue the decision on the new regulatory periods. Of course, there is always a delay and we have already entered 2022. We don't know our WACC and our basic numbers. But you understand and we all understand that this is a very special period for the regulator with all the turbulence in the energy markets. So we have some...we need to have some patience but we have the common understanding with...between IPTO and the regulator is that within the May we will have news about our regulatory decision.

Now, regarding our guidance. Until 2025...but this is the end of the next regulatory period, our CAPEX will be around €2.3 billion

and our total RAB will be something lower than €3.5 billion. You can make...of course, we have to expect as, you know, it's easier to predict RAB because it is our investment. However, to estimate the EBITDA, we can have our estimations; you can have your estimations. However, it is more safe to wait a few days for right decisions for the WACC. But more or less, the increase will be linear with this off our regulator's base.

ZACHAROPOULOU K: Great. Thank you very much.

ROUSOPOULOS I: You're welcome.

OPERATOR: The next question comes from the line of Dimitris Giannoulis Dimitris with ResearchGreece. Please go ahead.

GIANNOULIS D: Yes, hi, good afternoon. On the issue of the WACC again, do you still feel confident that you will get at least what the distributor...distribution network that DEDIE HEDNO took a few months ago which was close to 7%, especially because since then what we have seen is an increase in the so-called risk free rate.

#2, one of the main reasons why actual EBIT, not EBITDA but EBIT has come...is coming lower than the regulated EBIT during the last years has been depreciation, higher depreciation, especially this year and in 2020. Would you consider topping up the ordinary dividend with a capital return maybe in order to pay shareholders back this excess depreciation, that would be very interesting, if you could do that.

And the third question I have, given that as I see it in the best case scenario, the new tariff under the new returns for this year will be applied in the second half of the year. So would you be able to guide us with an EBIT number for 2022 so that we have an idea what shareholders can expect and investors can expect in terms of dividend coming out of 2022 earnings. Thank you.

ROUSOPOULOS I: Okay. Thank you for the questions. Regarding the first question about the WACC comparison with the WACC of HEDNO. Of course, we understand that talking about 2 different companies and 2 different timeframes that this decision will be issued. However, you are correct, the fiscal environment and the monetary environment has changed...has deteriorated during the last months. So we expect that this should be incorporated into the decision for regulator. So a rational decision will be something that a decision that takes into account the recent development, both in the risk of a market, the risk rates in their country's premium and in the...all the other relevant parameters that determine our weighted average cost of capital but it is actually our rate of return. So yes, I believe that we should wait for something similar with at the same size of HEDNO, however, going for a different road because we're not the same company but similar company's of course but not the same.

The second issue you raised is regarding our increased depreciation. Here there are 2 things. First, is that we had...because of the appraisal happened 2 years ago, we have some increase in the IFRS depreciation that does not correspond to the regulated depreciation. So, it shows less profit...less accounting profit than it is expected. However, in cash flow

level, it is the same thing. So yes, we would have the cash to distribute assets and dividends. However, the Investment Plan of IPTO for the next years, and we have already reported for 5 year, €5 billion of CAPEX till 2029, €1 billion out of which will be subsidies. But also there are other plans, other needs of the Greek Energy System that needs to be addressed by investments of IPTO.

So with the management team of IPTO and ADMIE Holding all the shareholders believe that right now, the best...the tactics that will bring the most value for all stakeholders of IPTO and ADMIE Holding is to keep the dividend at the same level of 50% and use only safer cash to redirect it to new investment that will give more value and more growth...more value to the shareholders, more growth to the company in the mid and long term it is...we are in a decade of energy transition. Many investments...a lot of investment happens for this next year. But this we think will not last forever. At some point of time, the...our investments will be equal to our depreciation and then we will be very happy to distribute a much higher the average dividend to our stakeholders. However, now we have to grasp the opportunity to increase the growth and the value of our...of IPTO.

The third thing is about tariffs. Well I...regulator recognizing the expected delay has already issued a decision, that regardless of when the new tariffs will be announced and be applicable, we will be able to retroactively recollect the missing amount. So this means that if the new tariffs will be applied first or foremost like last year the money we have missed for the first semester will be added on top of the required revenue we should receive

for 2022. So we expect no loss because of the late...of this delay. So we are quite confident that we will be able to collect our revenue in 2022, even if we don't have yet the...the decision about the new regulatory period and the required revenue.

