Operator: Good afternoon. My name is Richard and I'll be your conference operator today. At this time, I would like to welcome everyone to the second quarter 2020 consolidated financial results conference call EPM Group. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. Thank you for your attention.

Juan Carlos Sampedro, Head of Debt and Capital Markets, will be the host and speaker today. Mr. Sampedro, you may begin your conference.

Juan Carlos Sampedro: Thank you, Richard. First of all, I want to start by mentioning that our CFO, Jorge Tabares, is just starting a short period of recovery of a health issue – fortunately nothing serious – then he wasn't able to attend this conference call. In about two weeks, we expect him going back to work.

Then let's start the presentation in slide number three, relevant events subsequent to June 2020.

In the session of the Board of Directors held on July 28, it was approved the update of the budget of the Ituango project. It means an increase of 5.88%, remaining at COP 16.2 billion, as part of the approval process for future terms.

On August 10, EPM announced the start of a conciliation process in relation to Ituango hydroelectric project April 2018 contingency, aiming to recover total damages of around COP 9.9 billion with the designer, comptroller and construction companies involved in the project. A lawsuit would follow after a 90-days conciliation process legal limit.

On August 11, after an extraordinary session, eight members of EPM's Board of Directors resigned from the Board, claiming in a resignation letter their objection to the corporate governance practices that, according to their opinion, failed to include the Board of Directors in the discussion, analysis and decision making on relevant issues in which the Board of Directors should have participated.

Going to slide four, on August 11 EPM filed a request for out of court settlement with the Deputy Attorney General's Office through the Administrative Court of Antioquia and summoned the Generation Ituango Consortium, the CCC Ituango Consortium, and the Ingetec Sedic Consortium. Additionally, Seguros Generales Suramericana and Chubb Seguros, the latter acting as the insurance companies covering the compliance of the obligations of those consortia. On the same day, EPM submitted a request for preliminary settlement with the office of the Attorney General 32, Administrative Judicial Division Second of Medellin, against Mapfre Seguros Generales de Colombia with the main aim to keep all means a variable to voluntarily solve the difference that could arise within the process to adjust the loss that occurred on April 28 2018, when the auxiliary diversion gallery of the Ituango hydroelectric project collapsed. The claims of the request for settlement amount to COP 5.4 billion.

As an additional event, on August 13 Fitch Ratings downgraded EPM's international investment grade rating from BBB to BBB-. The outlook remains rating watch negative.

Going to the next slide, on August 17, through a mayor of Medellin decree, there were made five appointments to the Board of Directors. It includes Luis Fernando Rico Pinzon, civil engineer from the Universidad Javeriana and the former CEO of Isagen; Omar Florez Velez, administrative engineer and former mayor of Medellin; Jorge Ivan Palacio, lawyer and jurist, former president of the Colombian Constitutional Court from 2013 to 2015; Sandra Suarez Perez, advertising professional from the Universidad Pontificia Bolivariana and holds a master's degree in Public Administration with emphasis in Leadership, Negotiation and Conflict Resolution from Harvard University. Additionally was appointed Luis Fernando Mejia, economist and master degree in Economics from the Universidad de Los Andes.

Going to the next slide, we are going to talk about the Ituango project. The Ituango project is still expected to start operation by early 2022 and to be fully operational by the end of 2024. The total work progress as of July 31st is 78.5%. It's relevant to mention that the total progress required to start operation in the first unit is 91%.

Currently, the project has a progress corresponding to the schedule to enter into operation by early 2022. However, the impacts that the health emergency caused by COVID-19 may generate in the current schedule from additional circumstances continues to be monitored. Specifically, the dam and the spillway has a completion percentage of close to 97%. The powerhouse is over 76% of completion. The pressure well has a 72% percentage of completion. The intermediate discharge tunnel has 70.6% of advance and the auxiliary diversion tunnel has a 62% completion.

