

Grupo·epm[®]

2Q2016 Report



ROBECOSAM
Sustainability Award
Silver Class 2016



Agenda



- Evolution of non-recurrent events
- Energy market
- Work progress in main project
- Financial results as of June 2016
- Subsequent events

Evolution of non-recurrent events

Guatapé Hydroelectric Plant

Operations have been reestablished in record time

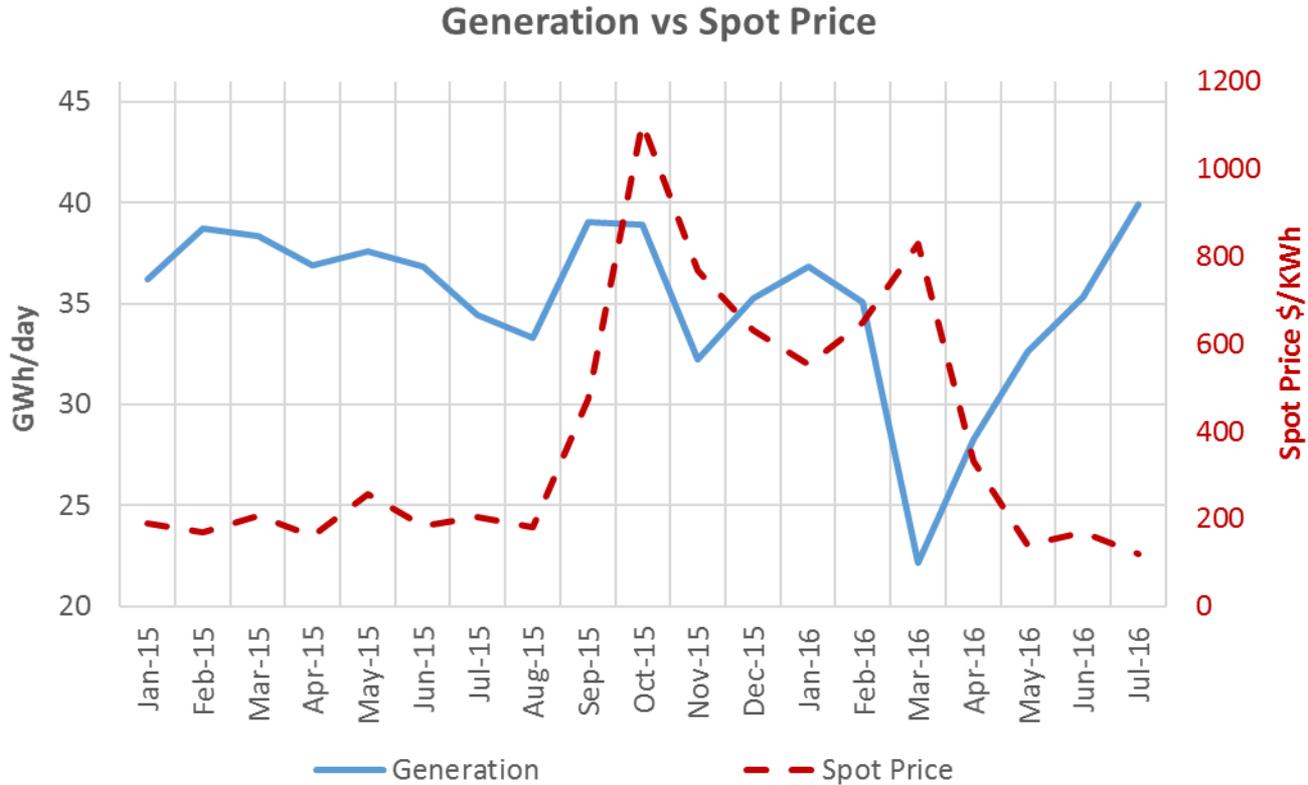
EPM started operations of the plant **68 days earlier than projected:**



- 120 people carried out the repair works in shifts from 7:00 a.m. to 10:00 p.m., with the support of crews which continued with the works during nighttime hours.

Evolution of non-recurrent events

Guatapé Plant - Power purchases at the highest prices in history



Evolution of non-recurrent events

Guatapé Hydroelectric Plant

Total impact on EPM around COP 215 thousand million



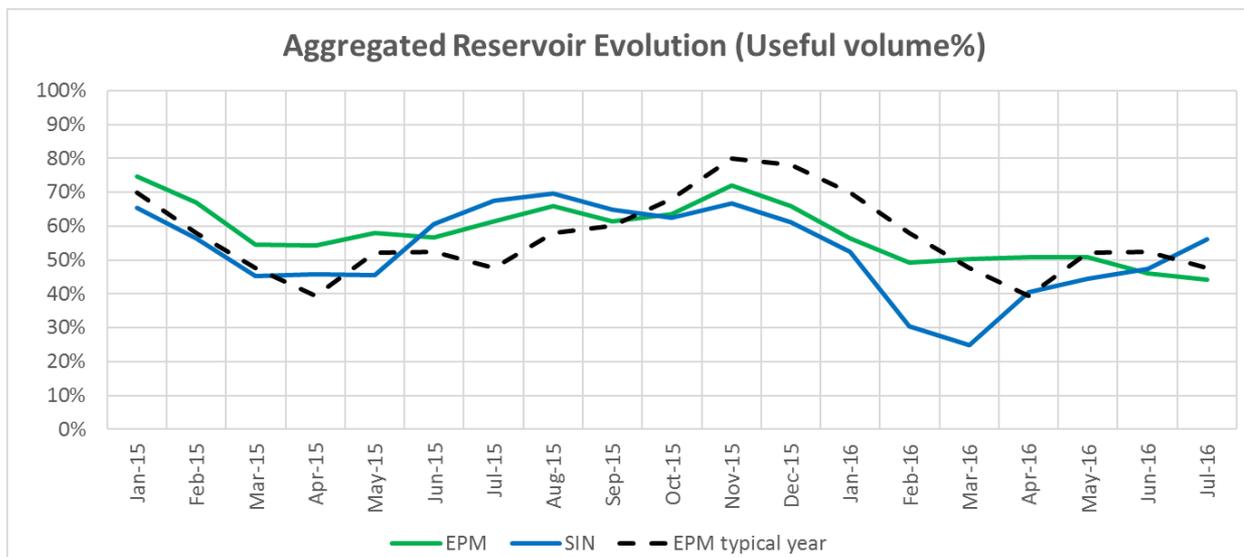
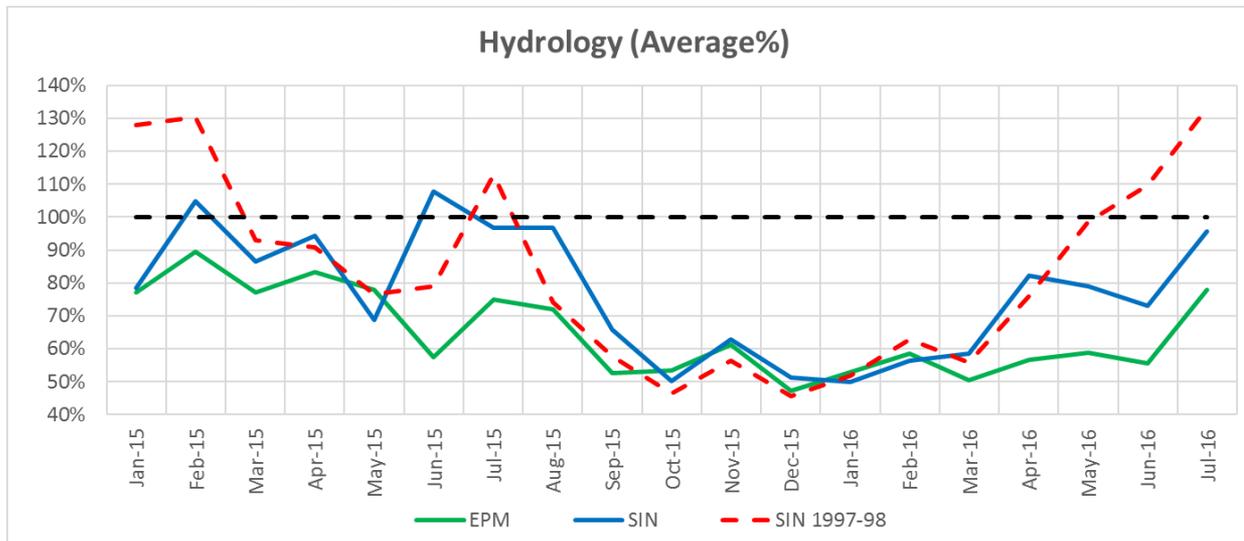
- Cable repairs: USD 22 million and deductible of USD 200 thousand.
- Loss of revenue: COP 600 - 650 thousand million, with deductibles of about COP 215 thousand million.

