

# Grupo·epm<sup>®</sup>

## 3Q2015 Report



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# Agenda



- Relevant facts
  - El Niño Phenomenon
  - Energy market
  - Main projects
  - Financial results
  - Subsequent events
-

## Financial



**Corvina S.A.**, EPM's investment vehicle in Chile, signed a loan agreement in Chilean Pesos for the equivalent of USD 400 million.

**The Financial Superintendency** authorized increasing the amount of EPM's domestic Bond Program to COP 4,500,000 million. Of the program COP 3,000,000 million have been issued to date.

**EPM's Board of Directors** approved a budget addition for 2015 in the amount of COP 309,066 million for EPM's commercial operation revenues and in the amount of COP 301,563 million for the costs associated, as a consequence of El Niño phenomenon and variations in macroeconomic factors.

## Operation



**The Board of Directors** authorized the Management to carry on endeavors necessary to merge Aguas de Urabá S.A. E.S.P. and Regional de Occidente S.A. E.S.P., both EPM subsidiaries.

## Corporate Governance



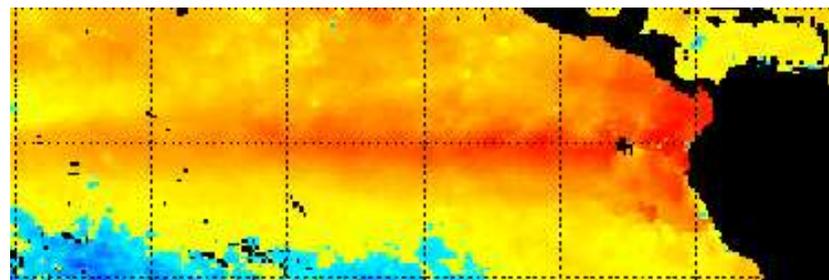
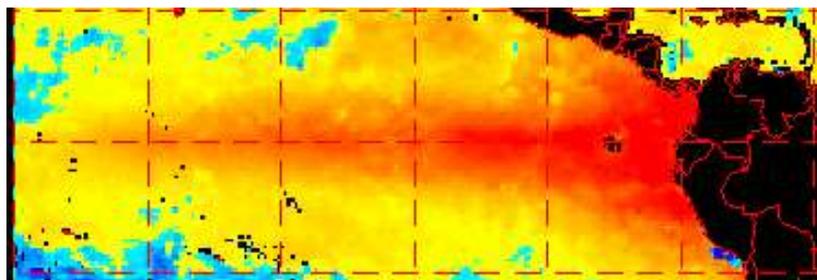
**The Board of Directors** approved amendment to its Internal Ruling, and to the rulings of its committees, in order to include several corporate governance practices, specifically, those of Código País.

# El Niño Phenomenon

## Evolution of Pacific Ocean's temperature anomalies

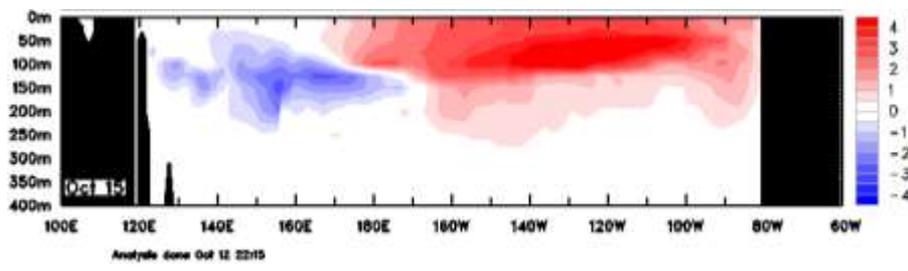
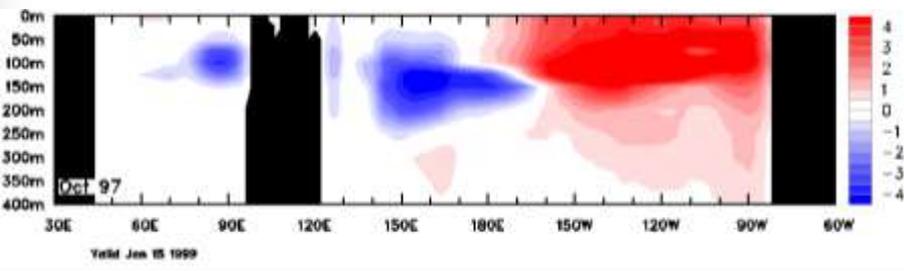
Situation year 1997 - 1998

Situation 2015



October  
Niño 3.4 2.54°C

October  
Niño 3.4 2.46°C



The El Niño phenomenon forecast models provide 100% probability that the phenomenon will continue until Feb-Mar-Apr quarter and 75% until Apr-May-Jun. Probability it will continue after May is lower than 40%. (Source: IRI ENSO FORECAST. Oct. 15, 2015).

