

# Grupo·epm<sup>®</sup>

## 4Q2015 Report



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# Agenda



- > Introduction
- > Relevant facts
- > Energy market
- > Main projects
- > Financial results
- > UNE operational results
- > Subsequent events

## A Briefing of 2015

- Positive results in consolidating as a Group, as well as in Social Responsibility and financial management.
- Other results to be highlighted: business growth and diversification, and major advancement in main projects.

**Power:** Ituango Hydroelectric Plant

**Water:** Aguas Claras Waste-Water Treatment Plant-Park in Bello and Aguas de Antofagasta - ADASA.

- The company continues to grow in citizen perception and users satisfaction, as well as in national and international reputation.

## Operation

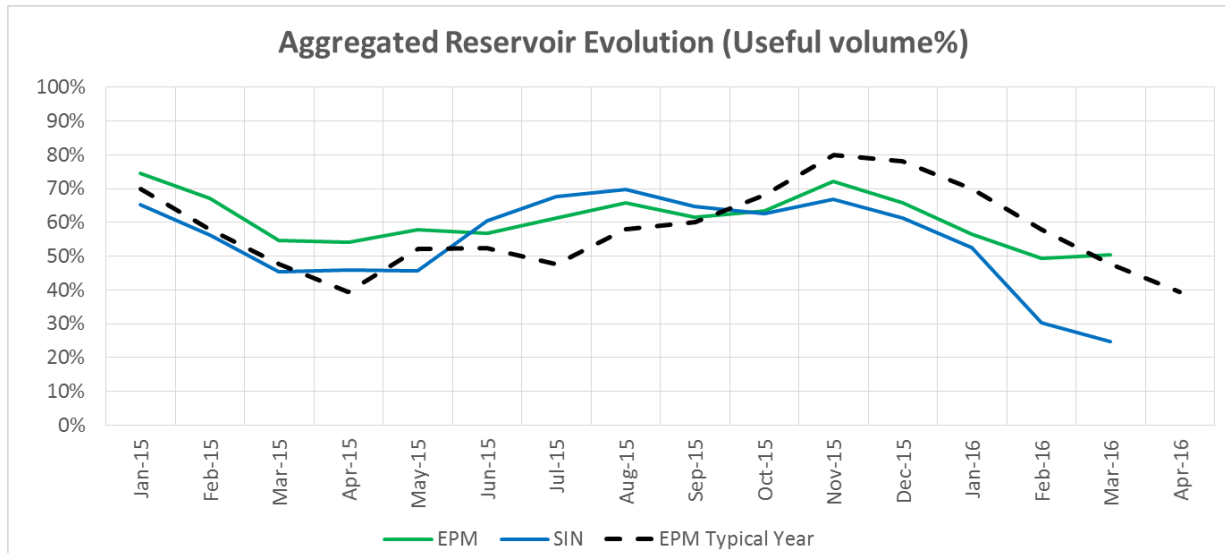
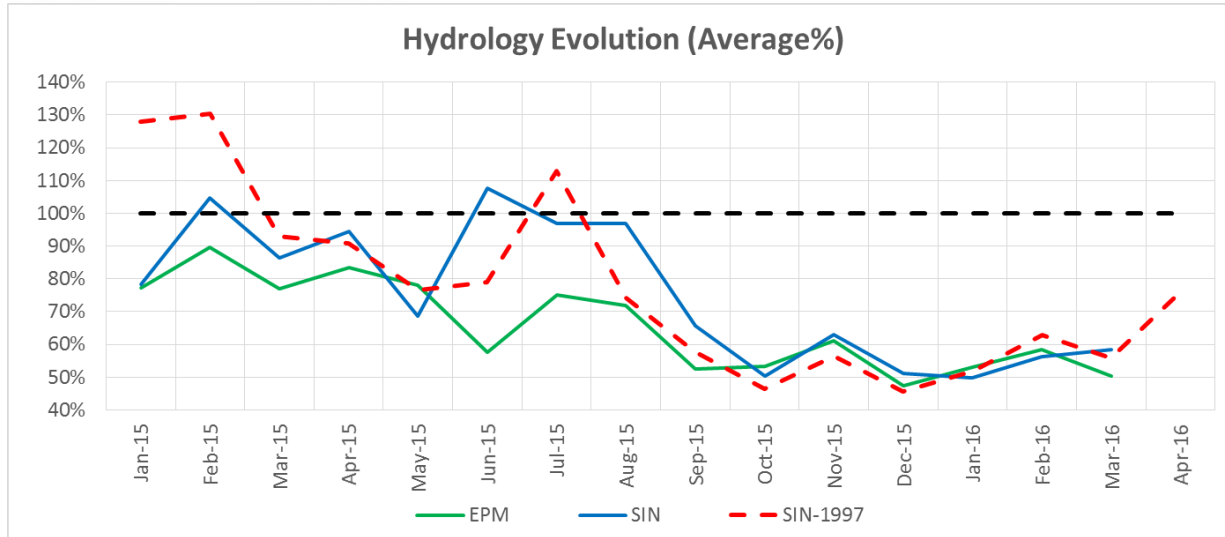
-  **EPM subscribed a framework agreement with Grupo Veolia** to establish an ESCO (Energy Services Company)-type corporation.

## Financial

-  In November of 2015, the **Board of Directors approved budget for 2016** of COP 12.4 billion for EPM parent company, of which, COP 2.3 billion will be earmarked for infrastructure investments.
-  In December of 2015, **EPM subscribed a USD 1,000 million loan agreement** with US, European and Japanese banks under the **Club Deal** modality, with a 12-months disbursement period (no disbursements in 2015).