Insurance policy:

- Recoveries for USD 100 million were accrued in June.
 - Pending definition of total amount with adjusters.
- Ongoing investigation by the Superintendency of Public Utilities.

Evolution of non-recurrent events

El Niño Phenomenon - Hydrology and Reservoirs



Evolution of non-recurrent events

El Niño Phenomenon- Economic impact

➤ In 2015:

- El Niño impact on EPM: **COP 321 thousand million** and on EPM Group: **COP 364 thousand million**.
- In 2015, **1.212 GWh** of thermal generation represented higher operational costs vs **11.985 GWh** of hydro generation.

➤ January - June 2016:

- El Niño impact on EPM: **COP 272 thousand million** and on EPM Group: **COP 314 thousand million**.
- Thermal generation **1.038 GWh** represented higher operational costs vs **5.097 GWh** of hydro generation.

- Total El Niño impact on EPM Group: **COP 678 thousand million**
-

Main components associated to El Niño effect:

- EPM bought gas in order to operate La Sierra and La Dorada thermal plants.
- Investments were carried out to ensure liquid fuel supply for thermal plants.
- EPM generated with liquid fuel.
- Power purchases on the spot market at the highest prices recorded in the country's history.

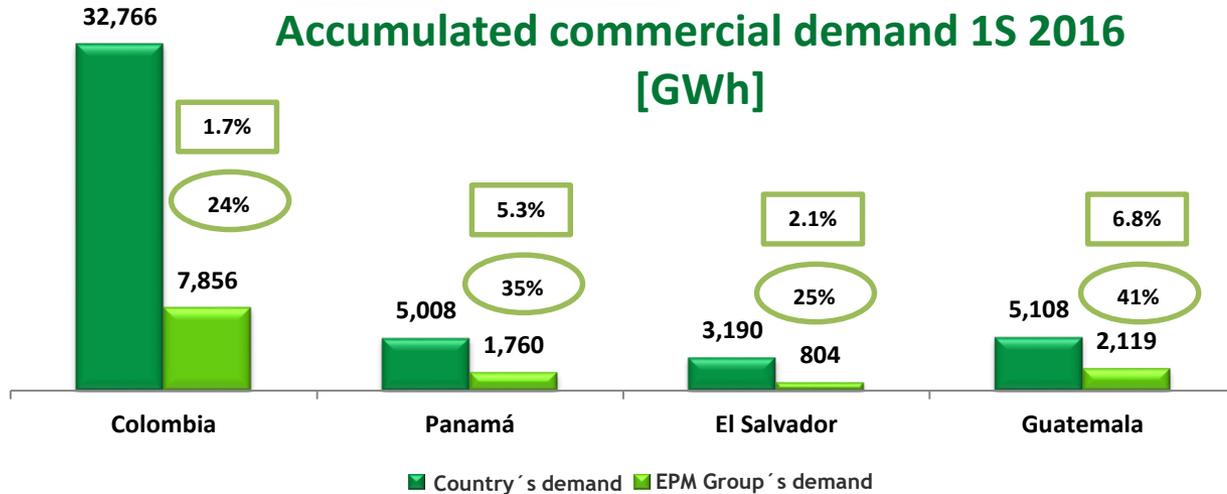
Evolution of non-recurrent events

Transfer of the shares of Isagen held by EPM

- EPM will receive COP 1,480,000 million.
- About COP 600,000 million will be distributed to its owner, COP 150,000 million each in the next four years (2016-2019).
- Acceptance of Brookfield's tender offer on July 26, 2016.
- Closing expected for September of 2016.



EPM Group Commercial Power Demand

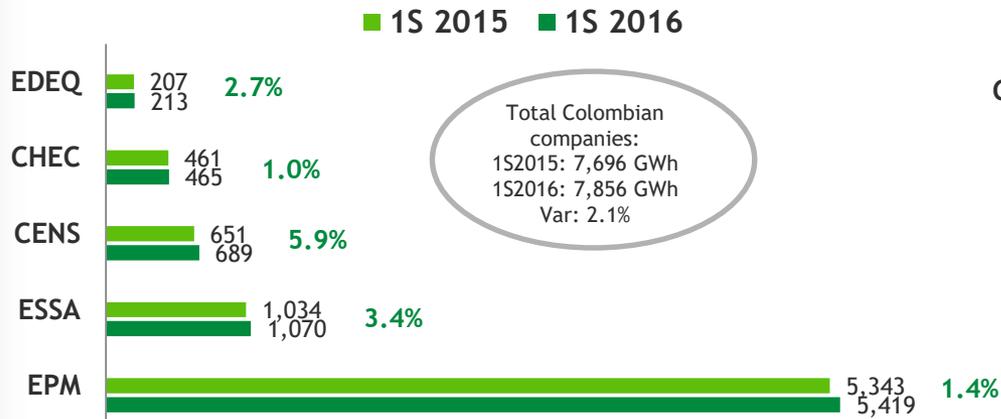


% Country's demand variation 1S2016 vs 1S2015

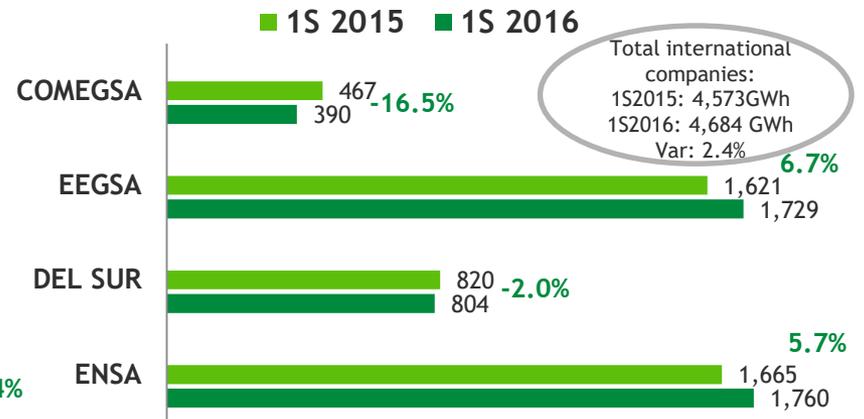
% EPM Group country demand's share.