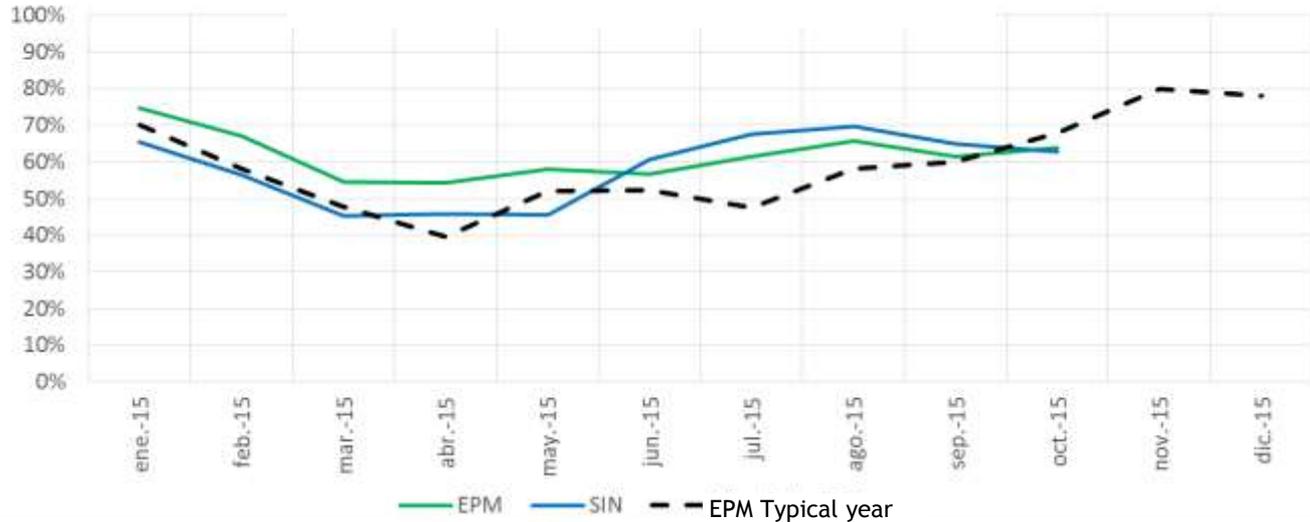
# El Niño Phenomenon

## Reservoirs and Hydrology

Hydrology Evolution (Average %)

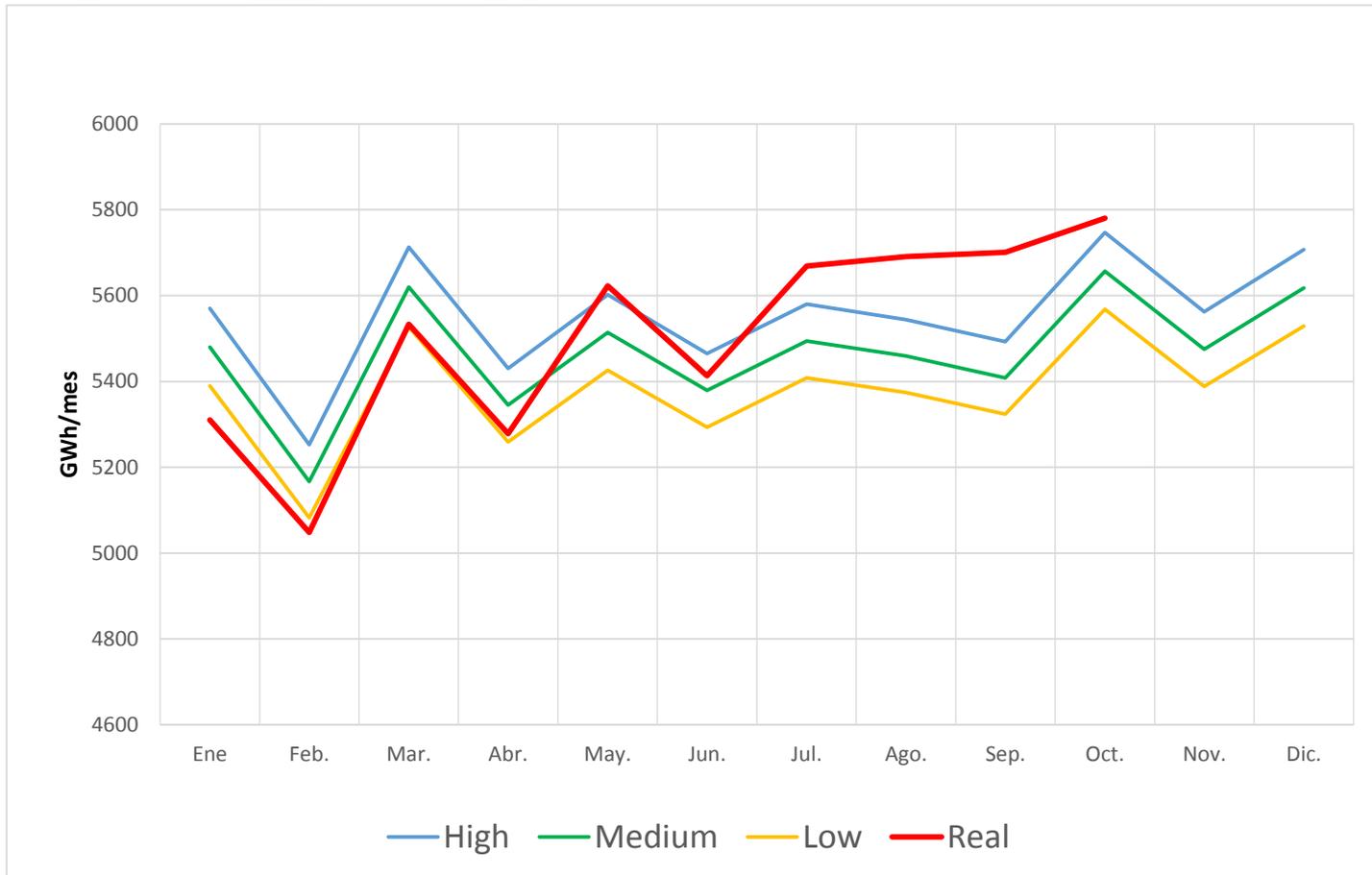


Aggregated Reservoir Evolution (useful volume %)



