Operator: Good afternoon, my name is Emma and I will be your operator for today. At this time, I would like to welcome everyone to the third quarter 2018 consolidated financial results conference call - EPM Group. All lines have been placed on mute to prevent any background noise. After the speaker remarks, there will be a question and answer session. Thank you for your attention.

Mr. Jorge Tabares, Executive Vice President of Corporate Finance, Risk Management and Investments of EPM Group will be the host and speaker today. Mr. Tabares, you may begin your conference.

Jorge Tabares: Thank you Emma, and welcome everybody to our quarterly call.

Going to page 2 on the agenda, the idea is to talk about the relevant facts that affect the energy market in the markets in which we operate, the financial results as of September, and then updates related to the Ituango contingency, one on the project, one on the insurance, and one on the divestment plan. And then we follow-up with questions from the participants.

In page 3, the relevant events during the quarter and subsequent to the closing. From the rating agencies perspective, Moody's confirms EPM's international rating at Baa3, maintaining the investment grades and assigned a negative outlook. Fitch affirms the local AAA rating, under negative observation.

We executed two financial liability management operations in our international subsidiaries in Chile and Panama, for a total amount of USD 530 million, extending the debt profile. In ADASA, in Chile, we had a loan that was going to mature in February 2019, for the equivalent of USD 430 million, and the two banks that have been supporting us in that operation, Scotiabank from Canada and Banco del Estado from Chile, remain in the facility, and we extended up for 5 years. And then in Panama, we signed a credit line with Scotiabank for USD 100 million for five years, and used that money to repay short-term debt that we had at that subsidiary.

In October, at the end of October, the Medellin local Council approved EPM's sell of our shares of ISA, corresponding to 10.17% of the company. They also approved some other non-material divestments. We began the start-up phase of our wastewater treatment plant in the metropolitan area of Medellin, Aguas Claras. Up to now we have two treatment lines operating, and there are two more to go. We expect to have the plant fully commissioned and operating by the end of the quarter, the fourth quarter of 2018. With that we will finalize our second biggest megaproject, this is about a USD 550 million project, and we will be treating 75% of the wastewater produced in the Medellin metropolitan area, and 95% of the residual water produced in Medellin. We will be a leading city in Latin America, in terms of sanitation, and that has profound implications in the environment and the people living close to the rivers.

And finally, our current estimates of Ituango contingency, it is COP 251 thousand million. This is the amount that we have already provisioned or paid. This is equivalent to USD 85 million, and from that amount we have actually paid less than USD 13 million.

Going to page 4, the energy market in all the countries we are operating is growing. Colombia, which is the most representative, is growing at a healthy 3.2% and EPM has contributed to 25% of the electricity demand in Colombia. We also maintain leading positions in Panama, El Salvador and Guatemala, and those countries are also growing at a relatively healthy rate. Panama has slowed down a little bit, growing at 1.5%, and Guatemala, the second most important for us, is growing at 3%.

In the bottom of the page on the left, in Colombia the total from the four operations that we have, we have delivered 12,701 GWh. This is growing 8.1% from the first nine months of last year and gained market share effectively growing at 8.1%, in a market that is growing at 3.2%. The explanation for that is that we managed to secure some long-term contracts with industrial plants that are quite representative in the Colombian market.

Then, in the international operations, we have delivered 7,301 GWh during the first nine months, also growing at 1.6% total, slightly below the market average on those three countries and the combined average of our electricity distribution portfolio is 5.6%. That highlights one of the key elements of our quarterly report, which is we are growing and the portfolio is very healthy.

Going to page five, the energy market and the spot prices in the countries in which we generate or operate, Colombia being the most important one, the spot price of the cumulative 9 months of the year averaged USD 38 per MWh in Colombia. That is 9% above the previous three quarters of last year. This is a relatively low number in the long-term perspective in Colombia, and one that reflects a rainy season, or a relatively rainy year, in 2018 in Colombia.

Also showing increase rates across the countries of operation, Guatemala with an 11%, Panama growing 35% to USD 81 in most parts due to the hydrocarbon international prices. That supports part of the electricity distribution in Panama.

