Operator: Welcome to the second quarter 2018 consolidated financial results conference call EPM Group.

My name is Hilda and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. During the question and answer session, if you have a question please press * and then 1 on your touch tone phone.

I will now turn the call over to Mr. Jorge Andres Tabares. Mr. Tabares, you may begin.

Jorge Tabares: Thank you operator and welcome to our quarterly call. Starting with the presentation on page two, I'll go to the relevant events after the closing, a bit on the energy market, an update on the Ituango project, and the financial results of the group as of June 2018.

Moving to page three, subsequent to the closing of the quarter, we highlight the approval that the management got from the Board of Directors to divest three main assets. It's our 20.17 share on ISA (Interconexion Electrica), a Colombian listed company. That 10% includes a board seat on the corporate Board of Directors.

Also, our whole participation in Aguas de Antofagasta and the Wind Park Los Cururos, both in Chile.

With that, we expect to get between 3.5 and 4 billion COP with the main purpose of maintaining the Capex program that the company is undertaking. That's equivalent to up to 1.2 billion US of new money that we expect to get over the next 12 to 18 months, more close to 12 months.

On page four, I'll highlight the growth that we've been able to deliver in most of the operations. You can see the Colombian market had a healthy 2.7% growth over the first half of the year. This is related to the combination of a more dynamic economy and more favorable weather conditions in Colombia, and also the fact that the first half of last year there was still an impact of energy-saving activities in Colombia associated with El Niño phenomenon of the previous year. We accounted for 25% of the Colombian market with 8,319 GWh delivered during the first half of the year.

Our second biggest operation in Guatemala also delivered healthy growth at 2.7%, and Panama with 1.4%, showing the third growth figure.

Considering the numbers in Colombia, the total growth was 7.3%, reaching 8,319 GWh. This growth in Colombia was driven by activities in the non-regulated market, in which we were able to secure some big clients in the Colombian market and that drove our growth rate well above the organic growth rate of the country.

Looking at the international side, the compounded growth was 1.6%, from which the growth in EEGSA with 1.5% and COMEGSA with 5.4% contributed in the most significant way to that growth rate. When we combine the growth rates in both the local and international market, the growth rate was 5.2%, so a very healthy growth rate in the energy distribution business helped by most of our operations.

Moving to page five, spot prices in Colombia, our main market, in the bottom of the chart, was 15%, still showing low historical numbers at 41 USD per MWh. The rainy season in Colombia was quite significant over the second quarter of the year, and that limited the growth of the spot prices. We still see high reservoir levels and despite having been through a summer or a lack of rainy season (dry season) over the last 45 days or so, still the energy spot prices are below historical averages.

In the reservoir operation there were increases in Chile, Salvador and Panama, mostly associated with the energy metrics in those countries. Panama impacted by the increase in the oil prices showing an 18% increase, and in Guatemala the spot prices actually declined due to the combination of energy sources of the country, in which the combination of hydro and sugar cane and coal helped the spot prices to lower.

The total generation, on the bottom left, was reduced slightly to 1.9%. Most of this decrease was non-recurrent and associated with maintenance in one of the plants and one of the three units of Playas being out for part of 2018's first months, and secondly because of the lack of rain that we had in the first quarter of the year. The combination of those two delivered the 1.2 reduction in energy generation.

We still believe we are going to grow for the year and we are going to be close to budget when the year ends.

In Cururos, perhaps a negative figure of 4.5%, a reduction in the energy delivered. This is a very low number in the group's portfolio and mostly associated with lower winds. It was not very windy on average during the first semester of the year. Bonyic Panama, on the other side, shows a healthy 19% growth associated with the good hydrology that was present in Panama during the first half of the year.

Moving to page six, I'll show the track record of the key parameters that we have been monitoring very closely in Ituango. The main message is we have had stability for around two months in the project, and the surprises and negative events that were present during the first months have not been present basically since that moment.

The first one is the reservoir level, relatively stable between 370 and 380 meters above sea level. Just to remind you, the spillway entry level is 401 in the green characterization, in the metrics that we have been measuring. Currently we have the dam at 418, so we are well 40 meters below the reservoir level at this point below the dam level.

Moving to page seven, you can see the dry season and the low volumes that the river is bringing to the reservoir are mostly below 800 and we've reached even 518 cubic meters per second in the middle of July. Just to remind you, the average flow for the project is 1,100 cubic meters per second.

The increase in the last few days that we are showing in the graph is associated with an unseasonal rainy period. We expect and our forecast shows that the next month or month and a half will return to dry levels, so below 1,000 cubic meters per second.

