



## **DISPOSAL PROGRAM OF THE SHARES THAT EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. HOLDS IN GAS NATURAL DEL ORIENTE S.A. E.S.P.**

**EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.**, hereinafter EPM or the Seller, a commercial and industrial company of the State of the municipal order, domiciled in Medellín, Colombia, will start a process to sell its shareholding in **GAS NATURAL DEL ORIENTE S.A. E.S.P.**, hereinafter GASORIENTE, a private domiciliary public utility company, constituted as an anonymous commercial corporation, domiciled in Bucaramanga, whose primary corporate purpose is the provision of the essential public service of commercialization, transportation and distributorship of fuel gas.

### **1. Background.**

- 1.1.** EPM owns twelve million two hundred sixty-three thousand six hundred (12,263,600) common shares fully underwritten and paid, issued by GASORIENTE, which are equivalent to ten point zero zero zero zero three percent (10.00003%) of underwritten and paid-in capital for such partnership.
- 1.2.** As recorded in Minutes No. 1648 of July 31, 2018, the Board of Directors of EPM authorized the company's management to initiate the necessary procedures, including the procedure with the Council of Medellín to dispose of the shareholding that EPM holds or will hold in GASORIENTE.
- 1.3.** Through Agreement 090 of 2018, the Council of Medellín authorized EPM to dispose of the shareholding that it holds or will hold in GASORIENTE.
- 1.4.** A copy of the design of the Stock Disposal Program project was sent to the Ombudsman's Office on May 7, 2019, with filing 20190130055307, for the purposes of complying with paragraph 2 of article 7 of Law 226 of 1995.
- 1.5.** This sale will be made in accordance with specialized technical and financial valuation studies, and in accordance with the following stock disposal program designed under the terms of Article 60 of the Political Constitution and Law 226 of 1995.

### **2. Purpose.**

The object of this Disposal Program (hereinafter the "Program") contains the regulations pursuant to which twelve million two hundred sixty-three thousand six hundred (12,263,600) ordinary shares held by EPM in GASORIENTE (the "Shares") will be



disposed of, equivalent to ten point zero zero zero zero three percent (10.00003%) of the subscribed and paid-in capital of such company.

All the Shares are dematerialized and deposited in the Centralized Securities Deposit of Colombia DECEVAL S.A. (hereinafter “Deceval”), so this entity exercises custody and administration thereof.

### **3. Disposal of Shares.**

The disposal of the Shares covered by this Program shall be carried out in accordance with the rules, conditions and procedures set forth in Law 226 of 1995, this Program and the documents issued pursuant to said Program.

### **4. Stages of the Disposal Program.**

The Program will be developed in the following stages:

#### **4.1 First Stage.**

In the development of the first stage (hereinafter “First Stage”), EPM shall make a public offering under conditions of wide publicity and free competition, at a fixed price in accordance with the provisions of numeral 6 of this Program, of all the Shares to the recipients of special conditions referred to in articles 3 of Law 226 of 1995 and 16 of Law 798 of 2002 (hereinafter “Recipients of Special Conditions”).

The following persons are Addressees of Special Conditions for the purposes of the Program and exclusively:

- a.** Active and retired employees of GASORIENTE and the entities in which GASORIENTE has a majority shareholding.
- b.** Ex-employees of GASORIENTE and of entities in which GASORIENTE has a majority shareholding, provided that they have not been dismissed for just cause by the company.
- c.** GASORIENTE’s employee and former employee associations.
- d.** Trade unions of workers duly established in accordance with the law.
- e.** Federations and confederations of trade unions of workers duly established in accordance with the law.

- f. Employee funds duly established in accordance with the law.
- g. Mutual funds duly constituted in accordance with the law.
- h. Severance and pension funds duly established in accordance with the law.
- i. Cooperative entities defined by cooperative legislation duly established in accordance with the law.
- j. Equalization funds duly established in accordance with the law.

The First Stage will be deemed exhausted when the payment of the price and registration of the shares in the GASORIENTE stock ledger is made in favor of the successful awardee or, if it is declared void by EPM, or by the Bolsa de Valores de Colombia S.A. [Colombian Stock Exchange].

