



VALUATION GUIDELINES FOR ISA AND ITS COMPANIES

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ISA : Accounting Aspects

Elements to consider Consolidated Financial Statements



Type of Company	Conditions	Impact on ISA's Consolidated Financial Statements	Example
Controlled	<ul style="list-style-type: none"> Stake > 50%: Control is assumed unless proven otherwise. Stake < or = to 50%: May have control through shareholder agreements. 	<p>Consolidation method: Global integration, whereby the financial statements of the parent company include 100% of assets, liabilities, equity, revenues, costs, and expenses of subsidiaries.</p> <p>Minority interest: Portion of the net income or equity of a non controlled company, attributable to shareholders outside ISA.</p>	<p>As controllers, 100% of CTEEP is consolidated, although the effective stake is 36%.</p> <p>Minority Interest Income Statement/Balance Sheet CTEEP: Net Income x 64% Equity x 64%</p>
Joint control	Stake = 50%: Joint control is assumed unless proven otherwise. Minor stakes may have joint control through shareholder agreements.	Investments (Balance Sheet Account): Initially recognized at cost and subsequently adjusted based on the percentage of profit sharing, dividends distributed, and capital reductions.	Result from equity method:
Significant influence	It is assumed whenever there is a stake of more than 20%. Minor stakes may have significant influence through shareholder agreements.	Equity method (Gains and losses Account): Net income for the period, multiplied by the percentage of stake. (They are not part of the EBITDA).	IE Madeira: Net income of the joint venture x 50%. ATP: Net income of the associate x 24,7%.
Financial instrument	Less than 20% stake, or does not meet any of the above conditions.	The investment is recognized at fair value and dividends are recognized as financial revenues	Investment in Empresa Proprietaria de la Red

ISA Group: Indefinite-lived assets

Fixed assets

Description	Construction Stage	Operation Stage
 <p>Property, plant, and equipment owned by the company for use, generating revenues throughout their life cycle</p>	<p>No revenues recorded at this stage. Financial expenses and costs associated with asset construction are capitalized until their entry into operation</p>	<ul style="list-style-type: none"> Revenues are recorded according to billing The asset is depreciated <p>Cash revenues = Collections from the energy system similar to accrual</p>

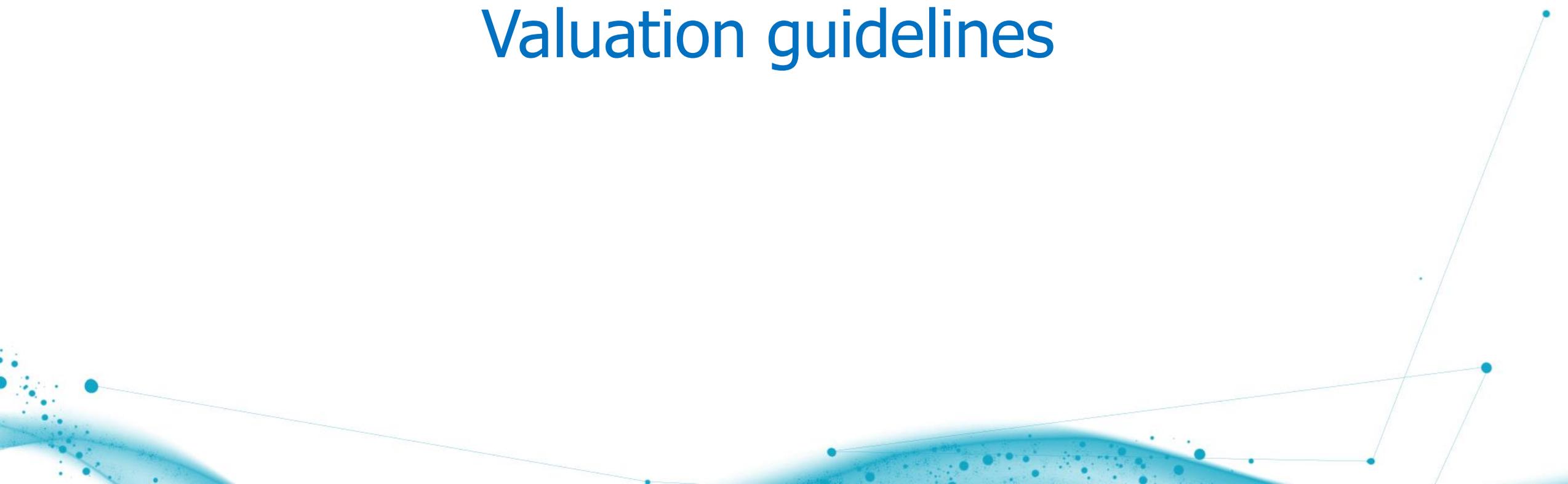
Type of asset:

