

CELSIA S.A. E.S.P. BOARD OF DIRECTORS AND CEO MANAGEMENT REPORT

DEAR SHAREHOLDERS,

One year ago, we started our Shareholders Meeting thanking you for your support in the issuance of shares, a transformational operation that drove us to take a strong step forward in the implementation of the strategy. With the COP 1.47 trillion of the issuance, we increased our share in Epsa, achieving 61.3% with an investment of COP 738,000 million and we managed to pay off a debt of COP 740,000 million early.

Today, we would like to present you with the events and results that demonstrate this progress, with significant developments in renewable energy, in strengthening our operations in Colombia and Central America, and in creating an innovative portfolio of energy solutions that attracts a growing number of clients and allows them to experience a different service experience with us.

Energy Efficiency in the New Era for Energy

Convinced of the need to go beyond the electricity meter, at Celsia, we are creating bespoke comprehensive solutions to meet our clients' needs and expectations. Today, Celsia's clients have solutions available to them such as solar energy, cooling districts, electricity assets, building automation, backup generators, efficient lighting, electric transit and energy storage. This is a complete package, which enables them to consume energy efficiently and be more productive and sustainable.

At the end of the year, we had around 624,000 clients, 20,000 more than in 2017. This effort was converted into the 2,285 GWh that we delivered: 1,213 GWh to the regulated market with 3% growth and 1,072 GWh to the non-regulated market, increasing 12%. The good performance in the non-regulated market is due to us finding new clients in other regions, thanks to which we now have more than 300 clients outside of Valle del Cauca. Currently, 84% of invoicing is in our own market and 16% has been diversified to other regions, mainly in Bogotá, Antioquia, Córdoba and Bolívar.

In our Business and City segments, we have clients such as Sura, Alúmina, Tecnoquímicas and Postobón, for which we develop products that enable them to be more productive and sustainable, and to achieve their targets in energy efficiency.

In 2018, we worked hard on the Serena del Mar urban megaproject, which will develop 17,000 homes for a population between 50,000 and 60,000 people. Through an alliance with the project developer, Novus Civitas, we will provide innovative and sustainable solutions, which will add to our new Business portfolio. We will provide a complete sales portfolio, including electricity, thermal energy and fiber-optic internet.

The Home segment increased 47% the previous year and we keep exploring new channels to reach the end client. In May, in Palmira, we opened our first store exclusively for providing electricity advice and selling efficient electrical products. Additionally, we launched the online channel tiendacelsia.com, which brings us closer to clients who visit us at our service points and who prefer online purchases.

Our commitment to a different way of bringing electricity to clients is a reality and we will keep strengthening this business in other urban developments that are being built in the region.

Passionate about Renewable Energy

One of the most relevant trends in our sector is the increase in non-conventional renewable energy sources and at Celsia, we are committed to solar energy and wind power projects. We ended 2018 with 84 MW of installed capacity from clean energy sources and in five years, we hope to have another 560 MW, so that 30% of the annual generation from renewable sources will be non-conventional.

The progress in solar energy in Colombia is notable. Celsia Solar Bolívar started to deliver energy at the end of 2018. Located in Santa Rosa de Lima, this solar farm has a capacity of 8.1 MW and USD 8 million were invested in its construction. In the expansion plan, we have solar farm projects in Valledupar, Santander and Tolima, which will add an important capacity of megawatts and which we hope to start building in 2019 and early 2020.

Similarly, our clients have gained the same enthusiasm for solar energy. At the end of 2018, we had installed 6 MW in solar roofs and an additional 18 MW are in the installation process. The agreement reached with Odinsa stands out, for Celsia to become its partner in energy efficiency. El Dorado International Airport will have a solar roof with a capacity of 2.8 MW, enabling the generation of 3.9 GWh/year, which comprises 12% of the terminal's electricity consumption, equivalent to the consumption of 1,590 households.