#### **4.2 Second Stage.**

In the development of the second stage (hereinafter the “Second Stage”), and in accordance with the conditions established in this Program, the shares that have not been acquired in the First Stage by the Special Terms Recipients shall be offered to individuals or legal entities, national or foreign, with legal capacity to participate in the capital stock of GASORIENTE. This offering will be made using mechanisms that guarantee wide publicity and free competition.

The Second Stage will start in the manner stated in the disposal regulations that are issued for the Second Stage and will consist of the phases that are determined in such regulations.

The Second Stage will be deemed exhausted when the payment of the price and registration of the shares that are awarded in the development of this stage in the GASORIENTE stock ledger is made or the book entry is made in favor of the partial or total awardee of the shares offered or, if it is declared void by EPM, or by the Bolsa de Valores de Colombia S.A.

#### **5. First Stage Disposal Procedure.**

The disposal of the Shares in the First Stage shall be governed by the rules on the disposal of state shareholdings set forth in Article 60 of the Political Constitution, Law 226 of 1995, this Program, the documents issued based thereon and other applicable regulations. Negotiation of the shares will be done through the Bolsa de Valores de Colombia S.A.

The term of the exclusive and total offer at this stage for the Special Terms Recipients shall be two (2) months from the Business Day following the posting of this notice for the First Stage.

The shares acquired by Special Terms Recipients shall be paid via payment of the cash price, in Colombian legal tender, in accordance with the terms and conditions set forth in the disposal regulations issued for the First Stage. Failure to pay the cash price will result in the *ipso facto* termination of the stock purchase agreement.

**6. Special Terms for access to Ownership of Stock in the First Stage.**

In order for Special Terms Recipients to have access to stock ownership, the following special conditions have been established:

- a. They will be offered, first and foremost, all of the Shares.
- b. The public offering shall have the validity indicated in numeral 5 of this Program.
- c. Shares will be offered at a fixed price per Share of two thousand eight hundred ninety-three pesos (\$2,893), to be paid pursuant to this Program.”
- d. The fixed price shall remain in effect during the First Stage, as long as there are no interruptions in the terms provided in Article 11 of Law 226 of 1995, in which case the fixed price indicated above may be adjusted for which the provisions of Article 7 of Law 226 of 1995 shall be taken into account. The terms and conditions in which the interruptions will be conducted will be those set forth in the disposal regulations issued for the First Stage. In any event, the base price at which the shares will be offered during the Second Stage may not be less than the fixed price indicated in the preceding paragraph.
- e. The Program may commence provided one or more financial institutions establish lines of credit to finance the acquisition of shares, in accordance with legal provisions, within the amount and requirements determined by each lender and with the characteristics referred to in numeral 7 of this Program.
- f. When the purchasers are individuals, they may use their accumulated severance payments they have accumulated for the purpose of acquiring the shares offered, in accordance with the provisions contained in Decree 1171 of 1996, and the other regulations that modify or complement it.

## **7. Lines of Credit for Special Terms Recipients.**

In accordance with Article 11 of Law 226 of 1995, and with the purpose of facilitating Special Terms Recipients with access to property, the shares will be offered in the First Stage once one or more lines of credit or payment conditions are established to finance the acquisition thereof, which imply available credit financing of not less than, as a whole, ten percent (10%) of the total value of the shares subject to this Program.

Credit shall be granted through financial institutions in accordance with the applicable legal provisions, within the amount and requirements determined by each lender, with the following characteristics:

- a. The total installment amortization will be no less than five (5) years, including the principal grace period.
- b. The principal grace period may not be less than one (1) year. Interest accrued during such grace period may be capitalized for payment together with principal amortization installments.
- c. The applicable interest rate may not be higher than the current bank interest rate certified by the Colombian Superintendence of Finance, in force at the time the credit is granted.
- d. The guarantees that each granting financial institution considers satisfactory, including the guarantees established on the shares that are acquired with the product of the credit, will be admissible as guarantees.

