

**ROUGH EDITED COPY**

**NASDAQ**

**EMPRESAS PUBLICAS DE MEDELLIN**

**MAY 30, 2016**

**TRANSCRIPTION PROVIDED BY:**

**PostCAP LLC**

**PO BOX 278**

**LOMBARD, IL 60148**

**Info@postcapllc.Com**

\*\*\*

This is being provided in a rough-draft format. Communication Access Realtime Translation (CART) is provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings.

\*\*\*

>> OPERATOR: Welcome to the first quarter 2016 EPM earnings call. My name is Hilda and I will be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded. The host and speaker will be Mr. Jorge Andres Tabares, Executive Vice President of Corporate Finance, Risk Management and Investments of EPM Group. Before I leave you with your host, let me remind you to take a look at the disclaimer of today's presentation.

Now, I will give the floor to Mr. Tabares.

>> Thank you. Good afternoon, everybody. I'll move you to Page 4. The most relevant parts during the first quarter of 2016, right now the impact of the El Nino phenomena that's still going throughout the quarter. And we had the outage of the Guatape power plant and the export cables from the center.

Water inflows in Columbia have increased. And there's evidence that El Nino is weakening. And spot energy price is basically all back to normal levels

And finally, there was an incident at the Guatape plant. We have already by now put into -- online 50% of the capacity of the plant. With the remaining 50% expected here within the next month and a half to two months. We are well ahead of schedule. And the financial impact of the incident is lower than what we expected initially.

Moving to Page 5, the hydrology is starting at the national level. You can see now

that the interconnected systems, (inaudible), the blue line is above the '97 year, which was the worst year so far in Columbia. Although the EPM system is still well below the average levels stating a little bit below 60% at the end of April.

It's very different when you look at the aggregate reservoir level. The pattern system is still below the typical year. But EPM is higher because as you can see in the charts, since February, the reservoir level didn't go down as we were not producing at Guatape. So in April we are 10 percentage points above the typical year for EPM.

I said the spot prices, the energy spot prices are basically at normal levels.

On Page 6 I'll highlight our generation. And the impact in March, the impact in March of the Guatape incident, we were able to generate 22 gigawatt hours per day. And during March. And the situation started to improve in April. And in May we have been getting 33 gigawatt hours per day.

And on the right-hand side scale, on the red dotted line, you can see how the spot price went from 800 pesos all the way to a little bit above 100 pesos per gigawatt hour. So I can say from the spot price perspective, the (inaudible), from the (inaudible) perspective. And the other system at normal levels due to range outside of the EPM region or corporation.

Moving to Page 7, the total commercial demand for EPM for the quarter was 16,424 gigawatt hours and that shows a 3.4% increase, which is high, mainly due to the temperatures of the El Nino phenomena during the quarter.

EPM represented 24% of the demand of Columbia, supplied 24% of the demand in Columbia.

I highlight, also, the high growth rate in Panama and Guatemala in which we operate. And we provided during the quarter 42% of the Guatemala system demand. And 35% of Panama's.

The bottom of the chart, you see the growth for the EPM portfolio of companies. And the variation was 4.4% growth. Again, highlighting EPM's 3.2% growth, delivering 2,727 gigawatt hours during the quarter.

At the international level, Panama keeps growing at 6.9%. And in Guatemala we have extra growing at 6.4. But commercial which is fortunately (inaudible) is 17.4%. And that's affected by the fact that we have long-term context with Comegsa. The stock price went down significantly. Our competitors are gaining market shares on us at Comegsa.

Moving to Page 8, the spot price in Columbia of course have gone up significantly, 176% compared to a year ago. But in Central America the prices have been down very significantly, also.

The EPM Group our growth, actual power generation went down 14.2% to 3,042 gigawatt hours and that's mainly from the incident at Guatape which affected half of the quarter basically.

Good growth on our international subsidiaries, Cururos and Bonyic. and energy at

a much lower level than the parent company.

Moving to projects on Page 9 At the very start of the quarter, the total progress as of April of the Ituango hydroelectric generation plant was at 50.4%. That's a big milestone for us as we pass the halfway mark of the project. We have invested so far \$45 billion at Ituango. The dam, which you see is the one in the picture, was at 33% of progress. And from the power house, we concluded the northern part and the southern part is at 90% of completion.

The spillway, which can be seen at the top left of the picture, it's now at 73% progress.

And to provide some details about the infrastructure investment plan for the next four years, including 2016, the total investments for the year show 11.8 billion Columbian pesos. That shows a (inaudible) with one company. And I highlight the diversification of the investment projects.

Ituango is the biggest one with a 36% share of that investment during that period Remember that's expected until 2019, generating until 2019. 19.

Then the rest of the graph is divided among the different businesses and the different partnerships, which in our belief, it's a good demonstration of the diversification of the portfolio.

Moving to Page 11, I highlight two things here, one is inflation which is in Columbia is at a high level at 7.97. It's also high in Guatemala and Chile. This is in part due to the impact of the devaluation of the currencies. And in Columbia also in part because of the El Nino drought and the impact on spot prices. And at the bottom of the page you see some countries showing devaluation of their currencies, Columbia and Chile, showing the most significant ones. This is in part because last year depreciation was significant. And it's highly (inaudible) to the old prices which during the quarter show some recovery. Most importantly the expectation of them going down to (inaudible) mostly disappear from the market center in the expectations.

