

PROGRAM FOR THE SALE OF SHARES HELD BY EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. IN ISAGEN S.A. E.S.P.

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P., hereinafter EPM or the Seller, a municipally operated industrial and commercial State-owned company, domiciled in Medellin, Colombia, will begin a process to sell its shareholding in **ISAGEN S.A. E.S.P.**, hereinafter ISAGEN, a privately-owned public utility company, domiciled in Medellin, whose main business purpose is the generation and sale of electricity.

1. Background

- 1.1.** By means of Minutes No. 1577 of April 1, 2014, the Board of Directors of EPM authorized the divestiture of up to the entire equity stake that EPM owns in ISAGEN, and gave the General Manager the authority to carry out the necessary formalities with the Municipal Council of Medellin to enable the sale of such stake, in compliance with the provisions of Law 226 of 1995.
- 1.2.** As stated in Minutes No. 1605 of January 26, 2016, the Board of Directors of EPM made a recommendation to the Municipal Administration to submit a draft agreement to the Council of Medellin, to authorize the sale of the shares that EPM holds in ISAGEN.
- 1.3.** In a second discussion held on March 15, 2016, the plenary session of the Municipal Council of Medellin authorized EPM to sell the equity stake it owns in ISAGEN. It also provided that such authorization would only be applicable as part of the program for the sale of shareholdings of the Nation - Ministry of Finance and Public Credit, established by Decree 1609 of 2013, extended by Decree 1512 of 2014 and amended by Decree 2468 of 2015.
- 1.4.** This sale will be carried out in accordance with specialized technical and financial valuation studies, and in accordance with the following share sale program designed pursuant to the terms of Article 60 of the Constitution and Law 226 of 1995.

2. Object.

The object of this Sale Program (hereinafter the "Program") is the offering of three hundred and fifty-eight million three hundred thirty-two thousand (358,332,000) ordinary shares (hereinafter the "Shares") that EPM owns in ISAGEN, equivalent to thirteen point one-four percent (13.14%) of the subscribed and paid-in capital of that company.

All the Shares are dematerialized and deposited in the Centralized Securities Depository of Colombia, Deceval S.A. (hereinafter "Deceval"), and therefore this entity exercises the custody and administration thereof.

3. Sale of the Shares.

The sale of the Shares covered by this Program will be performed in accordance with the rules, conditions and procedures set out under Law 226 of 1995, this Program and the documents issued based on such Program.

4. Stages of the Sale Program.

The Program will be implemented over the following stages:

4.1. Stage One. During the course of the first stage (hereinafter "First Stage"), a public offering will be made under standards of extensive publicity and free competition, at the price established in accordance with section 6 of this Program, for all Shares, to the beneficiaries of special conditions referred to in articles 3 of Law 226 of 1995 and 16 of Law 798 of 2002 (hereinafter "Beneficiaries of Special Conditions").

For the purposes of the Program, the Beneficiaries of Special Conditions shall be exclusively the following persons:

- a. Active, retired and former employees of ISAGEN that have not been terminated for just cause by the employer.
- b. Associations of ISAGEN employees and former employees.
- c. Labor unions duly established in accordance with the law.

- d. Federations and confederations of workers' unions duly established in accordance with the law.
- e. Employee funds duly established in accordance with the law.
- f. Mutual funds duly established in accordance with the law.
- g. Severance and pension funds duly established in accordance with the law.
- h. Cooperative entities defined by cooperative legislation, duly established in accordance with the law.
- i. Compensation funds duly established in accordance with the law.

4.2. Stage Two. During the course of the second stage (hereinafter the "Second Stage") and under the conditions established by this Program, the general public will be offered the remaining shares that are not purchased by the Beneficiaries of Special Conditions in the First Stage, employing mechanisms that ensure extensive publicity and free competition.

5. Sale Procedure in the First Stage.

The sale of Shares in the First Stage shall be governed by the rules on the sale of state shareholdings set out in Article 60 of the Constitution, Law 226 of 1995, this Program, the documents that are issued based on it, and all other applicable regulations.

The term of the exclusive and full offering at this stage for the Beneficiaries of Special Conditions shall be two (2) months from the Business Day following the publication of the public offering notice for the First Stage.