## **8. Rules for submitting purchase acceptances in the First Stage by Special Terms Recipients who are individuals.**

In order to promote effective democratization of stock, ensure that the acquisition of the Shares corresponds to the purchasing capacity of each of the Acceptors and prevent conduct that goes against the intended purpose in Articles 2, 4, and 5 of Law 226 and Article 60 of the Political Constitution, the Acceptance by each Special Terms Recipient who is an individual in the course of the First Stage shall be subject to the following rules:

- a. Individual Special Terms Recipients must accompany their acceptances with a copy of:
  - (i) The income tax return for the taxable year of two thousand seventeen (2017) for those who are required to file a tax return.





as they are linked to GASORIENTE on the business day prior to the expiration of the Public Sale Offering term in the First Stage.

- c.** The following will be taken for the purposes of applying to the regulations set forth in this sub-paragraph 8 and determining the above limits:
  - (i)** Liquid equity and the sum of the annual gross revenues of the schedular income (working income, pension, capital, non-labor and dividend and equity, corresponding to the sum of boxes 32, 38, 43, 54 and 67 of Form 210 of the DIAN) featured in the two thousand seventeen (2017) tax year tax declaration.
  - (ii)** The revenues that appear in the certificate of revenues and withholdings for the year two thousand eighteen (2018) for those not obliged to file a tax return.
  - (iii)** The GASORIENTE-certified annual remuneration of each of the senior management level positions.
- d.** “Liquid Equity” shall mean that set forth on the tax return and it is determined by subtracting the gross equity held by the taxpayer on the last day of the year or the taxable period, the amount of the debts payable therein, in effect on that date (box 31 of Form 210 of the DIAN).
- e.** File the documents required by the disposal regulations issued for the First Stage to demonstrate its status as a Special Terms Recipient, as well as those certifying compliance with the conditions imposed by law and the documents required to comply with regulations against money laundering and terrorist financing.
- f.** Solely purchase acceptances in which the person declares in writing his irrevocable will to do the following will be considered
  - (i)** Not to negotiate, dispose of or limit their ownership of the Shares and not to conduct business that has as its purpose or effect that a third party becomes a beneficial owner of the Shares during the two (2) months immediately following the entry in the relevant Shares.
  - (ii)** Accept the conditions of the public offer in the terms set forth in this Program and in the documents that are issued based thereon.

The term beneficial owner shall have the scope indicated in Decree 2555 of 2010, and the other regulations that substitute, modify, add and/or complement it.

- g.** Declare that it acts at its own expense and benefit.

**9. Rules for submitting purchase acceptances in the First Stage by Special Terms Recipients other than individuals.**

In order to promote the effective democratization of shareholdings, ensure that the acquisition of the Shares corresponds to the purchasing capacity of each of the Acceptors and prevent conduct from arising that may go against the intended purpose in Articles 2, 4 and 5 of Law 226 and Article 60 of the Political Constitution, the Acceptance of each of the Special Terms Recipients other than individuals may not exceed the maximum limit authorized for this class of investments set forth in applicable statutory rules, as well as those provided in statutory rules governing the activity of such entities:

In addition, the acceptance tendered by each of the Special Terms Recipients other than individuals shall comply with the following rules:

- a.** Individual Special Terms Recipients other than individuals must accompany their acceptances with a copy of:
  - (i)** The most recent duly audited financial statements as of the date of tender of the acceptance which in accordance with the law must have been approved by the general shareholders' meeting, or by the body performing this function.
  - (ii)** The income tax return for the two thousand eighteen (2018) fiscal year, provided that it is legally obliged to file it. If the tax return for tax year two thousand and eighteen (2018) has not been filed because the installment has not been met for this obligation, the declaration of taxable income for the year two thousand seventeen (2017) may be filed.
  - (iii)** The statement of revenues and equity ended December thirty-first (31st) of two thousand eighteen (2018) in the event that it is legally obligated to file it by law. If the declaration of revenues and equity for the year two thousand eighteen (2018) has not been filed because the deadline for this obligation has not been met, the declaration of revenues and equity for the year two thousand seventeen (2017) may be filed.
  - (iv)** If the accepting party has been incorporated for less than one year, it must attach the acceptance of a certification signed by the legal representative and the statutory auditor or public accountant in which the revenues and equity of the accepting party appear on the acceptance submission date.
  - (v)** If the accepting party has been incorporated for less than one year, it must attach the acceptance of a certification signed by the legal representative and





the statutory auditor or public accountant in which the revenues and equity of the accepting party appear on the acceptance submission date.