# El Niño Phenomenon

Demand has grown significantly

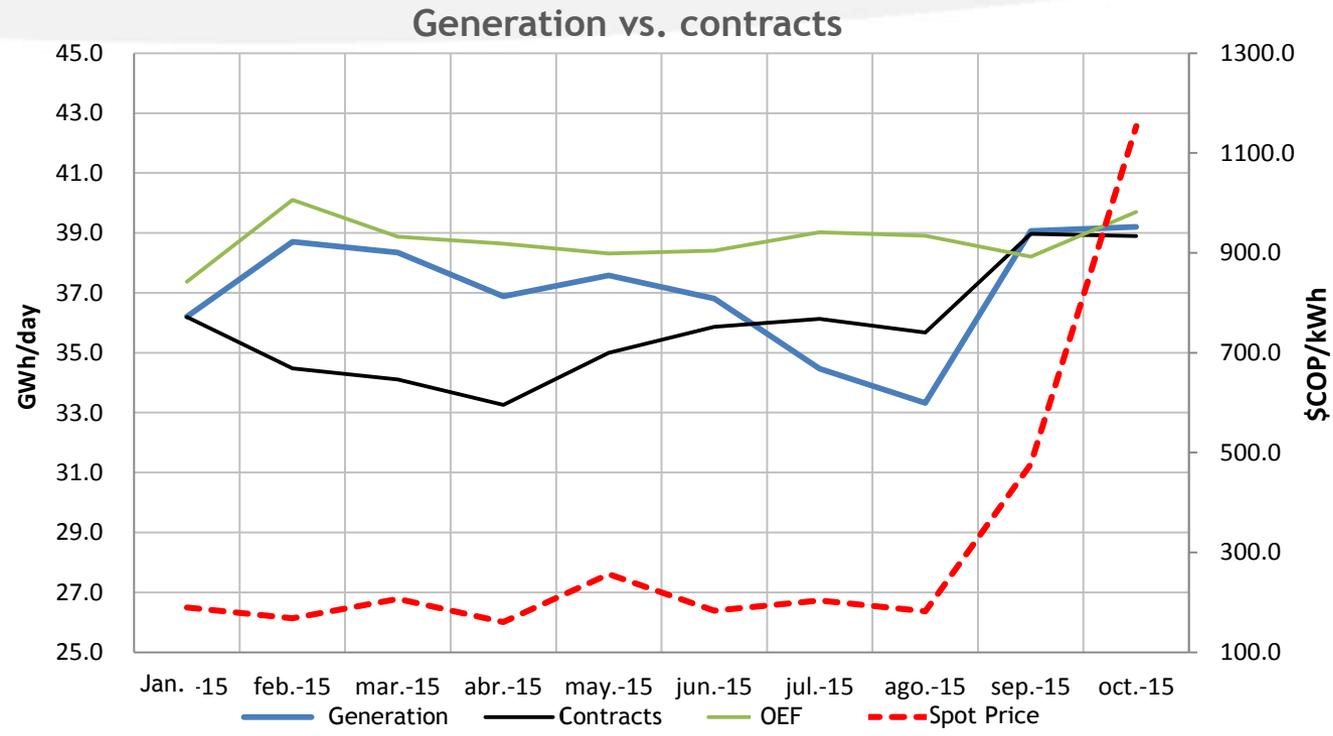


September demand was 4% above the highest scenario of the UPME.  
In October, the UPME adjusted its projection upwards.



# El Niño Phenomenon

## Evolution of physical variables and Spot Price



Power Generation has been higher than EPM's long term power sales contracts except in July and August when the decision was to buy at lower prices so as to have enough generation capacity (reservoir levels) during the months when El Niño impact is strongest.

Since May, La Sierra thermal plant is generating about 5 GWh/day with gas. We started to generate in Dorada thermal plant, owned by our subsidiary CHEC, since September.

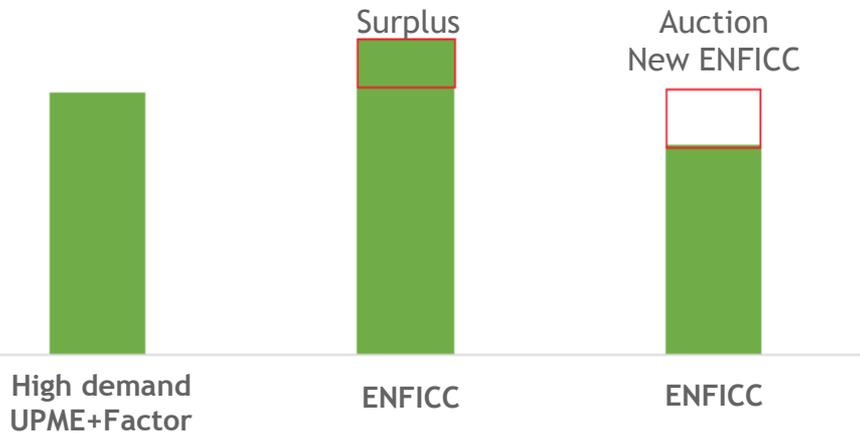
Starting September 22, the Firm Energy Obligations (OEF) commitment associated with the Reliability Charge was activated implying generation at La Sierra (gas and liquids).