In terms of our power generation in Colombia, we generated 11,583 GWh in these nine months and that is growing 0.5%, from the generation of last year. And then, on a minor scale, our international power generation subsidiaries are also growing, Cururos growing at 4% and Bonyic growing at 38%.

In page six, this is the second important element of our results, we continue investing very heavily in our organic portfolio. We have invested COP 2.3 billion, this is USD 750 million equivalent approximately. Ituango represents the most significant investment, with 41% of that amount. The investment in EPM's Parent Company account for 26% of that, and the international subsidiaries showed a 16% participation on that investment. And if you split the international investments, those are dominated by Panama and Guatemala with 37% each, and then Chile representing a 22%.

This is a very important element of our strategy, and one that we will continue showing up in the next few years. That level of investment supports three elements: one is the growing market in which we are and attending new clients; second is making sure that the infrastructure we have is in good shape for the long run, and thirdly in a few of our operations we are building redundancy and more reliability in the networks.

As we have said, and jumping ahead a little bit about our divestment program, the level of organic Capex investment is the one that supported our Board of Directors decision and the Local Council decision to let EPM sell key assets in order to maintain a solid balance sheet and hence the investment grades.

Moving to page seven, these results are as of September, as all the numbers in the presentation. The Colombia column, in the exchange rate is a little bit out of date, because

October has been a significant volatility month. So the -0.4% revaluation that we have accumulated in September is now devaluation and the Peso is some COP 200 per dollar below the level of the end of September.

Where Colombian macro is showing good results is in the CPI side, the accumulated last 12 months is 3.22%, that's well within the Central Bank range. We have experienced a significant devaluation in Chile with 7.5%, and also in Guatemala with about 5%, and Mexico has moved in the opposite direction with 5% revaluation of the currency over the first nine months of the year.

The financial results, this is the third key element in the presentation, showing very solid numbers in the figures up to September. Most importantly, with contribution from assets throughout the portfolio. All the assets are contributing positively to the results.

Focusing on the 9 months of the year, we have increased revenues, EBITDA and comprehensive income by two digits, with the EBITDA showing a strong 12% increase over the first 9 months of last year. If we maintain that trend, this will be the first year in which our EBITDA will grow by two digits, and predominantly that growth is being driven by organic operations.

Our margins remain at the level they were last year, with a solid 32% EBITDA margin over the first 9 months of the year. At the bottom on the left, I highlight also our very solid cash position, we have COP 2.3 billion, about USD 750 million in cash at the end of the quarter.

In page 9, we look at the contribution by the different operations by geography. EPM, the holding company shows a 49% contribution, about half of our operation is the homeland company. And 34% of the total revenue came from the international operations.

The EBITDA, we have about USD 1.3 billion of EBITDA in the first 9 months, 19% of that comes from international operations, with Guatemala and Chile contributing the most of that 19%, and Panama with the third place in that contribution. The Colombian Power Subsidiaries deliver 16% of the total EBITDA, and EPM, the holding company, delivers to 64% of that.

We move to page 10, terms of revenue now by segment. Our power distribution segment contributed the most to our revenue, with 60%, and also was the most important from the EBITDA contribution with 42%. Power generation delivered 33% of the EBITDA, and this is despite as I said, relatively low stock prices in Colombia, which is where most of our generation is produced.

We go to page 11, this graph shows the average growth rates in our EBITDA and the average EBITDA margins shown in the red lines, and the size of the circumference is the actual EBITDA in pesos COP, very outreached. For most of our portfolio as is it is growing in terms of EBITDA, DECA which is our operation in Guatemala, did not deliver growth, but we are working towards reversing that trend and making it positive, we think that is going to happen in the very near future.

In page 12, two views on EBITDA, it is the compounded growth since 2015. Our average growth rate is 9.3%, and the last 12 months it is COP 5.1 billion, that is about USD 1.7 billion. This is our last 12 month figure, the only last 12 month figure in the whole presentation, just to be able to make the bridge that we are showing at the bottom of the page. Our EBITDA grew from COP 4.7 billion to COP 5.1 billion, that's a 9% increase over the 12 months. And you see that all portions of the portfolio are delivering growth. I emphasize the relevance of that showing, and the importance for the long run and for the medium term for the EPM Group results, and your assessment of our credit worthiness.

