



EPM shares a consolidated bulletin associated with the contingency presented at the Ituango hydroelectric project, through the Relevant Information channel of the Financial Superintendence of Colombia. EPM has maintained a large and constant flow of information to public opinion throughout the contingency, which can be viewed on EPM's web page or the following link: <https://bit.ly/2KzbZkq>

In the development of the current contingency, EPM has had four teleconferences with investors, announced on the distribution list available by the investor relations team. These have had approximately 600 participants. From the moment that the first incident occurred last April 28, more than 61 press releases have been issued and 21 press conferences have been held and broadcasted in real time through social networks.

This is a re-counting of the situation that is recorded:

1. General context

In the 63 years of business history forged through hard work on the company's highest values, EPM has been characterized by its technical, legal and financial rigor. For more than six decades, the company has been a driving force for development in territories where it has had presence and has contributed to improved quality of life and well-being for millions of people. In this sense, EPM has built and maintains the largest infrastructure in domiciliary public utilities in Colombia, thanks to decades of significant investments.

EPM has acted in a consistent manner according to the law, with zero tolerance to fraud, corruption and bribery, as a management model based on socially responsible principles, guidelines and



goals. In this tradition, which makes a part of its DNA, the Ituango hydroelectric project has complied with national legislation, the provisions of the environmental license, the respect for human rights and ethnic minorities, worker's rights and guarantees. The company is characterized by following national and international standards in the construction of power generation plants.

2. EPM's finances

EPM has a diversified portfolio in different business lines: Power Generation, Transmission and Distribution; Natural gas distribution, Aqueduct, Sewage System and Waste Water Treatment, as well as Solid Waste Management.

In Colombia, EPM has a position of leadership in Power Generation and Distribution and a very relevant market share in the Water and Gas sectors. Furthermore, EPM has an important geographic diversification due to its leading presence in the electricity sector in Guatemala, Panama, El Salvador and the water sector in northern Chile and Mexico.

The company has mostly regulated revenues, obtaining 33% of these from its international subsidiaries, 18% from its Colombian subsidiaries and 49% from EPM Parent Company (percentages based on figures as of April 2018).

Over the course of 2018, EPM is showing a positive operational result, with a consolidated EBITDA of COP 1.7 billion as of April, a 10% growth compared to the same period in 2017.



EPM Group has a liquidity position that combines a solid internal generation of funds with a healthy cash position and multiple credit lines available for disbursements as detailed below:

- Internal generation of funds from business operations, 2018 budget's EBITDA of around COP 5 billion, with a high budgetary fulfillment as of May 31, 2018.
- Consolidated cash position of COP 1.4 billion as of May 31, 2018.
- Disposition of committed credit lines for around USD 1.300 million from IDB Invest, IDB, CAF and BNDES, development bank entities that contribute to social development by way of financing investments in infrastructure to improve the quality of utility services provided by EPM. Currently, EPM has active lines of communication with all the banks looking to establish disbursement dates for the loans.
- In order to adjust the company's structure to the financial impact of the Ituango hydroelectric project's contingency and the delay in entering into operation of the hydroelectric power plant, a strict internal plan for reviewing costs and operational and administrative expenses is being carried out with a scope of the whole Group, having as an initial goal the reduction of COP 300,000 million to the assigned 2018 budget.
- Given the lower generation of funds over the following years, EPM is optimizing its investment plan, with the goal of reducing the investments and prioritizing them without jeopardizing safety and service quality of the current operating baseline. To the date, more than COP 2 billion in possible Capex displacements have been identified.



- Additionally, the company could use short, medium and long-term funding lines given the low use of national and international commercial bank credit quotas. Complementary to the above, EPM has a solid asset base of around COP 48 billion, among which are its permanent investments in other companies for more than COP 9 billion, on which it carries out the analysis in order to identify eventual disposal of assets up to COP 3 billion.

3. General aspects of the Ituango hydroelectric project's contingency

At this date, the Ituango hydroelectric project has accomplished relevant milestones such as the completion of the spillway according to its design. This unloading structure built in hydraulic concrete, is 405 meters long and has a gradual channel width between 95 and 70 meters.

The dam, which is ECRD type (Earth Core Rockfill Dam), of 235 meters' height measured from the Cauca riverbed, at the time of the contingency, the level was at 385.80 m.a.s.l. and as of June 17 of this year, it was possible to reach 415 m.a.s.l.

Having the dam at 415 m.a.s.l. represents being able to dispose an evacuation capacity through the spillway of 6,000 cubic meters per second, a flow equivalent to a flooding of the Cauca river that happens once every 500 years, on average. With this structure's new level, the risks of a possible overtopping of the dam are reduced.

In this priority filling were used the same materials used in the construction of the dam until the contingency was presented last April 28, when its level was at 385.80 m.a.s.l. These materials comply with national and international standards with regards to impermeability, filters and transitions for this type of works.



After reaching 415 m.a.s.l. the jobs are now focused on raising the dam to 418 m.a.s.l. and reinforce the urgent filling. It has the purpose of turning it into a definitive dam for the project and arrive to a crest elevation of 435 m.a.s.l.

In order to have a greater control over the contingency, a monitoring center operating 24 hours a day, 7 days a week, 360 days a year was set up, where it can be observed that in the last 10 days the monitored indicators (water flow, dam and landslides) showed a normal and stable performance.