6. Special Conditions for access to the ownership of the Shares in the First Stage.

In order for the Beneficiaries of Special Conditions to have access to ownership of the Shares, the following special conditions are established:

- a. They will be offered the entirety of the Shares, first and exclusively.
- b. The term of the public offering will be as indicated in section 5 of this Program.
- c. The Shares will be offered at a fixed price per Share of four thousand one hundred and thirty pesos (\$ 4,130), to be paid as set out in this Program.
- d. The fixed price will remain in effect during the First Stage, provided that the interruptions provided for in Article 11 of Law 226 of 1995 do not arise; in the event that they do arise, the fixed price stated above may be amended, taking into account the provisions of Article 7, Law 226 of 1995. The conditions in which interruptions will be carried out shall be those set out in the regulations. In any case, the minimum price at which the Shares will be offered during the Second Stage will not be less than the fixed price indicated in the preceding paragraph.
- e. The implementation of the Program may begin provided that one or more financial institutions establish credit lines to finance the purchase of the Shares, in accordance with legal provisions, in the amount and as per the requirements determined by each lender, and pursuant to the characteristics referred to in section 7 of this Program.
- f. When the buyers are natural persons, they may use the severance funds they have built up in order to purchase the Shares offered, in accordance with the provisions set out in Decree 1171 of 1996, and other rules that amend or supplement it.

7. Credit for the Beneficiaries of Special Conditions.

In accordance with Article 11, Law 226 of 1995 and in order to facilitate access to ownership for the Beneficiaries of Special Conditions, the Shares will be offered at the First Stage once one or more lines of credit or payment conditions are established to finance the purchase thereof, entailing available credit financing of not less (as a whole) than 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, in the amount and as per the requirements determined by each lender, and pursuant to the following characteristics:

- a. The total repayment period shall not be less than five (5) years.
- b. The grace period for the principal may not be less than one (1) year. The interest accrued during the grace period may be capitalized for payment together with the principal repayment installments.
- c. The applicable interest rate may not exceed the current bank interest rate certified by the Financial Superintendence of Colombia, in effect at the time the loan is issued.
- d. The acceptable guarantees shall be those that each lending financial institution deems satisfactory, and this includes guarantees established in respect of the Shares purchased with the credit product.

8. Rules for submitting purchase acceptances in the First Stage, for Beneficiaries of Special Conditions who are natural persons.

In order to promote the effective democratization of share ownership, to ensure that the purchase of the Shares is consistent with the purchasing power of each Acceptor, and to prevent behaviors that undermine the intended purpose of Articles 2, 4 and 5 of Law 226 and Article 60 of the Constitution, the Acceptance submitted by each natural person (Beneficiary of Special Conditions) during the course of the First Stage, shall be subject to the following rules and limits:

- a. Regarding the maximum number of shares to be purchased per person, the lower amount resulting from applying the following rules will be taken into account:
 - (i) They may not purchase a number of Shares representing an amount exceeding one (1) time their Liquid Assets at December 31 of the year relating to the income tax return for the two thousand and fourteen (2014) tax year.
 - (ii) They may not purchase a number of Shares representing an amount exceeding (5) times their annual income, as reflected in the income tax return for the two thousand and fourteen (2014) tax year, or the

certificate of income and withholding relating to the two thousand and fifteen (2015) tax year.

- (iii)** They may not purchase more than two million seven hundred twenty-six thousand and seventy-two (2,726,072) Shares.
 - (iv)** For the specific case of persons holding managerial positions in ISAGEN, in addition to the limitations set out in points (i), (ii) and (iii) above, they may not purchase Shares in an amount exceeding five (5) times their annual remuneration received from ISAGEN, cut at the date of publication of the Offering Notice for the First Stage. Persons who come to hold managerial positions in ISAGEN after the date of publication of the Offering Notice for the First Stage, may purchase Shares in the First Stage provided that they are employed by ISAGEN on the business day before expiry of the term pertaining to the Public Offering for the First Stage.
- b.** For purposes of giving effect to the rules set out in this section 8 and determine the above limits, the following will be considered:
- (i)** Liquid assets and income included in the income tax return for the two thousand and fourteen (2014) tax year;
 - (ii)** Income stated in the certificate of income and withholding presented by those not required to file income tax returns;
 - (iii)** Annual remuneration certified by ISAGEN for each of the persons holding managerial positions.
- c.** "Liquid Assets" shall be construed as that set out in the income tax return and is determined by subtracting the taxpayer's amount of debt on the last day of the tax year, from the gross assets owned by the taxpayer on that same date.
- d.** Submit the documents required in the regulations issued based on this Program, to demonstrate their status as a Beneficiary of Special Conditions, as well as those certifying compliance with the conditions imposed by law, and the documents that are required to comply with standards relating to money laundering and terrorist financing.