In page 13, I just want to make emphasis in a couple of things. One is our total equity at the end of the period, which was COP 21 billion, that is about USD 7 billion, our equity at the end of the quarter. Our assets ended up at COP 60 billion, that is about USD 17 billion, and showing a compounded growth rate of 4.6% since 2015.

We have been for a few years investing very heavily in our infrastructure. This is besides our mayor projects, Ituango and the wastewater treatment plant that I just mentioned. And we will continue doing so in the next few years. Our long term debt to EBITDA, which is how we measure it contractually is at COP 3.38 billion, our covenant is COP 3.5 billion, and most importantly our internal firm commitment on a long term base is which is COP 3.5 billion. We are at almost a year and a half now of that metric being below the target, and that is our firm commitment for the long run. I will go back to the divestments plan, an that decision was informed exactly by this metric and the correlation that this metric has with our investment grade, which is our commitment.

Going to page 14, these are figures as of September, so the debt management operation, the liability management operation, that we executed in October are not here yet, but we are pointing to it with the dotted lines. So with the ADASA movement from 2019 to 2023, this is a COP 1.23 billion that shows in the graph. Our maturities next year are fairly controlled. The only big one there, remains the bonds due in July of 2019, the USD 500 million bonds issued in 2009. And we do expect to execute a new credit line in the very near term that will provide liquidity and flexibility to deal with that maturity.

Besides that, the maturity profile is fairly stable over the next four years, and it is one that will allow us to maintain the level of investments that we plan to do on our organic portfolio.

The total debt at the end of the quarter was COP 19 billion, so this is USD 6.3 billion equivalent. On the right, we see that a quarter of that amount is exposed to USD, and because of that and the cash position that we had at the end of the quarter, the volatility during October is not going to have a significant impact in our results, during October and for the rest of the quarter, for that matter. The average term of that debt portfolio is 5.16 years, before both the ADASA and ENSA in Panama liability management operation.

Going to page 15, an update on the Ituango contingency. The general view here is that we have made important progress on the technical side to significantly reduce the risk that we faced in the project. And furthermore, we have identified a technical paths to move forward to a definitive control of the project. We are not facing the type of risk situation that we we were facing during the early days of the contingency.

Going to page 16, you may have seen it, because it has been widely diffused, that we have used the spillway, as of now we have used both the left channel and the right channel of the spillway, and that is due to the amount of water that the river was bringing to the reservoir. Everything worked as planned, the gates worked as designed, and the maneuver operation, that moved the flood from the left to the right channel, also operated flawlessly. Most importantly, the behavior of the dam has been as expected. We are not seeing any signals that allow us to flag anything on the behavior of the dam.

The infiltration level that we are seeing is less than than a fifth of what is tolerable and expected under the design. From the technical perspective, with the ability to flow water through the spillway, and maintaining that way the ecological flow, we are, from the technical perspective, in a position to close the powerhouse flow at any time. The gates are ready and we could do it, but I will explain more what we are doing there in a minute.

Going to page 17, these are the three key work areas in the project, to secure full control of the project. So the dam is working, the spillway is working, and the behavior is within the expected ranges. And what we are doing now is to continue building the originally designed dam up to the 435 masl, which was the original height and design. And we expect to do that in the first quarter of 2019. Before that, we need to finalize the plastic concrete screen, and we are currently at 68% advance on that. And the contractor is making very solid progress towards finalizing the screen at some point in mid December.

Then related to the blocking of the tunnels, the good news here is that we have identified ways of plugging the tunnels, both the right tunnel and the ADG tunnel, with a less expensive, faster and less risky operation than we were originally envisioning. And this is mainly because were able to access the intermediate discharge and its totality. It does not have any type of damage, from all the movement that occurred in the cover and deformations for almost a couple of months, back in May and July. And the fact that we are able to use that tunnel is saving us a lot of time and money, and it is also reducing the risks of the operations. Basically what we are doing is we are injecting mortar to create a free flow in the right tunnel. This week we actually took some samples and proved that it is now working. It took us a while to make it work, but we extracted some coarse, and the coarse are so ineffective in consolidation by the mortar that we have injected. And also, through the same tunnel we were able to access a gallery, which is a small tunnel, that conducts and connects to the flood gates chamber of the ADG. And with that possibility we will be able to activate the gates that were originally designed. The chamber is basically in perfect shape, but the gates moved from their location at the time of the decompression of the area, when the flow was stopped. And now we are in the process of putting them back in place, and close them. And we will arrange for them with concrete, and with that we will create a free flow that effectively eliminates the risk of further flooding of the tunnel being unblocked naturally.