The technical information available as of the date allows us to estimate that the main structures of the Ituango hydroelectric project: dam, spillway and powerhouse have not been significantly affected, so the completion of the project is considered viable, which it is estimated that it could be carried out within an estimated period of three years, having still uncertainty due to the fact that several of the necessary activities to achieve this objective are in the process of definition and design.

The company works without rest with its specialists, contractors and panel of national and international experts in recovering control of the project with actions that include: reaching level 418 m.a.s.l. of the dam, sealing the right side diversion tunnel, as well as the auxiliary diversion system and stopping the water flow through the powerhouse. During this process, the company has been accompanied by world authorities in fields of knowledge such as: constructive aspects, hydraulic, geology, geotechnics, risk management and emergency assistance.

4. Insurance

Facing this contingency, as additional financial backing, the company has a solid scheme of construction and current assembly insurance policies of USD 2.550 million with a deductible of USD 1 million that covers material damage to infrastructure and equipment.



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. This insurance policy is contracted with representative firms in the global insurance and reinsurance sector recognized for their solvency and support. Maxseguros, which is the captive insurance company of the EPM Group, does not have any risk retention.

EPM works intensively with the adjusters named in common agreement with the group of reinsurance companies responsible for the policies to move forward firmly in the insurance claims process. The claim process is in the work team formation stage, exchange of detailed information and follow-up visits to the project.

5. Ituango hydroelectric project's integral environmental and social management

The company has not saved efforts or resources to contribute to the welfare, care and protection of the people impacted by the contingency presented at the Ituango hydroelectric project. In its commitment to these communities, EPM has invested between May 12 and June 12 of 2018 resources for about COP 33,000 million to attend in a timely manner the inhabitants of the municipalities of Valdivia, Tarazá, Cáceres, Cauca and Nechí.

For the last six years, when main civil works on the Ituango hydroelectric project began, in the Northwest of Antioquia, the company has contributed to the transformation of the 12 municipalities of the area of influence of the project: Ituango, Briceño, Toledo, San Andrés de Cuerquia, Yarumal, Valdivia, Santa Fe de Antioquia, Buriticá, Olaya, Liborina, Sabanalarga and Peque, through investments in social management, connectivity, education, housing, utilities, health, higher education and productivity, in addition to the



strengthening of institutionality, link to regional development and restitution of life conditions.

When the current contingency occurred, the Ituango hydroelectric project was at a work progress of 85%, as well as on-budget and on-time. At that time, the Environmental and Social Management Plan was also at an advanced stage to deal with the impacts that a work of this nature could cause. This Plan has the following as its principles: respect for people, their roots, their ancestry, traditions and responsibility for the protection of natural resources.

In total, under the Environmental Management Plan framework, in its social and environmental components, as well as other social responsibility programs and additional investments, a little more than COP 1.8 billion in different development lines have been executed, among which the following stand out:

- Prevention of violence with opportunities.
- Access to legal services for the territory's residents.
- With the Protective Environments Program, 1,000 youths were kept away from illegality.
- Participation of 250 people in the Human Rights school.
- Legal capacities, police stations, police inspections and jails were strengthened with improvement works, equipping and mobility, always thinking about the residents.
- Responsible management of impacts caused by the project to the population registered in the census.
- Agreement with municipal administrations on 34 social and infrastructure projects to mitigate the impacts generated by



migratory pressure in the localities of Toledo, San Andrés de Cuerquia, Ituango and Puerto Valdivia.

- Creation of 11,200 jobs, of which 2,400 approximately corresponded to inhabitants of the area of influence.
- Acquisition of goods and services to foster trade and community organizations.
- Training in sexual and reproductive rights with educational institutions, training on gender-based violence, social and political mobilization events for women's rights in the 12 municipalities of the project's influence area.
- In agreement with the Grupo HTM Foundation and the Alexander von Humboldt Biological Resources Research Institute, a portfolio of conservation areas was developed with a greater scope than the obligation to compensate and with prioritization of plots, which is an input for the territory's organization.
- Opening of a regional nursery with capacity for the production of one million seedlings per year.
- Compensation of 17,000 new hectares of dry and humid tropical forest, which without a doubt turns into an opportunity for the territory's biodiversity.
- Rescue and relocating of fauna with specialized personnel. In addition to the creation of the Wild Fauna Assessment and Service Center for clinical service.
- Seventy projects were prioritized by the community and they became a reality. The decision was made through election by people in large public voting processes, where 17,760 residents



from the 12 municipalities from the project's area of influence participated.

- To this date, 5,146 families from 377 villages are beneficiaries with production projects, 3,500 families already have family orchards for their own consumption and 194 social organizations are benefited by productive projects for undertaking family agriculture.
- With EPM's program Aldeas, 800 families made their dream of having their own home come true.
- With rural electrification, 9,937 families improved their living conditions.
- In a contribution to inclusion, 1,398 kilometers of tracks were recovered in the 12 municipalities of influence of the project for development, connectivity, and productivity. With this, travel times decreased up to 60%.

For these reasons, the Ituango hydroelectric project is more than an infrastructure project, it is the opportunity to transform lives.

In its openness and transparency, EPM has and will make available to the authorities and the community all of the necessary information regarding the development of the Ituango hydroelectric project, a project created to contribute to the quality of life of millions of people and the development of Colombia, with the supplying of 17% of the energy that the country needs to continue growing, with a generation of 2,400 megawatts when it is fully operational.