The bottom chart shows how much water is flowing to the power house, what is the discharge that we have through the continuity of the river, and there you basically have significant continuity with no abnormalities observed during this time period.

A little bit more detail on page eight about the different work fronts of the project. First, on the top time line the events we have been able to observe, and perhaps the most significant one is the July 6th event in which there was a rock detachment in the tunnel that accesses the power house. This did not cause a total obstruction, but it was significant in the way it covered most of the height of the tunnel with a relatively short length, but this was something we did not expect to happen and perhaps it is associated with the water movement in and out, and the water level rising and lowering inside the power house.

On a positive note, on July 31st we reached the 418 meters above sea level on the dam and with that we estimate we have enough dam to protect or to retain possible flows that will be present on a 100 and 500 years recurrence period. That was the last noteworthy event we have seen in the project.

All work fronts have continued, except for the works on the sub-station that as you may recall from a previous call we have stopped due to a mandate from the Environmental Agency in Colombia that required us to stop any non-contingency related work until an expert provides assurance about the technical soundness of the project and the low risk that it represents and we are working on that front to secure that expert analysis to be provided for the Environmental Agency.

Looking at the details of the technical actions that we are conducting, on the dam we continue working on the preparation for the construction of the concrete plastic screen in the dam. This is the key element that will enable us to continue building the dam up to the 435 design level. We have contracted Soletanche Bachy Cimas to actually build that plastic concrete screen and we expect that we complete it by October 2018.

On the tunnel side, there have been slight modifications of the original plan. We had communicated that Halliburton was going to drill a vertical hole to plug the right tunnel to provide for a temporary blockade that would allow us to build the final concrete block for that tunnel, that way avoiding any possible natural unblocking that could cause flooding like the one occurred on May 12th.

What we are doing now is that we plan to actually plug that via the construction of injections from a new gallery to be built using the intermediate discharge tunnel. Finally, after we do that we will access the right tunnel via the left tunnel and build a final plug whose design will be similar to the one that has been built in tunnel one, left, and one that has been operating successfully throughout the contingency and throughout the filling of the reservoir ahead of time.

We actually did a 4-inch drilling from the intermediate discharge and with that we confirmed that that tunnel is mostly full of material and most importantly, it has no reservoir pressure, so there is enough material blocking that tunnel that contained the reservoir and that does not transmit the reservoir pressure further down in the tunnel, so we are working on that front, and then for the auxiliary gallery we also plan to consolidate the material that has been blocking that tunnel since the end of April by means of injections of concrete and we have identified two places from which we will drill and plug that tunnel and both activities are expected to be completed by year end.

Finally, and perhaps the most important aspect given that the dam is at the current height, is shutting down the flow to the power house. Although the power house has demonstrated its ability to slow and allowed us to exit the water and minimize the height of the reservoir, it is undesirable to have that activity happening for a long time, so the priority for us is closing the access, the pass of water to the power house. We are aiming to do that as soon as possible in order to minimize possible risks associated with that continuous flow of water through the power house.

We currently are also conducting fluid dynamics modeling to verify the performance of the gate that will close the intake tunnels through the power house. We have considered many sequences of when and how to close those two tunnels that are still flowing. Initially we had considered closing one and leaving the second one open and increasingly overtime we just think that it is necessary to close those tunnels as soon as possible to minimize risks.

Those are the three front areas that we are working and where we will need to deliver actions in a relatively short time frame. Again, we have October for the next milestone on the dam. We at this point are thinking of closing the flow of water to the power house and closing the tunnels is an activity that we expect will take us throughout the end of the year. I'll be happy to provide more details, if it is of any interest to you, at the end of the conference, so make sure you ask the questions so everybody can hear them.

In terms of the insurance claim, I have to say we are making solid progress. All the stakeholders are fully engaged. A lot of activity with the loss adjuster. By this time they have already visited the project four times. We have hired some external advice that will help us interact with the different advisors that the loss adjuster hired to help both of us go to the claim process.

Information is flowing very fluidly and a lot of information and a lot of details have already been studied in detail by the loss adjuster team and the technical interaction is very deep at this point with that team.

There is permanent information going back and forth. We are providing weekly reports to the reinsurance market. The loss adjuster team and the leading reinsurer are visiting the project on a monthly basis. Their technical experts have already visited and have a very clear view of what is going on in the project and what could have happened.

On third-party liabilities, extra contractual civil liability insurance, we are much more advanced. That's a lower coverage. The policy is a 17 million USD claim for coverage and we're making very solid progress. We would expect to have that result in a final basis at some point during 2018.

