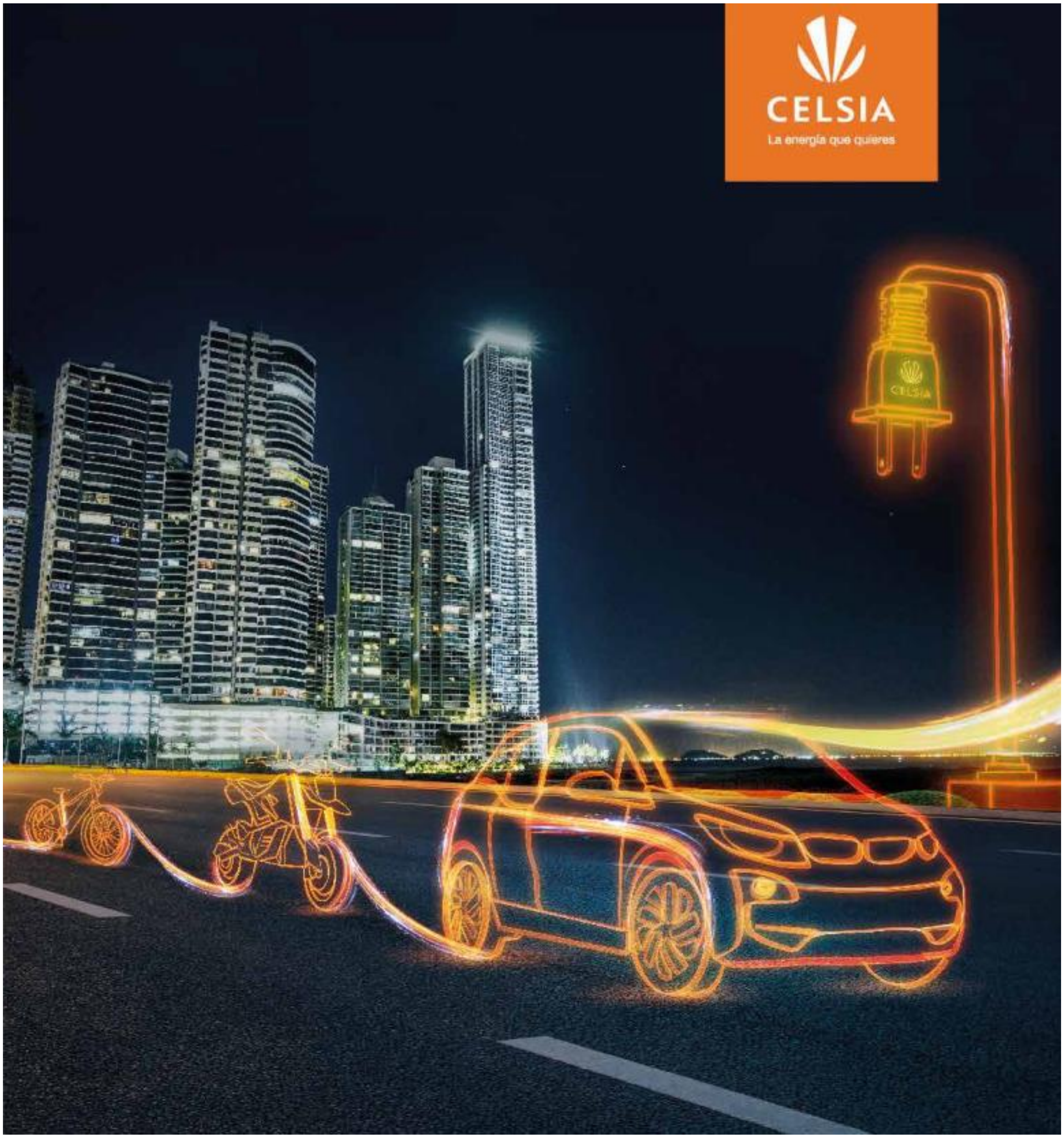

CELSIA S.A.

Consolidated Financial Statements at December 31, 2020 and 2019

CELSIA

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Statutory Auditor's Report (8 pages)

Certification of the Registered Agent

February 24, 2021

To the shareholders of
Celsia S.A.

As the Registered Agent, I hereby certify that the consolidated financial statements at December 31, 2019, which have been made public, do not contain material flaws, inaccuracies or errors that obscure the true nature of the assets, liabilities or operations of Celsia S.A. during the applicable period.

Ricardo Andrés Sierra Fernández
Registered Agent

Certification of the Registered Agent and Accountant of Celsia S.A. E.S.P.

February 24, 2021

To the shareholders of
Celsia S.A.

We, the undersigned Registered Agent and Accountant of Celsia S.A., hereby certify that the following was verified in the Company's consolidated financial statements at December 31, 2020 and 2019, before being made available to you and to third parties:

1. All assets and liabilities included in the Company's consolidated financial statements are present. All transactions included in these statements were made during the years that ended on the aforementioned dates.

2. Assets represent probable future economic benefits (rights) and liabilities represent probable future economic losses (obligations) acquired or assumed by the Company.

3. All of the Company's economic activities have been recorded in these consolidated financial statements.

4. All elements have been included with their proper values in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF in Spanish).

5. All economic activities that affect the Company have been properly classified, described and disclosed in the consolidated financial statements.

6. The consolidated financial statements and the management report do not contain flaws, inaccuracies or errors that obscure the true nature of the Company's assets, liabilities or operations.

7. The consolidated financial statements at December 31, 2020 and 2019, were prepared using figures faithfully taken from the books of the companies included in the consolidation process.

8. The financial statements have been authorized for their disclosure by the Board of Directors pursuant to the meeting held on February 23, 2021.

Ricardo Sierra Fernández
Registered Agent

Jorge Tarquino Pérez
Accountant
Professional License no. 30956-T

Celsia S.A.

Consolidated Statement of Financial Position
At December 31, 2020 and 2019
(Values expressed in millions of Colombian pesos)

	NOTES	2020	2019
Assets			
Non-current assets			
Property, plant and equipment, net	7	8,353,654	7,854,190
Right-of-use assets	8	77,313	67,416
Intangible assets, net	9	353,692	370,788
Goodwill	10	958,924	931,542
Investments in associates and joint ventures	11	152,358	177,764
Other financial investments	12	98,140	83,100
Other non-financial assets	15	98,423	115,237
Trade debtors and other accounts receivable, net	13	289,372	9,240
Deferred tax assets	30	2,189	7,560
Total non-current assets		**10,384,065**	**9,616,837**
Current assets			
Cash and cash equivalents	14	399,547	384,672
Trade debtors and other accounts receivable, net	13	599,488	1,123,732
Inventories	16	167,136	180,211
Other non-financial assets	15	59,137	42,191
Current tax assets	30	24,079	25,054
Non-current assets held for sale	17	177,207	-
Total current assets		**1,426,594**	**1,755,860**
Total assets		**11,810,659**	**11,372,697**
Shareholders' equity and liabilities			
Equity	18		
Issued capital		267	267
Share issue premium		1,822,196	1,822,196
Reserves		2,306,188	2,498,010
Annual earnings, net		249,320	473,447
Other comprehensive income		390,318	326,728
Retained losses		302,435	(50,395)
Retained earnings in opening balance sheet		20,585	20,585
Other equity interests		(542,983)	(542,983)
Equity attributable to controlling shareholders		**4,548,326**	**4,547,855**
Non-controlling interest		1,192,329	1,126,742
Total equity, net		**5,740,655**	**5,674,597**
Liabilities			
Non-current liabilities			
Borrowings	19	3,382,519	3,370,810
Liabilities for right-of-use assets	8	58,430	61,867
Trade creditors and other accounts payable	22	106,865	99,359
Deferred tax liabilities	31	325,585	324,264
Employee benefits	20	140,894	148,176
Total non-current liabilities		**4,014,293**	**4,004,476**
Current liabilities			

Borrowings	19	483,336	586,271
Derivative financial instruments	33	43,474	-
Liabilities for right-of-use assets	8	2,795	10,943
Trade creditors and other accounts payable	22	692,408	616,081
Provisions	21	217,789	232,420
Current tax liabilities	30	70,448	147,011
Employee benefits	20	59,718	53,988
Other liabilities	23	30,179	46,910
Liabilities associated with assets held for sale	17	455,564	-
Total current liabilities		**2,055,711**	**1,693,624**
Total liabilities		**6,070,004**	**5,698,100**
Total liabilities and equity		**11,810,659**	**11,372,697**

The accompanying notes are an integral part of these consolidated financial statements.

Ricardo Sierra Fernández
Registered Agent
(See attached certificate)

Jorge Tarquino Pérez
Accountant
Professional License no. 30956-T
(See attached certificate)

Claudia Patricia Cardona Cadavid
Statutory Auditor
Professional License no. 64047-T
Member of KPMG S.A.S.
(See my report dated February 24, 2020)

Celsia S.A.
Statement of Income and Other Comprehensive Income
At December 31, 2020 and 2019
(Values expressed in millions of Colombian pesos)

	Note	2020	2019
Revenue			
Revenue	24	3,536,007	3,725,762
Cost of sales	25	(2,377,976)	(2,580,674)
Gross earnings		**1,158,031**	**1,145,088**
Other income	26	49,621	658,856
Administrative expenses	27	(302,815)	(296,341)
Other expenses	26	(27,472)	(134,531)
Equity method, net	28	(4,650)	(19,293)
Earnings before financial costs		**872,715**	**1,353,779**
Financial income	29	28,846	21,200
Financial costs	29	(354,771)	(411,890)
Exchange difference, net	29	(3,556)	909
Earnings before tax		**543,234**	**963,998**
Income tax	30	(204,355)	(360,677)
Annual earnings, net		**338,879**	**603,321**
Comprehensive income attributable to:			
Controlling shareholders		249,320	473,447
Non-controlling interest		89,559	129,874
Annual earnings, net		**338,879**	**603,321**
Earnings per share from continuing operations (in COP)	31		
Basic earnings from continuing operations		316,72	563,87
Diluted earnings from continuing operations		316,72	563,87
Other comprehensive income	18		
Items that will not be reclassified in the report:			
Valuation of investments in equity instruments		(2,774)	(143)
Measurements of defined benefit plans		4,272	(5,639)
Items that will be reclassified after the report:			
Exchange difference in conversion of subsidiaries abroad		70,488	10,627
Cash flow hedge assessment		(14,373)	5,751
Total other comprehensive income		**57,613**	**10,596**
Comprehensive income attributable to:			
Controlling interest		63,590	10,596
Non-controlling interest		(5,977)	(2,238)
Total other comprehensive income		**57,613**	**8,358**
Total annual comprehensive income		**402,469**	**613,917**
Comprehensive income attributable to:			
Controlling shareholders		312,910	484,043
Non-controlling interest		83,582	127,636
Total comprehensive income		**396,492**	**611,679**

The accompanying notes are an integral part of these consolidated financial statements.

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Celsia S.A.
Consolidated Statement of Changes in Shareholders' Equity
At December 31, 2020 and 2019
(Values expressed in millions of Colombian pesos)

	Issued capital	Share issue premium	Reserves	Other comprehensive income	Annual earnings, net	Accumulated losses	Retained earnings in opening balance sheet	Other equity interest	Equity attributable to controlling shareholders	Non-controlling interest	Total
Balances at January 1, 2019	**267**	**1,822,196**	**2,467,051**	**316,132**	**227,834**	**(50,395)**	**20,585**	**(405,668)**	**4,398,002**	**1,006,354**	**5,404,356**
Annual earnings, net	-	-	-	-	473,447	-	-	-	473,447	129,874	603,321
Appropriation of reserves	-	-	227,834	-	(227,834)	-	-	-	-	-	-
Distribution of dividends	-	-	(196,875)	-	-	-	-	-	(196,875)	(77,823)	(274,698)
Subsidiary's capital issuance	-	-	-	-	-	-	-	(3,726)	(3,726)	164,496	160,770
Annual other comprehensive income	-	-	-	10,596	-	-	-	-	10,596	(2,238)	8,358
Purchase and sale of non-controlling interest	-	-	-	-	-	-	-	(133,589)	(133,589)	(123,415)	(257,004)
Capitalizations		-	-	-	-	-	-	-	-	29,494	29,494
Balances at December 31, 2019	**267**	**1,822,196**	**2,498,010**	**326,728**	**473,447**	**(50,395)**	**20,585**	**(542,983)**	**4,547,855**	**1,126,742**	**5,674,597**
Annual earnings	-	-	-	-	249,320	-	-	-	249,320	89,559	338,879
Appropriation of reserves	-	-	120,617	-	(473,447)	352,830	-	-	-	-	-
Distribution of dividends	-	-	(312,439)	-	-	-	-	-	(312,439)	(82,158)	(394,597)
Subsidiary's capital issuance	-	-	-	-	-	-	-	-	-	24,350	24,350
Annual other comprehensive income	-	-	-	63,590	-	-	-	-	63,590	(5,977)	57,613
Capitalizations		-	-	-	-	-	-	-	-	39,813	39,813
Balances at December 31, 2020	**267**	**1,822,196**	**2,306,188**	**390,318**	**249,320**	**302,435**	**20,585**	**(542,983)**	**4,548,326**	**1,192,329**	**5,740,655**

The accompanying notes are an integral part of these consolidated financial statements.

Ricardo Sierra Fernández
Registered Agent
(See attached certificate)

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(See my report, dated February 24, 2021)

CELSIA

Celsia S.A.
Consolidated Statement of Cash Flow
At December 31, 2020 and 2019
(Values expressed in millions of Colombian pesos)

	Note	2020	2019
Cash flows from operating activities:			
Earnings of the period, net	18	**338,879**	**603,321**
Adjustments to reconcile the annual earnings:			
Income tax	30	204,355	360,677
Depreciation of property, plant and equipment, and rights of use	7 and 8	320,415	364,262
Earnings from sale and derecognition of property, plant and equipment, net	26	(15,314)	(334,777)
Loss from impairment of property, plant and equipment	7	-	53,369
Amortization of intangible assets	9	60,459	49,419
Impairment of intangible assets	9	-	38,325
Impairment of goodwill	10	-	16,233
Financial costs recognized in statement of income for the period	29	289,844	343,360
Revenue from interest recognized in statement of income for the period	29	(24,227)	(16,430)
Pension liability interest	20	8,955	9,313
Earnings from sale of investments	26	(13,264)	(305,790)
(Recovery) provision for contingencies	21	(7,563)	6,726
Earnings from transactions in foreign currency		(53,173)	(40,259)
Impairment losses of trade debtors and other accounts receivable	27	15,689	13,519
Equity method for investments in associates and joint ventures	28	4,650	19,293
Loss in hedging instruments valuation	29	56,767	2,003
Income from dividends declared		(3,419)	(112)
Donations of property, plant and equipment	26	854	-
Changes in assets and liabilities:			
Trade debtors and other accounts receivable	13	258,622	(159,039)
Inventories	16	(26,871)	11,020
Other non-financial assets	15	(226)	10,546
Trade creditors and other accounts payable	22	69,440	(70,024)
Employee benefits and provisions	21	(17,786)	4,438
Other liabilities	23	(27,272)	(6,120)
Cash generated from operations		**1,439,814**	**973,273**
Taxes paid	30	(248,697)	(207,467)
Dividends received		3,419	281
Cash flow generated by operating activities, net		**1,194,536**	**766,087**
Cash flows from investment activities:			
Interest received		24,227	16,430
Sale of property, plant and equipment	26	85,796	764,427
Sale of subsidiary with loss of control	26	-	910,743
Sale of intangible assets	26	820	-
Acquisition of other financial investments		(807)	(2,601)
Acquisition of property, plant and equipment	7	(963,178)	(816,164)
Acquisition of intangible assets	9	(5,536)	(861)
Acquisition of shares in associates and joint ventures		(2,041)	(459)
Acquisition of subsidiary, net of acquired cash		(30,000)	(1,601,953)
Loans granted to third parties		(1,490)	-
Cash used in investment activities, net		**(892,209)**	**(730,438)**

Cash flows from financing activities:			
Share issuance and other capital instruments		24,351	118,910
Bond issuance		200,000	1,100,000
Loans and other financial liabilities		1,478,144	970,789
Sale of interest in subsidiaries		39,813	-
Capital and interest payment from financial leases		(14,764)	(18,179)
Acquisition of greater shareholding in subsidiaries		-	(257,004)
Payments of loans and other financial liabilities		(1,093,514)	(1,173,358)
Payment of bonds and commercial papers		(286,551)	(325,432)
Dividends paid to shareholders		(338,593)	(287,033)
Interest paid		(276,333)	(293,111)
Payments made to financial derivatives		(13,293)	-
Other cash inflows		-	29,494
Cash flow used in financing activities		**(280,740)**	**(134,924)**
Increase (decrease) of cash and cash equivalents, net		**21,587**	**(99,275)**
Effect of variations in exchange difference on cash		5,550	39,325
Cash flows from non-current assets held for sale		(12,262)	-
Balances at start of the year	13	384,672	444,622
Cash and cash equivalents at end of the year	13	**399,547**	**384,672**

The accompanying notes are an integral part of these consolidated financial statements.