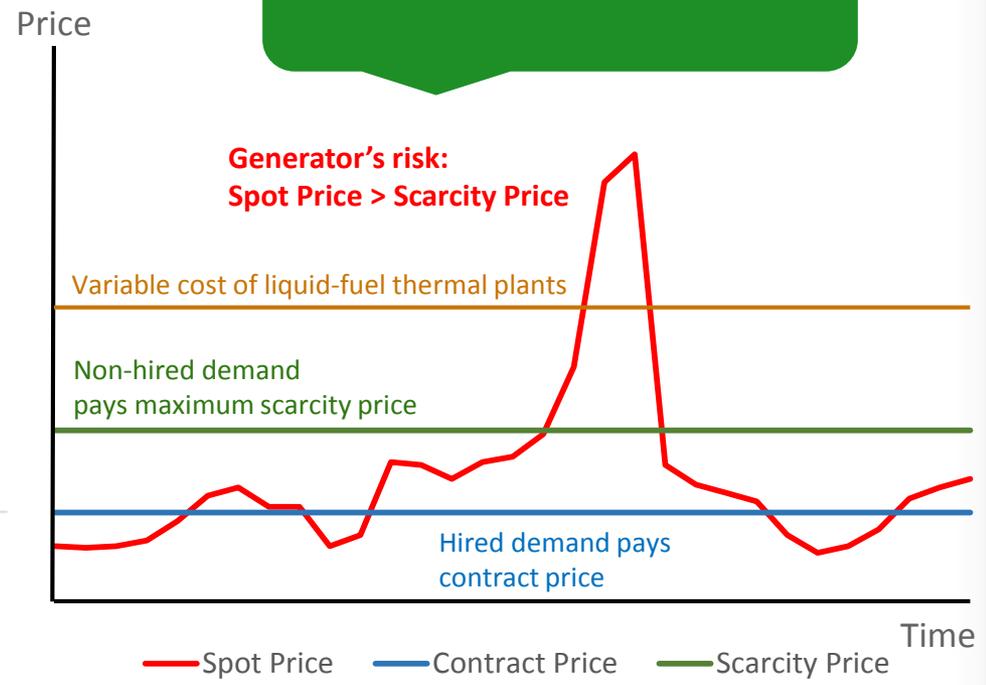
# El Niño Phenomenon

Demand coverage is supported by the reliability charge

Firm Energy (ENFICC) guarantees demand coverage



Market Prices



The generator receives remuneration for firm energy

# El Niño Phenomenon

## Actions

- ! Buying gas under both short term and interruptible contracts in order to operate half of La Sierra plant starting May 10.
- ! Using reservoirs capacity responsibly.
- ! Carrying out investments to guarantee liquid fuel supply and logistics for thermal plants.
- ! Buying gas from Ecopetrol from Nov 15 until Nov 16 to permit partial operation of La Sierra and Dorada plants.
- ! Reincorporating Termobarranca plant (48 MW, owned by ESSA) to the market, starting January 2016.
- ! Endeavors with MME and CREG so that the spot price is capped and the scarcity price is adjusted to historical levels.
- ! In order to mitigate impact on clients/users, the Tariff Option will also be adopted to defer over time the increases in energy prices.

# El Niño Phenomenon

## Economic impact on EPM

- ! It is estimated that El Niño phenomenon will impact on EPM's generation business affecting cash generation and EBITDA projected for the 4th quarter of 2015 and the 1st quarter of 2016 in an amount between **COP 500,000 and 750,000 million**.

Such impact is explained by:

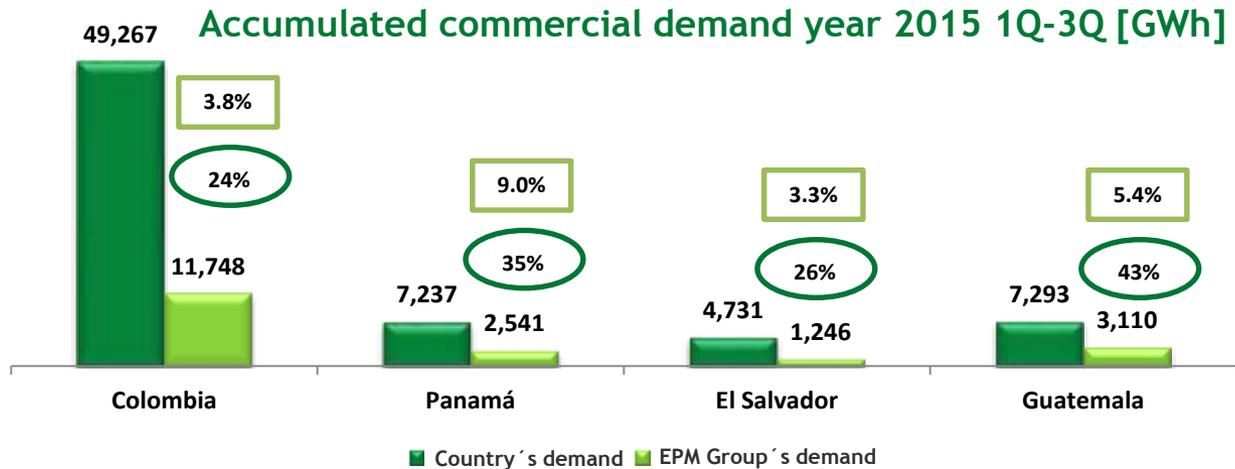
- Lower hydraulic generation
- Thermal generation with gas and liquid fuel.

- ! Despite this impact, EPM's preliminary projected earnings for 2015 is **COP 1,500,000 million**, a figure very close to that of 2014. Such good result is possible thanks to:

- The results of the transformation process, with actual costs lower than budget in an amount close to **COP 200,000 million**.
- Benefits of portfolio diversification: revenues not affected by El Niño (geography and business unit) and dividends from UNE.

- ! Thanks to the efforts to rationalize costs and expenses and the additional benefits of revenue diversification where ADASA contribution stands out, the preliminary projection for earnings for 2016 is similar to that of 2015.

## Commercial Demand of Energy of EPM Group



1Q-3Q = 1st to 3rd Quarter

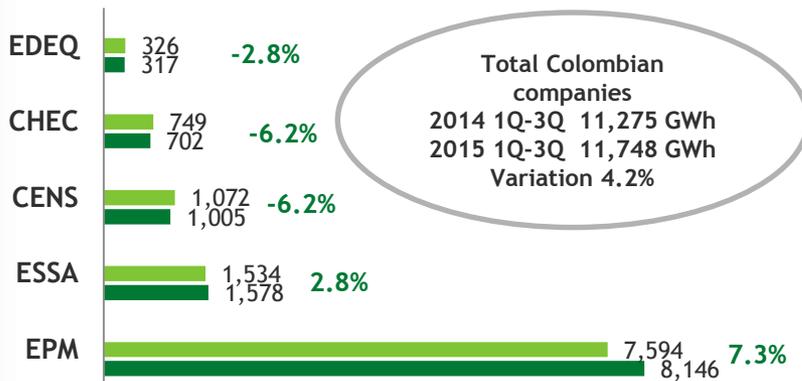
□ % Country's demand variation year 2015 1Q-3Q vs 2014 1Q-3Q

○ % EPM Group country demand's share.