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



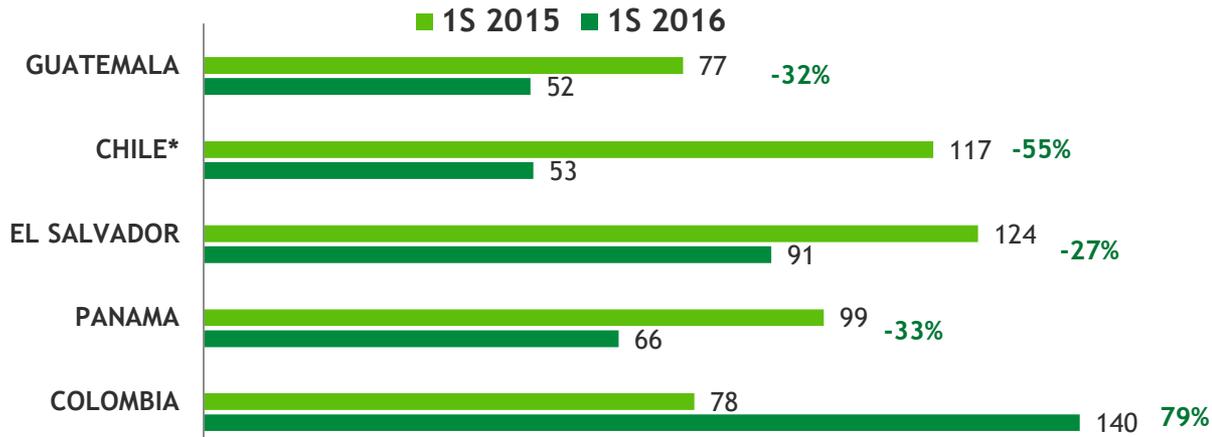
International companies GWh



Energy Market

Spot Price USD/MWh and EPM Generation (GWh)

Spot Price USD/MWh**



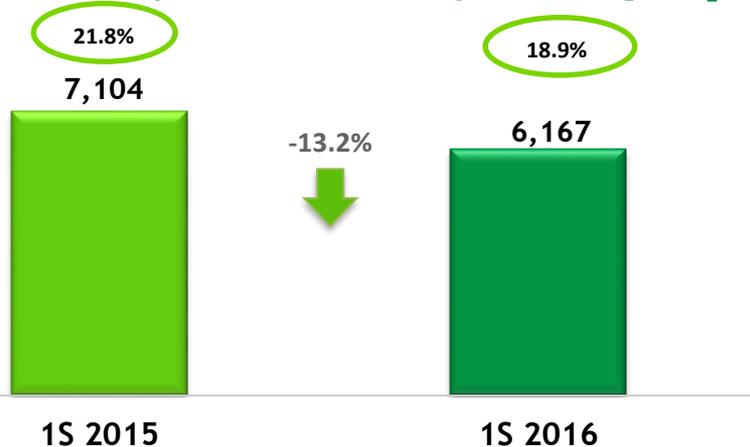
** Average spot prices in the semester.

In the 1S2016 spot price declined, mainly by the fall in fuel prices and the entry into operation of new generators.

In Colombia the dry spell associated to El Niño has increased the prices at the beginning of the year.

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

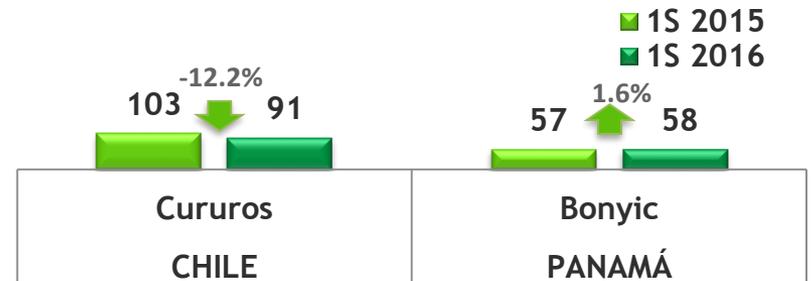
EPM Group Colombian actual generation [GWh]



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

○ % share of EPM Parent Company in the EPM Group actual generation.

International subsidiaries' generation [GWh]



Bonyic entry into operation in January 2015.

Work progress in main project: Ituango

17% of total Colombian installed capacity in 2022

- ✓ **54.4%** Total work progress as of June 2016
- ✓ Total CapEx through June 2016: **COP 4.7 billion**
- ✓ **Progress in main civil works:**
- ✓ **The Dam**, 225 m high with 20 million m³ of rock is at **36%**.
- ✓ **The Power house**, (a 250 m long and 49 m high cavern equivalent to a 16-story building) was concluded at the Northern área. the Southern area is at **94%** completion.
- ✓ **The Spillway**, (a channel to control river floods of more than 22,600 m³ /s of water and whose construction means excavating 14 million m³ of rock) is at **72%** of construction.



- **Location:** Northwestern Antioquia.
Area of influence 12 municipalities
- **Installed capacity:** **2,400 MW**
- **Total cost:** **COP 11,444,923 millones**
- **Start of operation:** 1st Stage (**1.200 MW**)
Nov. 2018 - 2nd Stage (**1.200 MW**) March 2022

Work progress in main project: Ituango



External civil works

Total cost: COP 11.4 billion

Financing strategy: 60% debt, 40% equity.

- **Total financing allocated to date: (including loan agreement under negotiation):**
COP 5.5 billion (represents 48% of the project's total cost).
- **Total disbursements to date:**
COP 3.2 billion (represents 28% of the Project's total cost and 57% of the financing allocated to date).