- b.** In relation to the maximum number of Shares to be purchased by each Special Terms Recipient other than individuals, the lesser amount to apply the following rules will be taken into account:
  - (i)** Shares for an amount that exceeds one (1) time the value of the equity in the duly audited financial statements that have been submitted with the acceptance or on the certification signed by the legal representative and the tax reviewer or public accountant in the event of less than one year of incorporation may not be acquired.
  - (ii)** It will not be able to acquire shares for an amount that exceeds five (5) times their annual gross income that appears in the income or revenues and equity statement, as the case may be, corresponding to tax year two thousand eighteen (2018), or to two thousand seventeen (2017) in case the declaration of the year two thousand eighteen (2018) has not been presented because the term for this obligation has not been met, and in the duly audited financial statements that have been presented with the acceptance or in the certifications signed by the legal representative and the fiscal auditor or public accountant in the event of less than one year of incorporation. If there are differences between the amounts of annual revenues above, the greatest value for the purposes of the application of this paragraph will be taken.
  - (iii)** It cannot purchase more than one hundred twenty-two thousand six hundred thirty-six (122,636) shares.
  - (iv)** There is no minimum number of shares to purchase in the First Stage, i.e. Acceptors can purchase from one share up.
- c.** File the documents required by the disposal regulations issued for the First Stage to demonstrate its status as a Special Terms Recipient, as well as those certifying compliance with the conditions imposed by law and the documents required to comply with regulations against money laundering and terrorism financing.
- d.** Solely purchase acceptances in which it is declared in writing the irrevocable will to do the following will be considered
  - (i)** Not to negotiate, dispose of or limit their ownership of the Shares and not to conduct business that has as its purpose or effect that a third party becomes a



beneficial owner of the Shares during the two (2) months immediately following the date of entry thereof by Deceval.

- (ii) Accept the conditions of the public offer in the terms set forth in this Program and in the documents that are issued based thereon.

The term beneficial owner shall have the scope indicated in Decree 2555 of 2010, and the other regulations that substitute, modify, add and/or complement it.

- e. Declare that it acts at its own expense and benefit.

#### **10. Effects of noncompliance.**

Failure to comply with the provisions of sub-paragraphs 8 f (i) and 9 d (i) shall cause the buyer of the shares, without prejudice to any other effects which, according to the law, may occur, including criminal sanctions, a fine in favor of EPM, in accordance with the elapsed time:

- a. If noncompliance occurs within the first month following the entry of the corresponding Shares in the account, a fine equivalent to 30% of the amount paid for the shares allotted to the Special Terms Recipient will be imposed.
- b. If noncompliance occurs within the second month of the entry of the corresponding Shares in the account, a fine equivalent to 15% of the amount paid for the shares allotted to the Special Terms Recipient will be imposed.

To ensure compliance with the obligations set forth in sub-paragraphs 8 f (i) and 9 d (i), the Shares entered in the account in the First Stage will be blocked in order to make it impossible for them to be sold through the mechanisms established in Deceval's Operations Regulations for this purpose.

#### **11. Payment of the price in the First Stage.**

The sale price of the shares awarded during the First Stage shall be paid in accordance with the conditions established in the disposal regulations issued for the First Stage. If not, EPM will declare as solved the contract for sale of shares unilaterally without the need for a court.

#### **12. Award of shares in the First Stage.**

Bolsa de Valores de Colombia S.A. will make the allotment once the term of the public offer has expired, in accordance with the following general rules and the others set forth



in the disposal regulations issued for the First Stage and in the Operational Instructions issued by Bolsa de Valores de Colombia S.A. for this purpose.