Ricardo Sierra Fernández
Registered Agent
(See attached certificate)

Jorge Tarquino Pérez
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Claudia Patricia Cardona Cadavid
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Consolidated Financial Statements

Notes to the Consolidated Financial Statements

NOTE 1. GENERAL INFORMATION

Celsia is domiciled in Colombia. The consolidated financial statements at December 31, 2020 and 2019, include Celsia and its subsidiaries. The companies that comprise the group, its corporate purpose and the respective direct and indirect shareholding are described below:

Celsia S.A. (hereinafter Celsia or the Parent Company)

Celsia was incorporated by Public Deed no. 2912 / October 4, 2001, issued by Notary 20 of Medellín, Department of Antioquia, registered in the Medellín Chamber of Commerce on October 8, in Book 9, page 1360, under number 9519, and created on account of the split of Compañía Colombiana de Tabaco S.A. The Company's registered business address is in Medellín, and its legal duration is until April 4, 2069. The Company is controlled by Grupo Argos S.A.

By Public Deed no. 1126, dated April 17, 2012, issued by Notary 20 of Medellín, Compañía Colombiana de Inversiones S.A. E.S.P. changed its business name to Celsia S.A. E.S.P.

At an ordinary session of Celsia's General Meeting of Shareholders held on March 27, 2019, a bylaw amendment was approved, which included the change of business name to Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa). By virtue of which, Celsia stopped being a residential public utility company and the corporate purpose was amended as a result of the business restructuring carried out through the sale of some electricity generation assets, and the commercial representation and sale of capacity and electricity of a thermal power asset. Said bylaw amendment was formalized by means of Public Deed no. 2795, dated September 11, 2019, of Notary 7 of the Medellín Circle, registered in the Medellín Chamber of Commerce on September 13, 2019. The above taking into consideration that the record of the bylaw amendment was under the condition that the Company was effectively withdrawn as a market agent, which occurred at the beginning of September.

As a result of the above, Celsia's main purpose is now the management, protection or increase of its equity through the encouragement and promotion of industrial or commercial activity, especially by means of investment in companies or other legal entities, or shareholdings in another kind of corporate structure related to the industry of energy, public utilities and their ancillary or additional activities, or through bodies, organizations, funds or any other legal structure, whether participating as a founding associate in their formation, by making subsequent capital contributions or by acquiring capital shares. Additionally, it may invest in any kind of immovable and movable property, fixed-income or equity securities or documents, or any kind of security, whether it is listed on the public securities exchange or not. It may also provide advice on economic, administrative and financial issues to any kind of company.

The Meriléctrica thermal power plant, with a capacity of 167 MW, is owned by Celsia S.A. and it is located in Barrancabermeja. Celsia Colombia S.A. E.S.P. has the commercial representation of this power plant.

Controlled companies in Colombia:

Colener S.A.S.

Colener S.A.S., a simplified joint-stock company, 100% owned by Celsia, was incorporated by private document on October 7, 2009, registered in the Medellín Chamber of Commerce in Book 9, under number 14267. Its registered business address is in Medellín and it is established for an indefinite term. Its main corporate purpose is to execute any permitted commercial activity, including managing, protecting and increasing its equity by strengthening and promoting industrial and commercial activity, particularly through investment in companies or other legal entities.

Colener S.A.S. has a 46.57% shareholding in Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Espa E.S.P.), which in turn, is the owner of 97.05% of Compañía de Electricidad de Tuluá S.A. E.S.P. Additionally, Colener S.A.S. has a direct 0.97% shareholding in Compañía de Electricidad de Tuluá S.A. E.S.P. Given that Colener S.A.S. gave up its preferential subscription right in the private share issuance and placement process by Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. -Epsa), completed on July 11, 2019, its shareholding in said company decreased 3.44%.

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa)

It was incorporated by Public Deed no. 0914, dated December 12, 1994, issued by the Sole Notary of the Candelaria Circle. Its registered address is in the municipality of Yumbo, Valle del Cauca, and it is established for an indefinite term.

Its main corporate purpose is the provision of residential electricity public utilities. To fulfill its corporate purpose, it executes policies, plans, programs and projects related to the generation, transmission, distribution and sale of energy; as well as its administration, management and use pursuant to regulations and guidelines issued by the Ministry of Mines and Energy. The actions of Celsia Colombia S.A. E.S.P. also comply with Law 142/1994 and Law 143/1994, and others that amend and/or add to them, such as the provision of ancillary and additional services, and services related to the same public utilities activities pursuant to the legal regulatory framework.

To carry out electric power generation, Celsia Colombia operates 15 hydroelectric power plants with a capacity of 1,105.33 MW: Alto Anchicayá, Bajo Anchicayá, Salvajina, Calima, Cucuana, Hidroprado, Prado 4, Amaime, Alto Tuluá, Bajo Tuluá, Nima, Río Cali, San Andrés de Cuerquía, Río Piedras and Hidromontañitas.

Additionally, Celsia Colombia S.A. E.S.P. has four solar farms with an installed capacity of 37.66 MW, as follows: Yumbo, Bolívar, Espinal and Carmelo.

On June 1, 2019, the Company acquired a commercial establishment from Compañía Energética del Tolima S.A. E.S.P., which includes all the distribution assets and the energy sales business in the Tolima department. The value of the transaction was COP 1.68 trillion, which was paid through bridge loans with national and international banks (See Note 36. Business combinations).

With this acquisition, Celsia Colombia completes 274 km of transmission lines, 42,617 km of distribution networks (22,001 km from Tolima), 165 distribution substations (75 from Tolima) and 11 transmission substations.

The distribution business currently covers more than 1,100,000 customers, including those from the 47 municipalities of the Tolima Department, 41 municipalities of the Valle del Cauca Department, three municipalities of the Cundinamarca Department, and two municipalities of the Chocó Department.

At the close of December 2020, Celsia S.A. had a direct share in Celsia Colombia S.A. E.S.P. of 18.54%, and together with the 46.57% share of Colener S.A.S, Celsia has a share equivalent to 65.11% in said company’s capital.

In November 2019, the General Meeting of Shareholders made the decision to unify the brand and name of Epsa E.S.P. to Celsia Colombia S.A. E.S.P. with the aim to prevent confusions in the market. This change will enable the company to be more efficient in communication processes and have greater recognition through a single brand. It also enables the reduction of costs. The TIN remains the same, so all the business and contractual relationships will be maintained.

On December 29, 2020, the bylaw amendment was made for the merger between Celsia Colombia S.A. E.S.P. (absorbing company), Celsia Tolima S.A. E.S.P. and Begonia Power S.A.S. (absorbed companies), through Public Deed no. 3,046 in Notary 7 of Medellín. This merger process had been previously authorized through the resolution notified by the Superintendence of Corporations on December 15, 2020.

The absorbed companies, in which Celsia Colombia S.A. held 100% of the capital, existed as temporary and non-operating vehicles to acquire the energy sales business and distribution assets in the department of Tolima (Celsia Tolima S.A. E.S.P.) and the wind power plant projects to develop in the department of La Guajira (Begonia Power S.A.S.).

Once the merger was completed, the absorbed companies transferred all of their assets, liabilities and equity in a block to Celsia Colombia, with which they were dissolved without going into liquidation and Celsia Colombia simplified its corporate structure.

Compañía de Electricidad de Tuluá S.A. E.S.P. – Cetsa E.S.P.

Cetsa E.S.P. was incorporated by Public Deed no. 376, dated September 21, 1920, issued by Notary 1 of Tuluá. The company's registered business address is in the municipality of Tuluá (Valle del Cauca) and it is established for an indefinite term.

Its main corporate purpose is to execute policies, plans, programs and projects for the generation, distribution and sale of energy; and the administration, management and use thereof, in accordance with the regulations and guidelines issued by the Ministry of Mines and Energy. The company's actions also comply with Law 142/1994 and Law 143/1994.

Regarding distribution and sales, Cetsa E.S.P. operates three minor power plants with a total capacity of 14.17 MW, and it supplies three municipalities in Valle del Cauca, where it has 64,462 residential and non-residential clients. In addition, it has 811 km of distribution networks and six distribution substations.

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) has direct share capital in Cetsa E.S.P. of 97.05% and the Parent Company has a direct share of 0.97%, with which Celsia has an effective share in Cetsa of 64.16%.

Celsia Colombia Inversiones S.A.S. (formerly Epsa Inversiones S.A.S.)

Celsia Colombia Inversiones S.A.S. is a simplified joint-stock company with the main activity of business and management consultancy. The company's registered business address is in the municipality of Yumbo (Valle del Cauca) and it is established for an indefinite term.

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) owns 100% of Epsa Inversiones S.A.S. and Celsia has an effective share of 65.11% in Epsa Inversiones.

By Minutes no. 12, dated February 28, 2020, of the General Meeting of Shareholders, the company changed its name from Epsa Inversiones S.A.S. to Celsia Colombia Inversiones S.A.S.

Termoeléctrica El Tesorito S.A.S. E.S.P.

Termoeléctrica El Tesorito S.A.S. was incorporated by private document no. 1924378 in Book IX of the business registry on March 26, 2015, under the name Promotora de Energía Eléctrica del Archipiélago de San Andrés, Providencia y Santa Catalina S.A.S. E.S.P. By Minutes no. 8, dated June 7, 2019, of the General Meeting of Shareholders, registered in the Chamber of Commerce under no. 21220 in Book IX of the business registry, the company’s business name was changed to: Termoeléctrica El Tesorito S.A.S. E.S.P.

Its corporate purpose is electricity generation, transmission, distribution and sales within the terms of Law 142/1994 and Law 143/1994, and the other regulations that add to, amend or regulate them.

On May 10, 2019, Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) and

Epsa Inversiones acquired 23% (represented in 2,300,000 shares) and 34.5% (represented in 3,450,000 shares), respectively, for a total investment of USD 6,000,000. Termoeléctrica El Tesorito is in charge of the construction and operation of a gas-fired power plant with a declared capacity of 200 MW, which will be located in the department of Córdoba. Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) has an effective share in this company of 57.50%. Celsia has an effective share in Termoeléctrica el Tesorito of 37.44%.

Celsia Move S.A.S.

Celsia Move S.A.S. was incorporated by private document no. 02527083 of Book IX on November 20, 2019, in the city of Bogotá. The share of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) in Celsia Move S.A.S. is 100%. Celsia has an effective share in Celsia Move of 65.11%.

Its main corporate purpose is the signing and execution of the concession contract of selection process no. SAM18-2019, which aims to grant the non-exclusive and joint concession with other concession holders for the exploitation of the provision of the automotive, urban and massive land transportation public service of the Integrated Public Transportation System (SITP in Spanish). Its main activity is the transportation of passengers and its secondary activity is the rental and lease of automotive vehicles.

Celsia Tolima S.A. E.S.P.

Celsia Tolima S.A. E.S.P. was incorporated by Public Deed no. 351 / May 2, 2019, registered with the Cali Chamber of Commerce on May 6, 2019. Its registered business address is in the municipality of Yumbo, Valle del Cauca, and it is established for an indefinite legal term.

Its main corporate purpose is the provision of residential electricity public utilities within the terms of Law 142/1994 and Law 143/1994, and the other regulations that add to, amend or regulate them.

The direct share of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) in the share capital of Celsia Tolima is 3%. Together with the 2.91% of Cetsa E.S.P. and 94% of Epsa Inversiones S.A.S., Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) achieves a total shareholding of 99.91%. Celsia has an effective share in Celsia Tolima of 65.05%.

The company was dissolved on December 29, 2020, without liquidation, through the merger between Celsia Colombia S.A. E.S.P. (absorbing company), Celsia Tolima S.A. E.S.P. and Begonia Power S.A.S. (absorbed companies).

Begonia Power S.A.S.

Begonia Power S.A.S. E.S.P. is a commercial simplified joint-stock company incorporated on August 1, 2013, by a private document and registered in the Medellín Chamber of Commerce on September 16, 2013. Its registered business address is in the municipality of Medellín and it is established for an indefinite term.

Its corporate purpose is electric power generation, sales and distribution within the terms of Law 142/1994 and Law 143/1994, and the other regulations that add to, amend or regulate them. The related, legally-developed activities are also part of the corporate purpose.

Begonia is developing four wind farm projects in La Guajira in north Colombia, which have an environmental license and connection approved by the Mining and Energy Planning Unit (UPME in Spanish) and are in different stages of maturity regarding connection. In total, they provide 330 MW in four wind power plants.

In July 2019, Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa) completed a 100% share in Begonia Power S.A.S. E.S.P. The General Meeting of Shareholders on August 20, 2019, authorized the change of the business name to Begonia Power S.A.S., and the amendment was registered in the Medellín Chamber of Commerce on August 21, 2019, under number 24499 of Book 9 of the business registry.

The company was dissolved on December 29, 2020, without liquidation, through the merger between Celsia Colombia S.A. E.S.P. (absorbing company), Celsia Tolima S.A. E.S.P. and Begonia Power S.A.S. (absorbed companies).

Porvenir II S.A.S. E.S.P.

Porvenir II S.A.S. E.S.P. is a simplified joint-stock company and public utility company with the main corporate purpose of energy generation and sales pursuant to Law 142/1994 and Law 143/1994. Its registered business address is in Medellín and it is established for an indefinite term. Celsia has a 100% shareholding.

The company has an environmental license to develop the Porvenir II hydroelectric power plant project, granted through Resolution 0168 / February 13, 2015, and confirmed with Resolution 0726 / June 19, 2015.

In the simple annulment proceeding with registration no. 2016-0149 against the environmental license of the Porvenir II power plant project, the Council of State notified a court order on May 24, 2019, through which it provisionally suspended said license, considering that the development of the project in the conditions endorsed by the National Authority of Environmental Licenses (ANLA in Spanish) could fail to acknowledge some precepts of Law 1448/2011. The company and the ANLA (the issuing authority for the environmental licenses) filed an appeal against said court order. The Council of State may revoke the provisional suspension or definitively rule the proceeding denying the annulment.

Currently, the environmental license is still suspended by the Council of State and the company keeps executing all the existing legal mechanisms with the aim to activate the license and be able to continue the process of finding a partner who will assume leadership and develop the project. Hydroelectric power continues to be very important for Colombia's development, given its efficiency due to the country's hydrographic wealth, and it complements the strategy of increasing the stake of non-conventional renewable energy in the generation matrix.

Zona Franca Celsia S.A. E.S.P.

Until August 2019, Celsia had a 99.9% share in Zona Franca Celsia S.A. E.S.P.

Zona Franca Celsia S.A. E.S.P. was incorporated by Public Deed no. 15943, dated December 27, 2002, by virtue of the merger between Flores II S.A., Flores III S.A. & Cía. S.C.A. E.S.P., Flores II S.A. & Cía. S.C.A. E.S.P., Flores III S.A. and Flores Holding Ltda.

Its main corporate purpose consists of providing the public utilities of energy generation and sales pursuant to Law 142/1994 and Law 143/1994.

In 2008, the National Directorate of Taxes and Customs (DIAN in Spanish) authorized Zona Franca Celsia S.A. E.S.P. to operate as a Special Permanent Free Trade Zone and in 2011, it granted it capacity as the industrial user of goods and services, which entitled it to the tax benefits of this kind of regime until 2026 (15 years), including paying income tax at a rate of 20%, and exemption from customs duties and VAT on the goods sold to the free-trade zone. By means of Resolution 31634, it was granted the opportunity to act as a fuel importer in 2015.

On September 19, 2019, Celsia S.A. completed the transfer of 100% of the shares of Zona Franca Celsia S.A. E.S.P. and some of the assets to the companies Prime Energía Colombia S.A.S. and Prime Colombia Barranquilla S.A.S., subsidiaries of the American company EnfraGen, LLC. The transaction amounted to USD 330 million and included the Flores I and Flores IV thermal power plants, located in Barranquilla, and the assets required for their operation and expansion.

Controlled companies abroad:

As part of the Parent Company's expansion strategy, it started its internationalization process through the purchase of assets in the electricity sector of Panama and Costa Rica, with a total capacity of 481.58 MW: 307 MW are of thermal power generation, 115.18 MW of hydroelectric generation and 9.9 MW of solar generation in Panama, as well as 49.5 MW of wind power in Costa Rica.

CTC Curazao S.A. (formerly CTC Curazao B.V.)

It was incorporated on October 21, 2014, as a limited company in accordance with the laws of Curaçao.

Its main corporate purpose is to participate in financial activities, including all transactions related to them, and additionally, to invest its funds in securities and deposit accounts.

In 2018, CTC paid USD 362,241,209.92 to Celsia Centroamérica S.A., which in turn, issued it shares, enabling a shareholding of 46%. Celsia S.A. has a 100% shareholding in CTC.

In December 2019, CTC Curazao B.V. decided to operate under the laws of Panama with the name of CTC Curazao S.A. and Celsia S.A. as its shareholder. In December 2020, a merger by absorption agreement was registered, entered into between CTC Curazao S.A. and Celsia Centroamérica S.A., by which the latter absorbed the former. As a result of this merger, Celsia S.A. became the owner of 1,000 shares in Celsia Centroamérica S.A.

In Panama:

Bahía Las Minas Corp.

The public limited company Empresa de Generación Eléctrica Bahía Las Minas S.A. (EGEMINSA) was incorporated by Public Deed no. 141, dated January 19, 1998. The company was created as a result of the restructuring of the Water and Electricity Resources Institute (IRHE in Spanish) by Resolution 266 / November 27, 1997.

