

Medellin, April 28, 2015

## **The Board of Directors of EPM approved the first financial statement of EPM Group under International Financial Reporting Standards (IFRS)**

- **These results again show that 2014 was an exceptional year in the financial history of the organization**
  - **Financial information reporting under IFRS is a legal duty in Colombia for the economic group**
  - **The application of this new standard leverages the Group's growth strategy and facilitates its access to international capital markets while adding competitiveness and transparency**
- **There will be no changes in the capacity to generate cash flows, in the transfers to the Medellin Municipality for 2015, and in the taxes to be paid during the next four years.**
  - **Upon adoption of IFRS the businesses of EPM Group continue unaltered with the same financial solidness.**

With figures that confirm EPM Group's good results during 2014, EPM Board of Directors approved this past Tuesday the financial statements of EPM and its Group for the fiscal year, prepared on this occasion, and for the first time, under the International Financial Reporting Standards (IFRS). Under this new standard, at 2014 closing date, the Group's fiscal year net income totaled COP 1,600,000 million, after discounting the windfall profits obtained from the UNE-Millicom transaction.

EPM's Chief Executive Officer and leader of EPM Group, Juan Esteban Calle Restrepo, highlighted that the organization's figures in terms of the IFRS standards indicate again, as was the case with the balance sheet delivered last month under COLGAAP (accounting principles generally accepted in Colombia) standards, that 2014 was yet another exceptional year for EPM. The company not only attained satisfactory financial results but also advanced significantly both in the transformation process of the economic group and its utmost goal of helping consolidation of sustainable and competitive territories with better quality of life and access to opportunities for the communities through delivery of basic utilities and execution of programs and projects that are integrated into the regions' development.

Mr. Calle Restrepo underlined that these results are presented under IFRS, standards which have been adopted in advance by EPM since January 01, 2013 in compliance with Law 1314 of 2009 and Resolution 743 of 2013 of the National General Accounting Office that order State entities quoted in the securities markets, or that borrow or administer public savings, to apply the regulatory framework established in attachment to National Decree 2784 of 2012 (full IFRS) applicable to Colombian companies classified in Group 1.

"Adopting the IFRS has many advantages for the Group because it permits comparing us to other companies in Colombia and worldwide in a universal financial language that encourages the country's competitiveness; additionally, it increases the reliability and transparency of the economic group's financial reports to international investors and banks providing us with an opportunity to open new doors in the international capital markets", said EPM's Chief Executive Officer and leader of EPM Group.

Adoption of IFRS leverages the growth strategy of EPM Group facilitating financial integration while improving analysis and evaluation of the Group's companies so as to permit comparison with the best companies of the sector worldwide.

Mr. Calle Restrepo explained that for EPM Group the change from COLGAAP to IFRS standards does not imply changes in the capacity to generate cash flows, "the business does not change, nor the financial soundness, it is just another measurement criteria, like, for example, when we measure the temperature in Celsius degrees we obtain a number that is different from the number we obtain if we measure it in Farenheit degrees, but the temperature is the same.

### **From local standards to international standards**

For 2015, the amount of transfers to the Medellin Municipality will not change as a result of application of IFRS because the income figure used as basis for their determination is that of the income statement at December of 2014 prepared under COLGAAP standards.

Likewise, according to tax regulations, taxes to be paid during the next four years will continue to be calculated based on the former accounting standards.

The qualitative impacts of the regulation can be seen in the accounting and financial reports, investor relations, management reporting system, corporate finances, financial products and performance indicators.



Adoption of IFRS affects assets and liabilities, equity and income; these changes are explained, among other reasons, because under IFRS the depreciation expense is higher due to inclusion of reappraisals as part of the asset's depreciable basis. Additionally, there are new provisions that were not considered under the local standards, thus, in the integrated income statement of EPM parent company, dividends received from subsidiaries are considered as revenue instead of recognizing as such the subsidiaries' income from application of the equity method. Also, according to IFRS, equity investments shall be periodically evaluated to determine whether their value has deteriorated.

As compared with the financial information under COLGAAP standards, in the statement of financial position at December 31, 2014, equity of EPM Group fell by 21% or COP 4,600,000 million. Such decrease is explained mainly by the change in methodology for measurement and recognition of fixed assets and determination of deferred tax in accordance with IFRS which produces higher liabilities and decreased equity.

On the other hand, at December of 2014, EPM Group's income calculated under IFRS, after discounting the windfall profits resulting from the UNE Millicom transaction, amounted to COP 1,600,000 million, 11% down on the income registered in the financial statements prepared under COLGAAP. Such decline is due, among other things, to the increased depreciation expense resulting from inclusion of reappraisal as part of the asset's depreciable basis, to the deferred tax, and to the incorporation of new provisions.

According to studies performed by the Superintendency of Domiciliary Public Utilities among 151 companies in the sector (among them, EPM), in Colombia, as a result of adoption of IFRS impact on equity fluctuates between 16% and 27%. The Superintendency of Corporations in its report of Opening Statement of Financial Position (ESFA for its Spanish initials) for companies of Group 1 in the real sector concluded that the net impact on equity from adoption of IFRS in 2,210 reporting companies was a 13.5% weighted net reduction of equity.

## **Connected to the world**

More than a trend or a fad, IFRS are a worldwide reality aimed at organizational transparency. Currently, IFRS are uniformly applied in 128 countries, among them Colombia, including the most advanced economies.

In some Central American countries, the Group's companies have already adopted IFRS, even in some countries where, different from Colombia, local regulation does not requires so.

Considering the technical character of the implications of the change to IFRS, EPM has prepared a plan for disclosing the issue to all its stakeholders, among them the Medellin City Council, investors, businesspeople and control bodies.

These are the main financial figures of EPM and the Economic Group under the new international standard:

**In the financial statements of EPM parent company at December of 2014:**

Assets: COP 31,500,000 million

Liabilities COP 13,900,000 million

Equity: COP 17,600,000 million at 2014.

Year's income: COP 2,400,000 million; after discounting the windfall profits obtained from the UNE-Millicom transaction income amounts to COP 1,500,000 million.

**In the consolidated financial statements of EPM Group at December of 2014:**

Assets: COP 35,900,000 million.

Liabilities COP 18,500,000 million.

Equity: COP 17,400,000 million.

Year's income: COP 2,500,000 million; after discounting the windfall profits obtained from the UNE-Millicom transaction income amounts to COP 1,600,000 million.

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