Finite Life (IFRIC 12)

	Description	Construction stage	Operation stage
Financial asset	<p>Unconditional contractual right to receive returns from infrastructure implementation.</p>	<ul style="list-style-type: none"> • Construction revenues= Construction expenses + margin = AR • Revenues from financial performance= $IRR^* \times AR^*$ • Financial expenses are not capitalized 	<ul style="list-style-type: none"> • (1) Revenues from financial performance= $IRR \times AR$ • (2) Revenues x AOM • AR decreases according to: Cash revenues- (1)-(2) • Intervial cash revenues = toll collection <i>Transfer to the grantor</i> • CTEEP cash revenues = RBSE cash
Contractual asset	<p>Contractual right conditioned to the fulfillment of obligations.</p>	<ul style="list-style-type: none"> • Construction revenues= Construction expenses + margin = AR • Financial revenues= Discount rate x AR 	<ul style="list-style-type: none"> • (1) Revenues from financial performance= Discount rate x AR • (2) Revenues x AOM= Cash income AR decreases according to: Cash revenues- (1)-(2) Cash revenues= Collections from the energy system <i>Transfer to the grantor</i>
Intangible asset	<p>Contractual right conditioned to the use of the service with demand risk.</p>	<ul style="list-style-type: none"> • Construction revenues= Construction expenses + margin • Financial expenses are capitalized 	<ul style="list-style-type: none"> • Operating revenues = Cash revenues corresponding to a regulation (Includes Revenues x AOM) • The intangible asset is amortized throughout the economic life of the concession <i>Transfer to the grantor</i>

*AR= Accounts Receivable / IRR: Internal Return Rate

ISA Group: Valuation guidelines



Lump sum method




Energy Transmission



Company	Ownership	Life	Methodology
ISA + INTERCOLOMBIA	100,0%	Infinite	Free cash flow
TRANSELCA	100,0%	Infinite	
REP	60,0%	Finite	Free cash flow
CTM	60,0%	Finite	
ISA PERÚ	100,0%	Infinite	Free cash flow
CTEEP + SUBSIDIARIAS	35,8%	Finite	
Taesa	14,9%	Finite	EV /EBITDA
INTERCHILE	100,0%	Infinite	Free cash flow
ISA BOLIVIA	100,0%	Finite	Book value



Roads



Concesiones Chile	100% / 75% Rios	Finite	Free cash flow
Costera	100,0%	Finite	Free cash flow



Telecom & XM

Internexa y subsidiarias	100,0%	Infinite	EV /EBITDA
ATP	24,7%	Infinite	Tower cash flow
XM	100,0%	Infinite	Free cash flow

Exchange rates

- Valuation in the local currency of each company is suggested
- Once the equity value is obtained, it is converted to COP/USD using the estimated exchange rate of the year



Energy Transmission

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Electric Energy: Colombia, Peru, Chile



1. ISA+INTERCOLOMBIA:

- Joint Accounts Contract
- National Transmission System (STN) Revenues 2021: 73%, subject to regulation
- UPMEs Revenues 2021: 27%

2. TRANSELCA

- STN Revenues: 55%, subject to regulation
- Connection Revenues: 45%



1. CTM

- 15 concessions: 90% revenues, 21,3 average years until maturity
- Private contracts: 10% revenues, recorded in financial revenues

2. REP

- Original concession (2032): 40% revenues
- Growth through expansion: 60% revenues

3. ISA Perú

- Original concession, maturity in 2033
- Orazul Energy Group infinite life



INTERCHILE

- Calls for bids: 80% revenues. Subject to regulation
- Expansions: 20% of revenues, subject to regulation

VALUATION

Profit&Loss EBITDA is a good approximation to cash.