If the total number of shares on which purchase acceptances are submitted is less than or equal to the number of shares offered, each acceptor will be allotted a number of shares equal to the demanded one.

If the total number of shares on which purchase acceptances are submitted exceeds the number of shares offered, allotment shall be made on a pro rata basis, in direct proportion to the amounts demanded, in accordance with the mechanism determined in the disposal regulations issued for the First Stage.

### **13. Second Stage Disposal Procedure.**

In development of the Second Stage, individuals or legal entities, national or foreign with legal capacity to participate in GASORIENTE's capital stock will be offered the shares that have not been acquired in the First Stage by Special Terms Recipients. The number of shares offered will be defined in the disposal regulations to be issued for the Second Stage. The offer during this stage will be done by means of a mechanism that ensures wide advertising and free competition, pursuant to the requirements and the procedure set forth in the regulation of disposition to be issued to the Second Stage, and in the Operating Instructions that Bolsa de Valores de Colombia S.A. issues for this stage. The disposal procedure in the Second Stage will be carried out through the Bolsa de Valores de Colombia S.A. (Colombian Stock Exchange).

The shares shall be offered at a base price that may not be less than the fixed price referred to in paragraph 6 of this Program.

### **14. Awarding in the Second Stage.**

The awarding will be done by Bolsa de Valores de Colombia S.A., by proceedings that are intended to seek wide advertising and free competition, which will be defined in the disposal regulations to be issued for the Second Stage and in the Operating Instructions that Bolsa de Valores de Colombia S.A. issues for this stage.

### **15. Price and payment of the Shares in the Second Stage.**

The Shares will be offered initially for a price that, as a minimum, must be equal to the Price of the First Stage.

However, a higher price may be set for the Second Stage, in accordance with the analysis of the market and business situation at the time of the offering, in which case this initial price of the offering in the Second Stage will be reported according with the mechanism set forth in the disposal regulations to be issued for the Second Stage.

Shares acquired in the Second Stage shall be paid for by payment of the cash price, in Colombian legal tender or in foreign currency, at the discretion of the Seller, in accordance with the terms and conditions set forth in the disposal regulations issued for the Second Stage.

#### **16. Powers of the CEO.**

The CEO of EPM is authorized to issue the necessary regulations for the execution of this Program, which shall contain, among other aspects, the following:

- a. The rules, procedures, conditions and modalities corresponding to the development of the disposal process.
- b. The special terms and conditions set forth in numeral 6 of this Program, in the case of disposal regulations issued for the First Stage.
- c. The regulations applicable to the presentation of sale acceptances, in the case of disposal regulations issued for the First Stage.
- d. The regulations applicable to the disposal of shares in the Second Stage.
- e. The manner of proving the requirements established.
- f. The price and method of payment.
- g. The rules for alloying shares.
- h. The rules corresponding to the law of circulation and administration of the shares according to the Deceval Regulation of Operations.
- i. All aspects that are required to develop this Program.

#### **17. Source of resources.**

Those who wish to submit acceptances for the acquisition of shares must prove, in accordance with the disposal regulations issued as the case may be, the source of the



resources for the payment of the price of the shares. Failure to comply with this requirement shall constitute an impediment to acquiring the shares.

Bearing in mind that the Shares will be disposed through the Bolsa de Valores de Colombia S.A., brokerages through which acceptances to the offer are presented in the First Stage and, to the offers in the Second Stage shall comply with the rules on the prevention of criminal activity and money laundering and the processing of personal data.

**18. Rights and property excluded from sale.**

In accordance with the provisions of Article 13 of Law 226, GASORIENTE's rights to foundations, works of art and equity related to historical and cultural heritage are excluded from the sale.

**19. Entry into force of the Disposal Program.**

This Program will be effective until the earlier date between: (i) the one on which its different stages are exhausted, in accordance with the regulations issued for its execution, and (ii) December 31, 2019.

The Program's term will be automatically extended if the disposal permits granted by the Medellín Municipal Council in accordance with article 3 of Municipal Agreement 090 of 2018 are renewed, extended or granted again before the expiration of the validity of the Program.