*Note: We report the commercial demand that depends on customers served directly by each company regardless of the distribution network to which regulated and unregulated users are connected. The country's demand reported does not include energy exports.*

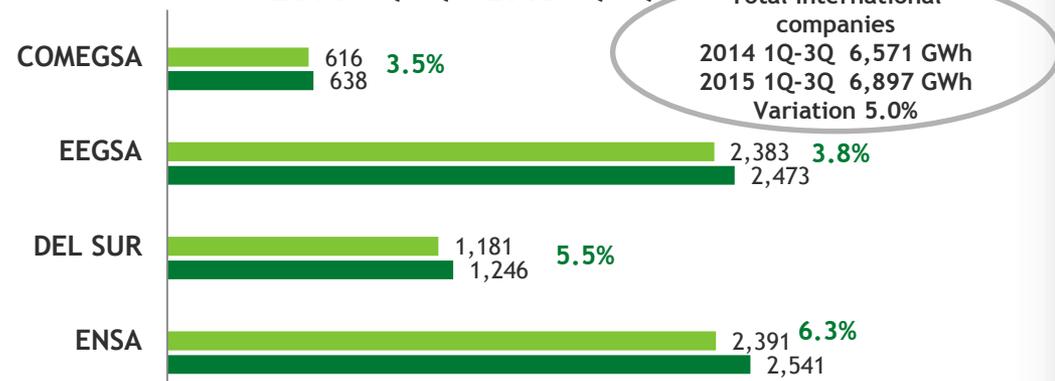
### Colombian companies (GWh)

■ 2014 1Q-3Q ■ 2015 1Q-3Q



### International companies (GWh)

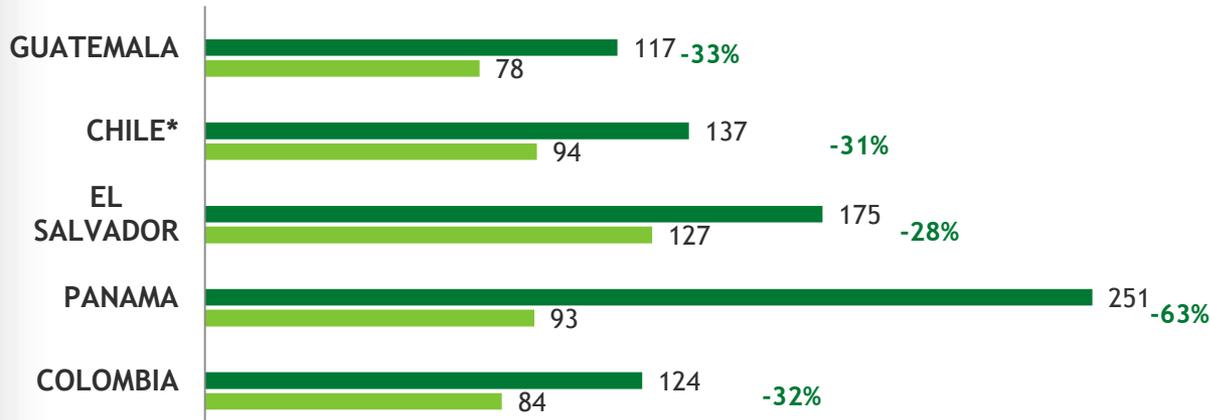
■ 2014 1Q-3Q ■ 2015 1Q-3Q



# Energy Market

## Spot Price USD/MWh and EPM's Generation (GWh)

Spot price USD/MWh  
 ■ 2014 1Q-3Q ■ 2015 1Q-3Q

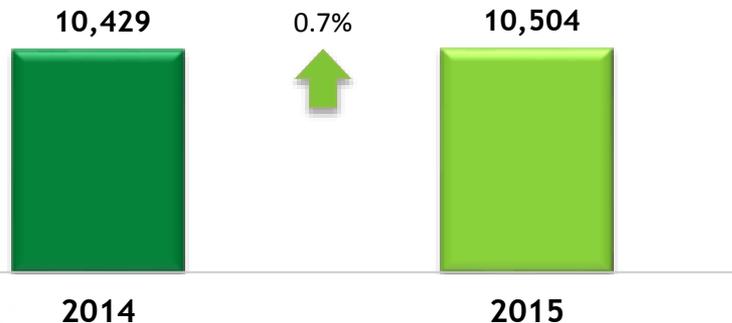


Prices are the lowest in Colombia and Guatemala. In the case of Colombia, because of the high hydraulic generation component; in the case of Guatemala, due to the strong expansion of latest years (coal, biomass, hydraulic)

Average spot prices in the first three quarters (1T - 3T).

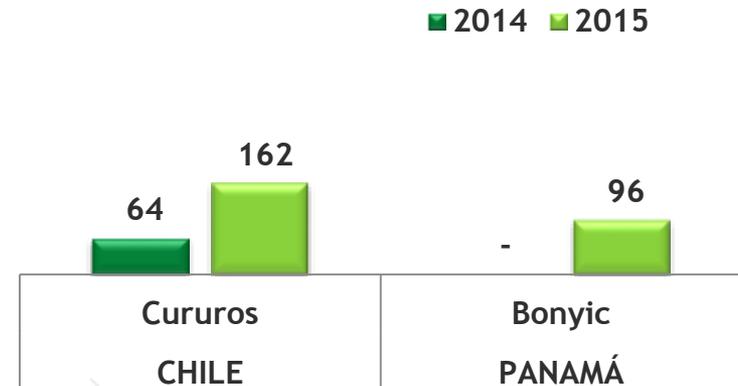
\*Price of La Cebada node where EPM's Cururos plant is connected.

EPM Group Colombian actual generation  
 1Q - 3Q [GWh]



The power generation of Colombian subsidiaries was integrated in 2015 to EPM parent company.