# El Niño Phenomenon

## Hydrology and Reservoirs

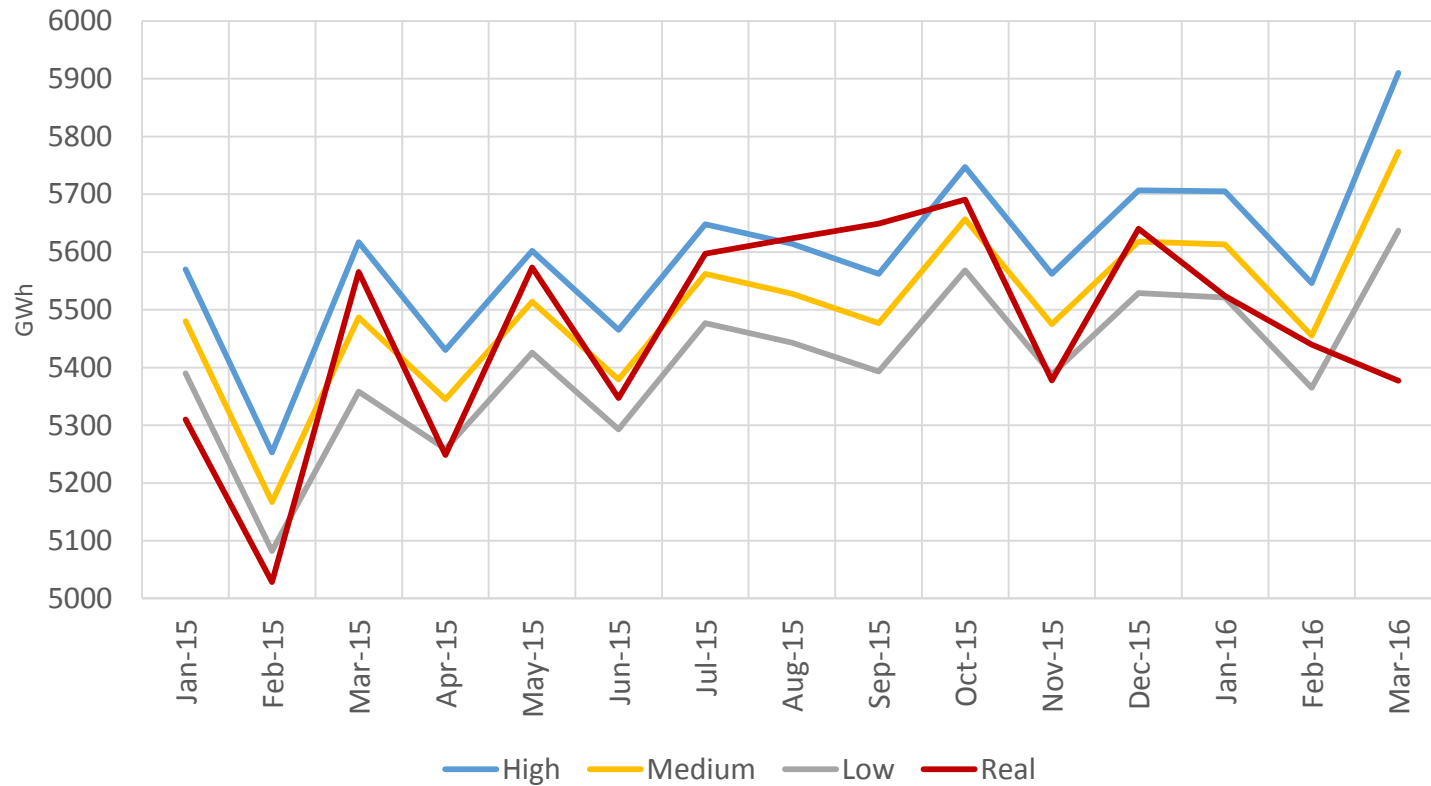


EPM Typical Year: period from January to December without El Niño and La Niña phenomena.

SIN: National Interconnection System (for its Spanish initials).

# El Niño Phenomenon

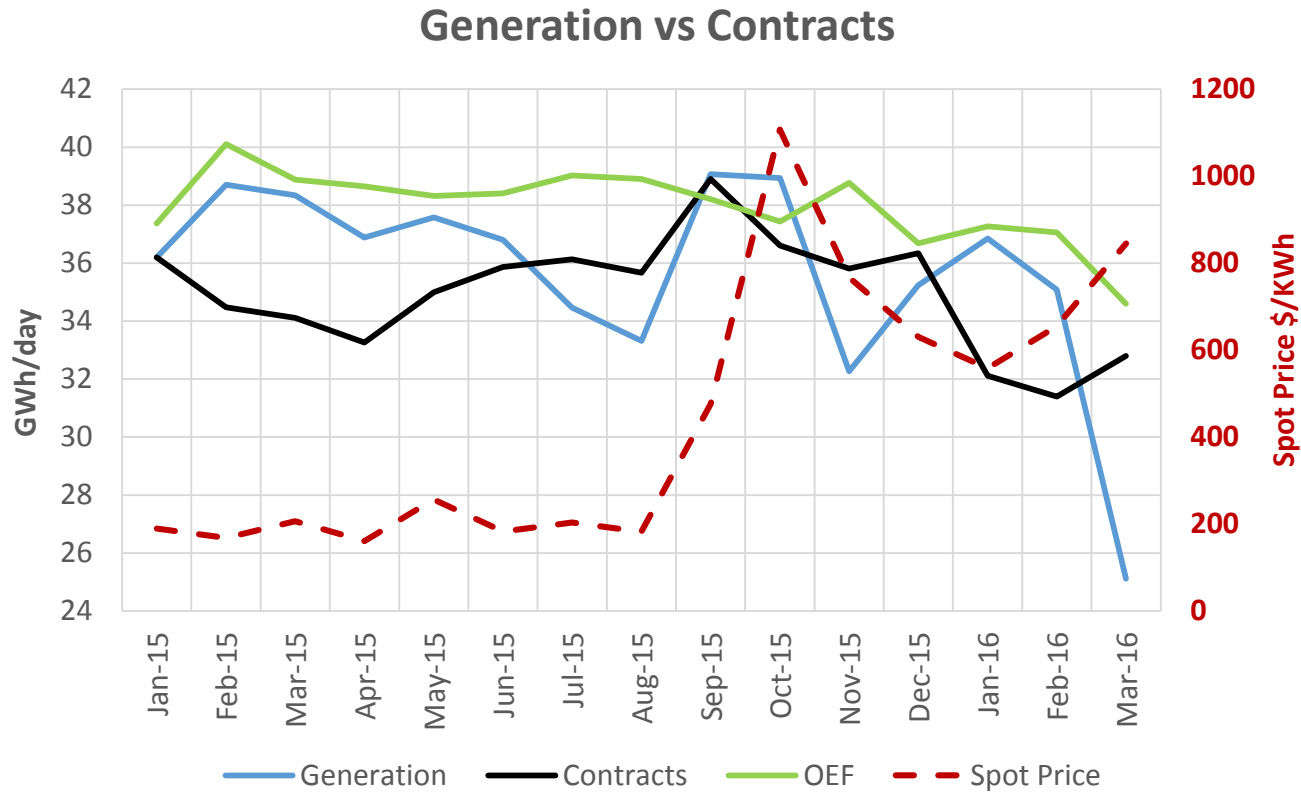
## Demand has grown significantly



March demand was **4.8%** below the UPME's Medium scenario.