Going to the slide seven, it's worth to mention that the total cost of the project, the direct cost, has a variation of close to COP 3.6 billion relative to the original budget of the project, currently COP 13.57 billion. The COP 3.6 billion increase mainly in recovery of the main works and equipment. As financial expenses, we have seen a COP 1.1 billion increase, basically due to a greater period of construction. It means accounting effect is not related to additional cash effects, additional debt. The total amount invested as of June 2020 is COP 11.8 billion, of which COP 2 billion correspond to investments derived from the contingency.

In the slide eight we have a brief overview of the energy market results during this period. The main consequence of the fall of demand in the countries where EPM has presence is due to the slowdown of the industry and commercial activities in those countries caused by the measures taken by the governments in order to prevent contagion of COVID-19. In Colombia, the commercial demand at the second quarter of this 2020 was a total 34,490 GWh. It means a decrease of 1.9% related to the same period of 2019.

In the non-regulated market, sectors with a positive growth compared to the same period of 2019, we have basically electricity 9.2%, with a 2% participation; construction, 3.6% and agroindustry, 1.3%. The economy has a solid rhythm of expansion in the first quarter and was going to have additional growth during the remaining year but the national information shows a slowdown process in the second quarter through the reduction of the production due to the pandemic of COVID-19.

In Central America, Panama has at the second quarter of 2020 a decrease rate of 4.2% in the energy demand. In the case of Salvador, in the second quarter of 2020 we have a decrease rate of the electric demand of around 9.8%, while in Guatemala the consumption of electricity has a decrease of around 3% in the second quarter of 2020.

Regarding the consumption of the total group EPM in Colombia, we have a total decrease of 3.9% in the consolidated figures as of second quarter 2020, compared to the same period of 2019. And in the consolidated basis of second quarter of 2020, EPM Group in Colombia maintained a participation, a share market in the electricity market, of around 22%.

Going to slide nine, in terms of the spot price, with the exception of Colombia, the spot price of electricity was in front of a reduction in the different countries where the EPM Group has presence. In Colombia, the spot price of electricity had an increase in the average of the second quarter 2020 due to a reduced level of rain in the electricity interconnected system and then a higher participation of the thermal plants.

In the case of Colombia, it's relevant to take into account that the hydro plants mean around 68% of the total electricity production. It means alternative or lower costs compared to the other countries where the group has presence. But at the same time it implies higher volatility of the system due to the weather anomalies.

The companies of EPM Group look to have long-term contracts in order to reduce the volatility of the spot market. Currently, the conditions of the ocean temperature, that has a high correlation with the rainy season in Colombia by August 2020 have been increasing the rainy season, and it's expected to have a La Niña phenomenon in a moderate way, expected to happen by the end of this year 2020 and beginning of 2021.

In the other countries where the group has presence, in El Salvador the spot price in the consolidated second quarter 2020 has a reduction of 34.4% compared to the same period of last year basically due to the fall in the oil prices. In the case of Guatemala, the spot price has a decrease of close to 42% in the consolidated second quarter 2020 compared to second quarter 2019. In Panama, the spot price has a reduction of 46.6% compared to the spot prices of second quarter 2019.

Regarding the generation of EPM Group, in Colombia the generation of EPM Group has a decrease of 10.2% during the second quarter compared to 2019, basically due to the rainy season anomaly that happened in the months of April and May. In the case of Bonyic, in Panama, we had a higher generation compared to 2019, around 7.7%. It was because the rainy season had a higher relevance compared to 2019.

Going to next slide, number ten, regarding the hydrology and reservoirs level, by the end of 2019 and early 2020 there was a slight temperature increase in the Pacific Ocean that caused a reduction in the level of the main rivers of Colombia during those months. Currently, this situation has been going back to a normal stage, then it's expected that the flows of the rivers have been in a recovery process. The forecast models of El Niño phenomenon provide a probability close to 60% that the weather has really evolved to cooler conditions in the remaining period of the year. It could mean higher level of the flows in the rivers and the probability of El Niño event is considered to be close to zero.

