

**PROGRAM OF DISPOSAL OF THE SHARES THAT EMPRESAS PÚBLICAS DE  
MEDELLÍN E.S.P. HOLDS IN ISA S.A. E.S.P.**

**FIRST STAGE OFFER NOTICE**

**EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.**, hereinafter EPM or the Seller, State-Run Industrial and Commercial Company, of municipal order, domiciled in Medellín, Colombia, invites the recipients of this offer to participate in the First Stage of the Granting Schedule, approved by the Board of Directors of EPM at their meeting dated January 29, 2019, for the Minutes No.1660, whose purpose is the sale of one hundred twelve million six hundred five thousand five hundred forty-seven (112,605,547) common shares EPM holds in ISA S.A. E.S.P., hereinafter ISA, equivalent to ten point seventeen percent (10.17%) of capital subscribed and paid for that company.

Capitalized terms in this First Stage Offer Notice not defined in this Notice shall have the meaning attributed to them in the Disposal Regulation.

**1. SELLER:** Empresas Públicas de Medellín E.S.P.

**2. ISSUER:** ISA S.A. E.S.P.

**3. OFFER RECIPIENTS:** This offer of sale is intended for recipients of special conditions that treat Articles 3 of Act 226 of 1995 and 16 of Act 798 of 2002, which for this case are: (i) active and pensioned employees of ISA and of the entities where the ISA is majority owned, (ii) ISA's former workers and the entities where it has a controlling interest as long as they have not been dismissed with just cause by the company, (iii) ISA employee and ex-employee associations, (iv) workers' unions duly established under law, (v) union federations and confederations duly incorporated under law, (vi) employee mutual funds duly incorporated under law, (vii) the mutual investment funds duly incorporated under the law, (viii) mutual funds duly incorporated under the law, (ix) severance funds and pension funds duly constituted under law, (x) cooperative entities defined by cooperative legislation duly constituted under law, (xi) the compensation funds duly constituted under law.

**4. SPECIAL OFFER CONDITIONS:** Special conditions to acquire ISA shares by the Special Terms Recipients are:

**4.1 Price per share for First Stage**

ISA shares are offered at a fixed price per Share of thirteen thousand seven hundred fifty pesos (\$13,750), which must be paid in the form indicated in clause 10 of this notice.

## **4.2 Stock Purchase Credit**

Financial Entities Bancolombia, Banco de Occidente and BBVA, have established a special credit line to fund the purchase of the Shares by the Special Terms Recipients for a non-inferior aggregate amount, collectively ten percent (10%) of the total value of the Shares, which are detailed in the Disposal Regulation referred to in clause 12 of this notice.

## **4.3 Special Form of Payment**

Where acquirers are individuals, they may use layoffs that have accrued for the purpose of purchasing the Shares offered, in accordance with the provisions of Decree 1171 of 1996, and the other rules that modify or supplement it.

## **5. STOCK PURCHASING RULES**

### **5.1 Rules for Submitting Acceptance by Special Terms Recipients who are individuals in accordance with the provisions of clause 6.5 of the Disposal Regulation:**

In order to promote effective democratization of stock, ensure that the acquisition of the Shares corresponds to the purchasing capacity of each of the Acceptants 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 and limits:

- a.** Concerning the maximum number of Shares to be purchased per person, the smallest amount arising from the following rules will be taken into account:
  - (i)** Acquirers may not purchase a number of Shares for an amount greater than one (1) time their Liquid Assets as of December 31 of the year corresponding to the income statement of the two thousand seventeen (2017) fiscal year.
  - (ii)** Acquirers may not purchase a number of Shares more than five (5) times the summation of the annual gross income of the schedular revenue (working income, pension, capital, non-labor, and dividend and equity) that appear on the taxable year's income statement two thousand seventeen (2017), or the annual gross income reported on the income and withholding certificate for the two thousand seventeen (2017) tax year.
  - (iii)** No more than one million one hundred seven thousand six hundred seventy seven (1,107,677) shares may be purchased
  - (iv)** There is no minimum number of shares to purchase in the First Stage, i.e. Acceptants can purchase from one action up.