Moving to page ten, we continue investing very heavily on our Capex program. We have invested 1.46 billion COP, slightly lower than 500 million USD equivalent, from which Ituango accounts for 43%, and the rest of the investment is fairly distributed between the parent company, international subsidiaries, and the Colombian power subsidiaries, so that's a fairly distributed Capex profile and when you exclude Ituango, basically a portfolio that has no major projects and does not incorporate particular projects of significant risk. It's fairly diversified across our footprint.

Moving to page 11, I'll just highlight two points. One is the CPI in Colombia is trending down. It's behaving in a very healthy way in the sense that it's under control and the Central Bank is getting comfortable and the market altogether is getting comfortable with the CPI figures. Still lower in Chile, more aligned with the historical norms.

The second point I'll highlight is the difference between the revaluation that we have observed in Colombia of about 3% in the semester, while in Chile we have a fairly abnormal or not typical exchange rate behavior, with a 5% devaluation of the Chilean peso, and Guatemala with a 2%, so still not very significant numbers, but the trend in Chile was something we had not incorporated in our budget, still have fairly minimal impact on our financial results.

Moving to page 12, very healthy growth delivered over the six months. Revenues growing at 9%, EBITDA growing at 10%, and we have a comprehensive income flat with the previous year, and that's mainly associated with the impact of Ituango, which accounted in the numbers to 231,000 million COP, close to 75 million USD. From that, we have paid 15 million USD in the first six months, which is equivalent to 45,000 million COP.

EBITDA growth, as I'll show you in a minute, has been possible by the growth across business lines, although there's no one particular source of that growth, but a healthy behavior delivered by the whole portfolio.

Looking at the margins, for the semester numbers we maintain our EBITDA margin at 32%, which is fairly aligned with the long-term view that we have. Slightly lower the operational margin, 25 to 24% reduction, and the same thing in the net margin, 15 to 13%, a 2% reduction. Again, most of it is due to the provisions that we have incorporated in the financial statement associated with Ituango and attending the affected parties down the river, down the project from the Ituango site.

Moving to page 13, the contribution from the different businesses. The revenue contribution from the international operation fairly stable at 33% of the total and again, Guatemala and Panama, as in many of the previous quarters, showing a significant contribution.

On the EBITDA perspective I'll highlight Chile, with a 29% of the 20% contribution to the EBITDA at the group level, and Guatemala, pretty much in line with a 36% participation in EBITDA, which is similar to the contribution from the revenue perspective.

Moving to page 14, it's pretty much in line with the previous views, showing a relatively stable semester for the group. From the EBITDA perspective, energy continues with 35% and this is the only part of the portfolio where we have some volatility associated with hydrology, despite most of the energy being sold in advance through contracts. Then 41% of the total EBITDA was delivered by the power distribution business.

On page 15, there are two views of the growth. We're very proud of this growth and we believe it is one of the most important elements of the group's strategy and one that has been unchanged by the incident at Ituango, which mostly included growth for the future years, so as you can see at the bottom, all businesses are contributing to EBITDA growth, like the water business with an 11% growth, delivering 93 billion COP, and generation delivering 91 billion COP out of the total of 200,000 COP growth at the group level.

On page 16, not much has changed in the previous views. The 10% EBITDA growth that I showed earlier, the 32% margin at the group level, but perhaps on the vertical axis all businesses are delivering growth, so the health of the group's portfolio is sound and most of the portfolio is delivering growth.

Finally, on page 17, from this I'll highlight the long-term debt to EBITDA metric at 3.46 times and this is the fourth quarter in a row that we have been below the 3.5 that we had established as long-term metric. If you account for the 3.56 as fairly close to 3.5, then we have a total of a year and a half in which that metric has been pretty much under control.

Because of the Capex program and the opportunity cost, the Ituango revenues being displaced, we will expect that this metric of debt to EBITDA will increase over 3.5 over a few quarters and that's one of the reasons we have decided to sell assets, to have that metric back in control in 3.5, where we are able to execute the divestment transaction.

Finally, on page 18, at the end of the second quarter our total debt accounted for 18.6 trillion COP. That's about 6.2 billion USD. Only 23% of that was exposed to USD after consolidating the hedging activities that we have conducted, and from here I'll also highlight the Adasa maturity that you can see on 2019, the 1.2 billion COP, we are in fairly advanced talks with banks in Chile to extend that maturity, so the maturity profile gets more evenly distributed over the next few years.

