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ADMIE Holding

“Six Months 2022 Financial Results Conference Call”

Tuesday, 4th October 2022 16:00 GR Time

Conductors:

Mr. Ioannis Karampelas, CEO

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***Mr. Iason Rousopoulos, Chief Officer of Business Development & Digital
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Mrs Eleni Zarikou, Deputy CFO of ADMIE

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Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos your Chorus Call operator.

Welcome and thank you for joining the ADMIE Holding Conference Call to present and discuss the Six Months 2022 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.

KARAMELAS I: Thank you operator. Good afternoon, ladies and gentlemen, and good morning to those of you listening to us across the globe. Welcome to this conference call of ADMIE Holdings First Half Results of 2022. We would like to thank you for making the time for joining us today. Mrs. Eleni Zarikou, Deputy CFO and Mr. Prokopis Mavronas, Finance Director of IPTO are next to me, as well as Mr. George Eleftheriou, IR Director.

I will briefly highlight the financial performance of ADMIE Holdings, and then Eleni will guide you through the main operational and financial highlights on IPTO. As this is only a summary of our results, please refer to the financial statements that are available on the website of our company for further details, if needed. After the first presentation, our team will be at your disposal for any questions you may have, and as usual, after today's call, George will be available by phone to help, if you have any further questions.

During this quarter, we had a series of non-expected events that took us by surprise. Now, after the close of the second quarter, we are much more conscious of the challenges ahead. We all know these challenges. They are global and they are endless. The war, the inflation, the interest rising, industrial disruption, air transport prices, electricity prices, I think you all know very well what is going on. We are worried, as we should be, but we are sure we are making it... that we can manage our future well.

The key question is now all these events will affect us? Today, we remain positive, and we have a tremendous amount of work to develop new regulatory period 2022 to 2025 and the resolution of RAE was one of the critical events during this period. I'd like to start by recognizing the huge effort of IPTO team has put into the process over the last 16 months. The resolution has been notified to IPTO...last September and the key features have been disclosed in our first half press release. Eleni will provide details... a detailed analysis on the resolution later on.

Having had a review on the regulatory resolution, we believe it allows for the investment required to maintain asset health. However, there are still things to sort out where we stand, all of the regulatory to protect electricity consumers and in the next period, we'll foster collaboration with RAE in order to find common ground on specific technical issues.

Moving to the financials, the first 6 months of '22, ADMIE Holding achieved a net profit of €11.9 million, making a decrease of 42% compared to the corresponding period of '21. As a result of the decrease of IPTO Group net income, operating expenses stood at €378,000 related mainly to personnel fees, and fees to third

parties such as legal, accounting and audit service, as well as, one-off expenses related to tax settlement of 2021.

The company's cash at the end of considered period amounted to €20.8 million and are deposited in a special account in Bank of Greece, providing an average of 1.5% returns. Due to active cash management, the financial income amounted to €45,000, partially offsetting the operating expenses. It is worth noting that ADMIE Holding has no debt.

The main revenue for ADMIE Holding is the dividend received from the affiliate company, IPTO S.A. Further on this, IPTO S.A. has a 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.

Turning to the ADMIE Holding's dividend policy for 2022, 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 gross dividend has per share amounted to €0.068 per share, and it will be the total dividend for fiscal year of 2022 corresponding to a yield of 4% according to Monday's closing price.

With that, I'm handing over to IPTO's Deputy CFO, Eleni Zarikou, Eleni, go on, please.

ZARIKOU E:

Thank you, Ioannis. Before starting to analyze the features, I would like to share with you our latest main achievement. Firstly, let me remind you that on the 19th of April, we presented the update of 2021 to 2024 Strategic Plan, focused on transforming

IPTO into a modern company that will be utilizing its infrastructure and knowhow in order to unlock and accelerate its growth potential. In this regard, important steps have been taken for the progress of our key projects, either on authorization process or construction activities. Crete to Attica Interconnection, Cyclades Phase IV, and Skiathos Interconnection are the key CAPEX contributors for this period.

I would like to underline that, due to the volatile economic environment that prevailed globally, the pace of implementation of the IPTO's Group CAPEX slowed down temporarily in the first semester of the year, as there were significant appreciations in the cost of materials and services required for success...for the successful conduct of tenders. Consequently, the operator submitted requests to the regulator for reassessment of specific budgets of the projects...of the projects. The budget requests were approved corresponding to the current economic conditions without affecting the cost of IPTO's investment program in the long term.

On the international front, IPTO Group over the next period will play a significant role in a time where EU energy policy is moving fast towards better electricity interconnection between European member states and greater energy independence.