- e. Share purchase acceptances will only be considered when the person states (in writing) their irrevocable will to:
 - (i) Not trade, sell or limit their ownership of the Shares and not conduct business whose purpose or effect is for a third party to become the beneficial owner of the Shares during the two (2) months immediately following the date of their award by EPM through Bolsa de Valores de Colombia S.A. (Colombian Stock Exchange);
 - (ii) Accept the conditions of the public offering under the terms provided in this Program and in the documents that are issued based on the Program.

The term “beneficial owner” shall have the scope indicated in Decree 2555 of 2010, and other rules that substitute, amend, add to or supplement it.

- f. Declare that they are acting on their own behalf and in their own interests.

9. Rules for submitting purchase acceptances in the First Stage, for Beneficiaries of Special Conditions other than natural persons.

In order to promote the effective democratization of share ownership, to ensure that the purchase of the Shares is consistent with the purchasing power of each Acceptor, and to prevent behaviors that undermine the intended purpose of Articles 2, 4 and 5 of Law 226 and Article 60 of the Constitution, the Acceptance submitted by each Beneficiary of Special Conditions (other than a natural person) may not exceed the limit authorized for this kind of investment, as established in the legislation applicable to them, as well as that provided in the bylaws governing the activity of such entities, and must in any case be in compliance with the following rules:

- a. Regarding the maximum number of Shares to be purchased by each Beneficiary of Special Conditions (other than natural persons), the lower amount resulting from applying the following rules will be taken into account:
 - (i) They may not purchase a number of Shares representing an amount exceeding one (1) time the adjusted equity reflected in the duly audited

financial statements cut at December 31 two thousand and fifteen (2015). In the event that such financial statements have not been approved, the duly audited financial statements cut at December 31 two thousand and fourteen (2014) will be considered.

(ii) They may not purchase a number of Shares representing an amount exceeding (5) times their annual income, as set out in: income tax, or income and equity returns for the two thousand and fourteen (2014) tax year, as applicable, and the duly audited financial statements cut at December 31 two thousand and fifteen (2015). In the event that such financial statements have not been approved, the duly audited financial statements cut at December 31 two thousand and fourteen (2014) will be considered. If there are differences between the annual income amounts set out above, the higher value will be used for purposes of applying this paragraph.

(iii) They may not purchase more than two million seven hundred twenty-six thousand and seventy-two (2,726,072) Shares.

- b.** The term "Adjusted Equity" shall be construed as the result of subtracting total liabilities and the revaluation surplus from total assets. The revaluation surplus should be understood as all kinds of revaluations in equity, including the equity revaluation account.
- c.** Submit the documents required in the regulations issued based on this Program, to demonstrate their status as a Beneficiary of Special Conditions, as well as those certifying compliance with the conditions imposed by law, and the documents that are required to comply with standards relating to money laundering and terrorist financing.
- d.** Share purchase acceptances will only be considered when the person states (in writing) their irrevocable will to:
 - (i)** Not trade, sell or limit their ownership of the Shares and not conduct business whose purpose or effect is for a third party to become the beneficial owner of the Shares during the two (2) months immediately following the date of their award by EPM through Bolsa de Valores de Colombia S.A. (Colombian Stock Exchange).

- (ii) Accept the conditions of the public offering under the terms provided in this Program and in the documents that are issued based on the Program.

The term “beneficial owner” shall have the scope indicated in Decree 2555 of 2010, and other rules that substitute, amend, add to or supplement it.

- e. Declare that they are acting on their own behalf and in their own interests.

10. Effects of breach.

Breach of the provisions set out in section 8. e. (i) and 9. d. (i), will mean that the buyer of the Shares, notwithstanding the other effects that may arise pursuant to the law (including criminal sanctions), shall incur a fine payable to EPM, in accordance with the time elapsed:

- a. If the breach occurs within the first month following the award of the Shares, this will result in a fine equal to 30% of the value paid for the Shares awarded to the Beneficiary of Special Conditions.
- b. If the breach occurs within the second month following the award of the Shares, this will result in a fine equivalent to 15% of the value paid for the Shares awarded to the Beneficiary of Special Conditions.