Now, concerning to our guidance on EBIT, I think it is the same...I will give the same answer I gave before. It will be very soon that, the work will be announced, we will be very happy to call again all of you in a call in a presentation in order to give you more accurate guidance. Right now, I think, we don't...something if we just say numbers that in one month time they are different. So let's have some patience, and so we will give more precise guidance on EBIT, EBITDA or net revenues and dividend numbers in May.

GIANNOULIS D: Okay, but just following up are you able to tell us the depreciation, we allowed, let's say, depreciation by regulator will take into account the revaluation of assets in the next period?

ROUSOPOULOS I: The revaluation of assets is just an accounting treatment. The regulated asset registering is not paid and it is correct. That should not take into account the accounting treatment; we should...so it is something that...it's only numbers in the end. They don't have any material impact on the company's value and just...adjust the P&L accordingly. The reason, the dividends is...we might lose some money from the dividend, but it's not something that the company cannot distribute. However, it is the strategy of the company to invest in the growth. The next case, it's very crucial and critical for the potential on the future developments of IPTO and all shareholders...stakeholders, shareholders and the management team believe that this is now

the opportunity to grasp all the opportunities we have for further growth of our company...of our assets.

GIANNOULIS D: Well. Yes, this is understood. But, the thing is that, if this re-evaluation of assets hadn't happened to begin with, you would still be paying a higher dividend and implement this ambitious and very important Business Plan. So, shareholders would be better off versus now?

ROUSOPOULOS I: Depends on the priority of the shareholders, some shareholders would like to have more dividends; some shareholders would like to have more growth of the company. The only difference right now with this reappraisal is that the company has more cash, because this money are excluded from the profits. So, it is a decision of the management if it distributed this money as a dividend or it directed for further investments. I understand what you say, but I believe you also understand that it is management option that we think it is the right one at the current situation that there are many investment opportunities in our business.

GIANNOULIS D: Okay. Thank you for the answers. Thank you.

OPERATOR: We have the next question from the line of Noikokyrakis Ioannis with Alpha Finance. Please go ahead.

NOIKOKYRAKIS I: Yes, good afternoon from my side. Thank you very much for answering my questions. I have a couple of questions actually. Well, the first one is regarding the offshore expansion in wind parks and the ADMIE's roles on that. I mean, we have had

several companies in the...several companies that they want to invest in this area contemplating quite a few giga watts installed on that. Can you please comment on the...what would be the possible...the maximum capacity on offshore wind farms and what again...what it is going to be ADMIE erosion on that.

And the second question is on the share buyback that you have in place and that's going to expire. Can you give us some color what you expect to do? Are you going expand it as per the AGM to...for a share buyback period? Thanks for answering the questions.

KARAMPELAS I:

Well, we are currently off-shore framework, and I think there is, we expect to be finalized. However, what it is now...until now...is that IPTO we have an active role. We'll be responsible for interconnections to interconnect these parks. And this project, this neutral connections will be included into our regulated asset base. It is one of the things I was talking before as many opportunities for further investment, and it is something that you haven't guided yet in our numbers has not been included in our 10-years development plan or into our Business Plan. We have provided the regulator and it has been communicated into the consultation, about our new regulatory...regulated revenue. So, yes, we will have an active role. We expect very soon the framework to be finalized and upon finalization of the framework we will know also about the size of the new off-shore wind park, is something that we cannot comment. We cannot say something specific right now. Let's wait and see the framework as it will be published soon.



KARAMPELAS I: Yes. I am going to answer your second question. We see that the current levels are quite attractive to what if our share buyback program and our intention is to extend it for the next 2 years. We stop that program because of a blackout period in order to, you know, the release of...of the results...economic results. And also we are taking under consideration the proposal of a stock option plan for all employees of the company.

NOIKOKYRAKIS I: Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Karampelas for any closing comments. Thank you.

KARAMPELAS I: Well, it doesn't look we have got any more questions. So in this case, I am going to say thank you everybody to joining the call today. I do appreciate it, and I look forward for our next meeting and we will keep in touch, as well are starting now to meet the people face to face without the screen in the middle.