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Moody's reaffirms EPM's investment grade rating

- **Moody's Investors Service holds EPM's international rating at Baa3 with a positive outlook**

After rigorous analysis of non-recurring issues the country and the company have been undergoing, such as El Niño, the devaluation of the Colombian peso, and the incident at the Guatapé hydroelectric plant, the rating firm Moody's Investors Service reaffirmed the Baa3 investment grade rating for EPM's international bond issues, and corporate debt, and maintained the positive outlook assigned since 2014.

Moody's expects the cash flows of the company to recover their level with the Guatapé hydroelectric plant resuming operations and with the end of El Niño in sight or next May, and hydrologic conditions returning to their average levels.

In its report, the rating agency believes that EPM has a satisfactory liquidity profile, noting that the credit agreement signed with a group of seven international banks in late 2015 under "Club Deal" scheme will allow the organization to have the liquidity it needs to meet the costs related to Guatapé incident and the impact of El Niño.

The fact that EPM has an insurance policy that covers most repair costs and lost profits associated with the incident of the Guatapé hydroelectric plant was a positive factor for the agency's rating affirmation.

EPM's General Manager, Jorge Londoño De la Cuesta, stressed that "this new assessment by Moody's reaffirms confidence in the company, its efficient and prudent operational and financial management."

The assessment by Moody's regarding the appropriate levels of liquidity is also based on the decision--recently approved by the Council of Medellin--to sell its stake in ISAGEN. The positive outlook rating reflects the geographic and operational diversification of EPM.

The fact that the transfer to the Municipality of Medellín of the portion of profits to be distributed on the sale of shares owned by EPM in Isagen is being deferred in the 2017-2019 period is highlighted positively and, in the opinion of the rating agency, demonstrates the support EPM gets from the Municipality.

It also acknowledges the diversification of businesses through a combination of energy generation, distribution and transmission operations, and gas and water distribution.

The firm also took into consideration EPM's prudent commercial policy when confirming the rating, despite the impact of El Niño. It also highlights the Governance Framework Agreement with the Municipality of Medellín as an instrument that regulates relations between EPM and its owner.

Moody's assumes that after solving the impact caused by the incident in the Guatapé hydroelectric plant, EPM will adequately run its plans for expansion and growth, managing and financing them in a prudent manner.

The new assessment and positive rating announced by Moody's adds to the report published by Fitch Ratings on March 16, where the firm notes that--after analyzing the situation the company is undergoing--EPM maintains a BBB+ international investment grade and AAA at the national level.

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