In August 2000, by Public Deed no. 7088, EGEMINSA changed its name to Bahía Las Minas Corp., also known by the acronym BLM.

The company's main objectives and tasks include establishing, managing and generally, generating thermal electricity; acquiring, building, installing, operating, exploiting, leasing, subletting and maintaining thermal power plants with their respective connection lines to the transmission networks and transformer equipment and facilities; as well as fuel management, with the aim to produce and sell electricity on the national and international electric grids.

Pursuant to Law 6 / February 3, 1997, the company automatically obtained the operating license for electric power generation through the exploitation and operation of the thermal power plant called "9 de Enero", located in Cativá, Colón Province. Said license authorizes the company to provide the electric power generation public utility, as well as authorizing the company to have as property, own, operate and maintain the facilities protected by the license, and to sell the electricity generated by the power plant. The license has a 40-year term, which expires in December 2038 and may be extended for an additional term of 40 years by mutual agreement with the issuer and the National Public Utilities Authority (ASEP in Spanish).

Through International Public Invitation to Tender no. COMVA-002-98, the Panama government awarded the sale of 51.24% of EGEMINSA's shares to Enron Internacional Panamá S.A. (EIPSA), subsequently Prisma Energy International Panamá S.A. (PEIPSA), a subsidiary of Enron Corp. at that time. Law 6 establishes that the buyer of 51.24% of the company's shares surrenders the preferential right to purchase the remaining shares.

In 2006, all of the shares in Prisma Energy were acquired by Ashmore Energy International (AEI). As of September 7, 2006, Prisma Energy and the AEI were no longer affiliated with Enron Corp. In December 2006, Prisma Energy was absorbed by AEI, and the company took the name of Ashmore Energy International (AEI). AEI executed an agreement for the purchase of shares with Suez Energy International Luxembourg, S.A. ("SEIL"), an affiliate of Suez Energy International, through which SEIL acquired all of AEI's shares in the company. In 2014, GDF Suez implemented an agreement for the sale of shares to Celsia S.A. E.S.P., through which Celsia acquired all of the shares of GDF Suez in the company. The shares were transferred on December 2, 2014.

Due to the financial and operating impracticality worsened by the pandemic and its effects on the Panamanian electricity market, at the end of 2020, the Panamanian company BLM, a company in which Celsia S.A. (formerly Celsia S.A. E.S.P.) has a 51.24% share and the Panamanian Government has a

48.76% share, started a negotiation process with creditors, suppliers and employees for the disposal of its assets and liabilities, and to subsequently, liquidate the company. The decision resulted from an analysis of strategic options with the aim to affect the Panamanian electric system as little as possible.

This thermal power plant has been operating continuously for more than four decades in Panama, it is the country's last commercial, coal-fired power plant, and the age of its assets mean that it is less competitive, as it requires large and frequent investments in maintenance. This makes its supply unfeasible alongside other more efficient and environmentally-friendly technologies that have entered the Panamanian market. Furthermore, this decision has no impact on the country's electric power generation and it will not affect any of the users.

As BLM is the last commercial, coal-fired power plant in Panama, this process is an opportunity to keep transforming the country's energy matrix to cleaner technologies.

Celsia Centroamérica S.A.

Incorporated in accordance with the laws of Panama with the name Suez Energía Centroamérica S.A., according to Public Deed no. 5066, dated May 8, 2007. By Public Deed no. 35610, dated December 2, 2014, it changed its name to Celsia Centroamérica S.A. The Parent Company has a 100% share. Through a split, the Cativá plant passed from Alternegy to Celsia Central America.

Its main economic activity is to develop electricity generation projects inside and outside of Panama and to provide administrative services to the Group's companies in this region.

As part of the Group's restructuring process in Central America, Celsia S.A. transferred 100% of the assets that it held in Alternegy S.A. and Bontex S.A. to Celsia Centroamérica S.A. In December 2020, a merger by absorption agreement was recorded, entered into between CTC Curazao S.A. and Celsia Centroamérica S.A., by which the latter absorbed the former. As a result of this merger, Celsia S.A. became the owner of 1,000 shares in Celsia Centroamérica S.A.

Alternegy S.A.

The company was incorporated through Public Deed no. 3008, dated June 3, 2003. In 2011, the company executed a reverse merger process with its holding company Dos Mares Investment II S.A., resulting in Alternegy S.A. In February 2013, Inversiones Desarrollo Balboa S.A. and the company executed a merger by absorption, becoming Alternegy S.A., and incorporating the Cativá power plant into the assets of the latter. In 2019, this power plant was split from the company to be delivered to Celsia Centromerica. The Parent Company's shareholding in this company is 100%.

Its main economic activity is electric power generation. The company is authorized to install, operate and exploit the hydroelectric power plant protected by the concession, and to sell the generated power in accordance with Law 6 / February 3, 1997, and its regulations. The concessions and licenses shall be granted by the Regulatory Body of Public Utilities (ERSP in Spanish), currently the ASEP.

The company has two concession contracts for hydroelectric power generation, which are described below:

- Prudencia hydroelectric power plant: Concession contract signed with the ASEP and endorsed by the Office of the Comptroller General on February 9, 2007, which authorizes the provision of public utilities of electricity generation through a hydroelectric power plant. The power plant is located in the Bijagual region, David district, Chiriquí province, with an installed capacity of 58.7 MW, and it has two Kaplan hydraulic turbines.
- Lorena hydroelectric power plant: Concession contract signed with the ASEP and endorsed by the Office of the Comptroller General on February 9, 2007, which authorizes the provision of public utilities of electricity generation through a hydroelectric power plant. The power plant is located in the township of Las Lomas, David district, Chiriquí province, with an installed capacity of 33.8 MW, comprised of two Kaplan hydraulic turbines.

These concessions are granted for a term of fifty (50) years as of the date the aforementioned contracts are signed. They expire in June 2057 and may be extended for an additional term of fifty (50) years.

At the close of December 2020, Celsia Centroamérica is the holder of 100% of the company's shares.

Bontex S.A.

The company was incorporated through Public Deed no. 8283, dated September 11, 1995. In 2011, the company executed a reverse merger process with its holding company Dos Mares Investment III S.A., becoming Bontex S.A. The Parent Company has a 100% shareholding.

Its main economic activity is electric power generation. Through a concession contract for hydroelectric power generation signed with the ASEP and endorsed by the Office of the Comptroller General on June 12, 2007, the company obtained the concession for the construction and use of a power plant, and it was authorized to provide electricity through a hydroelectric power plant. Said concession was granted for a term of 50 years that expires in June 2057 and may be extended for an additional term of 50 years by mutual agreement with the ASEP.

The company is authorized to install, operate and exploit the hydroelectric power plant protected by the concession, and to sell the generated power in accordance with Law 6 / February 3, 1997, and its regulations. This law establishes that the construction and exploitation of hydroelectric and geothermal power plants, and the transmission and distribution of electricity as a public utility shall be subject to the concession system, and the construction and exploitation of thermal power plants shall be subject to the licensing system. The concessions and licenses shall be granted by the ERSP, currently the ASEP.

The Gualaca power plant is located in the Chiriquí province, with an installed capacity of 25.8 MW. It has two Kaplan hydraulic turbines.

Electricity generation in Panama is subject to Law 6 / February 3, 1997. This law establishes that the construction and exploitation of hydroelectric and geothermal power plants and the transmission and distribution of electricity as a public utility shall be subject to the concession system, and the construction and exploitation of thermal power plants shall be subject to the licensing system. The concessions and licenses shall be granted by the ERSP, currently the ASEP.

At the close of December 2020, Central America is the holder of 100% of the company's shares.

Divisa Solar 10MW S.A.

Divisa Solar 10MW S.A. is a public limited company registered on April 16, 2014, in the Public Registry of Panama and its assets consist of a solar power plant located in El Roble, Aguadulce district, Coclé province, with a capacity of 9.99 MWp.

By means of Resolution AN 7987 Elec. Panama, dated October 27, 2014, the ASEP granted a definitive license to the Divisa Solar 10 MW S.A. company for the construction and exploitation of a solar power plant called Divisa Solar 10MW S.A. to be located in the town of El Roble, Aguadulce district, Coclé province, with an installed capacity of 9.99 MWp. For said purposes, the certificate of Definitive License no. 211-14 was issued.

The authorization granted by this license for electric power generation through a power plant has a term of forty (40) years counted from the date of notification of this license.

Celsia Centroamérica holds 100% of the shares in the company Divisa Solar 10MW S.A.

In Costa Rica:

Enerwinds de Costa Rica S.A.

The company was incorporated through Public Deed no. 155, dated August 18, 2004. Celsia owns 61.1% of this company. With Vientos del Miravalles, Limitada, the company acquired rights and obligations over the remaining holdings in Enerwinds de Costa Rica S.A.

All of the company's subsidiaries are Costa Rican entities. The share percentage of each one of them at December 31, 2020 and 2019, and their date of incorporation are listed below:

Company	Shareholding (%)	Date of incorporation
Planta Eólica Guanacaste S.A. (PEG)	100%	06/06/06
PEG Operaciones Ltda.	100%	09/26/07
LandCo La Gloria S.A.	100%	05/06/08

The corporate purpose of Enerwinds de Costa Rica S.A. is to develop and invest in electricity generation projects.

The corporate purpose of Planta Eólica Guanacaste S.A. (PEG) and PEG Operaciones Ltda. is to build a wind farm and operate it for 18 years, which they will later handover to the Costa Rican Electricity Institute (ICE in Spanish). All the energy that the power plant produces shall be delivered to the ICE. LandCo La Gloria S.A. owns the land for the possible expansion of PEG.

Celsia Costa Rica S.A.

Incorporated by Public Deed no. 61843, dated April 24, 2008. Its main corporate purpose is to execute trade, industry and in general, any remunerative activity, being able to receive payment, buy, sell, levy and by any means, dispose of all kinds of goods, and grant deposits and collateral for partners or third parties, when by virtue of them, it receives economic retribution, which shall be assumed from the simple granting of the collateral or deposit. Generally, it shall be authorized to sign any kind of certificate, contract or civil and trade transaction with any individual or legal entity, including the State and its institutions. Celsia has a 100% shareholding.

In Honduras:

Celsia Honduras S.A.

Public limited company incorporated in 2018 under the laws of Honduras. Domiciled in the city of Tegucigalpa, Municipality of the Central District, department of Francisco Morazán. Celsia has an indirect share of 60% of the capital through Celsia Centroamérica S.A. from March 2020. The remaining 40% belongs to the Instituto de Previsión Militar de Honduras, a legal entity with its own equity.

The company carries out commercial, industrial and services activities, especially the generation, transmission, distribution and sale of electricity, and related activities.

Other investments

The following companies were incorporated in Costa Rica, Panama and Honduras with the aim to become investment vehicles for new non-conventional energy projects:

Company	Celsia's shareholding	Corporate purpose	Country	Date of incorporation
Colon Energy Power S.A. (liquidated in November 2019)	100%	Electric power generation	Panama	09/29/2015
Celsolar S.A.	100%	Electric power generation	Panama	01/06/2016
Vientos de la Gloria S.A. (liquidated in November 2019)	65%	Electric power generation	Costa Rica	10/16/2015
Vientos de Limonal S.A. (liquidated in November 2019)	65%	Electric power generation	Costa Rica	10/16/2015
Vientos de Mogote S.A. (liquidated in November 2019)	65%	Electric power generation	Costa Rica	10/16/2015
Celsia Honduras S.A.	100%	Electric power generation	Honduras	09/01/2018

With the Parent Company's direct share in Celsia Honduras and the 40% of Celsia Centroamérica, Celsia obtained 100% of the share capital in Celsia Honduras S.A.

NOTE 2. STATUS OF COMPLIANCE AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Status of compliance and applicable accounting standards

Pursuant to the provisions issued by Law 1314/2009, regulated by Decrees 2420/2015, 2496/2015, 2131/2016, 2170/2017, 2483/2018, 2270/2019 and 1432/2020, the Group prepares its consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (hereinafter, NCIF), which are based on the International Financial Reporting Standards (IFRS), together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (hereinafter, IASB) in the second half of 2018, and the incorporation of the amendment to IFRS 16 – Leases: COVID-19-Related Rent Concessions, issued in 2020.

For legal purposes in Colombia, the separate and individual financial statements are the main financial statements.

In compliance with the laws, decrees and other effective standards, the Group applies the following accounting criteria pursuant to the tax regulations and the Accounting and Financial Reporting Standards accepted in Colombia.

2.2 Going concern basis

The consolidated financial statements have been prepared on the basis of going concern. On March 17, 2020, the Colombian Government declared the state of health emergency due to COVID-19 and the governments of the other countries where we operate have been taking measures that affect the operations of Celsia S.A. and its subsidiaries. In response, the Group has been implementing mitigation plans to combat the impacts generated by the declaration of the state of emergency. Consequently, it can conclude that even in the current situation, its ability to continue as a going concern has not been affected (see Note 40. Relevant events during the reporting period).

2.3. Basis of preparation

In its bylaws, the Group has established December 31 as the cut-off date for its accounts to prepare and disclose its general consolidated financial statements once a year. The items included in the Group's consolidated financial statements are expressed in the currency of the entities' primary economic environment, which is the Colombian peso. The consolidated financial statements are presented "in Colombian pesos", which is the functional currency of the Group and the reporting currency. All the information is presented in millions of Colombian pesos and has been rounded to the nearest unit.

The consolidated financial statements have been prepared on the basis of the historical cost with the exception of the following items included in the statement of financial position:

- The derivative financial instruments are measured at fair value.
- The non-derivative financial instruments at fair value through profit and loss are measured at fair value.
- The assets held for sale that are measured at fair value less costs of sale.
- The contingent consideration assumed in a business combination is measured at fair value.
- With respect to employee benefits, the defined benefit assets are recognized as the net total of the plan's assets, plus the costs of unrecognized past services, and the unrecognized actuarial losses, less the unrecognized actuarial earnings and the present value of the defined benefit obligation (see Note 20. Employee benefits).

The historical cost is generally based on the fair value of the consideration delivered in exchange for goods and services in the initial measurement.

The fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of all the financial assets and liabilities is established on the date the financial statements are submitted for recognition or disclosure in the notes to the financial statements.

The judgments include information such as the liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of the financial instruments.

2.4 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, like the identifiable net assets acquired. Any resulting goodwill is subject to annual impairment tests. Any gain from purchases in highly advantageous conditions is immediately recognized in income. The transaction costs are recorded as an expense when they are incurred, except when they are related to a debt issuance or equity instruments. The consideration transferred does not include the amounts related to the settlement of pre-existing relationships. Said amounts are generally recognized in income.

Any contingent consideration is measured at fair value on the acquisition date. If an obligation to pay the contingent consideration that meets the definition of a financial instrument is classified as an equity instrument, it must not be remeasured and its subsequent settlement must be accounted for in equity. If this is not the case, the other contingent consideration is remeasured at fair value on each balance sheet date and the subsequent changes in fair value of the contingent consideration are recognized in income.

If the share-based payment concessions (replacement agreements) need to be exchanged for concessions made by the employees of the acquired entity (concessions of the acquired company), a part or all of the amount of the replacement concessions of the acquirer are included in the measurement of the consideration transferred in the business combination. This determination is based on the market-based value of the replacement concessions compared to the market-based value of the concessions of the acquired company and the level up to which the replacement concessions are associated with the service prior to the business combination.

Acquisition of non-controlling interest

For each business combination, the Company chooses to measure any non-controlling interest in the investee at:

- fair value; or
- the proportional interest of the identifiable net assets of the acquiree, which are generally at fair value.

The changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (that is transactions with the owners). The adjustments to the non-controlling interest are based on a proportional amount of the subsidiary's net assets.

No adjustments are made to goodwill nor is any gain or loss recognized in income.

The non-controlling interest acquired prior to January 1, 2014, is recognized by the percentage of the share in its net equity on the date of the first consolidation.

2.5. Principles for the consolidation of financial statements

The consolidated financial statements include the financial statements of the Company, as well as the entities controlled by the Company and its subsidiaries. Control is achieved when the company:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

The Company reassesses whether it controls an investee or not if the events and circumstances indicate that there are changes to one or more of the three aforementioned control elements.

When the Company has less than the majority of the voting rights, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally manage the relevant activities of the investee. The Company considers all relevant facts and circumstances when assessing whether the voting rights of the Company in an investee are sufficient to give it power or not, including:

- the percentage of the Company's voting rights compared to the size and dispersion of the percentages of other holders of voting rights;
- potential voting rights held by the Company, other shareholders or other parties;
- rights resulting from contracts; and
- any additional facts or circumstances that indicate that the Company has, or does not have, the current ability to manage the relevant activities at the time decisions need to be made, including voting patterns in previous General Meetings of Shareholders.

The consolidation of a subsidiary starts when the Company obtains control of the subsidiary and ends when it loses control thereof. Specifically, the income and expenses of a subsidiary acquired or sold during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date on which the Company obtains control until the date on which the Company no longer controls the subsidiary.

The profit or loss of each component of other comprehensive income is attributed to the Company's shareholders and to the non-controlling interest. The total comprehensive income of the subsidiaries is attributed to the Company's shareholders and to the non-controlling interest, even if the results in non-controlling interest have a negative balance.

