



Information on the contingency presented at the Ituango Hydroelectric project

Since 2011, EPM is executing the construction of the Ituango hydroelectric project, with a capacity of 2,400 MW, and with an entry into operation of the first generation unit (300 MW) scheduled for November 30th, 2018. As of April, it was recording progress of 85% in its main works.

On April 28th, due to a geological condition of as yet undetermined causes, the tunnel that used to divert the Cauca River waters had a partial obstruction that caused its damming to head upstream and a decrease in river flow downstream. From that time, EPM and the works' contractors started a work plan to resolve the contingency, with the support of a panel of international experts in this type of projects.

Work plan for resolving the contingency

EPM has undertaken the following actions:

1. Open up two auxiliary tunnels, which had been built in the project's initial phase, to contribute to the evacuation of the dammed water. According to the project schedule, one of them had been sealed with a 22-meter long concrete plug to allow the subsequent filling of the reservoir.
2. Make a priority filling in the upper area of the dam, which, as of April, had been executed to over 85%, in order to evacuate the river's flow through the spillway, a structure designed for that purpose and which progress was at 99%.

On May 10th, given that the results in enabling the diversion tunnels were not adjusted to what was initially scheduled, nor was the expected performance achieved in the priority filling due to the harsh winter that affected the area, it was decided to evacuate the water flow from the Cauca River using four of the eight intake tunnels through the Power House, prioritizing the communities located downstream and the dam's structure. In this way, it is expected to have enough time to reach the necessary elevation in the height of the dam so that the dammed water is directed towards the spillway and thus maintain the river's flow.

On May 12th, the natural opening of one of the obstructed diversion tunnels temporarily presented itself, which caused a temporary increase of considerable magnitude in the flow of the Cauca River. This increase affected the homes and infrastructure in the township of Puerto Valdivia, downstream from the dam site, and forced the evacuation of 544 people, who are being cared for by rescue and relief agencies in coordination with EPM. There were no reports of injuries in the incident.

On May 16th, there was a temporary and natural obstruction in the flow that was being evacuated through the Power House, a situation that lasted about 2.5 hours and led to water flowing through



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access galleries to the Power House. This resulted in the activation of an evacuation plan for the communities located downstream from the dam. Due to this incident, it was reported that four project workers suffered minor injuries.

Once the project's safety conditions were re-established, the personnel returned to their work to complete the missing strip of the dam, of which seven meters in height remains to be completed, with what is expected to have nine meters' height of the dam above the entry level of the spillway.

Environmental and social component

From the day the contingency began, an emergency plan was activated in conjunction with the Red Cross and national, regional and local risk-response organizations to address the possible impact that may affect the people at the river banks, mainly downstream from the project.

The company also designed and implemented an environmental plan for rescuing fauna and for its care by specialized personnel, as well as the control and disposal of the floating material that reaches the river.

Additionally, it designed and implemented a communication plan to consistently report the status of the situation to all its audiences, especially the communities neighbouring the project.

Since the beginning of the contingency, EPM has maintained as a priority its decisions to protect the communities, the environment, the works and the execution schedule, in that order.

At present and based on the impacts that are to be identified, the impact on the project's schedule and its associated cost overruns are under evaluation.

Financial status

Given this contingency, as financial backing, the company has a solid plan of current insurance policies consisting of USD 2,500 million that cover material damage to infrastructure and equipment, with a USD 1 million deductible. There are also business interruption policies for USD 628 million: USD 380 million for the first stage of the project (initial 1,200 MW) and USD 248 million for the second stage (final 1,200 MW), with a 90-day deductible. These policies are held with representative firms in the insurance sector worldwide.

EPM is showing positive financial results in its operations during the course of 2018. At the close of the first quarter and thanks to its diversified investment portfolio, the EPM Group reached COP 3.8 billion in revenues, of which the EPM parent company contributed 49%, international subsidiaries contributed 33%, Colombian power subsidiaries contributed 16% and the Colombian water subsidiaries contributed 2%. Also, it had a net income of COP 773,000 million with growth of 28% compared to the first quarter of 2017 and an EBITDA of COP 1.3 billion, with an increase of 13%



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compared to the result as of March 2017. 66% of consolidated EBITDA comes from businesses with regulated revenues such as Power Distribution and Transmission, Gas and Water Distribution.

In 2018, the financial income associated with the operation of the Ituango Project represents a non-material percentage of its revenues given that the budget basically took into account a month of operations of the first of the eight turbines that are part of the project, so the presented contingency does not imply any impact to the financial results of the 2018 year in terms of unreceived revenues.

For 2019 and subsequent years, the respective impacts are being determined. There may be impacts on unreceived revenues (business interruption), fines or guarantees and in 2020 and 2021 on potential losses from the purchase of energy sold and not generated by Ituango.

EPM's broad current business portfolio and geographic diversification will not be materially affected by this contingency, given the high predictability of cash flows in most of its businesses, which ensures future compliance with the obligations contracted with third parties, among them the Financial Debt.

Medellin, May 17, 2018