Details of Loans Agreements already subscribed or under negotiation:

- ✓ Local bonds: COP 867,280 million
- ✓ Global COP bonds: COP 965,745 million
- ✓ Club Deal: USD 450 million
- ✓ BNDES: USD 111 million (contract subscribed on April 26, 2016)
- ✓ EDC: USD 135 million (contract subscribed on August 4, 2016)
- BID: USD 550 million (under negotiation)

Financial Results as of June 30, 2016

Macroeconomic Scenario



CPI: Consumer Price Index

PPI: Producer Price Index

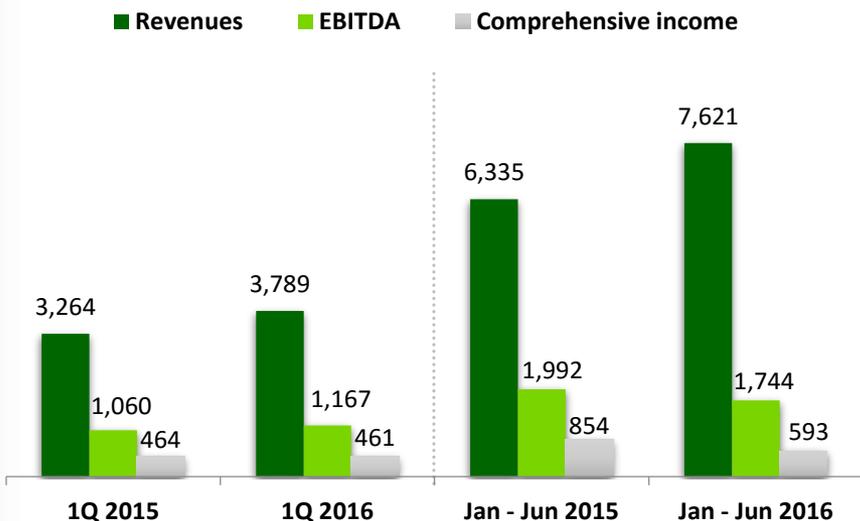
WPI: Wholesale Price Index (Panama and El Salvador)

Concept	Colombia	Chile	Guatemala	Panamá	México	El Salvador
CPI	5,10%	2,15%	2,42%	1,10%	0,31%	-0,33%
CPI (accumulated 12 months)	8,60%	4,21%	4,43%	0,10%	2,54%	0,92%
PPI/WPI	2,38%	2,52% May	N.A.	N.A.	3,86%	-1,28% May
PPI (accumulated 12 months)	9,60%	- 9,26% May	N.A.	N.A.	5,62%	-2,21% May
Exchange rate	2.916,2	661,5	7,64	N.A.	18,46	N.A.
Devaluation (Revaluation)	-7,41%	-6,48%	0,10%	N.A.	7,04%	N.A.

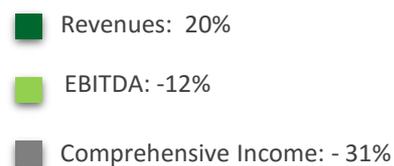
Financial Results as of June 30, 2016

EPM Group Income Statement

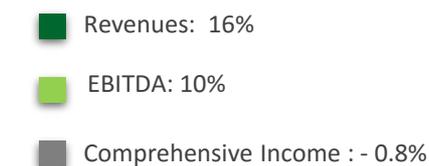
Figures in COP thousand million



Var. Jan-Jun2015 – Jan-Jun2016



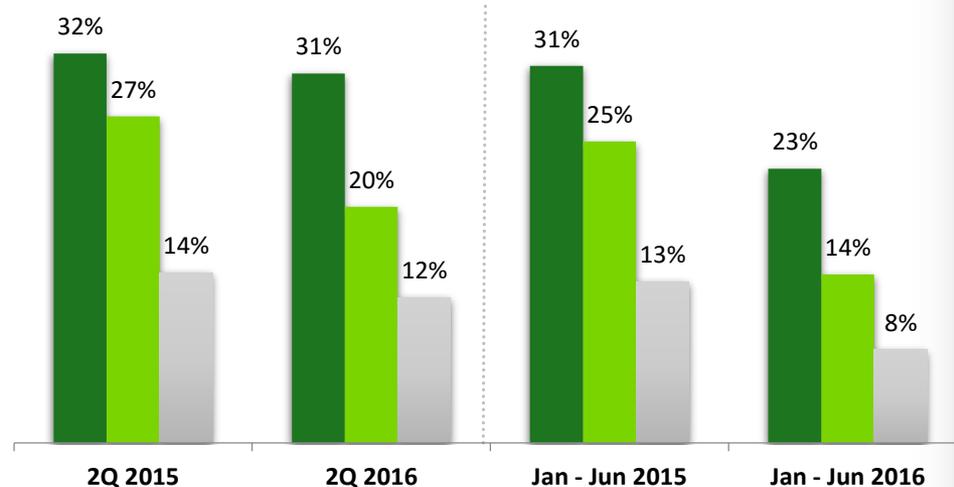
Var. 2Q2015 – 2Q2016



Note: partial revenue of COP 294 thousand million was recognized in June corresponding to payment of loss of revenue and consequential damages related to the Guatapé loss.

- EBITDA totaled COP 1.7 billion, 12% down on last year; here we highlight the 38% increase in costs and expenses as a result of increased commercial operation (El Niño y Guatapé), taxes, contributions and duties.
- Highlighting: International subsidiaries participated with 30% of the Group's EBITDA, 28% more than in the same period of last year, mainly due to the contribution of EPM Chile for COP 121 thousand million where ADASA and the contribution of DECA Group for COP 265 thousand million stand out.

