

## **Relevant Information**

### **Annex**

#### **Rionegro and EPM are progressing on the agreement to purchase 100% of the shares of Empresas Públicas Rionegro (EP Rio)**

- The possible purchase of 100% of the shares of E.P. Río will represent investments for EPM to eliminate the infrastructure gap and improve quality of service at Rionegro.
- The arrival of EPM will allow us to meet Rionegro's major growth, which, in the last seven years has registered a 500% increase in home sales.
  - With its water and wastewater supply services, EPM will seek to contribute toward the development of the township, environmental sustainability and quality of life of the residents of Rionegro.

The Mayor of Rionegro, Andrés Julián Rendón Cardona, and the CEO of EPM, Jorge Londoño De la Cuesta, signed an agreement for the acquisition of 100% of the shares of Empresas Públicas de Rionegro S.A E.S.P. (E.P. Río). If the transaction is closed, the company will become the new subsidiary of the Grupo EPM.

The mayor of Rionegro, Andrés Julián Rendón Cardona, as the sole spokesman for all shareholders of E.P. Río negotiated and signed the contract of sale of shares after accepting the conditional binding bid submitted by EPM.

With the approval in the third debate of the Antioquia Departmental Assembly, which allows the Governor of Antioquia to donate 5.87% of the share that the departmental administration has in E.P. Río to Rionegro, the township will be able to transfer 100% of the shares in Rionegro to EPM. The integration of EP Río into the EPM group was also authorized by the Industry and Business Supervisory Body, in accordance with stipulations of Law 1340 of 2009.

Once the governor enacts the ordinance and the conditions set forth in the negotiation agreement are met, the transaction will be closed and, as a result, the final requirement to convert E.P. Río into a subsidiary of the EPM Group will be formalized.

Currently, the shareholders of E.P. Río are the township of Rionegro, Antioquia Governor's Office, Universidad Católica del Oriente, Cámara de Comercio del Oriente Antioqueño [Antioquia Chamber of Commerce] and Corporación Empresarial del Oriente Antioqueño [East Antioquia Corporate Entity].

#### **With this negotiation, Antioquia will win.**

Inhabitants of Rionegro will find a solution to problems in the quality and coverage of water and sewage services, as well as for the treatment of local wastewater. And EPM will extend its services to a territory dear to its heart, doing what it does well: expanding the coverage of both services, supplying quality drinking water, mitigating the vulnerability of the township (currently, only a

fragile and highly polluted water source is supplied), eliminate the delay in services provided, keeping them in optimal and reliable conditions, and protecting environmental sustainability in the territories where the company is present.

### **More investment for the region**

E.P. Rio hired the services of Ernst & Young, Gómez Pinzón Zuleta, and SBI Banca de Inversión to perform due diligence and evaluate the company. The valuation analysis to meet the township's current and future demand indicates the high levels of investment that E.P. Rio requires to upgrade the system that supports both services and halt the impact on watersheds and streams, with its consequent breaches of current environmental regulations. Since the current shareholders do not have the financial capacity to develop the required infrastructure, the only way to obtain the necessary resources would be a significant increase in the rate for users of this eastern Antioquia township. Under these conditions, if the municipal administration of Rionegro decided to make these investments, it would involve investing the entire budget for two years. In order to avoid this impact on the residents of Rionegro, EPM sought a solution by integrating the Rionegro market into the Aburrá Valley's. The strength of this proposal lies in two essential aspects: first, it allows synergies in the use of infrastructure and in administrative and operational processes to be captured, and second, to optimize resources by interconnecting the Rionegro aqueduct system to the San Nicolás Valley system, which is also supplied from the La Fe reservoir. This will be reflected in an economy of scale (higher production, lower cost) that will favor the community.

Mindful of the valuation of E.P. Rio by expert companies, the EP Rio shares were purchased for COP 1 for the shareholders, and an investment from EPM of approximately COP 550,000,000 million to improve the provision of public drinking water and sewer services in Rionegro, meeting current and future demand for new property, and guaranteeing compliance with environmental commitments.

In other words, when the transaction is closed, and during the next six years, EPM will execute, in consideration for the transfer of the shares, an investment plan for which it undertakes to capitalize the company at an approximate amount of COP 225,000,000 to improve the provision of both services. It is worth noting that these amounts are not final, as EPM needs to begin the technical studies that will allow it to calculate the value of these investments.

One of the first ways in which Rionegro users will notice these investments is that gradually, during 2018, they will see how the physical properties of the water (color, taste and smell), will improve substantially until they reach the standards they have today in Aburrá Valley's.

### **More positive impacts**

Providing quality public services in the township of Rionegro allows Aburrá Valley's to reduce the pressure of internal urban growth. People can fulfill their dream of residing in eastern Antioquia while enjoying quality public services.

The construction of a plant that will treat all the wastewater generated in Rionegro by 2021 will allow the Rionegro River to be rehabilitated and, as a result, comply with the discharge regulations. EPM's experience in the development and operation of wastewater management infrastructure will guarantee the sustainability of water resources in the region. Additionally, the Rionegro discharges will be treated before reaching the Nare River, which flows into Guatapé. The Guatapé reservoir is

the largest power generation reservoir in the country, and currently has a high concentration of cyanobacteria, derived from domestic wastewater from Rionegro.

Rionegro will be able to count on quality public services that will leverage the development of new housing projects and, with this, will raise more resources through property taxes and building permits, among others. Development cannot be an excuse to jeopardize our watersheds and streams; on the contrary, quality public services instill trust investors.