Our drive for renewable energy can also be seen in Central America. In Panama, we acquired Divisa Solar, a solar farm with a capacity of 9.9 MW. Celsia Solar Prudencia is also ready to start construction, a neighboring solar farm of our hydroelectric operation with a capacity of 11.0 MW, which will add to the 1.8 MW of solar roofs under construction. In Honduras, we will build a solar farm of 10.6 MW, which will supply electricity to the Piedras Azules power plant of Cementos Argos in Comayagua.

Additionally, we achieved important milestones in energy generated from wind power in 2018. At Guanacaste Wind Power Plant, which has a capacity of 49.9 MW, we carried out maintenance on 26 blades and changed the stator coil in 10 wind-generation units, extending their useful life. Last year, our wind power generation achieved 227 GWh/year with 35% growth.

We are developing 330 MW in this kind of project in four wind power plants in La Guajira, which already have an environmental license and connection application approved by the Mining and Energy Planning Unit (UPME, for the Spanish original), although with different stages of maturity in the connection line. The first 80-MW park will be delivering clean energy to the country in 2022.

The interest currently generated by renewable projects requires us to seek options to enhance our range of assets with a constant commitment to the environment and to our country. Reduction of carbon emissions is a global imperative and our mission is to achieve a healthy balance between the different sources of power generation, also taking advantage of the fact that the solar and wind farms are becoming increasingly more competitive with respect to the hydroelectric and thermal power sources.

Epsa, an Investment Platform that Consolidates Operations in Colombia

Specifically in an effort to organize and simplify our operations, at the end of 2018, we announced the sale of some generation assets and the commercial representation of Merlétrica being granted to Epsa, consolidating our Colombian operations in said company. This contributes significant operating synergies and administrative efficiencies, and enables our growth in national transmission and specialization in implementation, making us faster and more competitive.

Epsa has been successful as an investment platform. We have 61.3% of its shareholding and the valuable support of some partners, such as Emcali and CVC, which have enabled us to develop our growth and transformation strategies to reach new markets and to attend more clients.

Now it is our job to keep finding structures that enable us to progress and accelerate the execution of the strategy, achieve efficiencies, enhance the capital structure and maintain value generation for you, our shareholders.

Business Performance

Next, I would like to present the most relevant aspects of the asset management business:

Transmission and Distribution is an attractive activity because of its capacity to produce relevant and sustainable cash flows and in 2018, we made important progress: We improved our electricity infrastructure in Valle del Cauca, achieving a significant improvement in the quality of the energy service. Our SAIDI was 11.7 hours of interruption to the service in the year, improving 28%. The SAIFI was 17.5 times with a 10% improvement. Both results are very positive with respect to the national average, which is 39.5 in hours and 51.3

in frequency. We also achieved reliability of the transmission and distribution networks above 99.8% and energy losses in the grids of 8.3%, a better indicator than the proposed targets.

All of this is thanks to us making investments of COP 126,000 million to strengthen our electric power grid and increase its capacity. We increased the medium voltage distribution networks by 156 km and the low voltage distribution networks by 157 km.

We will complete on time the fourth of the six Plan5Caribe projects granted to us. In the Bolívar Department, we built two substations, we improved another two and we installed 21 km of new 110-kilowatt grids. The investments in Plan5Caribe last year amounted to more than COP 161,000. In the first quarter of 2019, in line with the dates agreed with the Energy and Gas Regulatory Commission (CREG, for the Spanish original), we started the two remaining projects: one to build and extend substations in the Atlántico Department and the other to build a substation in the Cesar Department.

In new calls for tenders, the UPME awarded us the construction of the Tolviejo substation (220 kilowatts) in the Sucre Department and 160 km of the Chinú – Tolviejo and Tolviejo – Bolívar transmission lines (220 kilowatts). These works were included in the country's Electricity Transmission Expansion Plan. This project must be operating in the second half of 2022 and will require an investment of approximately USD 70.5 million. It will enable us to have a more reliable and better quality electric power grid. Furthermore, it will make viable the future connection of generation projects. We will keep looking for opportunities in this kind of investment.

In notable regulatory affairs of the Transmission and Distribution Business in 2018, through Resolution 40092, the Ministry of Mines and Energy established the guidelines for the installation of the advanced metering infrastructure (AMI) by the grid operators and proposed the minimum operating requirements. This resolution will enable the widespread growth of this infrastructure, which will facilitate the development of our new energy efficiency businesses, responding to the demand and self-generation.