# El Niño Phenomenon

## Evolution of physical variables and Spot Price



Generation has been higher than long-term energy sale contracts except in July, August, November and December of 2015



# El Niño Phenomenon

## Actions

- ! EPM bought gas in order to operate half of La Sierra plant starting May 10, 2015.
- ! Since May, the capacity of reservoirs has been used in a responsible way.
- ! Investments were carried out to ensure liquid fuel supply for thermal plants.
- ! EPM bought gas from Ecopetrol for the period Nov 15 until Nov 16 to permit partial operation of La Sierra and Dorada plants.
- ! Termobarranca plant (48 MW, owned by ESSA) was reincorporated to the market in late January 2016, in order to deliver 1.1 GWh/day to the system.
- ! 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 residential customers, the Tariff Option was also adopted in order to defer along time the increments in the energy tariff.

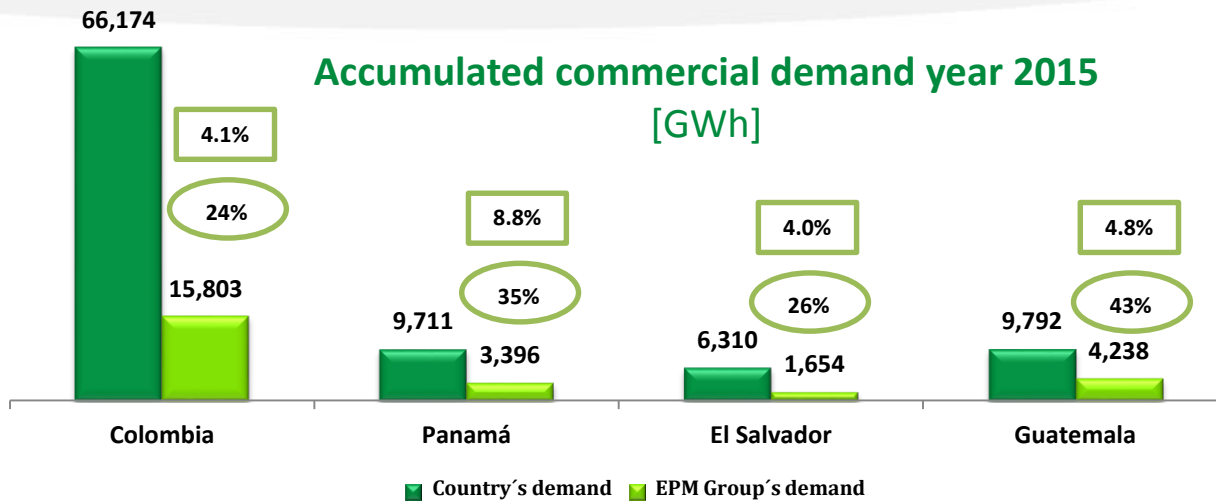
# El Niño Phenomenon

## Economic impact on EPM

- In 2015, El Niño phenomenon had an impact on EPM in **COP 321,000 million** and on EPM Group in **COP 421,000 million** .
- In 2015, **1.212 GWh of thermal generation** represented higher operational costs vs **11.985 GWh of hydro generation**.

# Energy Market

## EPM Group Commercial Power Demand

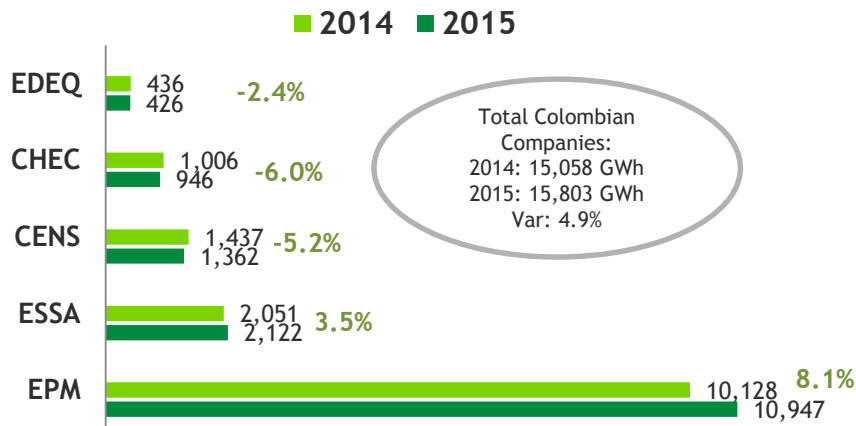


% Country's demand variation year 2015 vs 2014

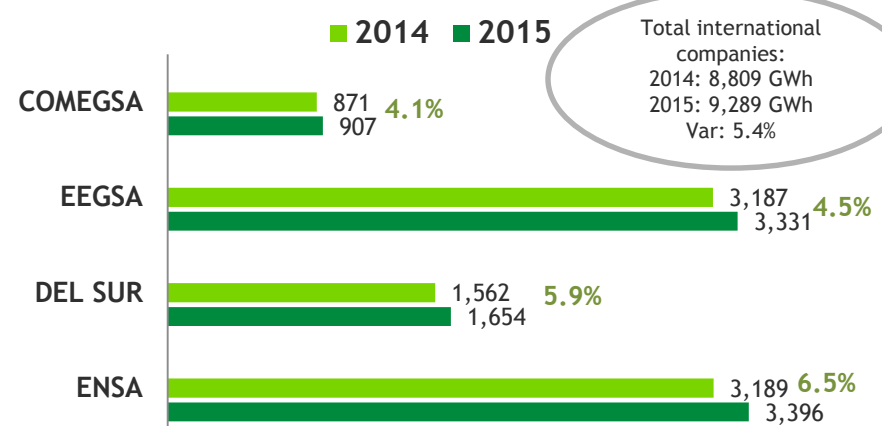
% EPM Group country demand's share.