Revenue projections:

- STN (National Transmission System) Revenues: IPP (Producer Price Index)
- Calls for bids: Exchange Rate
- Connections: IPP (Producer Price Index)

Profit&Loss EBITDA is a good approximation to cash.

Revenue projections:

- CTM, REP: CPI USA
- ISA P: 80% Local CPI
20% CPI USA

Profit&Loss (PyG) EBITDA is a good approximation to cash.

Revenue projectios:

- 80% CPI USA
- 20% Chile CPI, must be expressed in USD, showing the exchange rate

- Project expenses while maintaining the average EBITDA margin of recent years
- Capex projection (See Valuation kit)



Electric Energy: Brazil

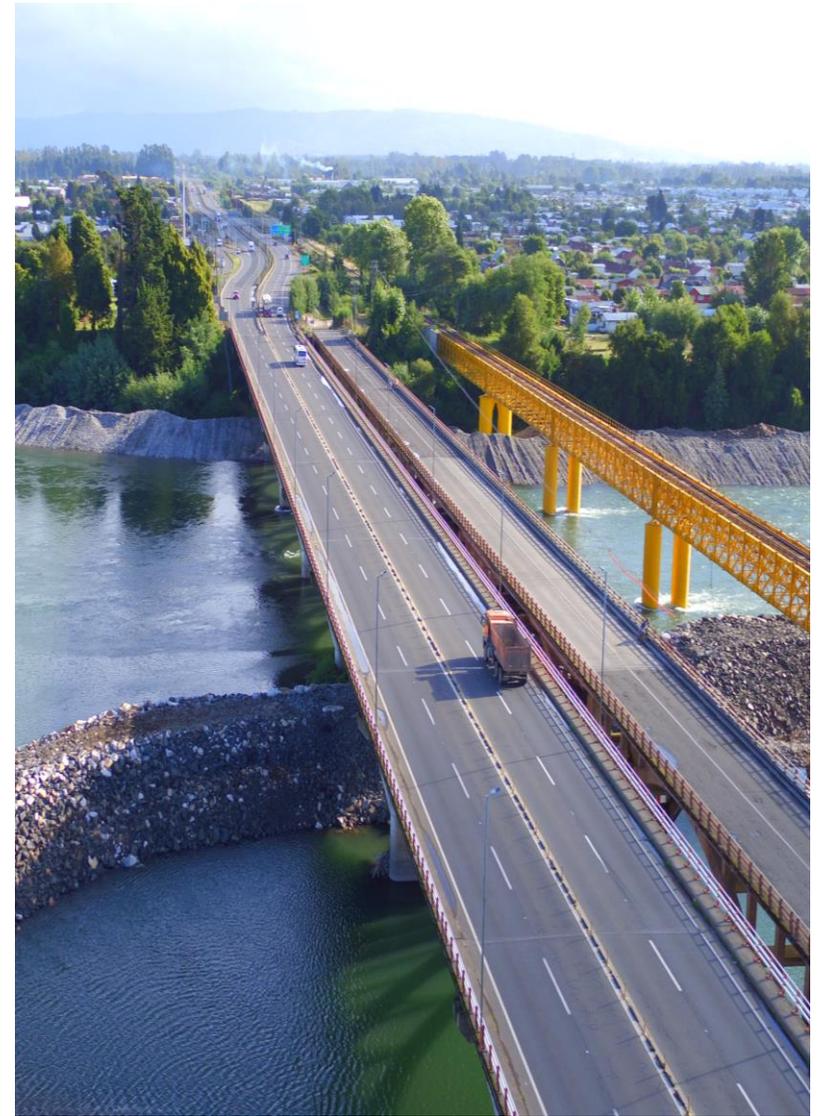


Receta Anual Permitida (RAP)