In terms of liquidity and corresponding to the previous chart, on page 19, which is kind of the view of what has happened from the liquidity perspective and our plans, after the contingency we had the EDC disbursing 90 million USD, CAF disbursing on June 19 100 million USD.

We also had a minor disbursement from IADB for the waste water treatment plan, a 41 million USD disbursement that is not shown in the graph. We also have at this point 1.1 billion USD of committed lines mainly from CAF, the 1 billion, which is the main transaction from IADB Invest, and we have 58 million USD remaining to be disbursed from the IDB.

Under negotiation, we have 1.6 billion USD in lines with local and international banks. Most of it are transactions conducted by the parent company, and 500 by a combination of 400 million USD in Chile, and 100 million USD in Panama.

We expect to actually sign those 1.6 billion USD in new lines over the next quarter. With that, we plan to have the vast majority of the financial needs for 2019 fully agreed, executed, and having committed lines for that period.

That is the prepared presentation. We remain open for any possible questions so I'll pass it to the operator.

Operator: Thank you. We will now begin the question and answer session.

If you have a question, please press * and then 1 on your touch tone phone. If you wish to be removed from the queue, please press the # sign. If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers.

Once again, please press * and then 1 on your touch tone phone.

We have a question from Kaitlyn Buckley, from HSBC.

>>Hi, good afternoon. This is actually Chris Burden, from HSBC. First, thank you for the time. My question is regarding the Ituango project that you are working on. Where do you foresee yourselves in terms of construction to prevent another potential problem when the next rainy season approaches in a few months' time? Because I believe it's only a three-month window starting from July 1st and this dry season is the time to execute all the construction to prevent future problems.

Jorge Tabares: Thank you. We continue working on all work fronts. Some of them are impacted by the potential rainy season, and some are not. There is no particular activity that we conduct which actually has a very short window of time associated with, as you rightly point, the dry season.

It definitely helps us in productivity in the remaining part of the dam, so we have good progress, and productivity is higher when it's not raining, just because the operations can be conducted in an easier manner. Since we have the dam at 418 and the spillway is fully completed, even when the rainy season arises we expect the reservoir level to go up and the water to exit to the spillway. That's from the actual specific work, if I understood your question correctly, related to dry versus rainy season.

What we do want to do is to close the power house as soon as possible, because when the reservoir level goes higher, the power house will be exerted more pressure as more water will have to be evacuated. The hydraulic capacity of the power house, how much water can it take through, is related to the height of the reservoir. As more pressure is exerted, more water can pass through, and it's undesirable to have another cycle of months of a higher volume of water going to the power house. It's mostly an additional risk situation if we are not able to close the power house as we expect at some point during September.

Is that clear enough? Just feel free to push back and I'll try to expand.

Chris Burden: No, that's clear enough. Thank you. I guess the other question is about the evacuation and when you expect to be able to permit the locals to return to their homes and return to normal.

Jorge Tabares: Most of the people have been able to go back to their homes. The people from the small town of Puerto Valdivia are still evacuated, and basically it should happen at some point in the next three months. Although most of them are not in temporary shelters, the majority are receiving a monthly allowance from us and with that they're paying their own housing and their own food and everything to continue their lives.

When we close tunnel two, the possibility of another flooding will be basically eliminated and at that point we will expect that the government dictates that those people could go back to their homes.

The situation with Puerto Valdivia and the 74 homes that were impacted by the flood, not taken off by the water but instead just damages, those homes were in risky areas, so the plan does not allow them to go back to those same homes. We need to relocate them in a different location to be in compliance with the risk areas that have been determined by the local authorities.

Chris Burden: Understood. Thank you very much.

Operator: Once again, if you have a question, please press * and then 1 on your touch tone phone.

At this moment we have no further questions. I would like to turn the call back to Mr. Tabares for final remarks.

Jorge Tabares: Thank you, operator. With that, we conclude the quarterly call. I'll just go back to highlighting that we have delivered growth both on the units, with a healthy growth of 5.2% across the portfolio in energy distribution.

We have had relative stability over almost two months in the project. We expect to continue having that at least through the summer season, although we do not have a fully controlled situation. We still see risks. It's not the original risk when we didn't have the dam at the right height, so the dam is capable of stopping the water and helping the water exit to the spillway, but there´s still water flowing to the power house and that's an undesirable situation.

Thirdly, we have made significant progress on the financing strategy we set out. We expect within the next two or three months to have a new credit line signed for the vast majority of the financial needs for next year.

We remain open to any possible questions through the investor relations contact, and again thank you for attending the call.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.