*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

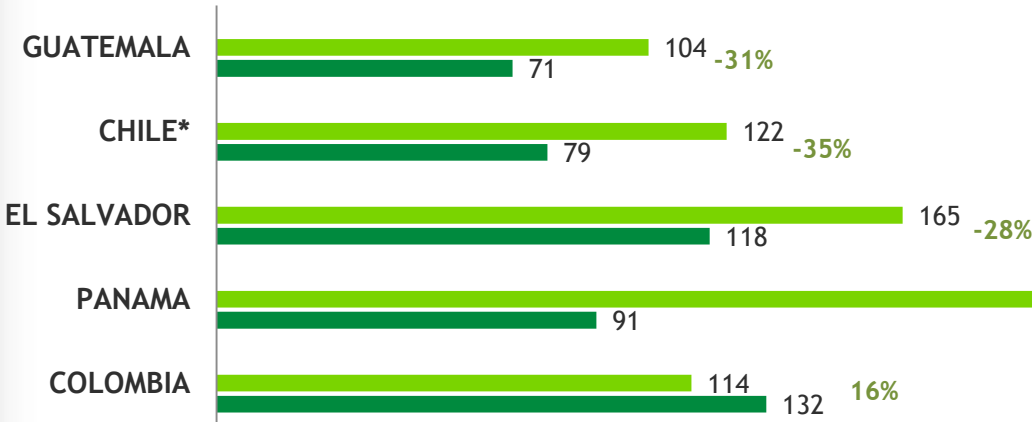


# Energy Market

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

### Spot Price USD/MWh

■ 2014 ■ 2015

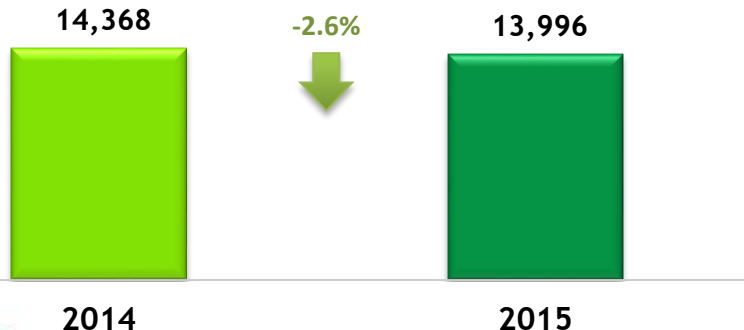


- In 2015 Electricity spot prices dropped, mainly due to the decline in fuel prices.
- However, in Colombia, where hydro generation component is high, drought associated with El Niño increased the price.

Annual average spot prices. Monthly exchange rate to convert in USD is applied.

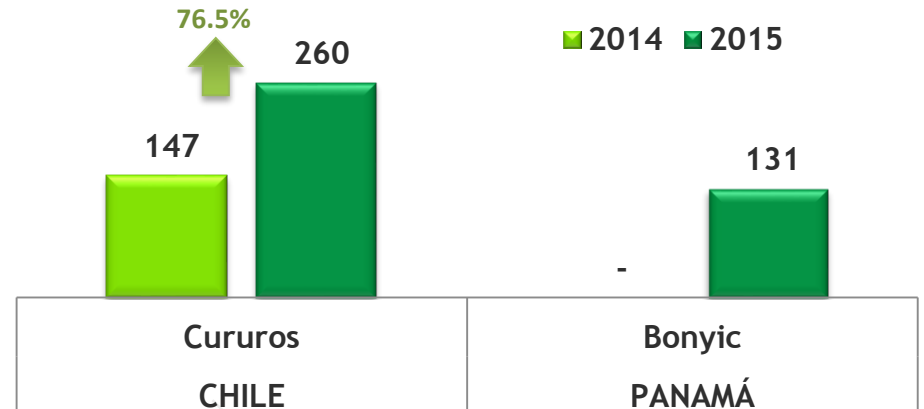
\*Price of La Cebada node where EPM's Cururos plant is connected.

### EPM Group Colombian actual generation [GWh]



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

### International subsidiaries' generation [GWh]



# Main Projects



## Ituango Hydroelectric Generation Plant

Work progress as of Feb. 2016: 42.1%

Investment (2011-2015): COP 4.2 billion



Installed capacity: **2.400MW**/8.563 GWh/year  
Ituango will represent **17.9%** of the total installed capacity of the country.



## Aguas Claras Park and Waste Water Plant in Bello

Work progress as of Feb. 2016 : 65%

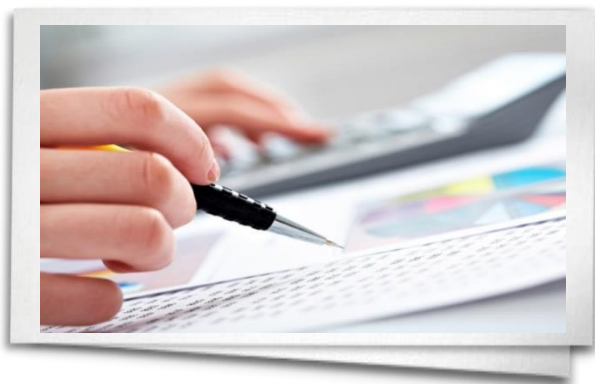
Investment (2002-2015): COP 694,523 million



Capacity: **5.0 M3/seg.**

# 4Q2015 Financial Results

## Macroeconomic Scenario



CPI: Consumer Price Index  
PPI: Producer Price Index  
WPI: Wholesale Price Index (Panama and El Salvador)

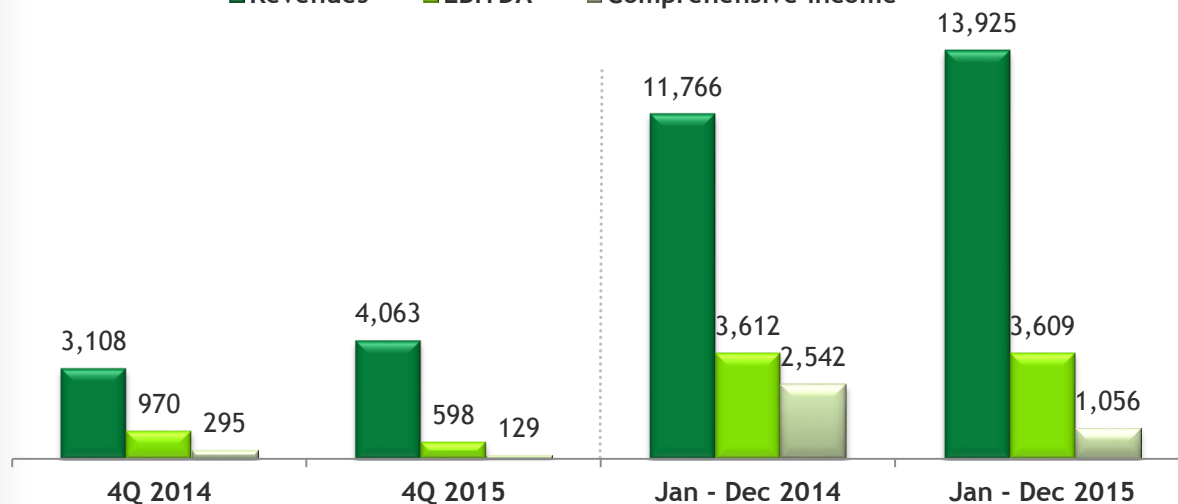
Concept	Colombia	Panama	Salvador	Guatemala	Mexico	Chile
CPI	6,77%	0,20%	1,01%	3,07%	2,13%	4,38%
PPI/WPI	9,58%	N.A.	-0,09%	N.A.	2,78%	-10,67%
Exchange Rate	3149,5	N.A.	N.A.	7,63	17,25	707,34
Devaluation	31,64%	N.A.	N.A.	0,44%	17,03%	16,46%