Moving to Page 12. The revenues for the quarter were 2.8 Columbian pesos. And 25% in part because of the higher prices associated with El Nino. And the hydro plant incident and impacted the Columbian oil supply.

The EBITDA shown here shows 577 -- thousand million pesos, decreasing 38%. But I have to say that in this period, the loss is due to a period a little bit lower than 500 thousand million pesos and most of that was of EBITDA is expected to be recovered from the insurance proceeds. The Guatape incident was fully covered by the insurance policy.

And finally, the comprehensive income decreased also at 66%. In part by the combination of El Nino and Guatape but with some offset due to the currency depreciation that I showed on the previous page.

The margins are not typical and not representative. And again, are impacted by the reality that we cannot account for the insurance proceeds until we actually settle

with the insurance company, which is something we expect to happen at some point during the next -- during the third quarter of 2016.

Going to Page 13, and this is a typical -- non-typical year of 3.8 billion Colombian pesos, EPM represents 48%. It was significantly impacted by the generation of Guatape and the generation in the system following the El Nino phenomena.

The international power subsidiaries is represented at 31%. And we see a big improvement in the international water subsidiaries at 4% with 104,000 pesos provided by (inaudible) in Chile. I highlight the composition of it and how more than half of the (inaudible) delivered by the international power -- international subsidiaries, which is a good confirmation of the diversification and internationalization of strategies. But when we had a tough year in Columbia, a tough quarter in this case in Columbia, the international businesses are not as reliant on rainfall and the countries came to the level despite the local conditions.

The comprehensive income, the total income was 132 thousand million pesos. And you can see in the graph the composition was still the international power subsidiaries represent the biggest portion. And EPM having a very tough quarter, due to conditions previously mentioned.

Moving to Page 14, I'm showing by segment the generation shows 23% of power generation. This is typical in the portfolio in the normal year. Then we have 60% from our power distribution. You can see a combination of gas, water and Waste Management providing 16% of the revenues.

In EBITDA, you can see I highlight the 89,000 pesos delivered by the water business. And this is an area that's been increasing (inaudible) in June of last year. So we had one quarter of additional growth that has not yet been captured by EPM due to the timing of the acquisition.

Moving to Page 15, I highlight the total debt which moved up from 52 to 56% at the end of the quarter. And when you benchmark this level, we see it's still very much in line with most of our Colombian peers, if not even below. The EBITDA/financial expenses was 3.2. And we continue the debt to EBITDA ratio continues deteriorating. We had at the end of 2015 a 3.76 ratio. And now it stands at 4.29. I quantify that these numbers basically captures the negative impact of the Guatape, around 500 thousand million Colombian pesos. And the offset of the revenue coming from the insurance proceeds.

So far we have received the insurance balance of the repair of the cable system. Around \$16 million. But we have not received any revenue from the insurance company related to the business interruption insurance.

We expect that the debt to EBITDA ratio will go down below 3.5 during the first quarter of 2017. We do have a waiver from two of the international lenders that I covered by this debt to EBITDA 35 covenant. And are still in negotiations with the JBIC \$145 million 1Q2016 waiver. We expect to get that in the next few weeks.

Moving to Page 16, the total debt at the end of the quarter is 3.15 thousand million Columbian pesos. And I highlight that we sourced \$200 million from the \$1 billion security that included the (inaudible) and displayed -- executed and displayed at the end of the (inaudible) of 2015. We still have \$800 million of credit availability from that facility. And I will mention will not lead to any covenant or financial condition in order to (inaudible)

And finally, on Page 17, I highlight that on April 18th, after more than a month of interaction with Moody's, and giving a lot of information on the situations, they decided to reaffirm the investment grade rating and a positive outlook for EPM's corporate debt.

Previously around March, mid March, (inaudible) had delivered to the market the same news after U.S. negotiation, we managed to sign (inaudible) and signed a \$111 million financing for some equipment at the power plant that's being delivered in Brazil. I highlight that this credit has a 23.5 years term. And has 5.5 years period in which we don't have to make any payments.

And on April 25th, much before the estimated date, EPM put into operation 25% of the Guatape hydro electric plant and on May 5th, again ahead of schedule, another 25% for up to 50% of the total capacity of the plant.

We will now take questions that you may have so I'll pass it over to you, operator.

>> OPERATOR: We will now begin the question and answer session. If you have a question, please press star and then 1 on your touch tone phone.

If you wish to be removed from the queue, please press the pound sign or the hash key.

And if you are using a speaker phone, you may need to pick up the handset first before pressing the numbers.

Once again, if you have a question, please press star and then 1 on your touch tone phone.

We are standing by for questions.

Once again, to ask a question, please press star 1.

>> In any case, we will be happy to provide answers to questions according to our Investor Relations team.

>> OPERATOR: Mr. Tabares, at this moment I'm not showing any questions. I would like to turn the call back over to you for any final remarks

>> Okay Thank you, operator, thank you, everybody, for joining the call. And again, we are standing by to provide any answers to questions that you may subsequently think of. Thank you.

>> OPERATOR: Thank you, ladies and gentlemen. This concludes's today's conference. Thank you for participating. You may now disconnect.

\*\*\*

This is being provided in a rough-draft format. Communication Access Realtime

Translation (CART) is provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings.

\*\*\*