We are planning to put the final plug at some point in fourth Quarter 2019, but that is not a critical path element to guarantee safety of the communities downstream. As we go back to the right tunnel, as we continue injecting mortar and concrete, every time we increase the safety factors, and we expect to reduce the likelihood of those tunnels being unblocked.

And another very important element of that blocking or unblocking of the tunnels naturally, is that the water is as high as it is ever going to be. So the water has now rose all the way to above the spillway level, and if anything to the operation the water level will rise one or two meters, but effectively those tunnels are being exerted the maximum pressure that there would be. And we have no sign of them showing any type of movement or any type of additional water passing through them.

So very good and solid progress, definitive progress on the dam, significant progress on the tunnel blocking, and then the remaining element is stopping the water flowing into the powerhouse. We are evaluating very carefully when is the best time, when we can conduct the operation that gives us the better safety factor. We can effectively, based on all our modeling, close the powerhouse at any time from now on, as we have guaranteed the ecological flow to the spillway. And we are just running models to identify what is the lowest risk. Or another way of saying it, the better thing with highest safety factor to conduct that operation.

We have sensibly modeled that operation, we do not expect that to have to cause any massive failure. There could be some form of failure, that should be minor detachments on the cavern, just because the nature is not completely homogeneous. And if there are any weaknesses or breakpoints, those could present some detachments, but in any case we are not expecting to have a major problem. That is the key operation to further, not so much to reduce the risk for the communities, but to allow us to identify what is the scope of the damage in the powerhouse, and what do we need to do get the project back on track, and the putting it on line.

We have had, despite the simulations and modeling, some field observations. We did three perforations in the powerhouse, in different areas of the powerhouse, all of them showed that the rock above the powerhouse is competent, it has not suffered, has not degraded, does not have any type of discontinuity. Furthermore, we tested the ceiling of the powerhouse, and in all locations it has not presented detachments. In two places we actually were able to extract the core of the shot freed of the powerhouse.

And finally we were able to pass a camera through one of the holes and the surrounding area is intact. So we have now four different points in the powerhouse in which we know that the ceiling, that is the one that is exerted the most pressure, has not presented any type of damage. And that confirms the modeling and gives us confidence that the damages may be less than we could have expected, without that type of information.

We have not defined when to close the powerhouse, and as soon as we have decided that, we will inform that. But again, it is a matter of optimizing the safety factor, and conducting a safe operation as possible.

A couple of notes on the risk, on page 18, the all risk construction and assembly policy. We are making very good progress in terms of the investigation, of the parties coming to the same level of knowledge. Both explaining on the ground, site visits, reunions with the engineering team, and the whole team that is supporting the adjuster, and even the reinsurance companies themselves have visited the project. And I think that we are building a very good common ground, from which parties will assess if there is coverage or not on the policy.

We have not seen, up to now, any signs that could allow us to say that we do not have coverage. But of course, we need to work with the adjuster or with the claims the reinsurance companies have on that. We are a few weeks away from receiving the results from “Skava,” which is our root cause analysis expert. We should receive that this year, and that will provide a solid basis for us to sit on the table and engage with the adjuster to define that key element of confirmation of coverage. At the same time, the adjuster team is also working on refining the schedule and understanding the schedule of the project, and also the energy markets. And those two elements, both the schedule and the energy, define kind of the quantity and the price for the determination of the loss of income coverage. We are not waiting to share or the adjuster team. We are not waiting until they decide, if there is coverage or not, to work on the assessment of the economic value. I think that is positive and reflects what our brokers have told us, is that the base case that we have coverage here. Still, this is going to take still time, but we are making progress.

Going to page 19, on the non-contractual civil liability policy, in that we are one step ahead. We have not reached the point of confirmation of coverage, because one insurance company has not confirmed it yet. But the whole team, the direct insurance company and the brokers have now enough information to establish a final dialogue with all the reinsurers to confirm coverage. We do expect to have this policy coverage confirmed within the next month. And with that the payments should come a few weeks after that. This is a much lower coverage, but the group of reinsurance companies is the same as of the construction insurance.