If necessary, adjustments are made to the financial statements of the subsidiaries to adapt their accounting policies to those used by the Company.

All inter-company transactions, balances, income and expenses are eliminated in the consolidation.

The financial statements of the Controlling Company and its subsidiaries are presented using uniform accounting guidelines for transactions and other similar events. Consolidation is based on the global integration method, which incorporates all the assets, liabilities, equity, and income of the controlled companies in the financial statements, after deducting the Company's investment in the equity of the controlled companies, as well as the reciprocal balances and transactions at the cut-off date of the consolidated financial statements.

The consolidated financial statements appropriately disclose the magnitude of the resources under exclusive control in order to establish an approximate factor of the economic level of Celsia's responsibility.

At the cut-off date of the financial statements, the Organization had the following controlled companies:

- In Colombia

Porvenir II S.A.S. and Colener S.A.S, the latter, the controlling shareholder of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa), which, in turn, consolidates Compañía de Electricidad de Tuluá S.A. E.S.P., Cetsa E.S.P., Celsia Colombia Inversiones S.A.S. (formerly Epsa Inversiones S.A.S. E.S.P.), Termoeléctrica El Tesorito S.A.S. E.S.P. and Celsia Move S.A.S. In December 2020, Celsia Colombia S.A. E.S.P. merged with Begonia Power S.A.S. and Celsia Tolima S.A. E.S.P. Until September 2019, it consolidated with Zona Franca Celsia S.A. E.S.P.

- Abroad

CTC Curazao B.V. (until December 2020, when it merged with Celsia Centroamérica S.A.), Bahía Las Minas Corp., Celsia Centroamérica S.A. (which, in turn, consolidates Celsia Honduras S.A., Divisa Solar 10 MW S.A., Alternegy S.A. and Bontex S.A.), Celsia Costa Rica S.A. and Enerwinds de Costa Rica S.A., which consolidates the LandCo La Gloria and Planta Eólica Guanacaste companies, and the latter consolidates Planta Eólica Guanacaste Operaciones.

2.5.1 Changes in the Company's shareholdings in subsidiaries

Changes in the Company's shareholdings in subsidiaries that do not lead to loss of control are accounted for as equity transactions. The book values of the Company's equity and non-controlling interest are adjusted to reflect the changes in its relative shareholding in the subsidiary. Any difference between the amount by which the non-controlling interest was adjusted and the fair value of the remuneration paid or received is recognized directly in equity and it is attributed to the shareholders of the Controlling Company.

When the Parent Company loses control of a subsidiary, the profit or loss is recognized in the income statement and calculated as the difference between (i) the aggregate of the fair value of the remuneration received and the fair value of the retained shareholding; and (ii) the previous book value of the assets (including goodwill) and liabilities of the subsidiary, and any shareholding in the uncontrolled companies. The amounts previously recognized in other comprehensive income related to this subsidiary are recorded as if the Parent Company had directly sold the relevant assets (that is, reclassified to profit or loss, or transferred to another equity category as specified or permitted by the applicable IFRS).

The fair value of the investment retained in the former subsidiary on the date on which control was lost must be considered as the fair value for the purposes of the initial recognition of a financial asset in accordance with IFRS 9 – Financial Instruments, or when applicable, the cost of the initial recognition of an investment in an associate or joint venture.

The figures below were taken from the separate financial statements of the Parent Company and its controlled companies at December 31, 2020 and 2019, certified and declared with the relevant opinions pursuant to the legal regulations in force:

		December 2020				
	Headquarters	Percentage of effective shareholding (*)	Assets	Liabilities	Equity	Income
Colombia						
Celsia S.A.	Medellín	-	5,884,752	747,642	5,137,110	282,524
Colener S.A.S.	Medellín	100%	2,094,950	509	2,094,441	168,581
Celsia Colombia S.A. E.S.P.	Yumbo	65.11%	8,571,850	4,544,127	4,027,723	354,056
Compañía de Electricidad de Tuluá S.A. E.S.P.	Tuluá	64.16%	196,943	52,395	144,548	19,934
Porvenir II S.A.S. E.S.P.	Medellín	100%	60,683	3,885	56,798	(110)
Celsia Inversiones S.A.S.	Yumbo	65.11%	30,282	1,503	28,779	(511)
Termoeléctrica El Tesorito S.A.S.	Medellín	37.44%	56,489	2,791	53,698	(786)
Celsia Move S.A.S.	Bogotá	65.11%	151,648	145,183	6,465	6,488
Central America						
Enerwinds de Costa Rica S.A.	Costa Rica	61.10%	247,105	198,471	48,634	(15,603)
Bahía Las Minas Corp.	Panama	51.24%	218,919	688,379	(469,460)	(72,269)
Alternegy S.A.	Panama	100%	1,699,312	927,088	772,224	34,879
Bontex S.A.	Panama	100%	362,511	189,842	172,669	7,260
Celsia Centroamérica S.A.	Panama	100%	1,596,881	93,274	1,503,607	(6,931)
Celsia Honduras S.A.	Honduras	60%	67,034	43,264	23,770	(2,991)
Non-controlling interest			-	-	1,192,329	89,559

		December 2019				
	Headquarters	Percentage of effective shareholding (*)	Assets	Liabilities	Equity	Income
Colombia						
Celsia S.A.	Medellín	-	5,883,399	770,015	5,113,384	120,617
Colener S.A.S.	Medellín	100%	2,084,511	45,125	2,039,386	273,260
Celsia Colombia S.A. E.S.P. (formerly E.S.P. - Epsa)	Yumbo	65.11%	8,535,502	4,617,567	3,917,935	588,820
Compañía de Electricidad de Tuluá S.A. E.S.P.	Tuluá	64.16%	192,495	51,916	140,579	24,063
Zona Franca Celsia S.A. E.S.P.(1)	Barranquilla	99.99%	-	-	-	6,321
Porvenir II S.A.S. E.S.P.	Medellín	100.00%	60,783	3,875	56,908	(298)
Begonia Power S.A.S.	Medellín	65.11%	19,371	2,105	17,266	(165)
Epsa Inversiones S.A.S.	Yumbo	65.11%	40,460	11,799	28,661	28,620
Celsia Tolima S.A. E.S.P.	Ibagué	65.05%	479,701	449,257	30,444	30,434
Termoeléctrica El Tesorito S.A.S.	Medellín	37.44%	3,934	4,006	(72)	(81)
Celsia Move S.A.S.	Bogotá	65.11%	283	306	(23)	(33)

			December 2020			
	Headquarters	Percentage of effective shareholding (*)	Assets	Liabilities	Equity	Income
Central America						
CTC Curazao B.V.	Curaçao	100%	1,294,141	89	1,294,052	(133,096)
Enerwinds de Costa Rica S.A.	Costa Rica	61.10%	255,869	201,578	54,291	(6,581)
Bahía Las Minas Corp.	Panama	51.24%	246,647	696,181	(449,534)	(79,386)
Alternegy S.A.	Panama	100%	1,676,448	954,797	721,651	7,001
Bontex S.A.	Panama	100%	355,015	196,395	158,620	(14,980)
Celsia Centroamérica S.A.	Panama	100%	1,531,103	100,049	1,431,054	3,652
Celsia Honduras S.A.	Honduras	100%	44,284	45,956	(1,672)	(1,826)
Non-controlling interest			-	-	1,126,742	129,874

(*) The effective shareholding percentage corresponds to the share in the consolidated company. However, the nominal share of the subsidiary in the investments can vary.

(1) In September 2019, the subsidiary Zona Franca Celsia S.A. E.S.P. was sold (See Note 1. General information).

The assets, liabilities, equity and income of the companies abroad correspond to the balances after the standardization process with Parent Company's accounting policies. The liabilities of the subsidiaries abroad include accounts payable to CTC Curazao B.V. This results in some equities presenting negative or low balances before the eliminations in this financial statement.

The inter-company transactions and balances and any unrealized income or expenses that arise from transactions between companies are eliminated during the preparation of the consolidated financial statements. The unrealized earnings from transactions with companies whose investment is recognized according to the equity method are eliminated from the investment in proportion to the company's share in the investment. The unrealized losses are eliminated in the same way.

2.5.2 Reconciliation of the results between the Parent Company's consolidated and separate financial statements:

In 2019, taking into account the operating situation of Bahía Las Minas because of the termination of the existing contracts, the Parent Company decided to impair the investment and portfolios related to said entity, while Celsia S.A. recognizes a provision as the guarantor of a Bahía Las Minas liability. These records do not have an impact on the consolidated statements as a result of the natural eliminations of the consolidation process. In 2018, the sales transaction of Celsia S.A. assets to its subsidiary Celsia Colombia S.A. E.S.P. generated a profit in the separate statements of Celsia, which is not reflected in the consolidated statements as a result of the elimination between related companies.

The reconciliation of income is as follows:

Concept	2020	2019
Income of the period in Celsia's separate financial statements	**282,524**	**120,617**
Impairment of the Bahía Las Minas investment	38,767	152,197
Impairment of Bahía Las Minas portfolios in subsidiaries abroad	(31,084)	168,845
Provision of liability as guarantor in BLM	-	31,788
Share in loss of BLM in the period	(37,031)	-
Profit from sale in Honduras	(3,856)	-
Income attributable to the controlling shareholders in the consolidated financial statements	**249,320**	**473,447**

NOTE 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and bases established below have been consistently applied in the preparation of the consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF in Spanish), unless indicated otherwise (see Note 5. Relevant accounting estimates and judgments).

3.1 Cash and cash equivalents: Cash is recognized at the time an inflow of money from the business transaction is generated.

Restricted cash is recognized at the time an inflow of money from a third party for a specific destination is generated, or when some kind of restriction is generated on bank accounts or cash equivalents.

Cash in foreign currency is recognized at the time an inflow of money in foreign currency different to the Group's functional currency is generated, applying the effective exchange rate on the date on which the transaction is made.

Cash equivalents are recognized when there are investments that have a maturity of less than three months from the date of acquisition with high liquidity and not a very significant risk of change in their value.

3.2 Transactions in foreign currency: Transactions in currency other than the functional currency (foreign currency) are recorded using the effective exchange rates on the date on which the transactions are made. At the end of each reporting period, the monetary items denominated in foreign currency are reconverted at the effective exchange rates on said date. Non-monetary items recorded at fair value denominated in foreign currency are reconverted at the effective exchange rates on the date on which the fair value was established. Non-monetary items calculated in terms of historical cost in foreign currency are not reconverted. The exchange rates used for said reconversions are those certified by the Financial Superintendence of Colombia.

The exchange differences of the non-monetary items are recognized in the income of the period in which they arise, except for:

- Exchange differences arising from loans denominated in foreign currency related to assets under construction for their future productive use, which are included in the cost of said assets as they are considered as an adjustment to the interest costs of said loans denominated in foreign currency, provided that they do not exceed the borrowing costs of a liability with similar characteristics in the Company's functional currency.
- Exchange differences arising from related transactions with hedging of exchange rate risks.
- Exchange differences arising on monetary items receivable or payable related to a foreign operation for which it is neither planned nor possible for the payment to be generated (thereby forming part of the net investment in the foreign operation). These are initially recognized in other comprehensive income and reclassified from equity to profit or loss over the reimbursement of the non-monetary items.

For the purposes of presentation of the consolidated financial statements, assets and liabilities of transactions in foreign currency are expressed in Colombian pesos using the effective exchange rates at the end of the reporting period. The income and expenses items are converted at the average effective exchange rates of this period, unless they significantly fluctuate during said period, in which case, the exchange rates on the date on which the transactions are made are used.

When a foreign operation is disposed of (that is the disposal of all the shareholding in a foreign business, a disposal that involves the partial sale of a shareholding in a joint arrangement, or an associate that includes a foreign business of which the retained equity becomes a financial asset), all the exchange differences accumulated in the equity related to that operation attributable to Celsia's shareholders are reclassified to profit or loss.

The adjustments corresponding to the goodwill and fair value on acquired identifiable assets and liabilities generated in the acquisition of a foreign operation are considered to be assets and liabilities of said operation and are converted at the effective exchange rate at the end of each reporting period. The exchange differences that arise will be recognized in other comprehensive income and accumulated equity.

3.3 Leases - Leases, subleases and contracts with similar features and circumstances are recognized taking into consideration the quality of the lessor or lessee, the underlying asset and the agreement term. A contract only contains a lease when it is related to an identified asset; whether because this is expressly included in the contract or because it is implicitly identified. There are no identified assets if the supplier has the substantive right to substitute the asset throughout the period of use.

At the start of the contract, it is determined whether it is or contains a lease. A lease contract is different to a service agreement according to the client's capacity to control the use of the identified asset.

To assess whether a contract conveys the right to control the use of an identified asset, the Company shall assess whether throughout the period of use, the client has:

- the right to obtain substantially all the economic benefits from use of the identified asset;
- the right to direct the use of the identified asset.

Gratuitous bailment contracts do not constitute leases.

The Group as lessor: Celsia and its related companies will recognize new assets and liabilities for their operating leases of meters and some plots of land included in the extension of land where they carry out part of their operation. At the start of the lease, it is classified as a financial or operating lease, assessing the extent to which the risks and rewards incidental to ownership of the asset affect it. A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership.

Celsia and its related companies recognize a right-of-use asset receivable for contracts that transfer substantially all the risks and rewards inherent to ownership of an underlying asset. The receivable is equal to the net investment in the lease, using the applicable interest rate. The operating leases of contracts that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are recognized as income in the period.

At the start or in the amendment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property, Celsia and related companies have chosen not to separate non-lease components from lease components, and to account for each lease component and any associated non-lease components as a single lease component.

The Group as lessee: At the start or amendment of a contract that contains a lease component, the Company and related companies allocate the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property, the Company has chosen not to separate non-lease components from lease components, and to account for each lease component and any associated non-lease components as a single lease component. According to above, the Company and its related companies recognize:

- a right-of-use asset for contracts that incorporate right-of-use assets with a lease term of more than 12 months, unless said assets are low-value assets.
- a liability for the present value of the lease payments.
- payments of leases in short-term contracts and/or low-value assets in expenses of the period.
- contract payments linearly as expenses of the period when any of the parties can unilaterally terminate the contract, provided that the asset is not specialized, it does not incur significant penalties for cancellation, and it is certain of exercising said early termination.
- The right-of-use assets are subsequently measured under the cost model and they are amortized for the term of the contract or the useful life of the asset, whichever is shorter.

The lease liability is updated to reflect the interest on the obligation, the lease payments made and the new measurements or alterations of the lease.

Improvements to unowned property that is not reimbursable by the lessor are recognized as the higher value of the right-of-use asset.

The financial revenue/costs are recognized throughout the lease term on the basis of a guideline that reflects a constant rate of return on the net financial investment.

Celsia and its related companies present leased right-of-use assets and lease liabilities separately in the consolidated statement of financial position; and the interest expenses of lease liabilities separately from the depreciation charge of the lease right-of-use asset. The interest expenses of lease liabilities are a component of the financial costs that are presented separately in the consolidated statement of comprehensive income.

Celsia and its related companies classify the cash payments for the capital and interest of the lease payments in the consolidated statement of cash flow as financing activities and the short-term lease payments and lease payments of low-value assets as operating activities.

Leased right-of-use assets and lease liabilities with a lease term equal to or less than 12 months and without a purchase option (short-term leases), and leases with a low-value underlying asset (that is assets of which the net value when new is equal to or less than USD 3,500 for assets used for operations and USD 5,000 for assets of administrative use), including IT equipment, are not recognized. The lease payment associated with these leases is recognized as a linear lease expense during the term of the lease.

In May 2020, the IASB issued an amendment to IFRS 16 called “COVID-19-Related Rent Concessions” with the aim to facilitate for lessees the accounting recognition of possible changes in lease contracts that could occur as a result of the COVID-19 pandemic.

The amendment added paragraphs 46A and 46B to IFRS 16, exempting lessees from having to consider lease contracts individually to determine whether the rental concessions produced as a direct consequence of the COVID-19 pandemic are amendments to these contracts, and enables the lessees to account for said concessions as if they were not amendments to the lease contracts.

This amendment is applied to the COVID-19-related rental concessions that reduce the contract payments due on June 30, 2021 or before.

The application of this amendment was reviewed, drawing the conclusion that it does not have impacts on the Group’s consolidated financial statements.

3.4 Financial instruments - Financial assets and liabilities are recognized when the Group becomes part of the instrument's contractual provisions.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (apart from financial assets and liabilities designated as measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, when applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value through profit or loss are immediately recognized in profit or loss.

When estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability that a market participant would take into account when valuing the asset or liability on the measurement date. The fair value for the purposes of measurement and/or disclosure in these consolidated financial statements is established on this basis, except for leasing transactions within the scope of IAS 17, and measures that have some similarities to fair value but that are not fair value, such as the net realizable value in IAS 2 or the value-in-use in IAS 36.

The fair value measurements are categorized at Level 1, 2 or 3 based on the degree to which the inputs of the fair value measurements are observable and the importance of the inputs for the whole of the fair value measurements, which are described below:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

3.4.1 Financial assets - The Group recognizes a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. It also recognizes a regular purchase or sale of financial assets on the date of the contract.