# Financial Results 4Q2015

## EPM Group Income Statement

Figures in COP thousand million

■ Revenues ■ EBITDA ■ Comprehensive income

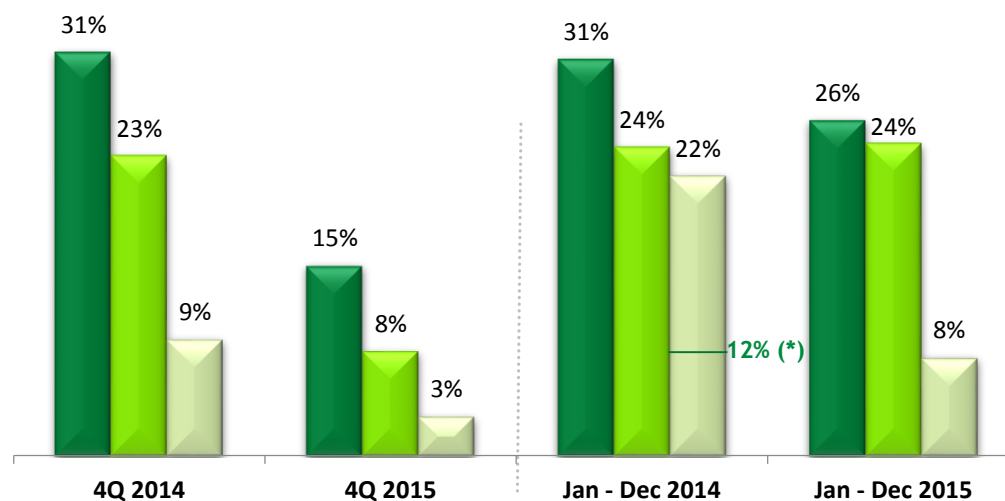


Variation in COP 2014 - 2015

- Revenues: 18%
- EBITDA: remained flat
- Comprehensive income(\*): -58%

(\* ) Excluding the effect of the extraordinary dividends of UNE in 2014 ( COP 1,074,798 millones), comprehensive income presented a decline of 25%.

■ EBITDA margin ■ Operational margin ■ Net Margin

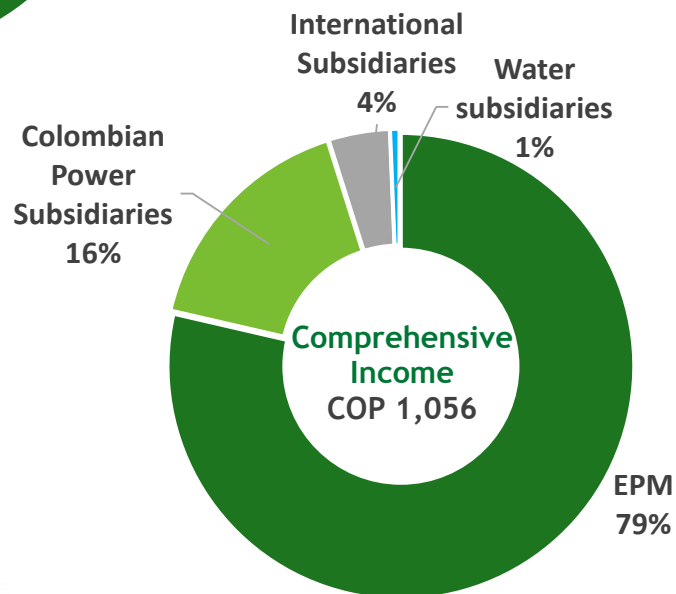
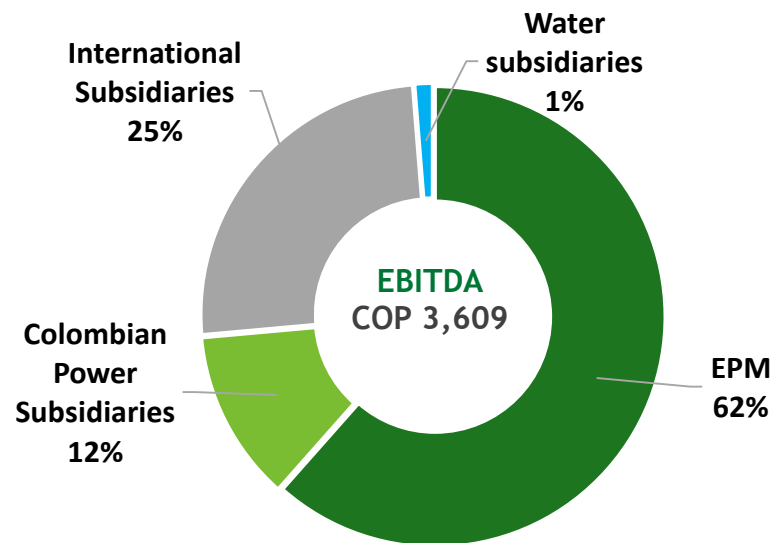
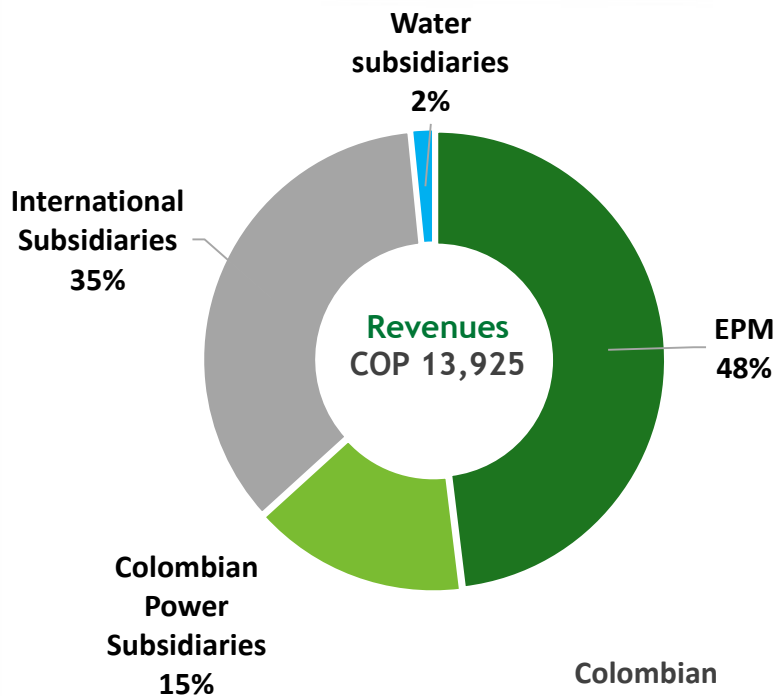