And finally the divestment plan, things are going as planned. There was one very important element, which was the local council approval. This was a very thorough process, a lot of information, a lot of sessions with the council men, with the community, with universities, with everybody. To make sure that the city understood why are we requiring the council to authorize us to sell assets. And that is to be able to maintain our organic CapEx program, and our investment grade.

And after almost two months of process, very engaging, very engaged, the local council approved 16 to 5 the sell. And with that milestone, the whole divestment process now is in our hands. All the decisions, all the the activities and timeline are based on what we can do and what we decide. We are in the process of final definition of what the sell process is going to be. Investment banks have been working for more than a month now. And we will touch the market when we are ready in the next month, or two months and a half.

That concludes my prepared presentation. I am very open to questions that you may have. I go back to you, operator.

Operator: At this time, I would like to remind everyone that in order to ask a question to please press * and then 1 on your touch tone phone keypad. If you would like to withdraw your question, press the # key. We will pause for just a moment to compile the Q&A round after. At the time we are going to return to the question audio conference, and then questions from the web.

And we have a question from Joe Hopkins from Scotiabank, please go ahead.

Joe Hopkins: Hello and thank you very much for the call. It sounds like operations are doing well and the contingency program is going according to schedule and in the way that you have planned. One of the things that I was trying to grasp, is some of the larger risks that are still remaining. I have seen in a lot of news papers various articles about about lawsuits against EPM, about environmental investigations. I kind of lost track of where those are, or whether those are even happening. Can you talk about some of those types of risks?

Jorge Tabares: Thank you Joe. So let me start by the environmental investigation. So in terms of liability, let's go back to April 28 when this situation happened. We were barely two months away from filling the reservoir. We were authorized to do that by the environmental license, and we had done a lot of work to be ready to do that.

So effectively the damage to the environment, by the early filling of the reservoir, was extremely mild. And what we identified is that 1002 aquatic species or individuals died during the closing of the tunnel. We have already agreed with the environmental agency to a mitigation plan to cope with that situation and to reestablish the damage caused. And we did that under the regular procedures in Colombia, and we are moving forward with the implementation of that remediation plan.

We were not able, so the Colombian law requires you to actually cut the trees around the reservoir, or expected reservoir, in the levels in which the waters is going to fluctuate. And we were doing that, and just because the situation happened, we were not able to fully execute that. We were at 75% complete, when the situation happened. So that could be a source of lack of full compliance with the environmental obligations we had. But one that we consider was totally out of our control. And the actual damage because of that situation is extremely minor.

We had, even before we were required to, actually gone and cut the trees. We had demonstrated, or at lest we had shown technical analysis by independent parties, that because of the quantity of the river unfortunately, it is not very good, when it shows to the project, that the putrefaction or the trees degrading, just because they are in the water would not have any significant damage to the water.

The water was so bad, or it is so bad when it gets to the project, that it was an unnecessary operation, but we were complying with the environmental regulations. Those are the two elements of the environmental regulation of the actual activities on the project and related to the contingency that we are dealing with. Those are again of very minor impact to the environment, and in terms of money, we are not expecting those to cause any significant impact.

Just while we are on the environmental side, we do have identified, as we have told the market extensively, that there was an internal process in EPM that was not in full compliance with the environmental regulation. This is related to the licensing of the third deviation tunnel. We actually provided all the information to the authorities, we conducted an internal investigation, even before any authorities had even initiated an investigation. And once we identified or made progress on that investigation, we passed that to the authority that is the one in charge of those types of investigations in Colombia.

The impact on the environment of that decision, of that process, is non existent, because what was constructed was exactly what was licensed. And think of a tunnel that is 600 meters below the ground, and this is one of thousands of meters of tunnels. So the situation is not a happy situation, but the damage to the environment because of that is non existent. We did what we were required to do by the timing of the licensing and the actual execution of the tunnel, is what in our investigation was not correct.