International subsidiaries' generation  
 1Q-3Q [GWh]



# Main Projects - Execution 3Q2015

Figures in USD million



## Ituango Hydroelectric Generation Plant

Work progress: 35%

Investment Jan-Sept 2015: USD 411



- ✓ **Milestone achieved in Oct.:** the initial connection of the two work fronts of the road Puerto Valdivia to Dam site.



## Aguas Claras Park and Waste Water Plant in Bello

Work progress: 55%

Investment Jan-Sept 2015: USD 86



# Financial Results 3Q2015

## Macroeconomic Scenario



IPC: Consumer Price Index  
IPP: Producer Price Index  
IPM: Wholesale Price Index (Panama and El Salvador)

For	Colombia	Panama	El Salvador	Guatemala	Mexico	Chile
CPI	4.76%	0.49%	-1.00%	1.63%	0.65%	3.97%
PPI/WPI	6.96%	N.A.	0.67% (*)	N.A.	2.34%	-6.62% (*)
Exchange Rate	3.121,9	N.A.	N.A.	7,67	16,90	704,7
Devaluation	30.49%	N.A.	N.A.	1.04%	14.68%	16.02%

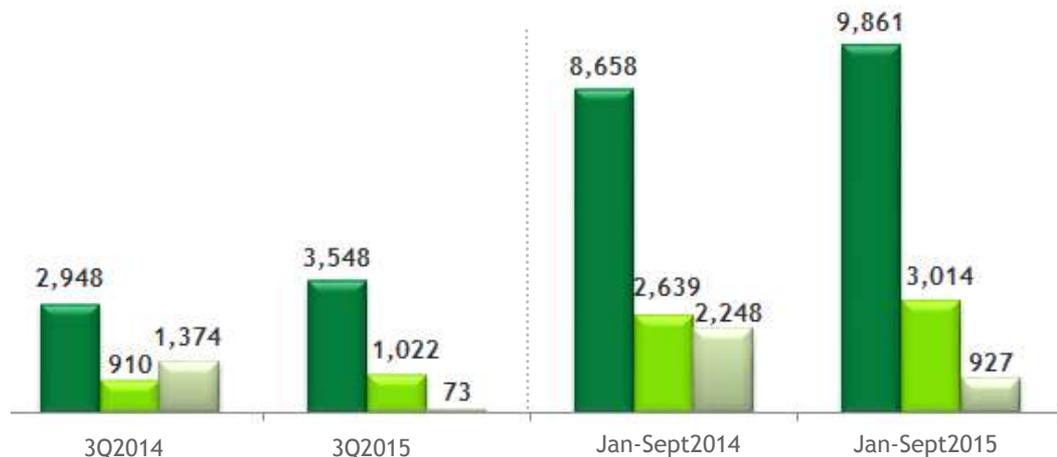
(\*) PPI data for Chile and El Salvador available for August