In **Generation**, we had a year marked by the upgrade and renovation of several of our power plants, which will enable improved operation in the upcoming years. We carried out technology upgrades that enhance use of the water resource and decrease the operations' risk factors to the extent that in Bajo Anchicayá, for example, we managed to recover all of the power plant's installed capacity, achieving 74 MW. At Alto Anchicayá, a 355 MW hydroelectric power plant, we increased the efficiency by 4%, and in Riófrío, which has 11.7 MW, we increased the efficiency by 6%.

Parallel to this, we are improving the automation program of this operation. With a pilot program implemented in 2018, we were able to remotely operate the Río Cali power plant. We are going to extend this program in 2019 and we hope we will also be able to operate the Amaime, Alto Tuluá and Bajo Tuluá small hydroelectric power plants (SHPP) through this program from our NOVA control center.

In Colombia, consolidated hydroelectric power generation amounted to 4,015 GWh/year with a 6% decrease from 2017. This performance is explained by the strategy implemented to enhance use of the water resource during the second half of the year, in response to a forecast drought at the end of 2018 and beginning of 2019. However, the surplus water levels between April and July and a small increase in the system's energy demand led to the reservoirs maintaining their reserves above 70% during the second half of the year, having repercussions on the spot market price during the rainy season.

With respect to the hydroelectric power generation projects, the San Andrés SHPP has 35% execution. We progressed with digging the trenches for the access roads and manufacturing the penstock and the electromechanical equipment. Work continues on the underground structures, tunnel and foundations of the powerhouse. This power plant, located in San Andrés de Cuerquia (Antioquia), will have a capacity of 19.9 MW and it is generating around 400 direct and indirect jobs in this construction stage. It is estimated to be operating in 2020. We financed this using cleared funds provided by Findeter at a very competitive rate of the IBR plus 1.55% in a 12-year term.

The Porvenir II project, which has a capacity of 352 MW and an estimated investment of more than USD 800 million, has been subject to a detailed analysis by Management and the Board of Directors. After

analyzing multiple options and particularly the financial impact that it would have on our growth plans, we have decided that the best alternative

for this project is to find an investor to assume leadership of it. We are currently in this process.

In Panama, we upgraded the whole maintenance system of the Dos Mares Hydroelectric Complex with prevention plans that will enhance the maintenance times. In 2018, we achieved the generation of 465 GWh/year in said country with a 3% decrease from the previous year as a result of the lower water levels.

Thermal power generation in Colombia increased 47%, amounting to 1,393 GWh/year, due to the increased restrictions in the area of the Caribbean Coast, which resulted in the repeated dispatch to Zona Franca Celsia throughout the year. Although the restrictions increase generation, the effect on the margin is neutral, because the system only recognizes the equivalent to the costs in income.

In Panama, the thermal power generation of BLM amounted to 392 GWh/year, decreasing 12%, mainly due to the periods of high rainfall for the system and the entry of a combined-cycle power plant into Panama's electricity matrix.

Our thermal power plants also had important alterations, which improved their performance and productivity. At Zona Franca Celsia, we carried out major maintenance between April and May. With an investment of more than COP 26,000 million, we improved the power plant's reliability and thermal efficiency and recovered 10 MW of capacity in the combined cycle. In the BLM and Cativá power plants in Panama, we carried out maintenance that ensures the reliability of the units in order to meet the system's commitments.

The BLM power plant, 51% owned by Celsia and 49% owned by the Panamanian government, which has provided 11% of Panama's total power generation over the last three years and contributes 12% of the country's installed capacity, recorded the expiry of the energy sales contract in December.

The asset management business is essential for our Organization and drives us to progress in the new businesses and to be able to make the strategy a reality.

The Year in Figures

The businesses achieved good operating and financial results. The consolidated revenue amounted to COP 3.4 trillion, increasing 11% from the previous year. The Generation Business contributed COP 2.0 trillion, 6.3% more than in 2017. The Distribution Business contributed a consolidated revenue of COP 1.3 trillion, 12% more than in the previous year.