EBITDA margin Operational margin Net Margin

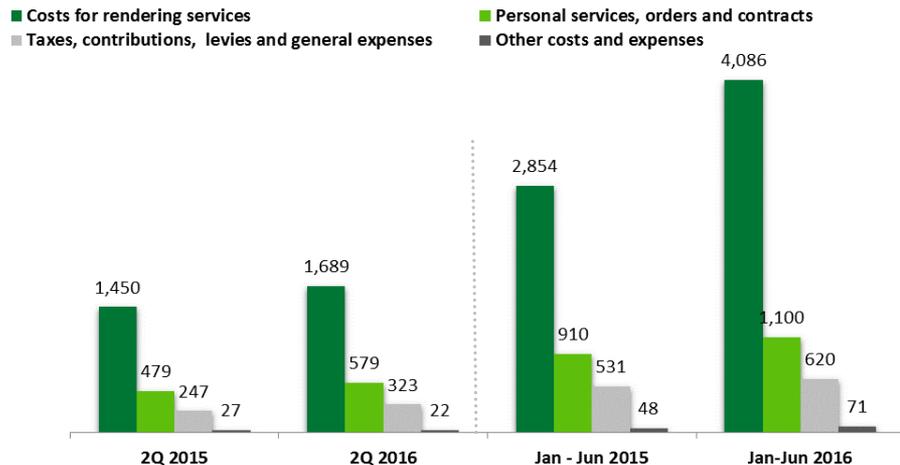


Financial Results as of June 30, 2016

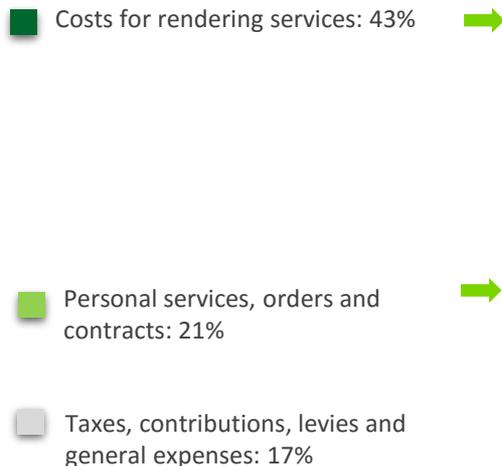
EPM Group Income Statement

Figures in COP thousand million

Group EPM Costs and Expenses



Var. Jan-Jun2015 – Jan-Jun2016



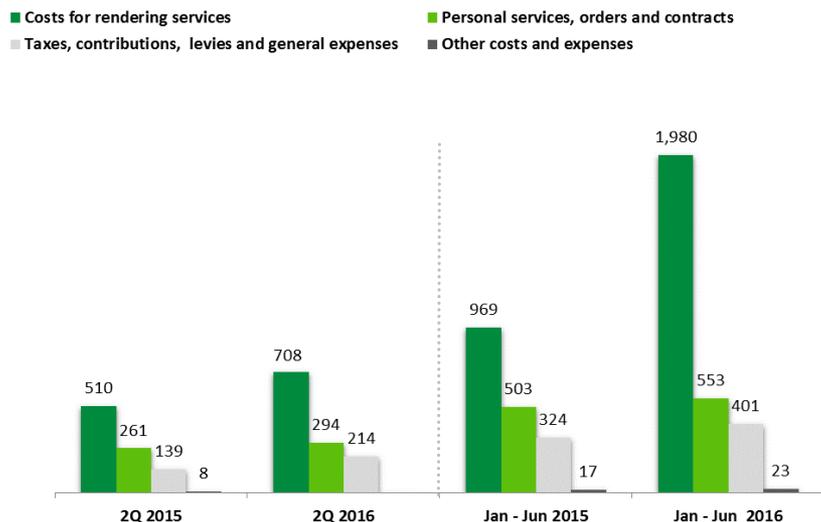
Explained mainly by:

- EPM parent company by COP 1,029, associated to the power purchase in the spot.
- Colombian Subs. by COP 132: ESSA by COP 69 and CHEC by COP 71; due to thermal generation.
- ENSA by COP 114.

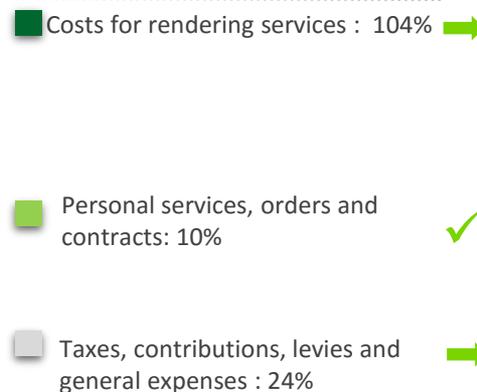
Explained mainly by:

- Inflation.
- Orders and contracts by COP 28, spare parts and maintenance, and personal services by COP 23.

EPM Parent Company Costs and Expenses



Var. Jan-Jun2015 – Jan-Jun2016



Explained mainly by:

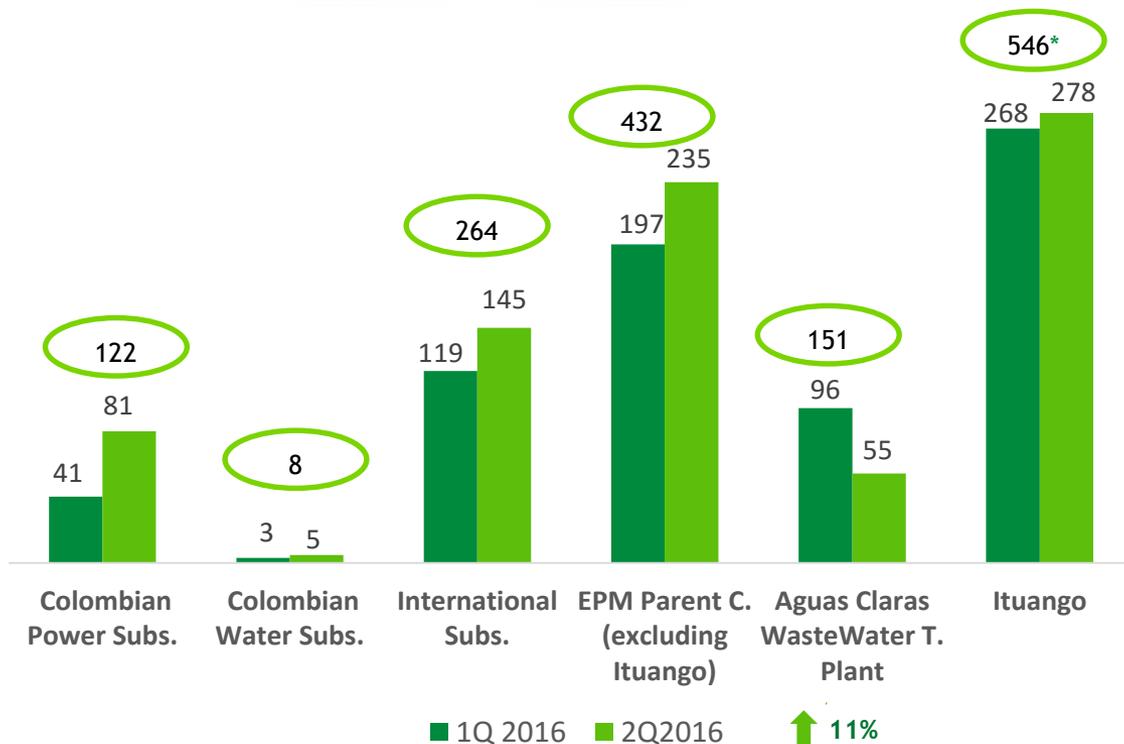
- Power purchases in the spot market by COP 651.
- Gas purchases by COP 212.
- Liquid fuel purchases by COP 165.

- Taxes, contributions, levies by COP 76, due El Limón-Anorí road.