Going to next slide, number 11, we have the macroeconomic scenario in the countries where the EPM Group has presence. In Colombia, in the second quarter of this year there was a historic fall of the GDP growth of 15.7% related to the same quarter of that year. It was due to COVID-19 pandemic. The economic activity that had a higher contribution to this decrease was the commercial activities basically and the commercial activities related to motorcycles, transportation, and providers of food-related services.

The private consumption also has presented a relevant contraction, basically in the consumption of services and long-term assets. The segments of housing and machinery and equipment have been also in front of a huge challenge of low growth. In terms of the labor market, it also has had a significant effect. As of June, the unemployment rate was close to 20%.

Going to slide 12, we will start with the financial results of the group in the second quarter. The Capex in the first half of 2020 has a total COP 1.2 billion. 44% of this total amount is related to Ituango project, 28% basically in energy distribution, transmission and water in the EPM parent company. And in the case of the international subsidiaries, we have a 16% of this amount, most of it in Chile, 33%; Panama, 35%, and Guatemala, 29%, while the Colombian subsidiaries mean a total 11% of this Capex as of June 30.

In the next slide, as of June 30 the consolidated revenues have a total COP 9.33 billion. It means a growth of 6% related to the same period of the previous year, basically explained in the generation energy business line due to higher long-term contracts compared to the previous year period and the gas distribution business, with higher amount of contracts to other commercialization companies and thermal power plants in Colombia.

The second reason is that in the subsidiary ESSA in Colombia, in Santander, a higher level in the tariffs and a higher level of energy of around 2 GWh and in the subsidiary CHEC due to the higher sales in long-term contracts.

Additionally, in Chile, in ADASA, we saw higher consumption levels in the non-regulated market and higher number of clients in the regulated market due to the fact that in 2019 there was a lower level of water availability due to some emergencies because of the winter season and the red flow in the ocean.

EPM parent company have higher revenues by COP 487,000 million and the international subsidiaries as a whole group had a growth of COP 6.800 million, while the energy subsidiaries in Colombia had a COP 148,000 million increase.

Costs and expenses on a consolidated basis have a total COP 6.4 billion. It means an increase of 11%, basically explained in the higher cost in the commercial operation of energy that was required due to the low levels in the reservoirs in Colombia during the first months of this year.

Basically, in EPM we had an increase of 24%. It means COP 578,000 mainly in the generation business due to higher level of energy commercial activities and higher gas consumption. And in CHEC, the local subsidiary in the Caldas state, an increase of 21%, COP 55,000 related to higher energy commercial operations. Additionally, with additional gas consumption for the generation. Finally, in ESSA with an increase of around 8% for a higher amount of energy required to be bought in the market.

In terms of the operational margin, it was 23%, compared to 26% in 2019. The Ebitda is COP 2.82 billion. It means a 4% reduction related to 2019. Ebitda margin was 30% compared to 34% in 2019.

The net income of the period was COP 717,000, a reduction of COP 641,000 related to the previous year, basically due to the exchange rate expense of around COP 723,000. The net margin was 8% compared to 15% of 2019.

Going to slide 14, from the total revenues of the group it's relevant to highlight that the operation in Colombia provides 66% of the total revenues and subsidiaries from abroad 34%. The parent company has 49% of the increase, with a total COP 482,000 basically in the business of generation, gas and distribution. In the case of gas, COP 490,000 by the higher sales of energy in long-term contracts, including new contracts, and gas because of the higher sales of energy to other commercialization of gas and the commercialization of thermal plants.

In the case of the international subsidiaries, revenues have a total increase of COP 6,800 million, 0.2% in front of the same period of 2019. It's relevant to highlight the growth in EEGSA, in Guatemala, for around close to COP 200,000 million, basically due to the effect of the exchange rate of quetzal to COP, while the reduction in terms of quetzals was 9%, while in ADASA, in Chile, an increase of COP 28,000 for higher levels of consumption in the non-regulated market and clients in the regulated market, as was mentioned before.