In operating results, we highlight the EBITDA of COP 1.13 trillion; equivalent to 2% growth. The net profit recorded was COP 351,000 million, with a 40% increase and the net income attributable to the controlling shareholders amounting to COP 228,000 million, a 53% increase from 2017.

<i>EBITDA by Business</i>	<i>2018</i>	<i>Share</i>
<i>Generation</i>	797,427	70.3%
<i>Transmission and Distribution</i>	327,098	28.8%
<i>Sales</i>	10,527	0.9%
<i>Total</i>	1,135,052	

In terms of our individual financial performance, revenue amounted to COP 258,000 million with an adjusted EBITDA for dividends of COP 179,000 million, a 23% increase and a net profit of COP 543,000 million. It is important to note that the separate net profit value includes the profit from the sale of assets traded with Epsa, which amounts to COP 315 billion. Without including said sale, the individual net profit would have been COP 228,000 million, with a 24% increase.

The operating and financial performance, as well as the use of funds from the share issuance in February last year, enabled the payment of debt and the development of the investment plan in 2018, and led to a net debt /

EBITDA ratio of 2.7 times, lower than the 3.2 times of 2017. The same ratio at Celsia individually decreased from 6.8 times to 3.5 times.

We have a competitive source of resources for the development of renewable energy projects since June 2018 thanks to the issuance of Epsa green bonds, which had an authorized amount of COP 420,000 million. This financial instrument promotes environmental projects with low carbon emissions that are resilient to climate change, contributing to a sustainable growth and economic development model. Last year, two tranches of this bond program were issued for a total amount of COP 140,000 million, which made us the first company of the real sector in Colombia to issue green bonds.

The important progress in the consolidation of the strategy and the financial performance enabled us to maintain the credit risk rating at AA+. In turn, Epsa's credit rating remained unchanged at AAA, a rating it has maintained for 18 years.

Shareholders, the 2018 results were outstanding, not only in profit, but also in strategy. However, we consider that last year's share price did not reflect the effort we made during the year. The share price underwent a devaluation of 14.4%, while the COLCAP index dropped 9.5%. There was volatility of the capital markets in most of the emerging economies last year.

We are fully committed to generating value for you and we hope that the market reflects this in the share price in 2019 and years to come. We remind you that Celsia has achieved outstanding results since its creation. A shareholder that had invested COP 100 from July 2002 would now have COP 3,082 due to valuation, plus another COP 1,017 from dividends, for a total of COP 4,099, a higher figure than the COP 1,258 that an investor would obtain in the index of the Colombian Securities Exchange in the same period from valuation and dividends.

Communities and the Environment Are Part of Our Essence

Protection of natural resources and the quality of our relations with the communities in our areas of influence are part of our essence. In 2018, we invested more than COP 20,000 million in voluntary social programs, benefitting around 300,000 people in areas including access to energy, improvement of roads, quality of education, development of business activities and health promotion.

Fundación Celsia and Fundación Epsa kept working on the quality of education as a cornerstone for development in the regions, managing to benefit 332 educational institutions with programs in 2018. We highlight the improvement of energy and water infrastructure in 26 schools through our Enciende program, which enables the educational community to enjoy better lit, healthier and safer areas; the *Verde Vivo* (Going Green) project, an environmental education methodology that has become a key program for the Business Group with its subsidiaries; and the strengthening of teachers' capacity in essential subjects such as mathematics, language and leadership. All of the above has benefited 2,940 teachers and 96,573 students.

Celsia's voluntary environmental investment amounted to COP 7,500 million in 2018, which can be seen in initiatives in Colombia, including the *ReverdeC* program, the *Huella Viva* project, and research agreements with universities. In Central America, we started environmental activities in the development of operations, measures to control atmospheric and noise emissions, and reforestation projects.

Our *ReverdeC* program continues to make strong progress. To date, we have planted more than 2,600,000 trees in 30 municipalities of Valle del Cauca, reforesting more than 2,200 hectares in 22 water basins and contributing to the conservation of seven endangered forest species. We also encouraged community participation in the program, achieving that 100% of the workforce and suppliers are from local communities, generating 1,800 jobs and the incorporation of 33 organizations through this.

