

Medellin, November 24, 2015

**EPM headquarters expects to close 2015 with a Comprehensive Result for the period (Net Profit) of 1.5 trillion, despite the great challenges faced. The Board of Directors approved the 2016 budget with an equivalent expected Net Profit.**

- EPM headquarters reached profits of \$1.4 trillion in October.
- The Board of Directors approved the 2016 budget for \$12.4 trillion in expenses, costs and investment, which included \$2.3 trillion in infrastructure.
- The Board of Directors approved an infrastructure investment budget of \$7.3 trillion for 2016-2019.
- The 2016 budget maintains a balance between sustainability, land development and investment, for the community's well-being.
- The expected Comprehensive Result for the 2016 Period is \$1.5 trillion.

EPM continues to be solid and growing, balancing sustainability and social investment. As it is shown in the financial results for the January-October 2015 period, where EPM headquarters reached \$5.4 trillion in revenue, with 11% growth and an EBITDA of \$1.9 trillion, with a 36% margin.

EPM's general manager and EPM Group leader, Juan Esteban Calle Restrepo, highlighted the firm's positive results that "are obtained thanks to EPM People's commitment with the administration of public resources and a marked social sensibility, because we are aware of the leading role the firm plays in the well-being and quality of life improvement of millions of people in territory where we have a presence."

The director stated that the net profit (Comprehensive Result under the International Financial Reporting Standard - IFRS) to last October was \$1.4 trillion, with a net margin of 26%, despite adverse conditions that arose this year in the country - as the company has already stated - related with the decreased water

recorded due to El Niño effect and its effects on the climate. This has resulted in less hydraulic energy generation and the thermal generation with liquids that incur high production costs. In addition to the peso's high devaluation versus the dollar, which to October 2015 reached 21.12%, impacting the results at a cost of \$107,491 million, and the negative effect of the Tax Reform in Colombia that brought about the entry of an additional tax expense to the wealthy for \$78 billion.

Even so, the Medellín Municipality has received \$878,510 million from EPM during 2015, of a total \$991,139 million in ordinary and extraordinary transfers for 2015, signifying more investment for the city and its inhabitants.

In accordance with projections, EPM headquarters expects to close 2015 reaching a comprehensive result for the period of close to \$1.5 trillion, a very similar figure to 2014, which has been the best in EPM's 60-year history under IFRS standards. "This result is broadly satisfactory, bearing in mind the major challenges that the company, the sector, and the country have faced this year; with the impact from the El Niño phenomenon, which will be reflected in a lower EBITDA, estimated for the generation business in Colombia to close to \$370 billion in 2015, going from an estimated \$1.83 trillion to \$1.46 trillion. EPM will seek to mitigate this impact thanks to a continuous effort to achieve operational improvements, costs and expense optimization, and to long-term efforts to attempt to execute projects of efficient infrastructure, which this year has translated to \$200 billion in savings; equally relevant for good results has been the growth and diversification strategy of the business portfolio, contributing close to \$625 billion in dividends," stated Calle Restrepo.

### **EPM's Board of Directors approved the 2016 budget.**

On the other hand, after a rigorous planning period, that took into account the challenges that a strong El Niño effect will have on the firm and the country, and its effects on water levels, energy generation and providing drinking water, which is estimated to last until next April, the EPM Board approved the firm's budget on Tuesday, November 24, with \$1.5 trillion in profit, from a budget of \$12.4 trillion throughout 2016; despite the expectations of hydrology's negative impact of \$360 billion in EBITDA estimated for Colombia's generation business, which goes from an estimated \$1.9 trillion severe pre-Niño to \$1.54 trillion in the approved budget. These good budget results are possible with the continuing costs and expense

optimization program associated to the EPM's Group transformation and diversification of its business portfolio.

The budget for the next year includes the continuation and execution of important projects that seek to enhance the resident's quality of life and contribute, within EPM's higher proposal, to the construction of sustainable and competitive territories. Among these, innovative social programs to serve the public are noted, such as: Aldeas, Unidades de Vida Articulada (UVA), Electrificación Rural, Habilitación Viviendas, Energía y Agua Prepago, Unidos por el Agua, Paga a tu medida, Financiación Social and social investment resources for 12 municipalities in the area of influence to the Ituango Hydroelectric Project, in the North and Western side of Antioquia. Each one of these initiatives is developed within EPM's Business Social Responsibility Policy and its Corporate Citizenship.

In the 2016 planning exercise, challenging projects and goals were defined, in line with the new conditions of a changing environment. In particular, the development brought about by the El Niño effect, requires additional efforts in matters of cost and expense rationing, with an expected growth of 3% in costs and expenses, way below the expected inflation of 4.30% for 2016, investment and initiatives to guarantee a subsequent budget with a policy seeking greater competition with social responsibility, austerity and care of public resources.

### **Sustainability, investment and social development**

In the next four years, EPM will execute investments for \$7.3 trillion (USD2.385 billion) to develop expansion, modernization, and growth projects in the energy, gas and water sectors; as well as in social and environmental programs associated to said projects that steer the company's sustainable growth and those territories it plays a part in. Of these, 83% is destined to the Energy business, where investment is highlighted in the Ituango Hydroelectric Project, the biggest project in company history, and 17% to the Water business.