Additionally, the local subsidiaries of energy provide the 15% of the total revenues, showing an increase of 10% basically in the subsidiaries ESSA, 59,000 million, due to a higher level in the tariffs and a slow higher level of energy growth, 2 GWh. And the subsidiary CHEC for around COP 45,000 million for higher sales in the long-term contracts of around 124 GWh. And then CENS for around 42,000 million due to higher tariffs and a slow growth in energy sold, 31 GWh compared to 2019. 2% is related to the subsidiaries of water and waste collection in Colombia, with a 20% reduction. In terms of Ebitda, companies of the group in Colombia provide 78% of the total Ebitda and the international subsidiaries, 22%.

Going to slide 15, in terms of the business lines results, energy services mean 84% of the revenues of the group and 78% of the Ebitda. In the revenues were relevant the distribution and generation segments, with a participation of 59 and 23% respectively. Gas distribution means 5% of the revenues and 2% of the Ebitda. Water and waste collection means 11% of the revenues of the group and 20% of the total Ebitda.

Going to slide 16, in terms of the Ebitda in the subsidiaries, it is relevant to highlight the positive contribution of local subsidiaries ESSA and CENS and in the international subsidiaries the case of ADASA; DECA, in Guatemala, and HET, in Panama. Regarding the local subsidiaries in Colombia, they provide 21%, highlighting the individual growths in ESSA and CENS.

Going to slide 17, the reduction of the Ebitda during the last twelve months in an LTM basis compared to figures as of December means COP 123,000 basically because of a reduction in the generation businesses, 9%; distribution, 2%, and gas, 1%. The Ebitda has a composed annual growth rate of 5.6% compared in a measure from 2017 to last twelve months 2020.

Going to slide 18, in terms of the balance sheet the equity has a total COP 23.6 billion, a 2% reduction due to the payment of dividends to the municipality of Medellin, COP 1.49 billion. Of those, COP 812,000 million are ordinary dividends and COP 677,000 million are considered extraordinary dividends.

In terms of the assets, we have a total COP 33.6 billion. It means an increase of COP 2.9 billion or 9% related to the previous year, basically explained because of the increase in the financial debt of around COP 2.5 billion as a result of the exchange rate and the conservative policy that the company took in order to have a strong liquidity position and to prefund 2021. In terms of the total assets, it means a total COP 57.29 billion with an increase of 4% related to the previous year. Cash position as of June 30 is COP 2.23 billion. In terms of the ratios, total leverage of the group is 59% compared to 60% in 2019. The Ebitda to financial expenses is 5.58 times. The total long-term debt to Ebitda was 3.89 times and the net debt to Ebitda was 3.5 times.

Going to the next slide, the total financial debt of the group means COP 23.2 billion. 23% of this debt is related to internal debt, 21% external debt denominated in COP, while 59% means external debt in other currencies.

From the total debt of the group, 74% corresponds to the parent company and related to the natural hedge coming from intercompany loans through some international subsidiaries, EPM has a balance of USD 325 million.

At the closing of the second quarter 2020, the total hedge balance basically to reduce exchange rate risk was USD 421 million. Then, basically this is the presentation we had to provide the information regarding the second quarter results so we can start the Q&A session.

Operator: Thank you. At this time, I would like to remind everyone in order to ask a question, simply press star (*) then the number one (1) on your telephone keypad. If you would like to withdraw your question, press the pound key (#). We'll pause for just a moment to compile the Q&A roster.

At this time, I see we have no questions on the line. Do we have any questions from the web?

Looks like we have no questions through the web. I would now like to turn the call over to Mr. Sampedro for any closing remarks.

Juan Carlos Sampedro: Richard, anyway we would like to give the participants an opportunity to send us any question if they will, so we could give them some additional time in order to receive any questions.