		Local	RAP Ciclo 2020/2021 ¹ (R\$ milhões)	RAP Ciclo ISA CTEEP 2020/2021 (R\$ milhões)
ISA CTEEP	Operacional	São Paulo	3.131	3.131
IE Madeira	Operacional	Rondônia / SP	552	282
IE Ivaí	Em construção	Paraná	300	150
IE Paraguçu	Em construção	Bahia / MG	121	61
IE Garanhuns	Operacional	Pernambuco	95	48
IE Aimorés	Em construção	Minas Gerais	81	41
IE Pinheiros	Operacional	São Paulo	63	63
IE Aguapeí	Em construção	São Paulo	60	60
IE Serra do Japi	Operacional	São Paulo	56	56
IE Itaúnas	Em construção	Espírito Santo	53	53
IENNE	Operacional	Tocantins	53	53
IE Itaquê	Em construção	São Paulo	52	52
IEMG	Operacional	Minas Gerais	20	20
	Em construção	Minas Gerais	33	33
Evrecy	Operacional	Espírito Santo	13	13
	Em construção	Rio Grande do Sul	38	38
IE Biguaçu	Em construção	Santa Catarina	41	41
IE Tibagi	Em construção	SP / Paraná	21	21
		Mato Grosso do Sul / SP	5	5
IE Itapura	Operacional	São Paulo (Bauru)	12	12
	Em construção	São Paulo (Lorena)	11	11
IE Sul	Operacional	Rio Grande do Sul	20	20
Total			4.830	4.263

VALUATION

- Cash flows can be constructed based on CTEEP Consolidated **regulatory financial statements**
- Revenues must be projected based on the Brazilian CPI
- Account for **RBSE** future cash flows
- Project expenses while maintaining the average EBITDA margin of recent years
- Capex projection (See Valuation kit)
- CAPEX projection: reinforcements and improvements of approximately R\$ 200 million per year
- Compensation of non-depreciated assets at the end of the concession in 2042



Roads

Roads: IFRS & contractual requirements

IFRS requirements

Revenues

Construction revenues=Capex*1,15

Construction cost=AOM*1,08

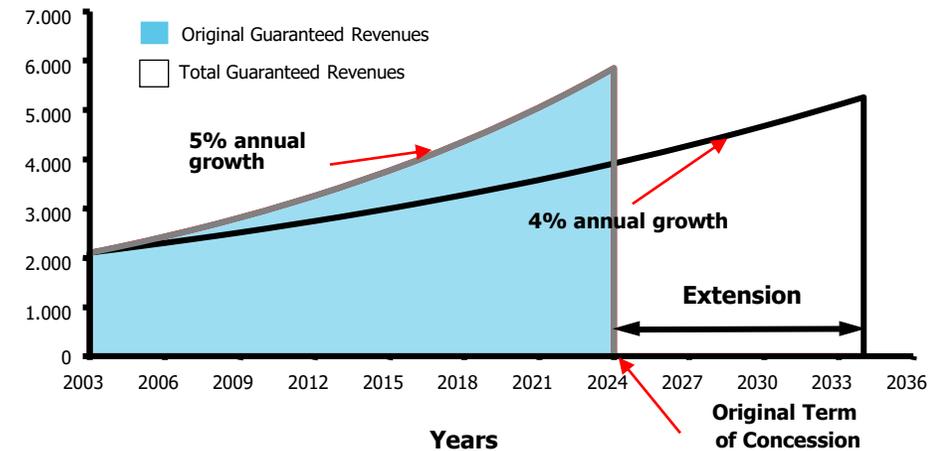
Financial revenues= AR*IRR

Expenses

Capex

AOM

Example of concession term extension with MDI



Cash requirements

CONCESSION	Type of compensation	Present Value of Total Guaranteed Revenues (UF's)*	Payment to the Governmente for Contract Admin. (UF's/per year)	Payment to the Governmente for Contract Admin. (UF's/per year)	Governmente subsidy 2011 (UF's)	Ci: Subsidy after term Opex as from **
MAIPO	MDI	30.434.180	6.000	469.363		Sep-24
MAULE	MDI	12.012.839	3.000	652.000		Apr-15
BOSQUE	MDI	10.187.844	3.000	232.699		Oct-21
ARAUCANÍA	MDI	10.448.753	3.000	155.133		Mar-24
RÍOS	IMG agreed upon until 2023	Not agreed upon	Not agreed upon	Not agreed upon	387.832	Not applicable