- (v) For the specific case of the persons holding Executive Level positions at ISA, in addition to the limitations listed in (i), (ii) and (iii) above, they may not purchase Shares for an amount greater than five (5) times your ISA-derived annual remuneration, whose cutoff date is the date of publication of the First Stage Offer Notice. Individuals who attain senior management positions at ISA following the date of posting the First Stage Offer Notice may acquire shares in the First Stage as long as they are linked to ISA on the business day prior to the expiration of the Public Sale Offer term in the First Stage.
- b. The following will be taken for the purposes of applying to the rules set forth in paragraph 6.5.1 of the Disposal Regulation and determining the above limits:
  - (i) Liquid assets and the summation of the annual gross income of the schedular income (working income, pension, capital, non-labor and dividend and equity) featured in the two thousand seventeen (2017) tax year tax declaration.
  - (ii) Revenue on the income certificate and withholding submitted for those not obliged to declare.
  - (iii) The ISA-certified annual remuneration of each of the senior level positions.
- c. "Liquid Assets" shall mean that set forth on the tax return and is determined by subtracting the gross assets 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.
- d. Any Stock purchase acceptance for an amount greater than the limits set forth in paragraph a. above, if it complies with the other conditions set forth in the Disposal Regulation, shall be presented, for the amount permitted in accordance with the rules and limitations stated in subparagraphs (i), (ii), (iii), (iv) and (v) of paragraph a. of clause 6.5.1 of the Disposal Regulation.
- e. Declare that it acts at its own expense and benefit.

**5.2 Rules for Submitting Acceptance by Special Terms Recipients other than Individuals, in accordance with the provisions of clause 6.5 of the Disposal Regulation:**

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 Acceptants 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, without the following rules:

- a) 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 counter in the event of less than one year of incorporation may not be acquired.
  - (ii) Shares for an amount exceeding five (5) times the annual gross income or income and equity statement for the taxable year two thousand seventeen (2017), as the case may be, and in the duly audited financial statements that have been submitted with the Acceptance or certification signed by the legal representative and the statutory auditor or public accountant in the event of less than one year of incorporation may not be acquired. If there are differences between the amounts of annual revenue above, the greatest value for the purposes of the application of this paragraph will be taken.
  - (iii) No more than one million one hundred seven thousand six hundred seventy seven (1,107,677) shares may be purchased.
  - (iv) There is no minimum number of shares to purchase in the First Stage, i.e. Acceptants can purchase from one action up.
  - (v) If the Acceptant has less than one year of incorporation, it shall attach to the Acceptance a certification signed by the legal representative and the statutory auditor or public accountant in which the income and equity appear (detailing total assets, total liabilities and surplus for appreciation) of the Acceptant at the Acceptance Submission date.
- b) Any Acceptance for an amount greater than the limits set forth above, if it complies with the other conditions set forth in the Disposal Regulation, shall be deemed to be submitted by the amount permitted in accordance with the above rules and limits.
- c) Declare that it acts at its own expense and benefit.

**6. NEGOTIABILITY LIMITS:** Acceptants are obliged not to negotiate, dispose of or limit their ownership of the Shares and to not conduct business that whose purpose or effect is that a third party becomes a real beneficiary of the Shares for twelve (12) months immediately following the entry in the relevant Shares.

**7. ACCEPTANCES:** Submission of Acceptance in the First Stage shall be made by fully filling out the Acceptance Form through the First Stage Acceptation Receiving Entity (Corredores Davivienda S.A. Comisionista de Bolsa – [www.daviviendacorredores.com](http://www.daviviendacorredores.com)), using any verifiable media of the latter. The Acceptance Form provided by the Bolsa de Valores de Colombia S.A. (BVC), which is part of the Disposal Regulation set forth in clause 12 of this notice, constitutes the only valid format to file an Acceptance. Acceptance shall only be deemed to be submitted once the First Stage Acceptance Receiving Entity includes it in the BVC system.

The commission generated by the processing and management of First Stage Acceptance shall be paid to the Receiving Entity by EPM. All other direct and indirect costs and expenses, related to participation in the Disposal Program, shall be at each interested party's expense. EPM shall not be liable, if at all, for such costs and expenses, whichever the result of the First Stage Award. Likewise, interested parties shall have sole and exclusive responsibility to carry out the activities necessary to submit their Acceptance.

**8. SALE OFFER TERM:** 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, and per the BVC Operational Guidelines.

If, within the stated timeframe, and by determination of the Seller, it is decided to interrupt the First Stage, the Seller shall post a Discontinuation Notice. The Disposal Program shall be discontinued from the day the Discontinuation Notice is posted, until the Resume Date. During discontinuation, the Seller may resume the process in the First Stage by posting a First Stage Resume Notice, which will include the new conditions under which the Public Sale Offer will continue in the First Stage. In any case, the new term that is set, added to the initial term, may not be fewer than two (2) months.

In accordance with the above, the First Stage Public Sale Offer will be effective between February 4, 2019 and April 4, 2019, inclusive.

**9. AWARD CRITERIA:** Awards will be made through the BVC after the public offering term has lapsed, as set forth in the Disposal Regulation set forth in clause 12 of this Notice and the BVC Operational Guidelines.