In order to ensure compliance with the obligations set out in sections 8. e. (i) and 9. d. (i), the Shares awarded in the First Stage will be frozen or blocked to preclude their sale through the mechanisms established under Deceval's Transaction Regulations for this purpose.

11. Term for payment of the price in the First Stage.

The sale price for the Shares awarded during the course of the First Stage must be paid within the period established in this regard in the regulations to be issued in connection with this Program. Otherwise, EPM shall unilaterally declare the share sale contract terminated, and this will not require a court order.

12. Award of Shares in the First Stage.

The award will be carried out through Bolsa de Valores de Colombia S.A. upon expiration of the public offering term, in accordance with the following general rules and others established in the regulations to be issued in connection with this Program.

If the total Shares regarding which purchase acceptances are submitted is less than or equal to the number of Shares offered, each acceptor will be awarded a number of Shares equal to that requested.

If the total Shares regarding which purchase acceptances are submitted exceeds the number of Shares offered, the award shall be carried out pro rata, in direct proportion to the numbers requested, and in accordance with the mechanism to be determined in the regulations that are issued in connection with this Program.

13. Sale procedure in the Second Stage.

During the course of the Second Stage, the general public will be offered the remaining Shares that are not purchased by the Beneficiaries of Special Conditions in the First Stage, employing an auction mechanism that ensures extensive publicity and free competition, in accordance with the requirements and the procedure established in the regulations to be issued in connection with this Program.

The shares shall be offered at a base price, which shall not be less than the minimum price referred to in section 6 of this Program.

14. Limitations on the trading of the Shares in the Second Stage.

The purchaser at this stage, agrees not to trade, sell or limit their ownership of the Shares and not conduct business whose purpose or effect is for a third party to become the Beneficial Owner of the Shares during the two (2) months immediately following the date of award.

Breach of the provisions set out herein will mean that the buyer of the Shares, notwithstanding the other effects that may arise pursuant to the law (including criminal sanctions), shall incur a fine payable to EPM, in accordance with the time elapsed:

- a. If the breach occurs within the first month following the award, this will result in a fine equal to 30% of the value paid for the Shares awarded.
- b. If the breach occurs within the second month following the award, this will result in a fine equivalent to 15% of the value paid for the Shares awarded.

In order to ensure compliance with the obligations set out herein, the Shares awarded in the Second Stage will be frozen or blocked to preclude their sale through the mechanisms established under Deceval's Transaction Regulations for this purpose.

Once the two (2) months relating to the limitation set forth in this section have elapsed, the Shares shall no longer be subject thereto.

15. Powers of the General Manager.

The General Manager of EPM is authorized to issue the regulations necessary for the implementation of this Program, which must contain, among other things, the following:

- a. The rules, procedures, conditions and methods relating to the implementation of the sale process.
- b. The special conditions referred to in section 6 of this Program.
- c. The applicable rules for the submission of purchase acceptances.
- d. The way in which compliance with the established requirements can be demonstrated.
- e. The price and form of payment.
- f. The rules relating to the award of Shares.
- g. The rules relating to the law on the circulation and administration of the Shares, in accordance with Deceval's Transaction Regulations.
- h. All aspects that are required in order to implement this Program.

16. Term of the Sale Program.

This Program will be valid until such time its various stages have been exhausted, in accordance with the regulations to be issued for its implementation.

ADENDDUM NO. 1

TO THE PROGRAM FOR THE SALE OF SHARED HELD BY EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P. IN ISAGEN S.A. E.S.P.

Add the following paragraph to Section 4 of the Program for Sale of Shares held by **EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.** in **ISAGEN S.A. E.S.P.**, which was approved by the Board of Directors in virtual meeting held on 15 and 16 March, 2016, corresponding to Minutes No. 1607:

Only Paragraph. The remaining shares that are not purchased in Stage Two can be sold by **EPM** in the Public Offering for Additional Voluntary Purchase that the Beneficiary Investor is bound to perform, pursuant to the process for sale of the Nation's equity share – Ministry of Finance and Public Credit, as provided for by Decree 1609 of 2013, extended by Decree 1522 of 2014, and amended by Decree 2468 of 2015.