# Financial Results 3Q2015

## EPM Group Income Statement

Figures in COP thousand million

■ Revenues ■ Ebitda ■ Comprehensive income

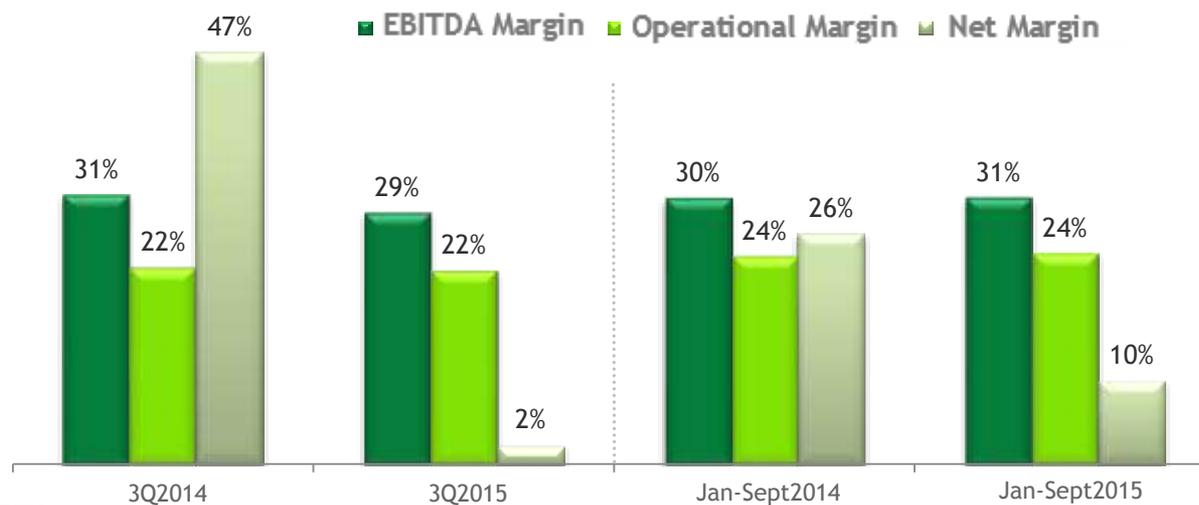


### Variation in Pesos 2014 - 2013

- Revenues: 14%
- EBITDA: 14%
- Comprehensive income: -59%

\*2014 excluding effect of telecommunication subsidiary

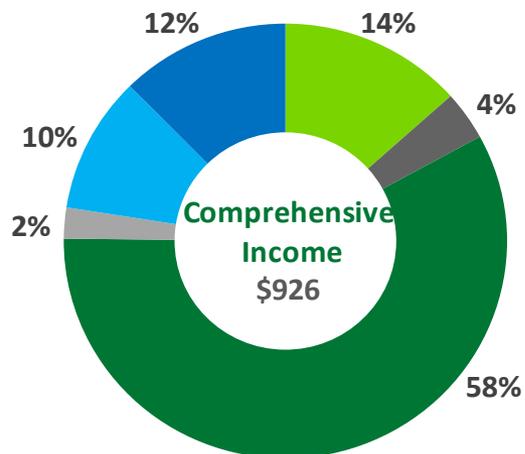
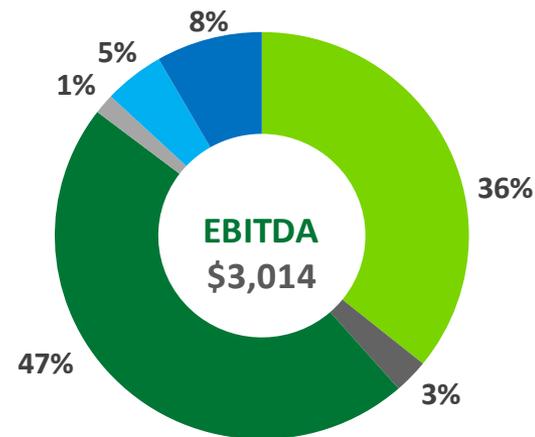
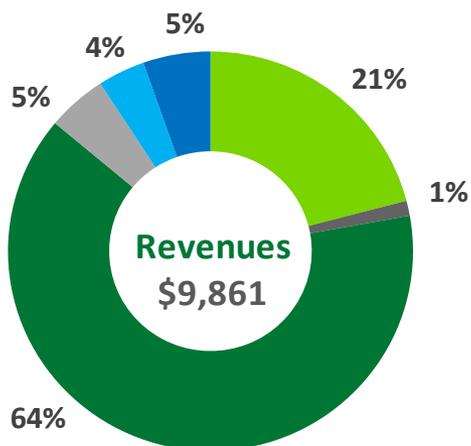
■ EBITDA Margin ■ Operational Margin ■ Net Margin



# Financial Results 3Q2015

## By Segment

Figures in COP thousand million

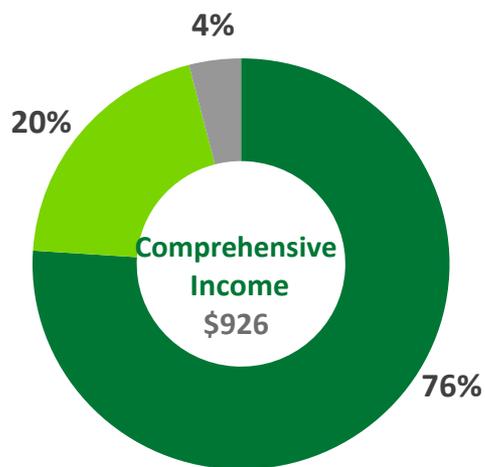
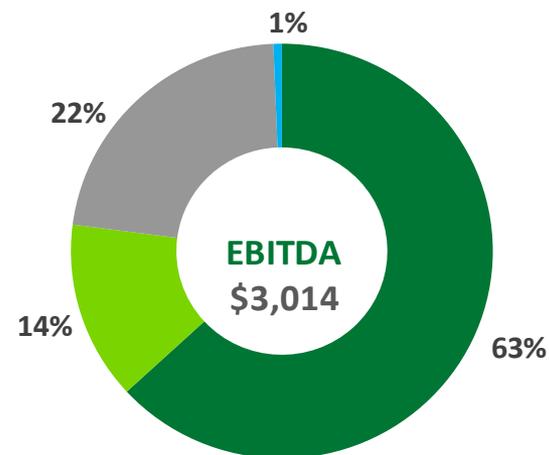
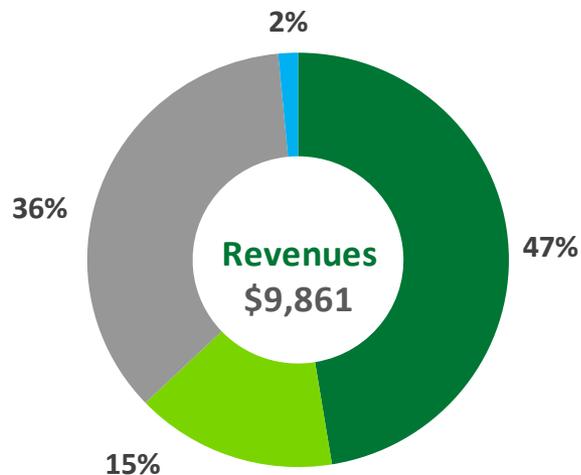


■ Power Generation ■ Power Transmission ■ Power Distribution ■ Gas ■ Water ■ Cleaning and Sanitation

# Financial Results 3Q2015

## By Country

Figures in COP thousand million

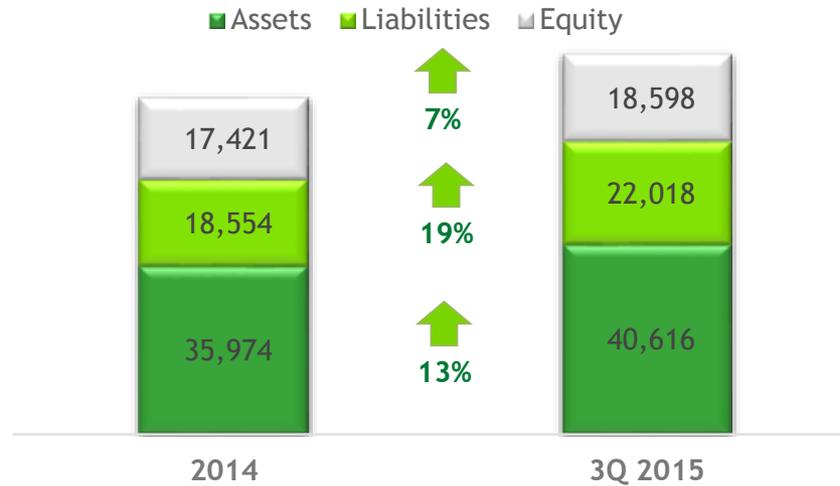


■ EPM ■ Colombian Power Subsidiaries ■ International Subsidiaries ■ Water Subsidiaries