Operator: Absolutely. One moment, please. Stand by.

Okay. We have a question. It reads, "Can you please provide an update on the potential and timing of the insurance proceeds? Can you discuss net debt-Ebitda expectations in the second half of the year? Have you had discussions with Moody's post the board changes? And are you anticipating actions on the rating? Where do you anticipate net debt-Ebitda to be in 2021?

Juan Carlos Sampedro: Could you repeat please the first question? The first.

Operator: Sure. Can you please provide an update on the potential and timing of the insurance proceeds?

Juan Carlos Sampedro: Okay. The insurance claim is ongoing. Last year, EPM received a first payment of a total USD 150 million and at this time we are still advancing in the process of a second potential disbursement or payment of around USD 100 million. It hasn't been materially affected by the process of the claims that EPM is starting and that we mentioned at the beginning of the presentation against any of those participants in the project because it was part of a decision that the company was due to comply with local rules for public companies, the insurance companies had knowledge of this kind of action some time before it happened, then the process is ongoing in quite a natural, normal way.

Regarding the last question and regarding Moody's opinion, Moody's basically issued a report last week. Basically, they have maintained the same rating BAA3 with negative outlook and they basically keep the monitoring on EPM developments, as has been this week the appointment of new members of the main board so basically they maintained the same rating at this time.

In terms of a guidance of net debt to Ebitda, we expect that the company we have temporary increase of our leverage levels over the goals that we have. For EPM, it has been very relevant to maintain levels that according to a double investment grade company so we expect, once the Ituango project starts operation by early 2022 and the insurance claims have a higher advance and some effects in the accounting figures as of late 2021, early 2022, going back to our expected levels of around 3.5 times in the case of total debt. In the case of net debt, we do not expect to go higher four times.

Operator: Thank you. Our next question is from Shawnt. [0:43:02.5] It reads, "Have there been any changes to management since the board event?"

Juan Carlos Sampedro: No. At this time, we haven't had changes in management. Basically, the changes in the main board but we haven't seen any management changes.

Operator: Thank you. Our next question on the line comes from Thomas Reinning [0:43:29.8]. It reads, "Please talk about your credit rating downgrades."

Juan Carlos Sampedro: Basically, in the Fitch report they mention that the main effect that they have in order to apply this downgrade was related to the contingency for the situation that EPM has been in front, related to the resign of the main board. Currently, the company has been foreseeing the appointment of five members and is expected very soon to have three additional members appointed, and to go back to the traditional actions of positive corporate governance. It's a situation that Fitch is monitoring very closely and the company is very willing to provide them with enough information on the market in order to let you know in a very opportunistic approach any information we could provide you. The expectation that the company has is to go back to a stable relation with the municipality of Medellin very soon.

Operator: Thank you. We have a follow up from Thomas. "How do you expect to rectify the rating watch negative at Fitch? And are there plans to acquire an S&P rating?"

Juan Carlos Sampedro: In order to recover a positive watch or an additional note with Fitch, it's very clear for us that it's required to receive the final appointment of the total members of the main board and then to apply the positive practices of corporate governance for quite a long time in order to recover the alternative to have an upgrade with Fitch.

In the case of S&P, we haven't had ratings with them since basically are required two ratings in order to be able to have access to the market and since EPM is a state-owned company that has a lot of expenses control of a group of entities, then the company has had an approach of not including a rating while the market is just required to.

Operator: Thank you. At this time, I am showing we have no further questions. Mr. Sampedro, do you have any closing remarks?

Juan Carlos Sampedro: Thank you everyone for participating in this conference call. We expect to maintain you updated with the company. Any further questions should you have, please let us know through our channels and as I mentioned at the beginning, we expect Jorge Tabares going back to work in about two weeks once he recovers of his health issue. Thank you.

Operator: Thank you, ladies and gentlemen. This concludes today's conference call. You may now disconnect.