3.4.2 Financial liabilities and equity instruments - Debt and equity instruments are classified as financial liabilities or as equity pursuant to the substance of the contractual agreement and the definitions of financial liability and equity instrument.

The classification of a financial instrument as a financial liability or an equity instrument establishes whether the interest, dividends, earnings or losses related to it are recognized as income or expenses in the income statement of the period.

3.4.3 Classification and subsequent measurement - Commercial loans and debt securities are initially recognized when they occur. All other financial assets and liabilities are initially recognized when the Group becomes part of the contractual provisions of the instrument.

3.4.3.1 Financial assets - In initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity; or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets the following two conditions and it is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- on specified dates, its contractual conditions lead to cash flows that are only payments of cash and interest over the pending amount of cash.

A debt investment is measured at fair value through other comprehensive income if it meets the two following conditions and it is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- on specified dates, its contractual conditions lead to cash flows that are only payments of cash and interest over the pending amount of cash.

In the initial recognition of a capital investment that is not held for trading, the Group may make the irrevocable election to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made on a basis of investment by investment.

The Group may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss.

Fair value through profit or loss

The Group classifies a financial asset as measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The Group may irrevocably designate a financial asset as measured at fair value through profit or loss when this eliminates or significantly reduces any inconsistency in the measurement or in the recognition, i.e., when there is an accounting mismatch.

The Group has a separate classification for:

- assets that are mandatorily measured at fair value through profit or loss; and
- financial assets designated at fair value through profit or loss.

The Group recognizes the gain or loss on a financial asset that is measured at fair value in the income of the period in which it occurs unless it is part of a hedging relationship, as expressed in the chapter on derivatives and hedging operations.

Fair value through other comprehensive income

The Group classifies a financial asset measured at fair value through other comprehensive income if both of the following conditions are met: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss.

3.4.3.2 Equity instruments - An equity instrument consists of any contract that shows residual interest in the assets of an entity after deducting all its liabilities.

The repurchase of the Group's own equity instruments is recognized and deducted directly from equity. No profit or loss is recognized in income from the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3.4.3.3 Financial liabilities - Financial liabilities are classified at fair value through profit or loss or as financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit or loss - A financial liability is classified at fair value through profit or loss when it is a financial liability that is classified as held for trading or at fair value through profit or loss.

The Group irrevocably designates a financial liability as measured at fair value through profit or loss when:

- said designation eliminates or significantly reduces a measurement or recognition inconsistency that could arise; or
- the financial liability is part of a group of financial assets or liabilities, or both, that is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information is provided on that basis; or
- it forms part of a contract that contains one or more embedded instruments, and IFRS 9 – Financial Instruments allows the whole combined contract to be designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any profit or loss that arises from the new measurement in profit or loss. The net profit or loss recognized in the income statement incorporates any interest paid on the financial liability.

Financial liabilities at amortized cost - The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except:

- Financial liabilities that are accounted for at fair value through profit or loss
- Financial liabilities that arise from the transfer of financial assets that do not meet the requirements to be derecognized
- Financial guarantee contracts
- Loan commitments at an interest rate lower than the market rate

3.4.4 Derivative financial instruments - The Group subscribes a variety of financial instruments to manage its exposure to interest rate and foreign currency exchange risks, including hedging contracts for exchange, interest rate exchange and foreign currency purchase and sale risks.

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and subsequently, they are measured again at their fair value at the end of the reporting period. The consequential profit or loss is immediately recognized in profit or loss unless the derivative is designated and effective as a hedging instrument. In which case, the opportunity for recognition in profit or loss will depend on the nature of the hedging relationship.

3.4.5 Impairment of financial assets - The Group recognizes an allowance for expected credit losses in investments in debt instruments measured at amortized cost or fair value through other comprehensive income or lease receivables, as well as in loan commitments to the Company and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated on the reporting date to reflect the changes in credit risk from initial recognition of the respective financial instrument.

For trade receivables, lease receivables or contract assets, the Group recognizes the expected credit losses with reference to the lifetime expected credit losses of the asset, assessed on an individual basis for significant accounts receivable and assessed on a collective basis for accounts receivable that are not individually significant.

To assess whether there has been a significant increase in credit risk, the Group considers the risk of default throughout the expected lifetime of the financial instrument, as well as the occurrence of renegotiations or alteration of the cash flows of the accounts receivable.

The Group recognizes in the income of the period, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

The measurement of the expected credit losses recognized by the Group shall reflect:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions;
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

3.4.6 Derecognized financial assets - The Group derecognizes an account receivable if, and only if, the contractual rights to the cash flows of the account receivable expire or are transferred.

The derecognition of an account receivable or part of it is recognized in the income of period as the difference between:

a. its book value; and
b. the consideration received.

3.4.7 Derecognized financial liabilities - A financial liability will be derecognized if, and only if, the Group's obligations expire, are canceled or are fulfilled. The difference between the derecognized financial liability's book value and the consideration paid and payable is recognized in profit or loss.

3.4.8. Compensation - The Group assesses the objective of the business model in which a financial asset is held in a portfolio, because this better reflects the way in which the Company is managed and information is provided to Management.

3.5 Inventories - Inventories are recognized from the date on which the Company assumes the risks and rewards incidental to ownership of them. The fair value of the inventories is measured on two occasions: The initial measurement is recognized at cost and the subsequent measurement for the items that are going to be sold or resold for the lower value between the cost and the net realizable value. In the inventories acquired by the Group for the provision of services and for internal consumption, subsequent measurement is carried out of the lower value between the cost and the net realizable value. For this kind of inventory, the net realizable value is the replacement cost.

3.6 Investments in associates and joint ventures - An associate is an entity over which the investor has significant influence, understood as the power to participate in the financial and operating policy decisions of the investee, but without having absolute control or joint control of it. The consolidated financial statements include the share in the profit or loss and in other comprehensive income of investments accounted for using the equity method, after making the necessary adjustments to align the accounting policies of the associates and joint ventures with the companies.

When the portion of losses exceeds its interest in a recognized investment according to the equity method, the book value of that interest, including any long-term investment, is reduced to zero and the recognition of more losses is discontinued except in the event that the company has the obligation or has made payments to the company in which it is an investor.

Joint arrangements are those over which there is joint control, established by contracts that require unanimous consent for decisions related to the activities that significantly affect the returns of the arrangement. They are classified and accounted for as follows:

- Joint operation – When the Group has the rights to the assets and obligations for the liabilities, relating to the arrangement, it accounts for each asset, liability and transaction, including those jointly held or incurred with respect to the operation.
- Joint venture – When the Group only has the rights to the net assets of the arrangement, it accounts for its interest using the equity method, as occurs in the associates.

The Group applies the impairment criteria developed for financial instruments: recognition and measurement with the aim to determine whether it is necessary to record additional impairment losses to those already recorded in the net investment in the associate or in any other financial asset held as a result of the application of the equity method. The calculation of impairment is determined as a result of the comparison of the book value associated with the net investment in the associate with its recoverable value.

3.7 Property, plant and equipment - The measurement of property, plant and equipment in the Group is carried out twice: Initial measurement, which is recognized at cost, and subsequent measurement, which is recognized at its cost less the accumulated depreciation and the cumulative impairment losses (cost model).

Property used during the course of construction for administrative, production or supply purposes is recorded at cost less any recognized impairment loss. The cost includes expenses that are directly attributable to the acquisition of the asset. The cost of assets built by the Entity includes the cost of the materials and the direct workforce; any other cost directly attributable to the process of making the asset suitable for work for its intended use; and the costs of dismantling and removing the items, and restoring the site where they are located.

Borrowing costs directly attributed to the acquisition, construction or production of qualified assets, which constitute assets that require a substantial period of time for their use or sale, are added to the cost of these assets until they are ready for their use or sale. The income received from short-term investments in specific borrowings pending consumption in qualified assets is deducted from the borrowing costs suitable for capitalization. All the other borrowing costs are recognized in profit or loss during the period in which they are incurred.

When significant parts of a property, plant and equipment item have different useful lives, they are recorded as separate items (important components) of property, plant and equipment. The depreciation of these assets, like in the case of other property assets, starts when the assets are ready for their use.

No accounting estimate is made of any residual value for property, plant and equipment, because they are not considered to be material; therefore, they are depreciated in full. The profit or loss from the sale of a property, plant and equipment item is recognized as a net value in income. The cost of replacing part of a property, plant and equipment item is capitalized if it is probable that the future economic benefits are received and its cost can be measured reliably. The book value of the replaced part is derecognized. The daily maintenance costs of the property, plant and equipment are recognized in income when they are incurred.

Depreciation is charged to profit or loss. Depreciation is charged with the aim to eliminate the cost or valuation of the assets (other than the land and property under construction) over their useful lives, using the straight-line method.

Assets held under financial lease are depreciated for the term of their estimated useful life like the owned assets. However, when there is no reasonable assurance that the property will be obtained at the end of the lease period, the assets are depreciated over the shorter term between the term of their lease and their useful life.

A property, plant and equipment item will be derecognized at the time of its disposal or when it is no longer expected that future economic benefits will arise from continued use of the asset. The profit or loss that arises from the retirement or disposal of a property, plant and equipment asset is calculated as the difference between the earnings from sale and the book value of the asset, and it is recognized in profit or loss. Repairs and improvements that increase efficiency or extend the useful life of the asset are an additional cost for property, plant and equipment.

The useful lives of the property, plant and equipment used in the depreciation calculations in the corresponding years to the presentation of these financial statements are listed below.

Group of assets	Useful life in years
Property, plant and equipment	
Constructions and buildings	25 - 100

Electromechanical equipment and power plants	20 - 55
Substations, lines and networks	40 - 50
Machinery and equipment	25
Fiber optics	20
Tools	15
Furniture and fittings	10
Transportation equipment	5
Computer equipment	4

3.7.1 Cash-generating units (CGUs) - A CGU is the smallest identifiable group of assets that generates cash inflows to the Group that are largely independent of the cash inflows from other assets or groups of assets. The Company has individually defined the companies as cash-generating units to determine their recoverable value.

3.8 Intangible assets - They represent resources that imply a right or privilege over third party products, which can be used for economic benefit over several future periods.

The Company recognizes an item as an intangible asset if it is identifiable, the cost of the asset can be reliably measured, the resource is controlled by the Group, and it is likely that the expected future benefits of the asset flow to the Company.

The useful life of the intangible assets is listed below:

Intangible assets	Useful life in years
Concessions*	18 - 50
Licenses and software	5-7
Easements	50
Other	15

* Bontex S.A.S. – 50 years; Alternegy S.A.S. – 50 and 25 years; BLM – 40 years; and PEG – 18 years.

3.8.1 Separately acquired intangible assets - Separately acquired intangible assets with a finite useful life are recorded at cost less accumulated amortization and any cumulative impairment loss. Amortization is recognized based on the straight-line method over their estimated useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the effect of any change in the estimation is recorded on a prospective basis. Separately acquired intangible assets with an indefinite useful life are recorded at cost less any cumulative impairment loss.

3.8.2 Internally generated intangible assets – Disbursements from research and development: Disbursements originating from research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset as a result of development activities (or the phase of development of an internal project) is recognized if, and only if, it meets the following conditions:

- It is technically feasible to complete the generation of the intangible asset so that it can be used or sold.
- The purpose of completing the intangible asset in question is to use it or sell it.
- The Company has the capacity to use or sell the intangible asset.
- The Company can demonstrate how the intangible asset is going to generate probable future economic benefits.
- Adequate technical, financial or other kinds of resources are available to complete the development and to use or sell the intangible asset.
- The Company has the capacity to reliably measure the disbursement attributable to the intangible asset during its development.

The initially recognized amount for an internally generated intangible asset will be the sum of the payments incurred from the time that the item meets the previously established conditions for its recognition. When an internally generated intangible asset cannot be recognized, the payments for development are charged to profit or loss in the period in which they are incurred.

Subsequent to its initial recognition, an internally generated intangible asset is accounted at its cost less amortization and the accumulated amount of impairment losses on the same basis as the separately acquired intangible assets.

3.8.3 Derecognition of intangible assets - An intangible asset is derecognized at the time of its disposal, or when future economic benefits from its use or disposal are not expected. The profit or loss that arises from the derecognition of the book value of an intangible asset, measured as the difference between the net income from the sale and the book value of the asset, is recognized in profit or loss at the time the asset is derecognized.

3.9 Impairment of tangible and intangible assets without including goodwill - At the end of each reporting period, the book values of the tangible and intangible assets are reviewed to establish whether there is any indication that they have suffered any impairment loss. In this event, the recoverable amount of the asset is calculated with the aim to establish the scope of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which said asset belongs. When a reasonable and consistent distribution basis is identified, the common assets are also allocated to the individual cash-generating units or distributed to the smallest groups of cash-generating units for which a reasonable and consistent distribution basis can be identified.

Intangible assets with an indefinite useful life or that are not yet available for their use must be subject to verification of impairment annually, and more frequently if there is any indication that their value could have been impaired.

The recoverable amount is the greatest amount between fair value less the costs for disposal and value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted from the current value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted.

If the calculated recoverable amount of an asset (or cash-generating unit – CGU) is less than its book value, the book value of the asset (or cash-generating unit – CGU) is reduced to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

When an impairment loss is subsequently reversed, the revised estimated value of the recoverable amount of the book value of the asset (or cash-generating unit) increases, as long as the increased book value does not exceed the book value that would have been calculated if the impairment loss for said asset (or cash-generating unit) had not been recognized in previous years. The reversal of an impairment loss is automatically recognized in profit or loss.

3.9.1 Service concession arrangements - The Group recognizes an intangible asset that arises from a service concession arrangement when it has the right to charge for the use of the concession's infrastructure. At initial recognition, an intangible asset received as consideration for the provision of construction service or improvement in a service concession arrangement is recognized at fair value. After initial recognition, the intangible asset is measured at cost, which includes the capitalized borrowing costs, less amortization and the cumulative impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement corresponds to the period from which the Group can charge the public for use of the infrastructure until the end of the concession period.

3.10 Consolidation and business combinations - Companies over which the Group has control are consolidated from the acquisition date using the global integration method, which corresponds to the integration of all its assets, liabilities, revenue, expenses and cash flows in the consolidated annual accounts, once the adjustments and eliminations corresponding to the transactions carried out inside Celsia are made.

The consolidation of operations of controlled companies has been carried out according to the following basic principles:

(1) On the acquisition date, the assets and liabilities of the acquired company are recorded at their fair value, except when:

   a. Deferred tax assets or liabilities, and assets or liabilities related to the employee benefit agreements are recognized and measured pursuant to IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

   b. Assets (or a disposal group) that are classified as held for sale pursuant to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations are measured pursuant to said standard.

   In the event of a positive difference between the acquisition cost of the affiliated company and the fair value of its assets and liabilities, including contingent liabilities pursuant to the shareholding of the Parent Company, this difference is recorded as goodwill. In the event that the difference is negative, it is recorded with a deposit in the consolidated income statement. The costs related to acquisition are recognized as an expense as they are incurred.

(2) The value of the non-controlling interest in fair value of the net assets acquired and in the income of the consolidated companies is respectively presented in the consolidated statement of financial position.

(3) The conversion of financial statements of foreign companies with a functional currency other than the Colombian peso are carried out as follows:

   a. Assets and liabilities (including the comparative figures) are converted at the closing exchange rate on the date of the corresponding statement of financial position.

   b. The revenue and expenses for each statement that presents the income and other comprehensive income (including comparative figures) of the period are converted at the exchange rate on the date of each transaction. For practical reasons, an average monthly exchange rate is used, provided that this has not undergone significant variations.

   c. All the resulting exchange differences are recognized in other comprehensive income and remain in a separate component of equity until the disposal of the subsidiary.

The accumulated exchange difference that arises from the conversion attributable to non-controlling interest is attributed to the non-controlling interest and is recognized as part of the non-controlling interest in the consolidated statement of financial position.

When there is goodwill generated in the acquisition of a foreign operation, as well as adjustments to the fair value of assets and liabilities that arise from said acquisition, they are treated as assets and liabilities of the foreign operation and, therefore, they are converted at the closing exchange rate.

3.11 Goodwill - The Company measures the goodwill acquired in the business combination at cost; this being the excess paid in the business combination over the interest of the Company in the fair value of the identifiable assets, liabilities and contingent liabilities.

The goodwill that arises during the acquisition of subsidiaries is measured at cost less the cumulative impairment losses. The goodwill is not amortized, but its impairment is proven with an annual frequency or less if there are indications of a potential loss in the asset's value. The resulting goodwill of a business combination is assigned to each one of the cash-generating units (CGUs) or groups of CGUs of the Company that are expected to benefit from the combination's synergies. Internally generated goodwill is not recognized as an asset.

The goodwill is subsequently measured at cost less the cumulative impairment losses. In the investment accounted for according to the equity method, the book value of the goodwill is included in the book value of the investment, and any impairment loss is assigned to the book value of the investment accounted for, according to the equity method as a whole.

3.11.1 Impairment of goodwill - The Group annually verifies the impairment of the goodwill acquired in a business combination. Impairment must be established for the goodwill through an assessment of the recoverable value of the cash-generating unit (CGU) that is related to the goodwill. When the recoverable value of the CGU is less than its book value at which the goodwill has been allocated, the Company recognizes an impairment loss.