Now, going back to the lawsuits. So we have a USD 1 billion facility that is led by the Inter-American Development Bank. And they have very strict standards on the social side. And we have agreed with them, they confirmed that we are in full compliance with all of their internal policies, in how we are dealing with the affected parties.

The affected here are a relatively low number, we are talking 79 homes that were affected by the May 12 flooding. Those are relatively small houses, we have been dealing with those people, the directly impacted people, we are taking care of them. We are providing money for them to have a livelihood, and we are working with them to reinstate them in a safe place, as soon as possible. Again, following very strict guidelines or policies that IDP has. So we are not expecting that those will lead to lawsuits, we are heavily engaged with the communities to resolve their situation, to the affected parties.

Where there is more uncertainty is in the business people that were in the areas that were evacuated. This is not a direct impact by the flooding, but effectively their economic activity could have been impacted. We have estimated and we are provisioning some amount of money for that. Our intent is to resolve as soon as possible all the claims that have, that we can sit down with people and agree that are fair. In these cases, like everywhere in the world, there are some people that have unreasonable expectations. And for those cases, we just need to protect our company and the public assets, that we are in charge of, and just go through the legal system in Colombia. In which case, the resolution of these cases will take many years, that is what history shows.

But our intent, and we are fully supported by our Board of Directors, is to resolve as much cases as possible, as soon as possible. The problem is that some people may have unreasonable demands. And that could cause delays in the resolution of those cases. We have a rough number estimated for that, it is something that, because the economic activity in these areas is very informal, and the activity itself is very small, the economies of the areas impacted is very small, we just are expecting and our financial projections are including a USD 200 million number to cope with all of that.

But the reality is that at this point we do not have enough information. We have a census of the people affected, and we are engaged with them to sort it out. And that money we have already provisioned in our books. We have a USD 75 million of provision, and actual expenditures total in our September books, that reflect those payments. But then the more uncertain ones, we just do not yet know what the expectations, what the economic activity is, and we are working very actively on the ground to resolve all of those, as soon as possible.

Joe Hopkins: All right, and thank you very much for the detailed answer.

Operator: And we have a question from the web chat.

Could you give us more color and guarantees that the regulator, CRET, could execute given the delay of Ituango, and how it could affect the company?

Jorge Tabares: Good question. The Colombian energy system works on a very strict manner. If you commit to deliver firm energy, that supply needs to show, or the parties who committed to do that will lose money, and that is how the system works. For the Ituango on-time delivery, we have put a USD 41.6 million guarantee. And that is related to an August of 2019 date. Our original November 2019 date, of production, of starting production generation, was ahead of the commitment that we had.

Since we are expecting that the project is going to have a three year delay, we are going to lose that guarantee. We have already made up provision in our June financial statement. And we are expecting that the actual cash will be paid within the next six months. Perhaps not this year, because there are some very clear procedures and processes that happen. But that is what is going to happen over the next few months. And that is the only guarantee that we have in place, related to the on-time delivery of the project.

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

I show no further questions at this time. Mr. Tabares, do you have any closing remarks?

Jorge Tabares: Yes, thank you for the interest in participating in the call. I will just highlight three elements of our call and our performance. One is that the project, the key risk elements of the project are pretty much under control. The dam is in its place, it is working, the spillway is working. And the tunnels have withstanded the highest water level that they will be exerted. And we have reinforced the tunnels, and they are not showing any signal of movement there, and we continue reinforcing them. We have a plan to finalize that operation in a less risky, and less expensive way than originally planned.

The risk of the water of the powerhouse, will remain, but we are seeing signals that confirm the modeling. That also allow us to say that the damage is there, probably has been than we expected. Although we do have the closing of the gates as the last risky activity, if you will. And we are trying to determine the best time, the highest safety factor moment, from the range of operations that we can conduct. And we are putting a lot of effort in defining what is the best time to do that while minimizing the risk, or repeating the safety factors, for that matter.

Our financial results are solid. And finally we continue investing on our organic CapEx portfolio. And the next year we are still generating development, generating well being to our clients, existing and new. That level of investment that will be possible because of the assets divestment program that we are currently executing. Our investor online chat remains open. And we will be happy to provide any additional questions that may arise.

With that I will pass it to you, operator.

Operator: Thank you. This concludes our cast. Thank you for participating, you may now disconnect.