(\* ) Excluding the effect of the extraordinary dividends of UNE

# Financial Results 4Q2015

## By Countries

Figures in COP thousand million

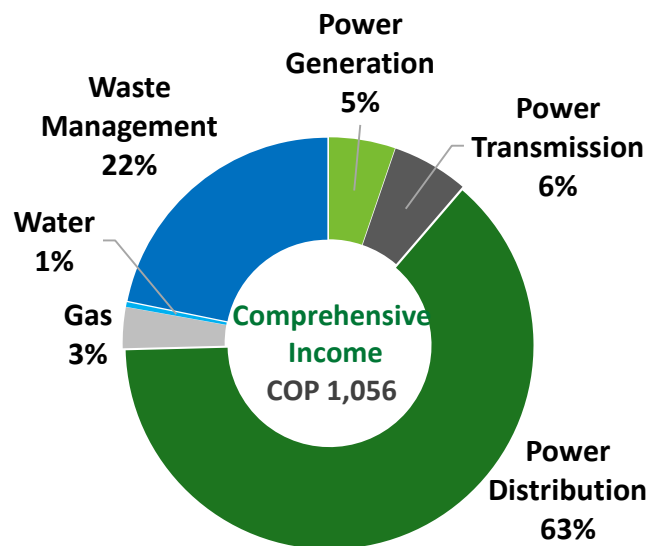
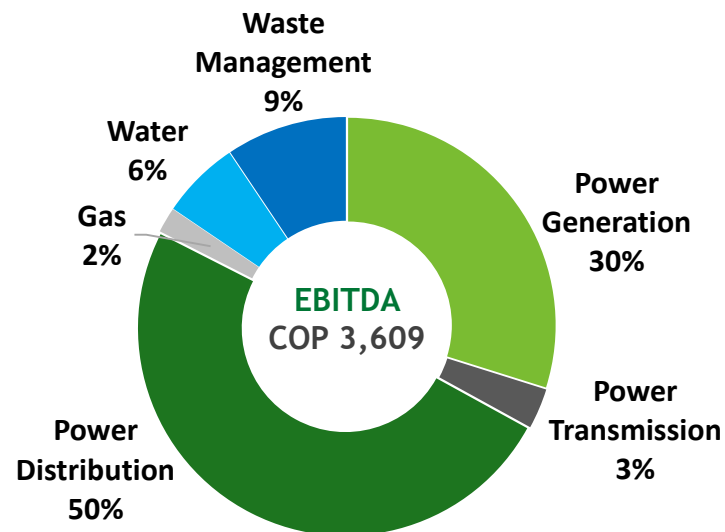
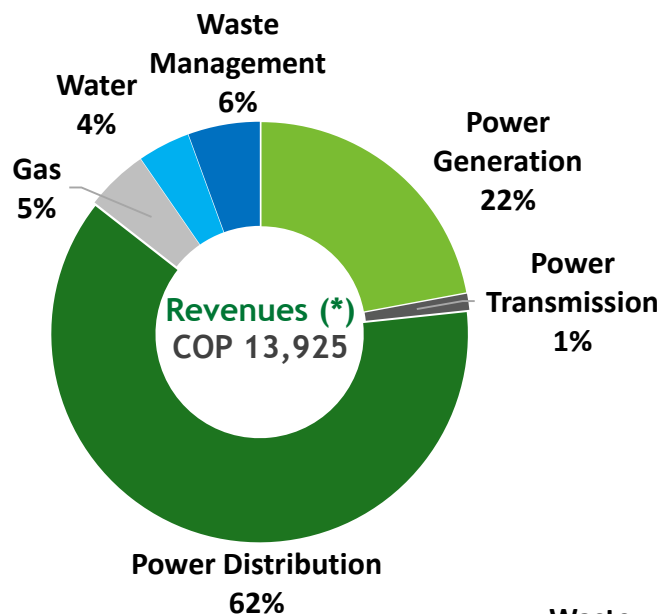




# Financial Results 4Q2015

## By Segments

Figures in COP thousand million

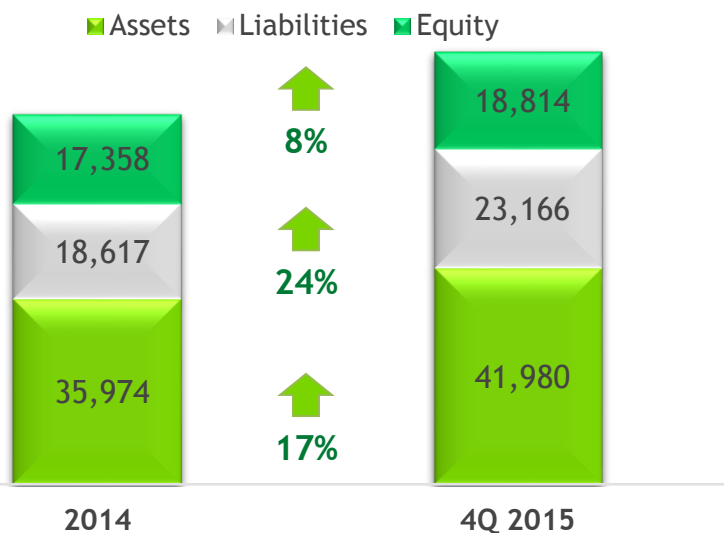


(\*) Revenues between segments do not include internal eliminations.