In the same period, the investments of the EPM Group affiliates reached \$4.5 trillion (USD1.490 billion) of which 71% will go to Energy and 29% for Water. Geographically, 52% will be invested in Colombia, and the remaining 48% in Central and South America.

In this manner, and including the \$7.3 trillion from EPM, the total investment of the business group reaches \$11.8 trillion (USD 3.875 billion) in the 4-year term, of

which 81% is done in Colombia, becoming an important player in the development of territories in the regions where it is present.

## **Principal investment per business and associated social projects**

### **Energy**

In **Power Generation** the plan includes an entry for \$4.6 trillion, within which the Ituango Hydroelectric Project is highlighted, with the construction of roadways, dam, weir, machinery room, underground works, and equipment purchase.

These apportioned resources include part of the \$182,294 million of the Comprehensive Ituango Hydroelectric Plan's additional social investment, currently under execution, with social and health infrastructure projects, roadways, housing improvement, education and public services, among other in the 12 municipalities in the area of influence.

Optimization projects on the existing infrastructure will also be executed, such as: restoration of the Central Dolores, cable repositioning of Central Playas, optimization of Central Caracolí, the reforms of some campgrounds and civil works to comply the environmental requirements relative to water use in the Guadalupe-Troneras chain of generation.

In **Transmission and Distribution of Energy** \$1.2 trillion will be invested in expansion works and restitution of the electric system and public lighting, the recovery and control of losses, the improvement of service quality, the connection of 4,900 households with the Rural Electrification Program, the Bello-Guayabal-Ancón 230kV construction project, the Magdalena Medio 230kV project, the Nueva Esperanza termination project in the Cundinamarca sector, and the execution of Regional Transmission System projects as approved by the UPME (*Unidad de Planeación Minero Energética* [Energy Mining Planning Department]) to expand EPM's power system capacity.

In **Gas Natural** \$64 billion will be earmarked for the growth and expansion of distribution systems that operate in Antioquia, considering the service coverage expansion in the Valle Aburrá and the different subregions of that area where service is currently provided, for the purpose of guaranteeing access and satisfaction to the new service users.

In underlining EPM's commitment to sustainability and environmental safety, the operation of the La Alpujarra Thermal District will be initiated and \$14 billion will be invested in the construction of new Vehicular Natural Gas service stations, consolidating the long-term sustainable mobility proposal. The business maturity of Gas in the markets served by EPM motivates investments in operation optimization for \$63 billion, within which the Urabá subregion has important relevance, as a new measure of national development.

### **Water**

An entry of \$1.2 trillion was approved for this sector to guarantee the **water provision and waste-water management**. The projects to be executed seek to increase coverage, maintain and/or improve the continuance and quality of service to customers/users through the availability of water resources to meet the demand, the modernization a restitution of networks, and in general, aqueduct and waste-water infrastructure.

Through the Habitación Viviendas program, each year 650 households are granted aqueduct service and another 900 with sewerage. The investments associated with the Medellín River Clean-up program and waterway management will also be maintained the San Fernando Treatment Plant modernization will be executed and investments in the expansion projects for the San Nicolás Valley (Envigado, El Retiro, and Rionegro) will be pursued, along with the investments for Caldas-La Estrella and San Antonio de Prado connection, and expansion of La Estrella.

### **2016 Budget Financing**

The 12.4 trillion approved by the EPM highest directive board will be funded by 3% with initial cash availability of \$316,830 million, with 55% of effective current income for \$7.0 trillion - to which the energy business contributes with 87%, water with 12%, and other services with 1%, and some 42% with credit resources of \$2.8 trillion. Additionally, resources for \$324,271 million from the EPM Group are projected to be obtained via dividends from national and international affiliates, equal to 6% of the total capital resources.

## **EPM Headquarters in figures**

**EPM results to October 31, 2015 and closing estimate for this year\***

- **Total assets:** \$33.9 trillion, with an 8% increase versus 2014.
- **Liabilities** \$15 trillion, with an 8% increase versus the previous year
- **Equity** \$18.8 trillion with 7% growth.
- **Total operating revenue:** \$5.4 trillion, with 11% increase versus 2014.
- **Operational costs and expenses:** \$3.9 trillion, with 25% growth.
- **EBITDA:** \$1.9 trillion, with a EBITDA margin of 36%.
- **Comprehensive result for the period:** \$1.4 trillion with net margin of 26%.
- **Comprehensive result estimate for the 2015 period:** \$1.5 trillion

**Overall, the 2016 budget will be distributed as such:**

- **Commercialization and production costs:** \$5.2 trillion (41%).
- **Operational expenses:** \$1.9 trillion (15%).
- **Investments:** \$3.2 trillion (25%).
- **Debt service:** \$2.1 trillion, including capital contributions for 1.3 trillion (16%).

\*These figures are not audited.

This informational bulletin contains forward-looking statements, which we warn are subject to various risks, uncertainties, and relative situations to the operations and business environments of EPM. These factors may cause actual results to be materially different from any expressed or implied future results contained in said forward-looking statements. In this sense, EPM cannot guarantee the results or future events. EPM expressly waives any obligation to update forward-looking statements or any other information contained herein.