We already announced our intention to participate with a 25% stake in capital share of the Euroasia interconnector linking Greece to Cyprus and Israel, as well as we signed a Memorandum of Cooperation for the construction of electricity interconnection between Greece and Egypt, setting a strong foundation for our

country to become a power hub with a wider SouthEastern European region.

With that, I would like to turn now to the financial performance of IPTO for the first half of 2022. Starting from our top line, the revenue from transmission system rent including revenue from balancing market decreased by 1.6% and amounted to €137 million. The new unit systemic charges have been effective as of 1st of September, and as such, the revenue from transmission system rent of the operator in the first half of 2022 is not representative, and in proportion to the estimated revenue that should have been recovered for the year. However, we see a strong reversal of the trend in the last 4 months of 2022.

Consolidated operating expenses, excluding depreciation and amortization, increased by 12.2% at €50.2 million, compared to €44.7 million in the first half of 2021. On the most significant elements of OPEX, payroll costs decreased by 4.4% to €27.4 million, mainly due to the voluntary redundancy scheme, which implemented in the second half of 2021. At the same time, third-party fees and benefits saw the cumulative increase of €4.3 million, attributed to the increase in the number of new employees with freelancers' contracts in order to cover the extended operational needs, and the increase in the price of electricity.

Moving on to profitability, consolidated EBITDA for the first half of 2022, reached €137.5 million marking a slight decrease of 0.2% compared to the €137.7 million in the first half of 2021. When excluding one-off items, the adjusted EBITDA came in at

€90.4 million, lower by 4.5% compared to the corresponding amount of 2021.

Turning to the financials, financial income of the group amounted to €1.7 million from €1.5 million a year ago, which is a result of interest related to overdue receivables of market participants amounted to €0.9 million that resulted from the settlement of all the overdue receivables. Financial expenses amounted to €7.5 million, remaining at the same level.

At the bottom line, our consolidated net profit decreased by 41.1% at €24.1 million, while adjusted net profits came in at €24 million versus €30.5 million in the first half of 2021. IPTO's 10-Year Network Development program remains on track at the fastest possible pace with capital expenditures in the first half of the year reaching €88 million while its net debt amounted to €679.6 million.

Now, let me move to the most important milestone that has been met during the period and this was the approval of the regulatory period 2022 to 2025. For what concerns the review of the decision, we based...the consultation is based on a constructive approach with the regulator. After more than one year of intense discussion, a lot of scenarios and questions, we can say that there is a...the regulatory framework along the healthy developments of the extensive investment program of IPTO, abates their technical issues that needs to be further reduced in the coming weeks.

There are 3 areas of the resolution that I would like to touch on. First, the allowed return of employed capital, known as regulatory

WACC, is set on a nominal pre-tax basis, as opposed to the previous regulatory framework, which was set on a real pre-tax basis with application of the capital assets driving model. WACC will be at 6.1% for all the periods, thanks to a risk-free rate of 0.5%, beta at 0.8%, CRP at 1.5%, and the cost of debt at 2.8%.

Second, the employed capital for each year of the regulatory period takes into consideration and is aligned with the investments of the approved 10-Year Network Development Plan 2021 to 2030 under the assumption that the new assets put in the operation are incorporated into the RAB in the middle of the year.

Work-in-progress will continue to be incorporated into the non-PMI RAB as accumulated with will continue to be the new remunerated on a larger set. Our PMI projects, projects of major importance in new categories introduced, namely special RAB, the return of which will be calculated separately from PMI projects. According to the decision the Crete-Attica interconnection is considered the PMI project, which will be remunerated with an additional premium at 1% for 12 years. The total asset base of IPTO will reach €3.2 billion by 2025.

Third, OPEX was separated into 2 categories, controllable and non-controllable and when adding regulatory depreciation and returns on employed capital, we get to the allowed revenues of the regulatory period on an annual base. For 2022, allowed revenue amounted to €300 million rising to €413 million in 2025. It's worth mentioning that all calculations are carried out in nominal prices and the conversion of allowed revenue to current prices for each year of the regulatory period is made by

adjustments made on the estimated inflation. Should any deviations arise based on the correct application of the methodology, the regulator will proceed with the necessary adjustments and settlements when deemed appropriate.

With that, I would like to thank you for participating and we're ready to take any questions you might have.

Q&A

OPERATOR: The first question is from the line of Athanasoulis Nikos with Eurobank Equities. Please go ahead.