Financial Results as of June 30, 2016

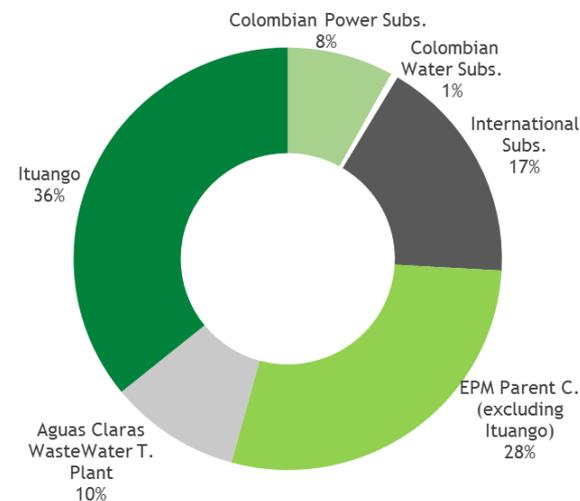
EPM Group investments

Figures in COP thousand million



*Excluding financial expenses

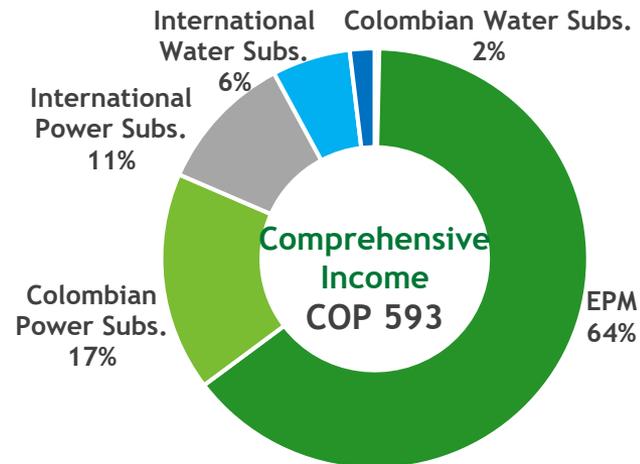
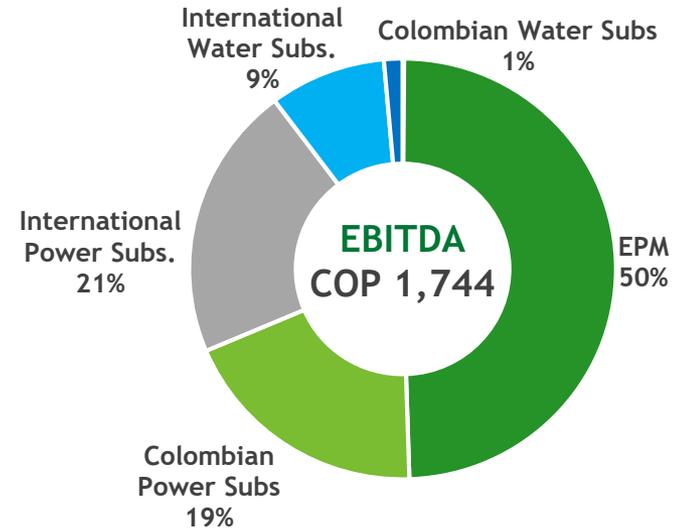
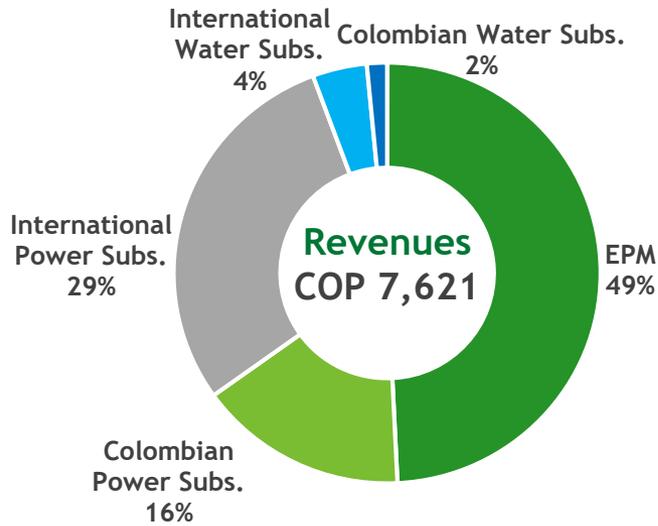
✓ EPM Group investments as of June: COP 1.5 billion



Financial Results as of June 30, 2016

By Colombian and International Subsidiaries

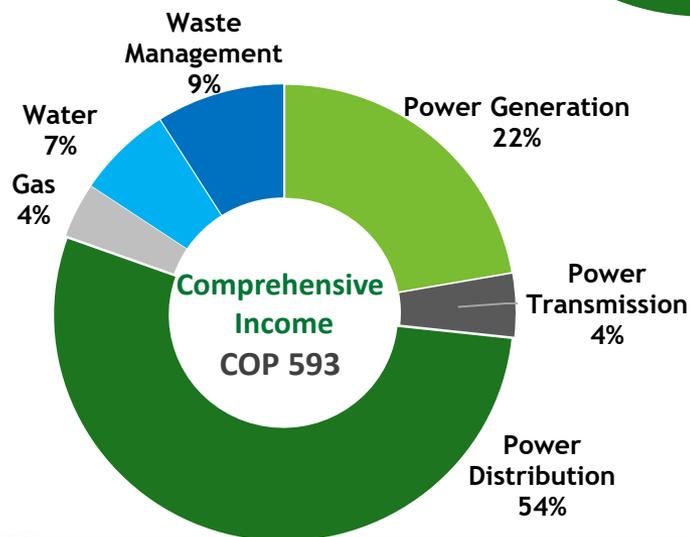
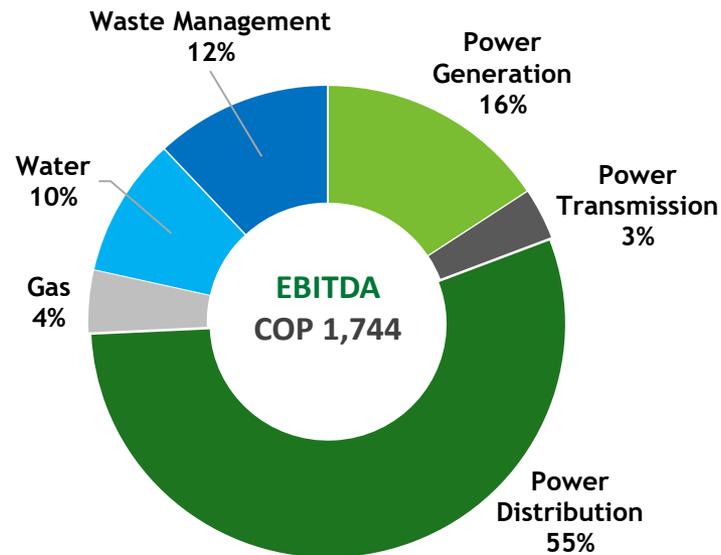
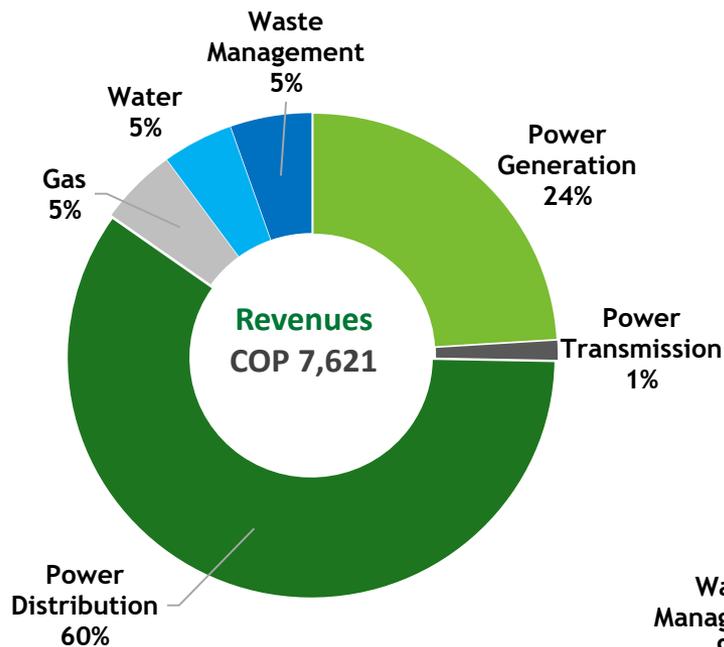
Figures in COP thousand million