# Financial Results 4Q2015

## Statement of Financial Position

Figures in COP thousand million



Ratios	2014	2015
Total debt	52%	55%
Financial debt	31%	37%
EBITDA/financial expenses	6.96	4.98
Debt/EBITDA	2.92	3.76

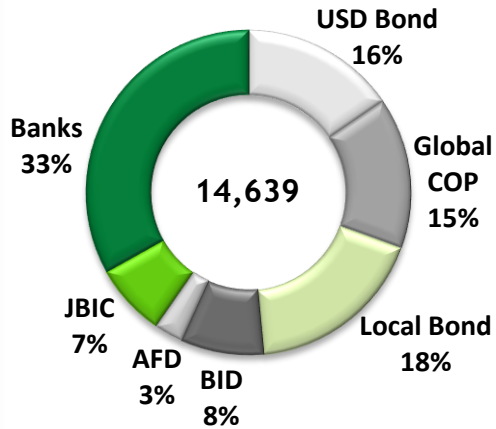
- Debt/EBITDA covenant exceeded 3.5 times due to: i) the impact on the EBITDA caused by El Niño Phenomenon, COP 421,000 million and ii) the effect of the peso depreciation which caused debt balance increasing by COP 1,405,635 million.
- As of March 31, 2016 AFD, BID and JBIC granted EPM with a waiver for the Debt/Ebitda covenant for December 2015.
- EPM expects to return to Debt/EBITDA ratio equal or under 3.5 times during 2017.

# Financial Results 4Q2015

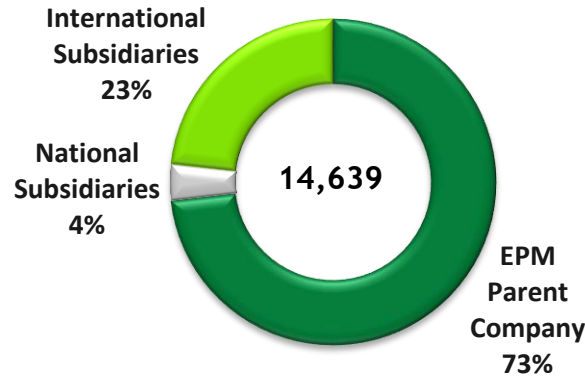
## Debt Profile

Figures in COP thousand million

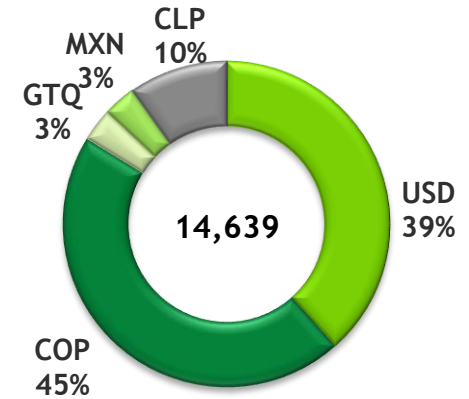
### Source



### Companies

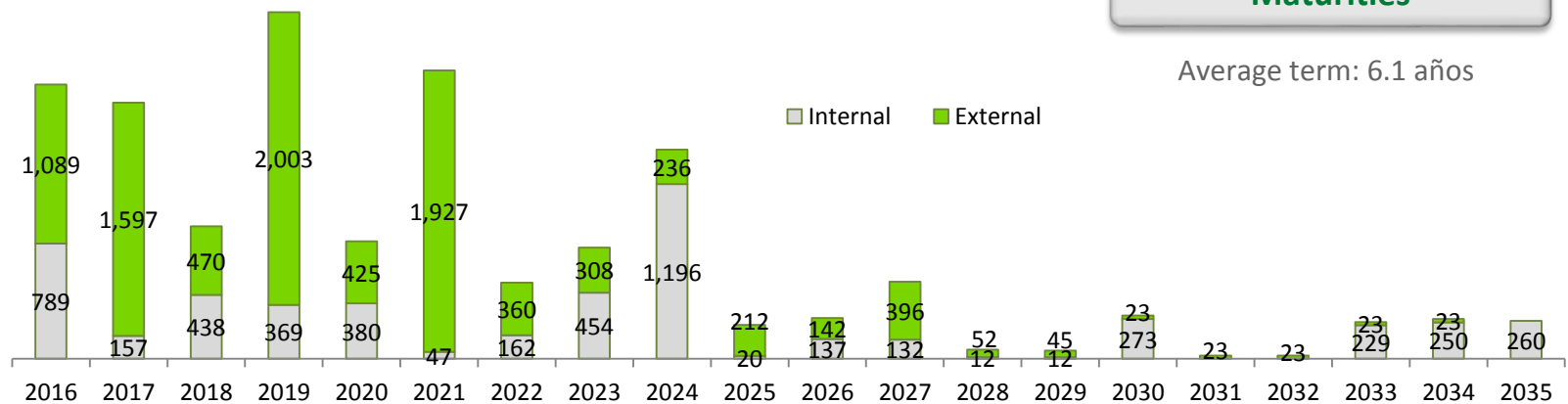


### Currency



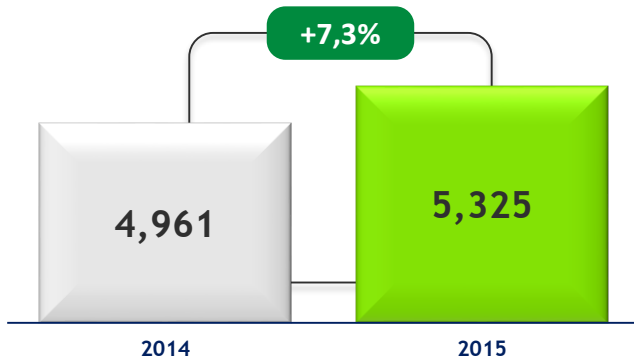
### Maturities

Average term: 6.1 años

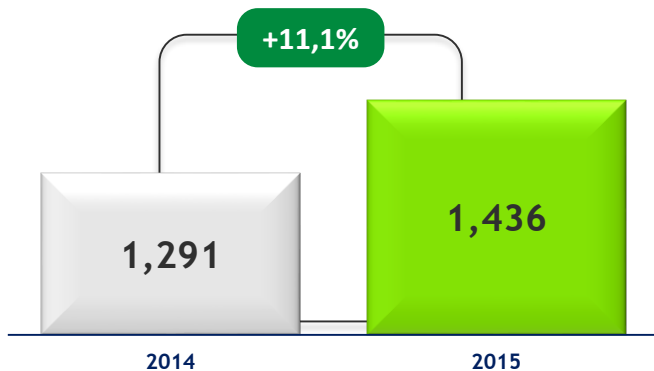


# UNE 2015 Operational results

## Revenues (thousand million COP)



## EBITDA<sup>1</sup> (thousand million COP)



- UNE is the **second largest operator in terms of revenues** in the Colombian telecom industry
- Mobile business line had a **8,9%** growth. UNE was the only operator with positive growth in the Colombian market.
- Fixed business line had a **7,1%** growth.
- 70% of the projects identified during the merger process **have synergies**. In 2015 the goal set for such synergies was widely accomplished.
- Net Income: 2015 outcomes has a **\$309 thousand million COP loss**, due to COP depreciation and equity tax.