ATHANASOULIAS N: Hello and thank you for having my question. I have a couple of questions regarding the new RAE's decision. First of all, when are we expecting those to be public, and what will be the WACC on the special RAB, I think, on the press release it's not mentioned? And secondly, I would like to ask regarding the inflation, I guess, there is a provision so as the project's not to be affected and the group to be compensated for that? Thank you very much.

ZARIKOU E: Hello. Thank you very much for your questions. Regarding, when the decision will be public, I think you have to ask the regulator, we are not responsible for this. Usually, the regulator, it's on their website. However, I have to mention that the decision is final because it was sent to us. So regardless the fact that it's not yet on the website as I understand.

Regarding your second question, please repeat, because we could not listen.

ATHANASOULIAS N: Yes, of course. So, I have a part on the first question, regarding the WACC on special major projects on special RAB. And the second question is on inflation, whether there will be a provision on the decision. So, was the group will be compensated and not incur further costs from the rising development and construction costs? Thank you.

MAVRONAS P: Okay. So, regarding the WACC on projects of major importance, there is an additional premium, the only project of major importance until now is the Crete to Attica interconnection which has a premium of 1%. Regarding inflation, the regulator accepts that when prices go up, these will be also included in CAPEX, so the future value of the assets will include the higher prices. So, we'll be remunerated with higher asset values.

ATHANASOULIAS N: Okay. Thank you very much.

OPERATOR: The next question is from a line of Nikokyrakis Ioannis with Alpha Finance. Please go ahead.

NIKOKYRAKIS I: Hello. Thank you very much for accepting my questions. I have a follow up question from Nikos's question, actually. Regarding the special premium for PMI projects that we see on the presentation and you mentioned it's a premium of 1%. But on the presentation, there's also the value that you could actually...got 2% for PMI projects? Can you please elaborate, why you only got 1% for your project? Thanks.

MAVRONAS P: So, the 1% is the minimum percentage of premium for the PMI projects, the range is from 1% to 2.5%. According to the methodology, there are 3 criteria that determine the level of premium. The first is the time implementation. The second is the subsidies utilized. And the third is the budget discrepancies. Unfortunately, we had no concrete explanation for the 1% premium determinants by the regulator.

NIKOKYRAKIS I: Okay, thanks. Can I have a follow up question? We saw that in the first half results, there appear to be a slowdown in your CAPEX. Can you give us a color please if possible on your CAPEX for the second half of the year? Many thanks.

MAVRONAS P: So, as it was mentioned earlier, due to the volatile global economic environment, the pace of the CAPEX development slowed down temporarily in the first half of 2022, as there were significant depreciations in the cost of materials and services required for the successful conduct of individual tendering procedures. On secondly, we submitted request to RAE for the assessment of specific budgets for these projects which were approved, and we expect a significant reversal of this trend in the second half of 2022.

NIKOKYRAKIS I: Okay, thanks for that. Regarding the tender offer for the Ariadne interconnection. Can you give us a color when...what are the next steps for project tender offer, what do you expect the offers, and when do you expect this major investment to start feeding through to your RAB? And also, if there are any delays, will the project continue to be finalized by the end of 2024? Thanks so much.

ZARIKOU E: So, the next step for the Ariadne tender is that tomorrow an expression of interest will be submitted, the VDR will open from 24th of October until...will be open from 24th of October until 16th of December. Regarding the timeline of the projects, it remains as of now for 2024, we expect the electrification.

NIKOKYRAKIS I: Okay. Couple more questions from my side. Can you give us a possible guidance or color on what the revenues might be for 2023?

ZARIKOU E: So, we are quite optimistic with the current system tariff imposed in September for the revenue of 2023, because it ensures the adequate recovery of the required revenue.

NIKOKYRAKIS I: Okay. Thanks for that. And finally, I remember you approved at the recent AGM for the buyback extension...program buyback extension, do you expect this to possibly reinstated sometime in the future?

KARAMPELAS I: Current market conditions are quite negative, and we feel that focusing on our efforts to engage with institutional investors would be a more efficient way for improving the picture of our share. Additionally, we have some constraints so far due to blackout period of the first semester results, and as well as we have to be attractive on the free flow.

NIKOKYRAKIS I: Well, I guess that's it from my side. Thank you very much for your answers. 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, thank you, operator. I think our presentation was quite detailed. We always try to provide a lot of visibility on what's going on. Being in a regulated market also, most of the people understand well what we have in front of us. As I said in the beginning, it's very challenging time, but at the same time, we have opportunities to develop new projects. And I think the energy transition, it is something that is going to change the way the world operates. I am going to say thank you everybody for joining the call today. I do appreciate it. I look forward to our next meeting and we'll keep in touch.