Financial Results as of June 30, 2016

By Segments

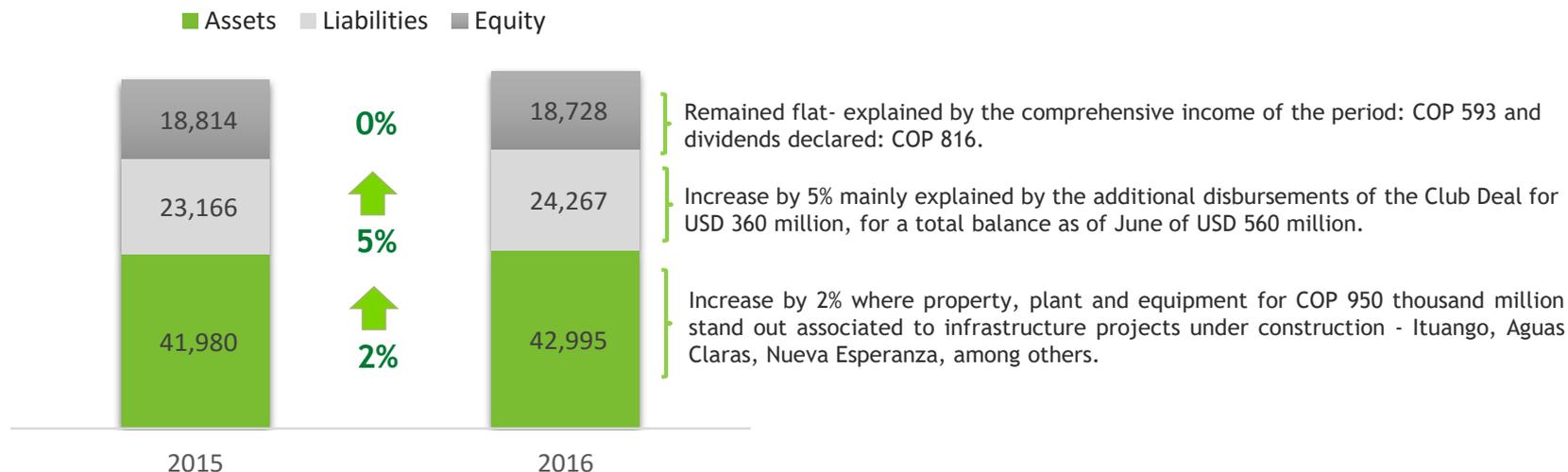
Figures in COP thousand million



Financial Results as of June 30, 2016

Statement of Financial Position

Figures in COP thousand million



Ratios	2015	2016
Total debt	53%	56%
Financial debt	34%	38%
EBITDA/financial expenses	6.49	4.35
Debt/EBITDA	3.47	4.46

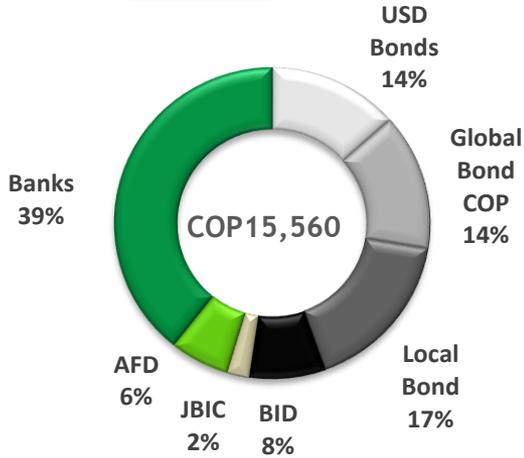
- LTM Group's EBITDA amounted COP 3.3 billion due mainly to El Niño and Guatapé effects. Without these effects, LTM Group's EBITDA would be COP 4.1 billion and Debt/EBITDA ratio: 3.61.
- Debt/EBITDA: Increase explained by: 1) Lower EBITDA, 2) more loans during the period particularly for the Ituango project of USD 560 million.
- Waiver, related to Debt/EBITDA covenant, with JBIC and AFD in process of approval for the rest of 2016 periods; with BID approved for 2016.
- EPM expects to achieve again a **Debt/EBITDA ratio lower than 3.5x in 2017.**

Financial Results as of June 30, 2016

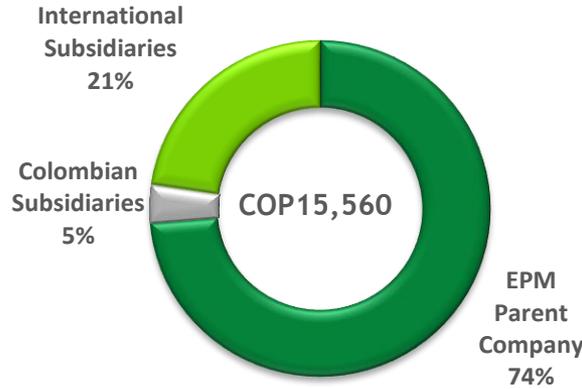
Debt Profile

Figures in COP thousand million

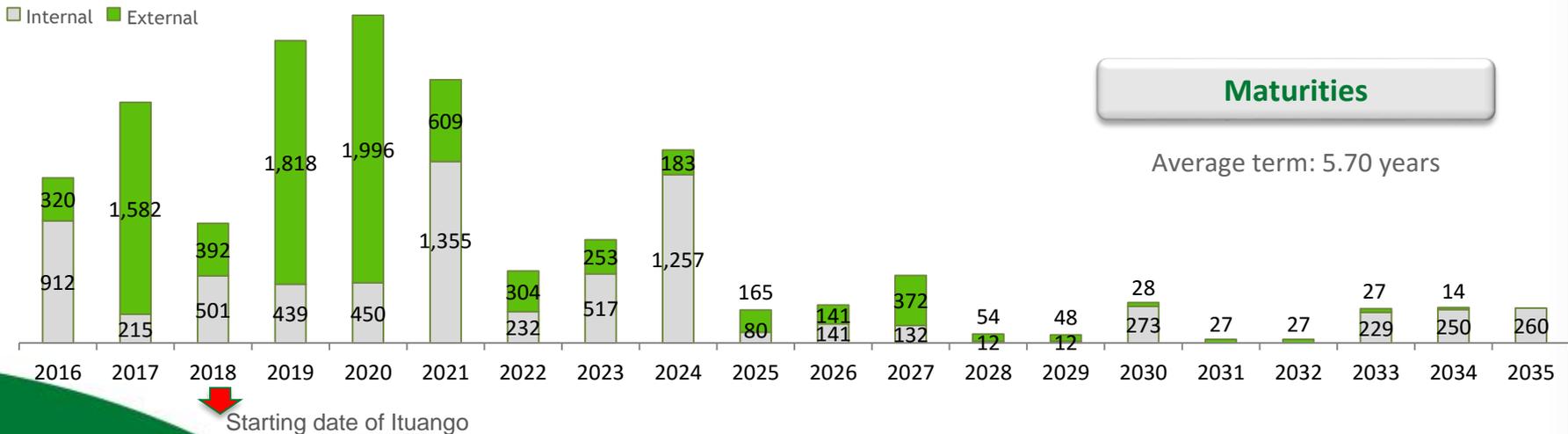
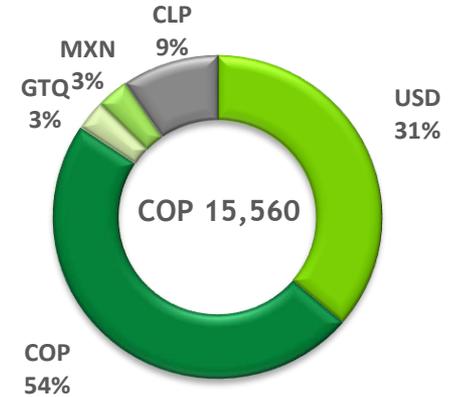
Source