<sup>1</sup> EPM has a shareholding of 50%

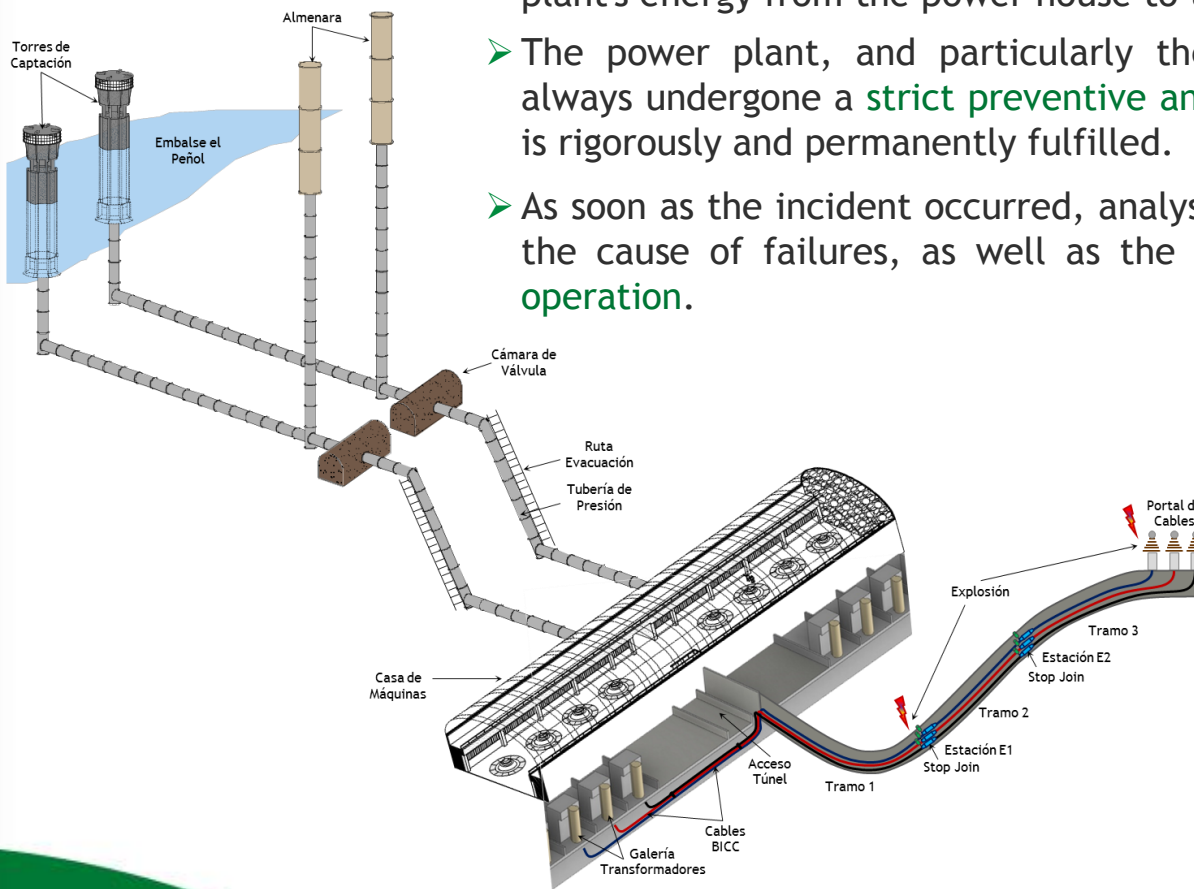
# Events subsequent to closing

- ✓ On January 1st, engineer Jorge Londoño De la Cuesta took office as the **new Chief Executive Officer and leader of EPM Group**.
- ✓ The Mayor of Medellin appointed the **members of the Board of Directors of EPM**: he ratified five members, changed two and appointed a vacancy.
- ✓ On March 15th the **Council of Medellin** authorized to sell **EPM's shares in Isagen**, by which it is expected to receive close to **COP 1,480,000 million**.

# Guatapé Hydroelectric Generation Plant

## Incident Description

- On February 15th: the power plant temporarily suspended its operations due to a technical incident which caused a fire.
- In the incident, the fire partially destroyed the cables that evacuate the plant's energy from the power house to the substation.
- The power plant, and particularly the cables that were damaged, have always undergone a strict preventive and predictive maintenance plan which is rigorously and permanently fulfilled.
- As soon as the incident occurred, analysis were initiated immediately to find the cause of failures, as well as the plan for the reestablishment of the operation.



### Guatapé Plant /Technical data:

- Installed Capacity: 560MW  
Bringing into operation: 1st stage: 1971-1972 and 2nd stage: 1979-1980
- 8 vertical shaft Pelton turbines, of 70MW each.
- 12 transformers
- 12 single core cables insulated in oil.

# Guatapé Hydroelectric Generation Plant

## Plan for the repair and restart of operations

Repair works at Guatapé hydroelectric power plant begin in record time:



- Around **800 tons** of cables, accessories and tools to repair the damaged cables **arrive from Mexico**.
- It is foreseen that **25%** of Guatapé plant will be in operation this coming **May**.
- The cost of works is estimated at **USD 25 million** and will be mostly covered by the **insurance policy**.
- Simultaneously, **water will be gradually evacuated** from the El Peñol reservoir into the Jaguas, Playas and San Carlos power plants.

# Guatapé Incident

## Economic impact on EPM

- The incident happened at Guatapé has an estimated net impact on the EBITDA of 2016, preliminarily in an amount of **COP 200,00 million**, including the recovery by the insurance policy.
- On March 16th, after analyzing the company's situation given the impacts of El Niño phenomenon, the devaluation of the Colombian Peso, and the event at Guatapé hydroelectric power plant, all of which affect EPM's short-term indebtedness level, **Fitch Ratings** agency affirmed the current ratings:
  - AAA for Colombia
  - BBB+ internationally
- Furthermore, in meeting held on March 31, 2016, the Board of Directors of EPM approved modification of budget for current year as a result of the incident. Reduction in **revenues** for the period and increase in **costs** are estimated at **COP 371,943 million** and **COP 598,074 million**, respectively. EPM expects to recover most of these costs by the business interruption insurance policy.



# Gracias

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