A Culture that Defines Us and Sets Us Apart

Our 2018 achievements would not have been possible without the talent and passion of our employees, who are the engine that drives and facilitates the businesses by conviction, thanks to the cultural transformation that we have undertaken and the quality of life that the Company offers.

We progressed with the “Yo Elijo Cuidarme” (I Choose to Look after Myself) program, focused on safety being a lifestyle. The Management System not only focuses on fulfilling the current legal requirements, but also allows us to progress by executing action plans that ensure adequate conditions for the development of safe work. With the application of tools, we have managed to achieve a 35% reduction in our accident frequency indicator from 2016; the year we started the program.

A good work climate was reflected in the survey of the Great Place to Work Institute. The Company came in sixth place for the best places to work in Colombia, climbing five places from 2017.

Support of Our Activities

Celsia received important public acknowledgements in 2018. For the fourth year in a row, we have been part of the RobeccoSAM Sustainability Yearbook and for the first time, we obtained the SAM Bronze Class Distinction in the energy sector. In recent years, we have continuously improved our rating on the Dow Jones Sustainability Index. We have already been invited to participate in the Dow Jones Latin American Integrated Market (MILA, for the Spanish original) and we obtained the best score out of the sector's companies located in Mexico, Peru, Chile and Colombia. Furthermore, we came in seventh place in global utilities. We are very proud to be one of the most sustainable companies in the world.

In the Merco Reputación ranking, we came in 50th place out of 100 companies with the best reputation in Colombia, climbing 34 places over the last three years.

Driven to the Future with Good Energy

Dear shareholders, we hope that this outlook of the new era for energy that Celsia represents in the region is not only an attractive slogan, but also a palpable reality for our clients. We want this evolution and its results to delight you as much as it delights us. We will assume the great challenges of 2019 with decision and passion. We will work tirelessly to obtain the best results, integrating our culture of innovation, technology capacity and customer service experience. We will keep driving the incorporation of renewable energy and enhancing the management of our assets. Additionally, as businesspeople and citizens, we will keep giving our best energy to a country that deserves the best future.

Jorge Mario Velásquez
Gonzalo Alberto Pérez
Alejandro Piedrahíta
Eduardo Pizano
María Luisa Mesa
María Fernanda Mejía
David Yanovich

Board of Directors

Ricardo Sierra Fernández
CEO

Medellín, February 19, 2019

Below, you will find the evolution of legal affairs and corporate governance as an appendix to this report.

Appendix – Legal Affairs and Corporate Governance

Celsia duly addressed its legal affairs and did not receive any notification of lawsuits or penalties that could affect its financial position.

The performance of the financial information disclosure and control systems was verified through different activities carried out by the Statutory Auditor, the Internal Audit Department, and the Board of Directors through the Audit, Finance and Risk Committee, which concluded that these systems operate satisfactorily. Among these activities, those that stood out were the review of the financial statements by the Statutory Auditor; the assessment of the adequate design and operation of the Internal Control System by the Internal Audit Department; and quarterly monitoring of financial statements by the Audit, Finance and Risk Committee, which includes the analysis of transactions with related parties.

The Company complied with applicable legislation related to intellectual property and copyright, and operations with administrators and shareholders were undertaken pursuant to the provisions of corresponding regulations and in response to market conditions. Notes 34 and 35 of the individual and consolidated financial statements, respectively, describe these transactions. Additionally, in compliance with Law 1231/2008, amended by Law 1676/2013, the Company did not obstruct the free circulation of invoices issued by suppliers.

Aspects related to Article 446 of the Code of Commerce are included in the financial statements, the Statutory Auditor's Report and this document, which are posted on the Company's website. Meanwhile, the Business Group's report, with reference to Article 29, Law 222/1995, can be found in the additional information distributed to shareholders, along with the Corporate Governance Report.

Finally, on the website: www.celsia.com, you can find the report on the implementation of the *Código País* survey recommendations.