Only valid Acceptances that meet the conditions set out in the Disposal Program, Disposal Rules, their addenda and the BVC Operational Guidelines will be considered.

**10. PAYMENT OF SHARES:** The sales price of the Awarded Shares in development of the First Stage shall be paid in the embodiments and conditions provided in the Disposal Regulation and the BVC Operational Guidelines, which allows payment to be made with its own resources, which are part of the Special Form of Payment of Clause 4.3, or by the Stock Purchase Credit listed in numeral 4.2, both clauses of this Notice.

In all cases, upon completion of the Award, the Funding Entity, the unemployment administrators or the Professional Investor shall pay for the Awarded Shares within five (5) Business Days from the date the First Stage Award is notified. If not, EPM will declare as solved the contract for sale of shares unilaterally without the need for a court.

If Shares are not paid by the Funding Entities, unemployment administrators or contract winners within a term set forth in the Disposal Regulation, the Acceptance shall be deemed rejected, without there being, for stock exchange purposes, a breach of the transaction by the Acceptance Receiving Entity of the First Stage, whereby there will be no obligation by said entities to fulfill said transaction.

The Receiving Entity of First Stage Acceptance shall inform BVC of the non-payment of the Shares by the Funding Entities, unemployment administrators or the contract winners, the next business day of the term for such payment by the Contract Winner to the Receiving Entity of the First Stage, in accordance with the BVC Operational Guidelines.

Once the five (5)-Business-Day term is due, the First Stage Acceptance Receiving Entity shall have one (1) Business Day to pay the BVC the total amount received in the respective Accounts for Payment, per the instructions that the BVC determines in the Operating Guidelines for the First Stage.

**11. CIRCULATION REGIME:** The Shares circulate in the secondary market of the Bolsa de Valores de Colombia S.A. and are fully dematerialized and disposed of in Deceval for administration and custody. The Shares may not be materialized again and the Acceptants expressly waive the authority to seek the materialization of the Shares. In the foregoing, any Contract Winner shall have a Direct Depositor empowered to act on behalf of a third party in the terms set forth in the Deceval Operations Regulation.

**12. DISPOSAL PROGRAM:** For the understanding of the Public Sale Offering in the First Stage, Acceptants shall study the Disposal Program, Disposal Rules and the Sales Workbook, together with all of its appendices, which will be available to them on pages [www.epm.com.co](http://www.epm.com.co) and [www.daviviendacorredores.com](http://www.daviviendacorredores.com) at no cost and whose publication to the market will be reported in the relevant information icon on the Colombian Financial Superintendence page: [www.superfinanciera.gov.co](http://www.superfinanciera.gov.co), a site which will include a link that will allow you to see full content of the Disposing Program, Disposal Regulation and the Sales Book, along with all of its appendices.

The EPM link, in which the Offer Notice, Disposal Program, Disposal Regulation and the Sales Workbook with its schedules may be consulted, will be posted through the ISA issuer as relevant information of the EPM's advance disposal process in ISA's holding.

## WARNINGS

THE SHARES OF ISA S.A. E.S.P. WERE REGISTERED IN THE NATIONAL REGISTER OF SECURITIES AND ISSUERS BY MEANS OF RESOLUTION NUMBER 615 OF 28 AUGUST 2002 OF THE FINANCIAL SUPERINTENDENCE OF COLOMBIA.

IT IS CONSIDERED INDISPENSABLE TO READ THE DISPOSAL PROGRAM, DISPOSAL REGULATIONS AND THE SALES WORKBOOK SO THAT POTENTIAL INVESTORS CAN ADEQUATELY ASSESS THE APPROPRIATENESS OF THE INVESTMENT.

THE LISTING IN THE NATIONAL REGISTRY OF SECURITIES AND ISSUERS AND THE AUTHORIZATION OF THE PUBLIC OFFERING DO NOT IMPLY RATING NOR RESPONSIBILITY WHATSOEVER BY THE FINANCIAL SUPERINTENDENCE OF COLOMBIA IN CONNECTION TO THE NATURAL OR LEGAL PERSONS REGISTERED, TO THE PRICE, FITNESS OR NEGOTIABILITY OF THE SECURITIES, AS WELL AS IN CONNECTION TO THE CORRESPONDING ISSUE OR ABILITY TO PAY OF THE ISSUER.

REGISTRATION WITH THE BOLSA DE VALORES DE COLOMBIA S.A. OF THE SHARES, AS WELL AS THE ORGANIZATION AND THE EXECUTION OF THE SALES OFFER BY THE BOLSA DE VALORES DE COLOMBIA S.A. DOES NOT IMPLY CERTIFICATION ON THE SECURITIES' GOODNESS OR THE ISSUER'S SOLVENCY.

February 1, 2019