The Group establishes the recoverable value by comparing the greater value between its fair value less costs to sell and its value-in-use.

In the event that either of these two values exceeds the accounting value of the asset subject to analysis, it is considered that there is not a loss in value and it will not be necessary to estimate the other value. To calculate the recovery value of inventories, goodwill and intangible assets, the value-in-use is the criterion used by the Group in practically all cases.

3.12 Assets held for sale - Non-current assets (or disposal groups) are classified as held for sale if their book value will be recovered principally through a sales transaction rather than through continuing use, and the sale is deemed highly probable. These assets are measured at the lower of their book value and fair value less costs to sell, except deferred income tax assets, assets from employee benefits, financial assets and investment properties, which are recorded at fair value.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any previously recognized cumulative impairment loss. A gain or loss not recognized prior to the date of sale of the non-current asset (or disposal group) is recognized on the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not amortized or depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale will continue to be recognized.

Non-current assets classified as held for sale and assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

3.13 Taxes - Income tax expenses consist of payable income and additional taxes of the fiscal year and the result of the deferred taxes. Current and deferred taxes are recognized as a profit or loss and are included in income, except when they are related to items in other comprehensive income or directly in equity. In this case, current or deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

3.13.1 Current tax - Current tax payable is based on the taxable profit recorded during the year. Taxable profit differs from the earnings reported in the statement of income and other comprehensive income, due to the taxable or deductible income or expenses items in other years, as well as items that are never taxable or deductible. Current tax liabilities are calculated using the decreed or substantially approved tax rates at the end of the reporting period. The provision for income and additional taxes is established based on the higher value between the taxable profit and presumptive income, estimated at rates established in tax law.

3.13.2 Deferred tax - Deferred tax is recognized over the temporary difference between the book value of the assets and liabilities included in the financial statements and the corresponding tax bases used to establish taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets shall be recognized for all deductible temporary differences as long as it is probable that the entity will have future taxable profit against which it can charge these deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect taxable profit or accounting profit.

In a business combination, assets and liabilities are recognized at their fair value on the acquisition date. Likewise, the recognition of deferred tax assets and liabilities in a business combination affects the value of the goodwill that arises from it, or the recognized value of a purchase in highly advantageous conditions.

A deferred liability must be recognized for taxable temporary differences related to investments in subsidiaries and associates, as well as interests in joint ventures, but with the exception of those in which Celsia can control the reversal of the temporary difference and when there is the possibility that this may not be reversed in the foreseeable future. Deferred tax assets that arise from the deductible temporary differences related to said investments and interests are only recognized when it is probable that the Company will have future taxable profit against which it can charge these temporary differences and it is possible that they can be reversed in the foreseeable future.

The book value of a deferred tax asset must be subject to review at the end of every reporting period and it must be reduced, as long as it considered probable that there will not be sufficient taxable profit available in the future to allow full or partial recovery of the asset.

Deferred tax assets and liabilities must be measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is settled, based on the rates (and tax laws) that have been approved or have practically completed the approval process by the end of the reporting period.

The measurement of deferred tax assets and liabilities will reflect the tax consequences that would result from the way the Company expects to recover or settle the book value of its assets or liabilities by the end of the reporting period.

The current and deferred taxes shall be recognized in profit or loss, except when they are related to items that are listed in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognized in other comprehensive income or directly in equity, respectively. In the event of a business combination when current or deferred tax arises from the initial accounting of the business combination, the tax effect is considered in the accounting of the business combination.

3.13.3 Recognition of taxable temporary differences

Deferred tax liabilities resulting from taxable temporary differences are recognized in all cases, except when:

- They arise from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and the date of the transaction affects neither accounting profit nor the tax base.
- They are differences associated with investments in subsidiaries, associates and joint ventures over which the Company is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Recognition of deductible temporary differences

Deferred tax assets resulting from deductible temporary differences are recognized provided that:

- It is probable that there will be sufficient taxable profit in future periods for it to be offset, except in cases in which the differences arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and on the date of the transaction, it affects neither the accounting profit nor the tax base;
- They are temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that the temporary differences are going to reverse in the foreseeable future and it is probable that taxable profit will be available in the future against which the differences can be offset.

The deferred tax assets that do not meet the aforementioned conditions are not recognized in the (separate or consolidated) statement of financial position. At the end of the financial year, the Group reconsiders whether the conditions are met to recognize the deferred tax assets that had not been previously recognized.

The tax planning opportunities are only considered in the assessment of the recovery of the deferred tax assets if the Company intends to adopt them or it is probable that it is going to adopt them.

3.13.4 Measurement - Deferred tax assets and liabilities are measured at the tax rates applicable in the fiscal years in which the assets are expected to be realized or the liabilities are expected to be settled, based on the laws enacted or about to be enacted, and once the tax consequences of the way in which the Group expects to realize the assets or settle the liabilities are considered.

On the closing date of the fiscal year, the Group reviews the book value of the deferred tax assets with the aim to reduce said value to the extent that it is no longer probable that sufficient taxable profit will be available in the future to offset them. The Company's non-monetary assets and liabilities are measured in its functional currency. If the taxable profit or tax loss is determined in a different currency, changes in the exchange rate give rise to temporary differences that result in a recognized deferred tax liability or deferred tax asset. The resulting deferred tax will be charged or credited to the income of the period.

Offsetting and classification: The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right with the tax authorities to set off the recognized amounts and said assets and liabilities are levied by the same tax authority, and by the same taxpayer of the liability, or asset, by different taxpayers that intend to either settle or realize the current tax assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously, in each one of the future fiscal years in which significant amounts of deferred tax assets or liabilities are expected to be settled or realized. Deferred tax assets and liabilities are recognized in the (separate or consolidated) statement of financial position as non-current assets or liabilities regardless of the expected date of their realization or settlement.

3.14 Provisions - Provisions are recognized when there is a present obligation (whether legal or constructive) as a result of a past event which can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

The balance of the litigation provision covers lawsuits filed against the Company by third parties. According to the managers' opinion after the respective legal advice, the result of these litigations is not expected to significantly differ from the provisioned amounts at December 31, 2020.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the corresponding risks and uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, its book value reflects the present value of said cash flow (where the time value of money is material). The balance of the litigation provision covers lawsuits filed against the Company by third parties. According to the managers' opinion after the respective legal advice, the result of these litigations is not expected to significantly differ from the provisioned amounts at December 31, 2019.

When the recovery of some or all of the economic benefits required to settle a provision is expected, an account receivable is recognized as an asset if it is virtually certain that the income will be received and the amount of the account receivable can be reliably measured.

The Group reviews the provisions on every closing date of the financial statements and adjusts them to reflect the best current estimate. If it is no longer probable that an outflow of economic resources is required to settle the obligation, the provision is reversed.

The Group recognizes a provision for restructuring on the date of the statement of financial position only when the general criteria for recognition of the provision are satisfied. The obligation may be legal or constructive.

3.14.2 Restructuring - A provision is recognized for restructuring when the Group has an official detailed plan to carry out the restructuring and a real expectation has been created among those affected regarding the restructuring being carried out, whether because the Company has already started to execute the plan or because it has announced its main characteristics to those who will be affected by it. The measurement of the provision for restructuring shall only include the direct disbursements that result from it, which are comprised of the amounts that are necessarily produced by the restructuring; and that are not related to the activities that continue in the Company.

3.15 Contingencies - The Group does not recognize contingent assets and liabilities, these are only disclosed. Contingent liabilities may evolve in a different way to initially forecast. Therefore, they must be constantly assessed to establish whether an outflow of resources that incorporate economic benefits has become probable. In this case, it would be necessary to recognize a provision in the financial statements of the period in which the change in the probability of occurrence was generated. Contingent assets are assessed continually. When the realization of income is virtually certain, the related asset is not a contingent asset and its recognition is appropriate.

3.16 Employee benefits - The Group recognizes a liability when an employee has delivered services in exchange for benefits to be paid in the future and an expense when the Company consumes the economic benefit that arises from the services delivered by the employee.

Payments established as contributions for retirement plans are recognized as an expense when the services provided by employees give them the right to the contributions. In order to define the benefit for retirement plans, the cost of providing benefits is established in accordance with Decree 2496 / December 23, 2015. Whereby it is established that the parameters to determine post-employment benefits for treatment of IAS 19 – Employee Benefits must correspond to Decree 2783/2001 as a better market approximation.

The retirement benefit obligations recognized in the financial statements represent the present value of the retirement obligations defined as adjusted by unrecognized profit or loss and unrecognized service costs, and reduced by measurement of the plan at fair value. Any consequential asset of these calculations is limited to an unrecognized actuarial loss and cost of past services, plus the present value net of returns and reductions in future contributions to the plan.

In accordance with Decree 2131/2016, it is established to disclose the calculation of pension liabilities in accordance with the parameters established in Decree 1625 / October 2016, and in the case of partial pension transfers, pursuant to Decree 1833 / November 2016 and the differences in the calculation made in accordance with IAS 19 – Employee Benefits.

The defined benefit obligations are calculated annually by a qualified actuary according to the requirements of the Accounting and Financial Reporting Standards accepted in Colombia. When the calculation results in a potential asset for the Company, the recognition of the asset is limited to the present value of the economic benefits available in the form of future reimbursements of the plan or reductions in its future payments. To calculate the present value of the economic benefits, any minimum funding requirement must be considered.

The Group recognizes all the actuarial gains and losses that arise from the defined benefit plans in other comprehensive income.

3.16.1 Other long-term employee benefits

The net obligation of the Company with respect to long-term employee benefits is the amount of the future benefit that the employees have earned in exchange for their services in the current period and in previous periods. The benefit is discounted to determine its present value. The new measurements are recognized in the income of the period in which they arise.

3.16.2 Termination benefits

Termination benefits are recognized as an expense when the Group cannot withdraw the offer of those benefits or when the Company recognizes costs for a restructuring, whichever occurs first. If the termination benefits are not expected to be settled wholly before 12 months after the end of the reporting period, they are discounted.

3.16.3 Short-term employee benefits

Short-term employee benefits are measured on undiscounted amounts and are recognized as expenses when the related service is provided. An obligation is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as the result of a service delivered by the employee in the past and a reliable estimate of the obligation can be made.

3.17 Revenue recognition - The Group recognizes its revenue in order for the transfer of goods or services promised to clients to be recorded for an amount that reflects the consideration that the entity expects to receive in exchange for the goods or services.

3.17.1 Identification of performance obligations

At the start of the contracts, the Group assesses the commitments acquired with clients, recognizing a performance obligation for each distinct good or service. A good or service is distinct when:

- a client can benefit from the good or service on its own; and
- the promise to transfer the good or service to the client can be separately identified from the other assumed promises.

A series of distinct goods or services that are substantially the same is recognized as a single performance obligation if:

- They are obligations that are satisfied throughout time.
- The same method is used to measure the satisfaction or compliance of the performance obligations.

For the Group, in almost all cases, the consideration is given in the form of cash or cash equivalent and the amount of the revenue is the amount of cash or cash equivalent received or receivable. However, when the consideration is received in a period of more than one year, the fair value of said consideration could be less that the nominal amount of cash or cash equivalents receivable. Therefore, the amortized cost method is applied, discounting the future flows at a market rate.

3.17.2 Sale of goods - Revenue from the sale of goods must be recognized when the goods are delivered, ownership has been transferred, and each and every one of the following conditions have been met:

- The entity has transferred the significant risks and rewards of ownership of the goods;
- The entity neither keeps for itself any implication in the current management of the sold goods to the degree usually associated with ownership nor retains effective control over them;
- The amount of the revenue can be reliably measured;
- It is probable that the entity receives the economic benefits associated with the transaction; and
- The costs incurred or to be incurred from the transaction can be reliably measured.

3.17.3 Energy sales - Revenue is recognized in the period's statement of income using the accrual accounting system when there has been an increase in future economic benefits related to an increase in assets or a decrease in liabilities, and the value can be reliably measured. Upon recognizing revenue, all the costs and expenses associated therewith are recognized.

Revenue from power generation is mainly from energy sales through bilateral contracts on the regulated and non-regulated markets, the spot market, the Automatic Generation Control Service (AGC) and the reliability charge.

CREG Resolution 071/2006 approved the current methodology for the payment of the reliability charge to wholesale energy market (WEM) generators.

The methodology for the payment of the transmission activity is known as regulated revenue, which establishes the maximum yearly revenues paid to each distributor in accordance with the assets they actually hold in the National Transmission System (STN in Spanish). This revenue is collected by charging for the use of the STN, which is paid by resellers (demand) of the National Electrical Grid. The billing and collection of the application of the fees for using the STN are centralized through the STN's Liquidator and Account Administrator, which invoices and settles these fees.

For the purposes of paying the distribution activity, the Energy and Gas Regulatory Commission (CREG in Spanish) defines the applicable payment, which is revised every five years in accordance with the provisions established in the regulations. The method established for this payment has a related quality system.

The reseller's revenue comes from purchasing energy from the WEM and selling it to end users, for which it carries out activities including billing, metering, collection, portfolio management and customer service.

Revenue from the sale of energy on the regulated and non-regulated markets is recognized based on the billed and unbilled kilowatts used by clients. The sale of ancillary services is recorded upon billing. Energy that is not billed at the end of the month is estimated based on internal and external information provided by the energy market regulator.

Revenue from gas sales is recognized based on the allocations established in the gas resale contracts.

In the case of subsidiaries abroad, the sale of electricity is recognized when the produced electricity is delivered to customers pursuant to the monthly liquidations prepared by the National Dispatch Center and based on the prices and amounts of kilowatts/hour contracted or sold on the spot market. Capacity revenue is recognized monthly based on that agreed in the contracts with electricity distribution companies or sold on the spot market or reserve market.

Energy that is not billed at the end of the month is estimated based on internal and external information provided by the energy market regulator, which is the National Dispatch Center. The relevant estimates and assumptions are regularly reviewed. The reviews of the accounting estimates are recognized in the period in which the estimate is reviewed and in any other future affected period.

3.17.4 Provision of services - Revenue from service provision contracts is recognized by reference to the completion status of the contract, which is established in the following way:

- Professional fees for installation are recognized as revenue with reference to the stage of completion of the installation, determined as the proportion of the estimated total time to install that has passed by the end of the reporting period.
- Professional fees for services included in the price of the products sold are recognized in reference to the proportion of the total cost of the service provided for the sold product.

3.17.5 Income from dividends and interest - Income from dividends of investments is recognized once the shareholders' rights to receive this payment have been established (provided that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured).

3.17.6 Revenue from interest - Revenue from interest on a financial asset is recognized when it is likely that the Group will receive the economic benefits related to the transaction and the amount of revenue can be reliably measured. Revenue from interest is recorded over a time basis with reference to the outstanding capital and the applicable effective interest rate, which is the discount rate that exactly balances out the cash flows receivable or payable estimated throughout the expected life of the financial instrument with the net book value of the financial asset over initial recognition.

The financial revenue and costs that the Group recognizes are mainly associated with the returns generated and paid to the financial entities and the income from financing of clients.

3.18 Hedge accounting - The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives with respect to the foreign currency risk, such as fair value hedging, cash flow hedging, or hedging of a net investment in a foreign operation. Hedging of the foreign currency risk of a firm commitment can be accounted for as cash flow hedging.

At the start of the hedging, the entity documents the relationship between the hedging instrument and the hedging item together with its risk management objectives and its strategy to carry out several hedging transactions. At the start of coverage and on a continuous basis, this documentation will include the way in which the entity will measure the effectiveness of the hedging instrument to compensate exposure to the changes in fair value of the hedged item or the changes in cash flows attributable to the hedged risk.

3.18.1 Cash flow hedges - The part of the changes in fair value of the derivatives that is determined as effective cash flow hedging will be recognized in other comprehensive income and will be accumulated under the title of cash flow hedge reserve. The ineffective part of the profit or loss of the hedging instrument will immediately be recognized in the income statement of the period in the “other earnings and losses” line.

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to income in the periods in which the hedged item affects the income in the same line of the recognized hedged item. However, if the hedging of a planned transaction occurs after recognition of a non-financial asset or a non-financial liability, the profit or loss previously recognized in other comprehensive income and accumulated in equity is transferred and is included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting will be interrupted when the Group revokes the hedging relationship, when the hedging instrument matures, or is sold, resolved or exercised, or the hedging no longer meets the criteria for hedge accounting. The profit or loss that has been recognized in other comprehensive income and accumulated in equity will continue in equity and is recognized when the planned transaction is recognized in income. When it is no longer expected for the forecast transaction to occur, any profit or loss accumulated in equity is immediately recognized in profit or loss.

3.19 Reportable operating segments - Celsia coordinates its activity according to the approach of priority to its basic business, which is comprised of the generation, transmission, distribution and sale of electricity, gas and related services, and it establishes two large lines of business, each one based in a geographical area: Colombia and Central America.

The Company separately discloses information about each operating segment pursuant to the definition of segments (see Note 32. Operating segments).

3.20 Recognition of expenses - The Group recognizes its costs and expenses to the extent that economic events occur so that they are systematically recorded in the applicable accounting period, regardless of the flow of monetary or financial resources (cash). An expense is immediately recognized when a disbursement does not generate future economic benefits or when it does not meet the necessary requirements to be recorded as an asset.