The MDI (Revenue Distribution Mechanism) is the mechanism to control the progress of the Total Guaranteed Revenues
 Calculation: ITG (Guaranteed Total Revenues)= VPN@ 9,5% Tolls + Subsidy - Ci

*MDI: Revenue Distribution Mechanism, when this present value (VP) of revenues is reached, the concession ends | IMG: Annual Guaranteed Minimum Revenues, the period of the concession is maintained

**Recognition of payment from pre-existing infrastructure and major and routine maintenance, received in the form of a longer concession period

Roads: Valuation



Life of
Concessions

Approximation: It can be calculated as a range between the last year of debt maturity + 2 years
Source: *Consult Valuation Kit / Consolidated debt-bonds-credits*

Cash
revenues
PxQ

Q: Traffic, project based on average growth in recent years

Source : *Consult Valuation Kit / Roads Traffic*

P: Take the latest available rate and project it with CPI

Source : *Consult Annual Report / See links in the Valuation kit: Roads Regulation*

Opex and
Capex

- Project expenses while maintaining the average EBITDA margin of cash of recent years 65%-75%
- Capex projection (See Valuation kit)



Other businesses: Telecom- XM

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Valuation by comparable multiples is suggested



Telecom (Internexa)

<i>Company</i>
America móvil
Tigo
TIM
Shenandoah Telecom.
Level 3
Zayo
Cogent
CyrusOne
Equinix
C&W
Entel

Telecom (ATP)

Compañía
Brazil Tower Company
American Tower
QMC
GTS Grupo Torresur
Telxius
Phoenix Tower
Centennial Towers
Aplicanet

XM

Free Cash Flow

- Project income according to the growth of recent years
- Project expenses while maintaining EBITDA margin
- Capex: consult the valuation kit.

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Visit our **Valuation Kit** for more information about our results

<https://www.isa.co/es/inversionistas/informacion-financiera/>





Electric Energy: Brazil



Consolidated CTEEP: IFRS Accounting

RBSE (Basic Network Existing System)
Financial asset
60% operating asset
Approx. R\$ 9 trillion
(Existing assets as of 2000)



Contractual asset
40% operating asset
Approx. R\$ 6 trillion



AOM Revenues

RBSE (Basic Network Existing System) Revenues: Includes 3 components:

1. Monetary adjustment: update monthly RBSE (Network Existing System) payments to the actual IPCA (Broad Consumer Price Index)
2. Financial revenues: RBSE CxC Balance x Discount rate
3. RBSE updates: periodic, parallel to tariff review (every 5 years)

- **Infrastructure implementation (Construction revenues):** Construction expenses + construction margin when projects are in construction
- **Concession asset compensation:** Includes 2 components:
 1. Monetary adjustment: update future flows indexed to the actual IPCA (Broad Consumer Price Index)
 2. Financial revenues: CxC balance of the Contractual Asset x Discount rate

Opex remuneration is cash

Glossary of Terms



- AR: Accounts Receivable ATP: Andean Telecom Partners
- BALI: Bidding bases
- Ci: Subsidy after maturity
- FCL: Free Cash Flow
- IMG: Guaranteed Minimum Annual Revenues
- IPP: Producer Price Index
- IPCA: Broad Consumer Price Index in Brazil
- IRR: Internal Return Rate
- ITG: Total Guaranteed Revenues
- Ke: Cost of equity
- MDI: Revenue Distribution Mechanism
- MOP: Ministry of Public Works, Chile
- RBSE: Basic Network of the Existing System
- STN: National Transmission System
- TCF: Tower Cash Flow, no recurring and non-recurring administrative fixed expenses
- TRM: Market Representative Rate (Pesos per USD)
- UF: Index-linked units, Chile
- UPME: Energy Mining Planning Unit
- VP: Present value
- VPN: Net Present value