Companies



Currency



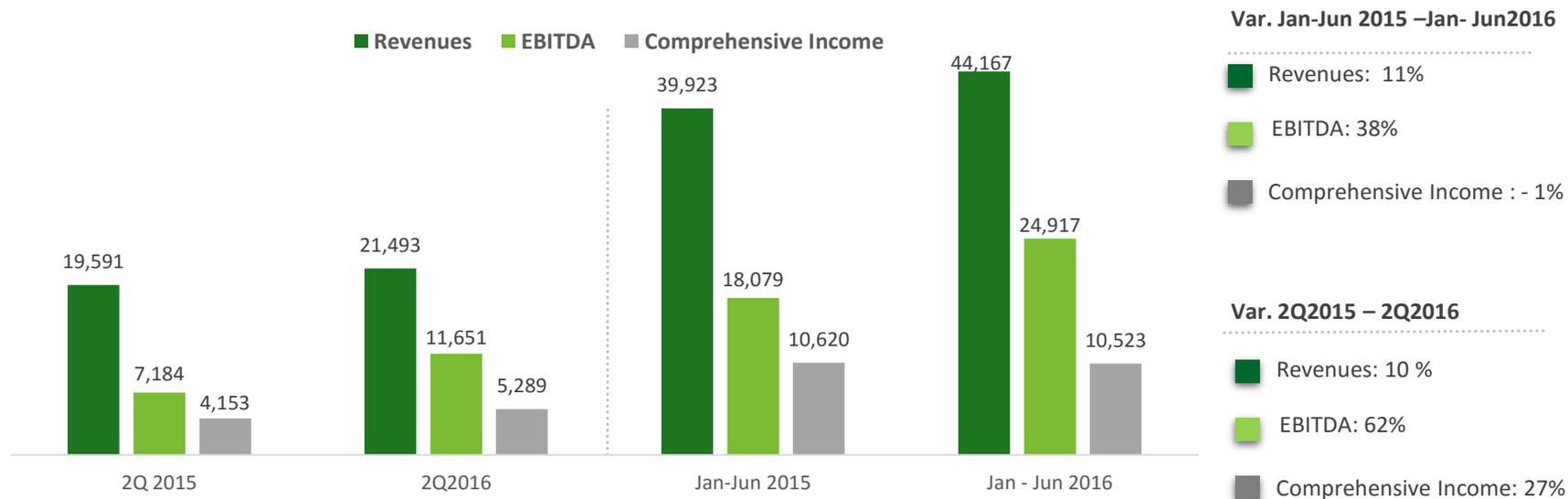
Maturities

Average term: 5.70 years

Financial Results as of June 30, 2016

ADASA Income Statement

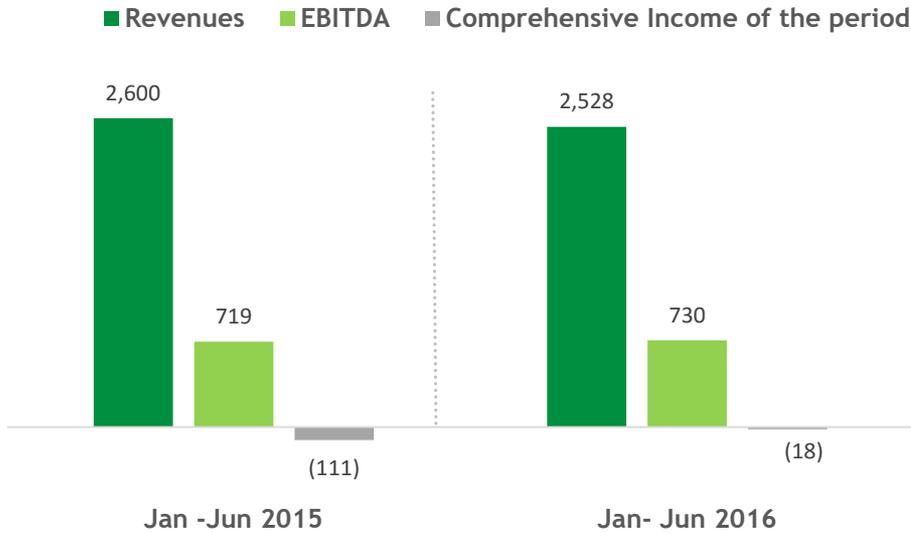
Figures in CLP million



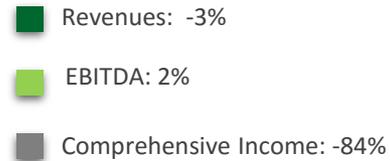
Financial Results as of June 30, 2016

UNE Income Statement

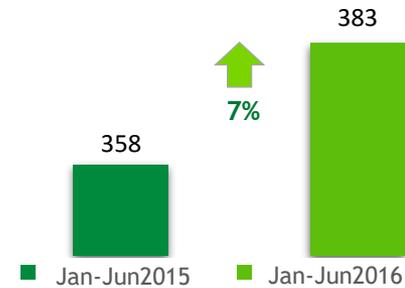
Figures in COP thousand million



Var. Jan-Jun2015 – Jan-Jun2016



CapEx



Relevant facts subsequent to the quarter

- ✓ The Medellin Mayor and President of EPM's Board of Directors, Federico Gutiérrez Zuluaga, designated lawyer Carlos Raúl Yepes Jiménez as independent member of EPM's Board of Directors to replace Ms. Beatriz Restrepo Gallego who resigned as from May 25, 2016.
- ✓ EPM received recognition from the National General Accounting Office for its contribution to the development of the Colombian National Public Accounting System. The company has assumed responsibly all the regulatory changes being implemented in Colombia, among them the adoption of International Financial Reporting Standards (IFRS), of which, EPM has been a ground-breaker and pioneer in the country.
- ✓ Fitch Ratings affirms the BBB+ credit rating of EPM's international debt. There is an adjustment in the outlook, from stable to negative, related with the change made in the Colombian sovereign outlook.
- ✓ EPM subscribed a credit agreement for USD300 million with the agency Export Development Canada. The credit has a disbursement limit of 12 months and constitutes another step to ensure the financing of the 2017-2019 investment plan. It is the first EPM credit operation signing with the Canadian entity.

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- This presentation contains forward-looking statements which are subject to several risks, uncertainties and circumstances relative to the operations and business environments of EPM. These factors could cause actual results to materially differ from any future result, expressed or implied, in such forward-looking statements. Accordingly, EPM cannot guarantee any results or future events. EPM expressly states that it will be under no obligation to update the forward-looking statements or any other information herein contained.
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