3.21 Share capital

Common shares - Common shares are classified as equity. The incremental costs directly attributable to the issuance of common shares are recognized as a deduction of the equity, net of any tax effect. The reported reserves are those authorized by the General Meeting of Shareholders as well as the legal reserve of 10% based on the income of the year. The other reserves can be used to protect expansion plans or projects or for the Group’s financial needs.

The Code of Commerce makes it mandatory for local companies to appropriate 10% of their net annual profits, determined according to the local accounting laws as a legal reserve until the balance of this reserve is equivalent to 50% of the subscribed capital. The mandatory legal reserve cannot be distributed before the liquidation of the Company, but it can be used to absorb the net annual losses. Balances of the reserve in excess of 50% of the subscribed capital are freely available to shareholders.

A share issue premium is recognized when there is a difference between the nominal value of the share and the amount paid.

Reacquired own shares - The Group carries out the following recognition in the case of reacquired own shares: If the Group reacquires its own equity instruments, the consideration is paid, and the related costs are deducted from equity. No loss or profit is recognized in the income of the fiscal year resulting from the purchase, sale, issuance or amortization of the entity’s own equity instruments. These own shares could be acquired and owned by the entity or by other members of the Consolidated Group.

3.22 Earnings per share - The Company and its subsidiaries present data of the earnings per basic and diluted shares of its common shares. The earnings per basic share are calculated by dividing the income attributable to the holders of common shares by the weighted average of outstanding common shares during the period, adjusted by the own shares held.

NOTE 4. STANDARDS ISSUED BY THE IASB

4.1. Standards issued by the IASB, incorporated in Colombia

The following standards issued by the IASB have been incorporated in Colombia as of January 1, 2020. The Company and its subsidiaries have analyzed the following amendments in accordance with Decree 2270/2019 and Decree 1432/2020 for their first-time application in 2020.

Application of IFRIC 23 – Uncertainty over Income Tax Treatments - The IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments in June 2017, effective internationally as of January 1, 2019. However, this IFRIC came into effect in Colombia as of January 1, 2020.

IFRIC 23 requires the assumption that a taxation authority will examine amounts it has the right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty in its accounting of income tax and deferred tax, recognizing an additional tax liability.

The application of this amendment did not have any impact on the consolidated financial statements. Additional taxes are not forecast in the event of possible visits by the taxation authorities or due to the existence of uncertainties related to the tax positions applied by the Group.

Amendments to the Conceptual Framework - A new conceptual framework is established for the entities that apply the Full IFRS (Group 1) for general-purpose financial reporting. The new conceptual framework is much more aligned with the current IFRS and incorporates concepts including objectives and principles of the information to disclose, the account unit, derecognition and contracts pending implementation.

It also adopts the change from "important" to "material", regarding risks. Amendments were made, including paragraph 7 of IAS 1 and the Conceptual Framework, to indicate that information is material "*if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity*".

The application of this amendment did not have any impact on the consolidated financial statements.

Changes in the definition of material - IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors are amended to indicate that materiality is an aspect of specific relevance, depending on the nature or magnitude of the information in the context of financial reporting. The amendment consists of providing guidance to help the entities make judgments on materiality or relative importance instead of making substantive changes in the definition of material.

The application of this amendment did not have any impact on the consolidated financial statements.

IFRS 3 – Business Combinations - This amendment changes the definition of a business and provides a framework to assess when an input is present and the process applied to it (even for early-stage entities that have not started generating outputs). To be a company without outputs, it will now be necessary to have an organized workforce.

The definition of the term "outputs" is restricted to the goods and services provided to customers, generating investment income and other income, and excludes the returns in the form of lower costs and other economic benefits. Additionally, it is no longer necessary to assess whether the market participants are capable of replacing lacking items or integrating the acquired activities and assets. An entity can apply a "concentration test", which if met, eliminates the need for further assessment. According to this optional test, where substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar identifiable assets, the assets acquired would not represent a business.

The application of this amendment did not have any impact on the consolidated financial statements.

IAS 19 – Employee Benefits - Amendments are made related to the post-employment benefits and defined benefit plans – Plan Amendment, Curtailment or Settlement. The plan requires that an entity uses updated actuarial assumptions to determine the service costs of the current reporting period and the net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Appendix 6 of Decree 2270/2019 creates a new exception to the IFRS in Colombia in terms of retirement pensions, as IFRS shall not be applied, but instead Article 77 of Decree 2649/1993, amended by Decree 4565/2010.

The application of these amendments does not have any impact on the Company's financial statements.

IFRS 16 – Leases - Decree 1432/2020 permits the application of an exemption from accounting for rent concessions in response to the COVID-19 pandemic in the 2020 financial statements of the Group 1 entities. This permits the lessees to account for rent concessions as if they were not lease modifications if they occur as a direct consequence of COVID-19 and meet certain conditions. It is a practical expedient to the existing conditions. Rent concessions can adopt different forms, including rent reductions on one occasion, exemption from rental, or postponement of rental payments.

Based on the previous reviews, there are no significant impacts on the consolidated financial statements as a result of the application of this regulatory change.

4.2 Standards issued by the IASB not incorporated in Colombia

The following standards have been issued by the IASB, but they still have not been incorporated by decree in Colombia:

Financial reporting standard	Amendment topic	Item
IFRS 17 – Insurance Contracts	Application of IFRS 17 and the Amendment to IFRS 17 issued in June 2020	Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Its aim is to ensure that an entity provides relevant information that faithfully represents the insurance contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Becomes effective in January 2023. Early adoption is permitted if IFRS 9 is also applied before or on the adoption date.
IFRS 9 – Financial Instruments; IAS 39 – Financial Instruments:	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Paragraphs 6.8.1 to 6.8.12 of IFRS 9 are added regarding temporary exceptions from applying specific hedge accounting requirements.

Financial reporting standard	Amendment topic	Item
Recognition and Measurement; and IFRS 7 – Financial Instruments: Disclosures		Paragraphs 102A to 102N and 108G are incorporated into IAS 39 regarding temporary exceptions from applying specific hedge accounting requirements. Paragraph 24H about the uncertainty arising from interest rate benchmark reform, as well as paragraphs 44DE and 44DF (Effective date and transition) are added to IFRS 7. The amendment applies as of January 1, 2020, and its early application is permitted (although it is not expected to have a significant impact for Colombian entities) and its requirements shall be applied retroactively only to the hedging relationships that existed at the start of the reporting period in the entity that applies said requirements for the first time.
	Interest Rate Benchmark Reform – Phase 2	Adds paragraphs 5.4.5 to 5.4.9 Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (amortized cost measurement); paragraph 6.8.13 End of application of the temporary exception in hedge accounting; paragraphs 6.9.1 to 6.9.13 Additional temporary exceptions arising from interest rate benchmark reform; paragraph 7.1.10 Effective date; and paragraphs 7.2.43 to 7.2.46 Transition for Interest Rate Benchmark Reform – Phase 2 to IFRS 9. Paragraph 102M End of application of the temporary exception in hedge accounting is amended; paragraphs 102O to 102Z3 Additional temporary exceptions arising from interest rate benchmark reform; and paragraphs 108H to 108K Effective date and transition are added to IAS 39; as well as new headings. Paragraphs 24I and 24J Additional disclosures related to interest rate benchmark reform; paragraphs 44GG and 44HH Effective date and transition, and new headings are added to IFRS 7. Paragraphs 20R and 20S Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform; paragraphs 50 and 51 Effective date and transition, and new headings are added to IFRS 4. Paragraphs 104 to 106 Temporary exception arising from interest rate benchmark reform are amended; and paragraphs C20C and C20D Interest Rate Benchmark Reform – Phase 2 are added to IFRS 16. The amendment was issued in August 2020, it applies as of January 1, 2021, and its early application is permitted.
IAS 1 – Presentation of Financial Statements	Amendments are made related to the classification of liabilities as current or non-current	Said amendment was issued in January 2020 and subsequently amended in July 2020. It amends the requirement to classify a liability as current, establishing that a liability is classified as current if "it does not have the right to defer settlement of the liability for at least twelve months after the reporting period." In the added paragraph 72A, it clarifies that "the right of an entity to defer the settlement of a liability for at least twelve months after the reporting period must be substantial" and, as illustrated in paragraphs 73 to 75, the end of the reporting period must exist. The amendment applies as of January 1, 2023, and its early application is permitted. The effect of its application on comparative information shall be carried out retroactively.
IFRS 3 – Business Combinations	Changes in Reference to the Conceptual Framework	Amendments are made to the references in order to align them with the Conceptual Framework issued by the IASB in 2018 and incorporated into Colombian legislation. Consequently, the identifiable assets acquired and the liabilities assumed in a business combination on the transaction date correspond to those that meet the definition of assets and liabilities described in the Conceptual Framework[5]. Paragraphs 21A, 21B and 21C are incorporated regarding the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 and IFRIC 21. Paragraph 23A is incorporated to define a contingent asset and to clarify that the acquirer in a business combination will not recognize a contingent asset on the acquisition date. The amendment applies as of January 1, 2022, and its early application is permitted.

Financial reporting standard	Amendment topic	Item
		Any effect on its application shall be realized prospectively.
IAS 16 – Property, Plant and Equipment	It is amended regarding proceeds obtained before intended use	The amendment treats the costs directly attributable to the acquisition of the asset (which are part of the PPE) and refer to the "costs of testing whether the asset is functioning properly" (that is, if the technical and physical performance of the asset is such that it can be used in the production or the supply of goods or services to lease to third parties or for administrative purposes[6]). Paragraph 20A expresses that the production of inventories while the PPE item is in the condition intended by management, when sold, will affect the income of the period, together with its corresponding cost. The amendment applies as of January 1, 2022, and its early application is permitted. Any effect on its application shall be carried out retroactively, but only to the PPE items that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management from the start of the first period presented in the financial statements in which the entity applies the amendments for the first time. The accumulated effect of the initial application of the amendments shall be recognized as an adjustment to the opening balance of the retained earnings (or other component of equity as applicable) at the start of the first presented period.
IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract	It clarifies that the cost of fulfilling a contract includes the costs directly related to the contract (costs of direct labor and materials, and the allocation of costs that relate directly to the contract). The amendment applies as of January 1, 2022, and its early application is permitted. The effect of the application of the amendment shall not involve the restatement of comparative information. Instead, the accumulated effect of the initial application of the amendments shall be recognized as an adjustment to the opening balance of the retained earnings or other component of equity, as applicable, on the initial application date.
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, and IAS 41 – Agriculture	Amendment to IFRS 1. Subsidiary as a first-time adopter. Adds paragraph D13A to IFRS 1, incorporating an exemption for subsidiaries that adopt the IFRS for the first time and takes the book values included in the controlling company's financial statements as balances in the opening statement of financial position (paragraph D16(a) of IFRS 1) so that cumulative translation differences can be measured using the book value of said entry in the consolidated financial statements of the controlling company (also applies to associates and joint ventures). Amendment to IFRS 9. Fees in the "10 per cent" test for derecognition of financial liabilities. Text is added to paragraph B3.3.6 and paragraph B3.3.6A is added, which especially clarifies the recognition of the fees paid (to income if it is the payment of a liability, or as the lower value of the liability if it is not treated as a payment). Amendment to IAS 41. Taxation in fair value measurements. Removes the requirement for entities "to exclude taxation cash flows" in paragraph 22 of IAS 41, because "before the Annual Improvements to IFRS Standards 2018-2020, IAS 41 had required that an entity use pre-taxation cash flows when measuring the fair value, but the use of a pre-taxation discount rate was not required to deduct these cash flows". Therefore, the requirements of IAS 41 are aligned with those of IFRS 13. The amendment applies as of January 1, 2022, and its early application is permitted.
Amendments to IFRS 4 – published by the IASB in June 2020	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Paragraphs 20A, 20J and 20O of IFRS 4 are amended to permit the temporary exemption, but it does not require that the insurance entities apply IAS 39 – Financial Instruments: Recognition and Measurement instead of IFRS 9 for the annual periods beginning on or after January 1, 2023 (because as of said date, there is a new international requirement in IFRS 17).

The Group will quantify the impact on the financial statements once the decree that incorporates them into the Colombian Technical Regulatory Framework is issued.

NOTE 5. RELEVANT ACCOUNTING ESTIMATES AND JUDGMENTS

In application of the accounting policies, which are described in Note 3 – Principle accounting policies, Management must issue judgments, estimates and assumptions about the book values of the assets and liabilities that apparently do not come from other sources. The related estimates and assumptions are based on historical experience and other factors that are deemed relevant. The real results could differ from said estimates.

The underlying estimates and assumptions are regularly reviewed. The reviews of the accounting estimates are recognized in the review period if the review only affects said period, or in future periods, if the review affects the current period as well as subsequent periods.

The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates are very rarely the same as the real results.

5.1. Significant judgments and estimates when applying the accounting policies that do not present a significant risk of material adjustments in the following period

In accordance with paragraph 122 of IAS 1 – Presentation of Financial Statements, the significant judgments and estimates made by Management during the process of applying the accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements are presented below. These judgments and estimates are different to the estimates considered in paragraph 125 of the same IAS, because in Management's judgment, it is not identified that they represent a significant risk of resulting in material adjustments in the following financial year.

5.1.1 Interests in other entities

The Group holds equity investments in companies that are classified as subsidiaries, associates, joint ventures and financial instruments under the IFRS according to the degree of the relationship held with the investee: control, significant influence and type of joint venture. The degree of the relationship was determined according to IFRS 10 – Consolidated Financial Statements, IAS 28 – Investments in Associates and Joint Ventures, and IFRS 11 – Joint Arrangements.

The significant judgments and assumptions applied when making this classification are described below:

Subsidiaries - Entities over which the Group has control

In the control assessment, the Company assesses the existence of power over the entity; the exposure, or rights to equity returns from its involvement in the entity; and the ability to use its power over the entity to influence the amount of returns. The judgment is applied upon establishing the relevant activities of each entity and the ability to make decisions about these activities. To do this, it assesses the purpose and design of the entity, identifies the activities that affect its performance the most and assesses whether decisions are made on the relevant activities. In the assessment of decision-making, it considers aspects including the existing voting rights, potential voting rights, contractual agreements signed between the entity and other parties and the rights and power to appoint or dismiss key members of management. The judgment is also applied in the identification of variable returns and exposure to them. Variable returns include, but are not limited to, dividends and other distributions of economic rewards from the entity, remuneration from management of the entity's assets or liabilities, commission, and exposure to losses from providing credit or liquidity support.

The judgments and assumptions made to determine whether the Group controls a company even when it holds less than half of the votes are as follows:

Caoba Inversiones S.A.S. Due to the joint governance mechanisms established in the incorporation of the company, Management established that it does not exercise control over the company even when holding a shareholding of more than 50%.

Associates - Entities over which the Group has significant influence

This judgment is applied in the assessment of significant influence. It is understood that the Company has significant influence over the associate when it has the power to participate in decisions on financial policy and on its operation. To do this, the Company considers the existence and effect of the potential voting rights that are exercisable or convertible, including potential voting rights held by other entities to assess whether it exercises significant influence over an investment. Those that cannot be exercised or converted until a future date or until the occurrence of a future event must not be considered.

Joint arrangements - As a joint operation or as a joint venture

Once the existence of a joint arrangement is determined through the assessment of a contractual arrangement in which two or more parties exercise joint control in an arrangement, the Company applies significant judgments and assumptions that will enable it to determine whether the arrangement is a joint venture or a joint operation, that is: i) if a joint operation exists despite having a separate vehicle, for example, if the Group is granted the right to the assets and obligations with respect to the relative liabilities to the arrangement and not the right to the net assets of the arrangement; or ii) if there is a joint venture through a contractual arrangement that is structured through a separate vehicle or not and it is granted rights to the net assets of the arrangement, but not the right to the assets and obligations related to the arrangement.

The Company must consider the following aspects to recognize a joint venture when this is constituted through a separate vehicle: i) the legal form of the separate vehicle, ii) the terms of the contractual arrangement, and iii) when relevant, other facts and circumstances.

5.1.2 Cash-generating units (CGUs)

When conducting impairment tests on non-financial assets, the assets that do not individually generate cash inflows that are largely independent of those from other assets or groups of assets must be grouped in the cash-generating unit to which the asset belongs, which is the smallest identifiable group of assets that generates cash inflows for the Company. These are largely independent of the cash flows from other assets or groups of assets. Management uses its judgment when determining the cash-generating units for the purpose of the impairment tests in accordance with IAS 36 – Impairment of Assets.

The cash-generating units (CGUs) were determined for each company, considering the relevance of each company and its capacity to individually generate cash flows. To improve cash flow, the Group determines the allocation of capital to invest and makes its analysis of the capacity for return on investment from the same perspective. For the purpose of analysis of permanence in a company, it always considers the sector in which it participates and not the assets individually. However, each company analyzes its CGUs independently pursuant to the grouping of assets that jointly contribute.