# Financial Results 3Q2015

## Statement of Financial Position

Figures in COP thousand million



Ratios	2014	2015
Total debt	52%	53%
Financial debt	26%	32%
EBITDA/financial expenses	6,96	6,49
Debt/EBITDA*	2,86	3,31

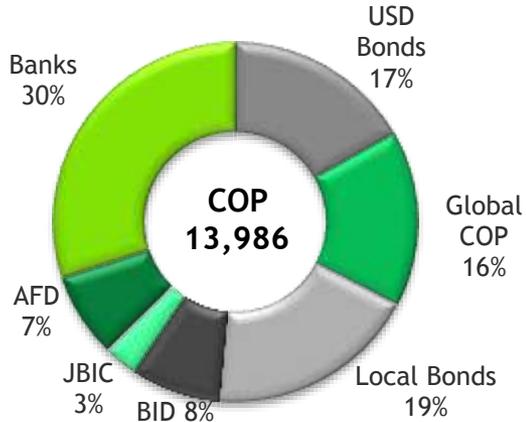
\*Excluding Treasury loans

# Financial Results 3Q2015

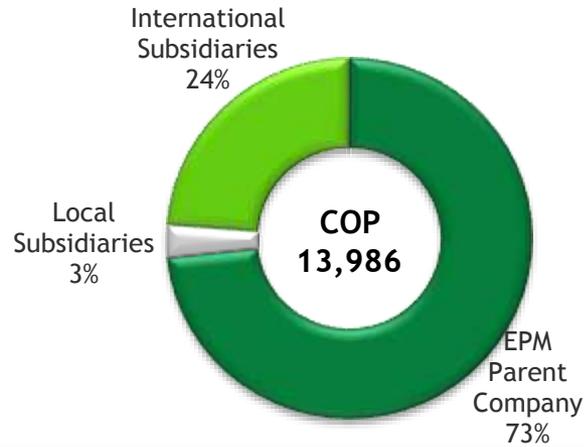
## Debt profile

Figures in COP thousand million

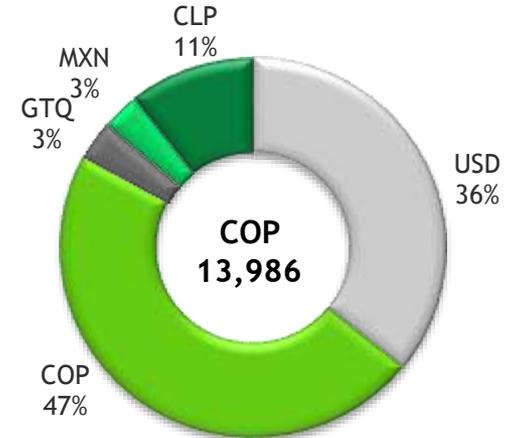
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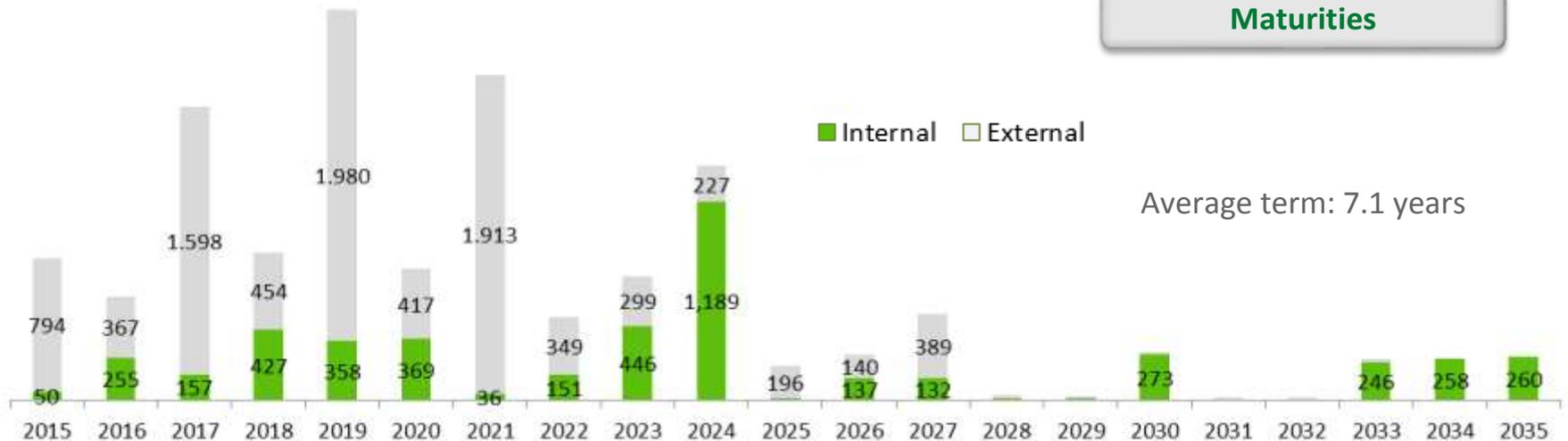
Company



Currency



Maturities



# Events subsequent to closing

- ✓ The Shareholders Meeting of UNE EPM Telecomunicaciones declared dividends to shareholders, EPM share is COP 233,870 million.
- ✓ In their annual report, rating agencies Fitch Ratings and Moody's Investor Service ratified EPM's credit ratings. Fitch: "BBB+" international and "AAA" national, stable outlook. Moody's: "Baa3", positive outlook.
- ✓ EPM Group climbed to position 65th in the ranking of 100 Multi-Latin companies, according to América Economía magazine.
- ✓ In the MERCOSUR 2015 reputation study, EPM Group climbed one position to number four among the companies with highest reputation in Colombia.
- ✓ Due to El Niño Phenomenon, the Board of Directors approved a new budget addition for 2015 for COP 307,594 million for commercial operations revenues and for COP 884,796 million for associated costs.

# Gracias

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