5.1.3 Determining the term of the lease of contracts with options for renewal and leases whose term is automatically extended at the end of the original term

The option exists under some leases to lease the assets for additional terms. The Group applies its judgment when assessing whether it is reasonably sure of exercising the renewal option. That is, it considers all the relevant factors that create an economic incentive so that the renewal is exercised. After the start date, the Group reassesses the term of the lease if there is a significant event or change in the circumstances that are under its control and affect its ability to exercise (or not exercise) the renewal option. Additionally, the Company signs lease contracts that are automatically renewed at the end of the original term of the lease for another term of the same duration, or month by month, without any action by the Company or the lessor. The Group also signs lease contracts with a term that is automatically extended at the end of each year or on the original date of termination for another full term. For these contracts, the Group estimates the lease term based on the existence of economic incentives, past experience, expected use of the asset and the intention to continue with the lease, without prejudice to the lessor being able to exercise its legal rights at any time and terminate the lease. This judgment has a significant impact on the consolidated financial statements.

5.1.4 Current income tax

Celsia and subsidiaries recognize current income tax amounts in the consolidated financial statements given the volume of their operations. The determination of the current tax is based on Management’s best interpretation of the current, applicable laws and the best practices of the jurisdictions in which it operates. The reasonableness of this estimate depends on Management’s ability to integrate complex tax and accounting standards, to consider the changes in the applicable laws.

The uncertain tax positions are situations where the tax treatment is not clear, whether because there is no express regulation in that respect or because there are different court and doctrinal interpretations of the applicable treatment that do not permit the legal assurance of the action for the taxpayer. Celsia and subsidiaries could have uncertain tax positions mainly because of the deductibility of certain expenses, or because of the differential treatment of some profits in the tax returns. To date, for the legal proceedings filed by the corresponding entity, no provision is recognized for the uncertain tax positions categorized as remote or possible. The probability analysis is based on expert opinions and on the interpretation of the tax regulation in force in the applicable jurisdiction.

5.1.5 Provision for expected credit losses of trade accounts receivable

For the calculation of expected credit losses, Celsia and subsidiaries apply the parameters established in the financial asset impairment loss policy to each type of portfolio.

The assessment of the key assumptions observed for each business, the projections of the economic conditions and the expected credit losses constitute significant estimates. The value of the expected credit losses is sensitive to changes in the circumstances and in the economic environment. The historical information of Celsia and subsidiaries about credit losses and their economic projections cannot be representative of the risk of non-compliance of a current client in the future.

The information about the expected credit losses of Celsia and subsidiaries is disclosed in Note 13. Trade debtors and other accounts receivable, net.

5.1.6 Pension plans and other post-employment defined benefits

The pension plan and other post-employment benefits liability is estimated using the projected unit credit technique, which requires the use of financial and demographic assumptions. These include, but are not limited to: discount rate, inflation rates, expected salary increase, life expectancy, and the employee turnover rate. The estimation of the liability, as well as the determination of the values of the assumptions used in the valuation, is conducted by an external independent clerk, considering the existing market conditions on the measurement date.

Given the long-term horizon of these benefit plans, the estimates are subject to a degree of uncertainty. Any change in the actuarial assumptions directly impacts the value of the pension and other post-employment benefits obligation.

5.1.7 Disassembly, withdrawal or rehabilitation liabilities

The provision for disassembly, withdrawal or rehabilitation is recognized as the present value of the expected costs to settle the obligation using estimated cash flows. In the process of measuring the obligation’s present value, Management makes estimates of the possible future payments for disassembly, withdrawal or rehabilitation activities, the estimated dates on which the disbursements would be made, and the estimate of financial assumptions, such as the inflation rate and discount rate.

Given the long-term horizon of the disassembly obligations, the estimates are subject to a significant degree of uncertainty and can affect the figures of the consolidated financial statements.

5.1.8 Fair value of financial instruments and financial derivatives that are not Level 1

Celsia and subsidiaries use assumptions that reflect the most reliable value of the financial instruments, including the financial derivatives that do not have an active market or where there is not an observable market price, using widely known valuation techniques in the market. Fair value measurements are carried out using the fair value hierarchy, which reflects the importance of the inputs used in the measurement (Note 2. Status of compliance and basis of presentation). For the Level 2 and Level 3 inputs, Management must apply its judgment to select the adequate valuation method for the asset or liability being measured and maximize the use of observable variables. The assumptions are consistent with the market conditions on the measurement date and the information that the market participants would consider in the estimation of the instrument's price. Management considers that the selected valuation models and the assumptions used are appropriate for determining the fair value of financial instruments. Despite this, the own limitations of the valuation models and the parameters required by these models can lead to the estimated fair value of an asset or liability not exactly coinciding with the price at which the asset or liability could be delivered or settled on its measurement date.

Additionally, the changes in the internal assumptions and rates used in the valuation can considerably affect the fair value of the financial derivatives. The frequency of the valuation of these instruments is monthly.

5.1.9 Estimation of the useful life and residual values of property, plant and equipment, and intangible assets

Celsia and subsidiaries review at least annually the useful lives and residual values of property, plant and equipment, and intangible assets. When there is evidence of changes in the conditions or in the expected use of a property, plant and equipment item or the intangible assets, Management conducts a new estimate of the item's useful life. The estimate of the useful life of the property, plant and equipment and intangible assets is determined based on the asset's historical performance, Management's expected use of the asset, and the existing legal restrictions for use. The estimation of useful lives requires Management's judgment.

The estimation of useful life is indicated in the accounting policy of property, plant and equipment and intangible assets.

5.1.10 Estimation of revenue

Celsia and subsidiaries recognize revenue from the sale of goods and provision of services if they meet the Group's performance obligations, regardless of the date on which the corresponding invoice is prepared. Information from the contracts or agreements with clients is taken to make this estimate and, consequently, the value of revenue to recognize is established.

When there is uncertainty about the time when the revenue should be recognized, the Company recognizes it when the performance obligation is met. For performance obligations met over time, it is common to use the resource method, calculated as the executed costs compared to the estimated costs.

For concepts other that the provision of residential public utilities, the companies estimate and recognize the value of revenue from the sale of goods or provision of services based on the interest rate conditions, and the term, among other items, of each sales agreement.

In the month after the estimated revenue is reported, its value is adjusted by the difference between the value of the already known actual revenue and the estimated revenue (see Note 24. Revenue).

5.2. Key data of uncertainty in the estimates that present a significant risk of material adjustments in the following period

The assumptions made about the future and other causes of uncertainty used in the application of accounting policies for the preparation of the financial statements of the reporting period that have a significant risk of causing material adjustments to the book value of the assets and liabilities of the next financial year are presented below:

5.2.1 Provisions, contingent liabilities and contingent assets

Certain contingent conditions can exist on the date the financial statements are issued that can result in a loss for the Group and in the case of contingent assets, in a gain for the Group, but they will only be resolved in the future when one or more future events occur or can occur.

The Group considers that a past event has given rise to a present obligation if, taking account of all available evidence, it is probable that a present obligation exists regardless of the future events. The provision is recognized when the probability of an event occurring is higher that the probability of it not occurring. Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control are not recognized in the statement of financial position, but they are disclosed as contingent liabilities. The occurrence or non-occurrence of events estimated to be remote are not recorded or disclosed. The occurrence of events that give rise to contingent assets is not recorded, but it is disclosed (Note 21. Provisions and Note 38.2. Contingencies).

To determine the possible occurrence of a present obligation, the professional judgment of specialist internal and external lawyers is used. In the estimate of the provision, Management considers assumptions including, but not limited to, the inflation rate, the lawyer's appraisals, estimated duration of the litigation or lawsuit, and statistical information of proceedings with similar features.

5.2.2 Assessment of impairment of goodwill

The Group conducts impairment tests on goodwill at least annually. The assessment of the impairment of goodwill requires the estimate of the recoverable amount of the cash-generating unit or group of cash-generating units to which this has been assigned. The estimate of the recoverable amount requires the estimate of future cash flows of the cash-generating unit or groups of cash-generating units, and the financial assumptions, such as the rate of inflation, the discount rate and the rate of perpetual growth (Note 10. Goodwill).

In the process of measuring expected future cash flows, Management makes estimates of the future revenue. The changes in the valuation assumptions can cause adjustments to goodwill for the upcoming reporting periods in the event that an impairment arises. Additionally, it requires the estimate of the cash-generating unit's fair value, discounting the transaction costs. The recoverable amount on which the impairment assessment is made is the greater amount between the value-in-use, estimated from future cash flows, and the fair value less the transaction costs.

5.2.3 Identifiable assets, intangible assets, and liabilities assumed in business combinations

On the acquisition date, the identifiable assets, liabilities assumed and any contingent asset or liability that arises from a business combination are included through the global consolidation method in the Company's financial statements at their fair values. In the fair value measurement, Management makes assumptions about the future revenue and key assumptions such as the discount rate and perpetual growth rate. The fair value estimate of the acquired assets and liabilities, as well as the determination of the values of the assumptions used in the valuation, is carried out by an independent external appraiser. Any subsequent change in the estimates affects the goodwill, provided that the change qualifies as an adjustment of the reporting period. Any other change is recognized in the statement of income (see Note 36. Business combinations).

5.2.4 Impairment of assets, property, plant and equipment, and intangible assets

On each annual cut-off date of the financial position or at any other time, Celsia and subsidiaries assess whether any indication of impairment of the assets exists. If said indication exists, the Company estimates the recoverable amount of the asset or of the cash-generating unit.

To assess the relevance of carrying out the whole impairment test, Celsia and subsidiaries annually review the critical business variables that affect the fair value of the assets in each market. The indicator matrix is defined for each region or market in which the businesses are developed and it is periodically reviewed with the different areas to ensure its validity. The general indicators are:

- Observable indicator that the value of the assets has significantly decreased during the period more than expected as a result of the passing of time or its normal use.
- Changes in the legal, social, environmental or market environment that could reduce the value of the asset.
- Variation in prices that affect its future income.
- Variation of its income generation capacity.
- Variation of its total cost.

The impairment test aims to determine the recoverable value, which is the greater amount between the fair value less costs of disposal and the value-in-use.

5.2.5 Deferred income tax

The Group recognizes amounts of deferred income tax in the consolidated financial statements given the volume of the operations. The determination of the deferred tax is based on Management's best interpretation of the current, applicable laws and the best practices of the jurisdictions in which it operates. The reasonableness of this estimate depends on Management's ability to integrate complex tax and accounting standards, to consider the changes in the applicable laws and, for the purposes of recognition of the deferred tax asset, to assess the existence of sufficient taxable profits for its realization. (Note 30. Income tax)

NOTE 6. MONETARY POSITION IN FOREIGN CURRENCY, NET

The existing basic regulations allow the free trading of foreign currency through banks and other financial institutions at free exchange rates. Nevertheless, for the companies, most transactions in foreign currency still require compliance with legal provisions.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT, NET

At December 31, property, plant and equipment, net, were as follows:

	2020	2019
Land	241,108	236,690
Constructions underway and machinery in assembly	950,903	926,251
Constructions and buildings	197,629	187,710
Waterlines, plants and networks	6,571,628	6,248,592
Machinery and production equipment	140,408	166,336
Office furniture and fittings, and equipment	27,888	23,983
Communications and computer equipment	79,792	45,002
Transportation equipment	144,297	19,623
Other assets	1	3
	8,353,654	**7,854,190**

The changes in property, plant and equipment and depreciation at December 31, 2020, are presented below:

2020	Land	Constructions underway and machinery in assembly	Constructions and buildings	Waterlines, plants and networks	Machinery and production equipment	Office furniture and fittings, and equipment	Communications and computer equipment	Land transportation equipment	Other assets	Total
Balance at January 1, 2020	**236,752**	**926,251**	**214,737**	**9,316,971**	**227,005**	**64,841**	**92,650**	**27,042**	**12**	**11,106,261**
Additions	-	819,879	-	560	163	-	225	126,013	-	946,840
Transfers from (to) other accounts	3,906	(787,407)	6,714	629,099	27,172	8,864	55,707	1,103	-	(54,842)
Conversion effect	3,156	2,551	480	170,824	1,356	1,306	585	119	-	180,377
Held for sale (a)	(1,571)	(10,371)	10,147	(222,346)	(978)	-	-	(102)	-	(225,221)
Sales and withdrawals	-	-	(854)	(30,954)	(39,003)	(1)	(1,392)	(627)	-	(72,831)
Other changes	-	-	-	(1,061)	854	171	(171)	207	-	-
Historical cost	**242,243**	**950,903**	**231,224**	**9,863,093**	**216,569**	**75,181**	**147,604**	**153,755**	**12**	**11,880,584**
Balance at January 1, 2020	62	-	27,027	3,068,379	60,669	40,858	47,648	7,419	9	3,252,071
Depreciation of the period	-	-	6,495	253,356	14,302	5,472	20,139	2,310	2	302,076
Conversion effect	4	-	73	106,081	1,306	1,228	247	100	-	109,039
Held for sale (a)	-	-	-	(134,156)	(367)	-	-	(102)	-	(134,625)
Sales and withdrawals	-	-	-	(2,157)	(17)	(1)	(213)	(271)	-	(2,659)
Impairment losses	1,069	-	-	-	-	-	-	-	-	1,069
Other changes	-	-	-	(38)	268	(264)	(9)	-	-	(41)
Depreciation and impairment	**1,135**	**-**	**33,595**	**3,291,465**	**76,161**	**47,293**	**67,812**	**9,458**	**11**	**3,526,930**
Total property, plant and equipment	**241,108**	**950,903**	**197,629**	**6,571,628**	**140,408**	**27,888**	**79,792**	**144,297**	**1**	**8,353,654**

(a) Classification of fixed assets in the Central American segment as a group of assets held for sale, in accordance with Note 17.

The changes in property, plant and equipment and depreciation at December 31, 2019, are presented below:

	Land	Constructions underway and machinery in assembly	Constructions and buildings	Waterlines, plants and networks	Machinery and production equipment	Office furniture and fittings, and equipment	Communications and computer equipment	Land transportation equipment	Other assets	Total
January 1, 2019	**230,997**	**1,090,833**	**329,699**	**9,097,168**	**146,762**	**58,126**	**62,846**	**8,003**	**-**	**11,024,434**
Additions	-	752,115	844	14,114	53,489	867	215	125	-	821,769
Transfers from (to) other accounts	11,051	(905,848)	14,580	676,611	67,856	7,962	29,169	19,567	-	(79,052)
Conversion effect	1,949	396	85	29,957	238	227	96	23	-	32,971
Sales and withdrawals	(14,222)	(165)	(12,741)	(58,322)	(36)	(2,465)	(570)	(615)	-	(89,136)
Business combinations	41,411	19,003	12,985	1,579,261	4,225	775	5,764	-	-	1,663,424
Loss of control over a subsidiary or business	(34,496)	(38,296)	(121,522)	(2,024,105)	(45,671)	(497)	(4,870)	(61)	-	(2,269,518)
Other changes	62	8,213	(9,193)	2,287	142	(154)	-	-	12	1,369

	Land	Constructions underway and machinery in assembly	Constructions and buildings	Waterlines, plants and networks	Machinery and production equipment	Office furniture and fittings, and equipment	Communications and computer equipment	Land transportation equipment	Other assets	Total
Historical cost	**236,752**	**926,251**	**214,737**	**9,316,971**	**227,005**	**64,841**	**92,650**	**27,042**	**12**	**11,106,261**
January 1, 2019	**-**	**-**	**34,224**	**3,062,760**	**56,718**	**38,129**	**32,726**	**7,038**	**-**	**3,231,595**
Depreciation of the period	-	-	12,438	303,580	10,210	4,786	16,117	693	1	347,825
Conversion effect	-	-	16	17,080	3,613	218	(2)	(56)	-	20,869
Sales and withdrawals	-	-	(4,521)	(36,941)	-	(1,763)	(318)	(195)	-	(43,738)
Loss of control over a subsidiary or business	-	-	(16,874)	(331,462)	(10,128)	(248)	(875)	(61)	-	(359,648)
Impairment Losses	-	-	-	53,369	-	-	-	-	-	53,369
Other changes	62	-	1,744	(7)	256	(264)	-	-	8	1,799
Depreciation and impairment	**62**	**-**	**27,027**	**3,068,379**	**60,669**	**40,858**	**47,648**	**7,419**	**9**	**3,252,071**
Total property, plant and equipment	**236,690**	**926,251**	**187,710**	**6,248,592**	**166,336**	**23,983**	**45,002**	**19,623**	**3**	**7,854,190**

At December 31, 2020, Celsia's property, plant and equipment increased 6.36% from the balance the previous year, mainly due to the additions in constructions underway and machinery in assembly, land transportation equipment, and waterlines, plants and networks, as indicated below:

Additions:

The total additions of the period, amounting to COP 946,840, were mainly due to the increase in constructions underway and machinery in assembly of COP 819,879, the following of which stand out:

- Transmission and distribution executed COP 434,802 in development of their expansion strategies of solar roof assets, investments and electricity assets in the departments of Valle del Cauca and Tolima, and additional investments amounting COP 114,811 in the replacement of transmission and distribution networks in Valle del Cauca and Tolima.
- Generation executed COP 150,863, with the following investments standing out: the San Andrés hydroelectric power plant project, which is already in operation; hydraulic dredging in the Bajo Anchicayá reservoir; the Gran Manzana cooling district; cogeneration with Entrepalmas; executions in the Camelia and Acacias II wind power plant projects; and the Tesorito hydroelectric power plant project.
- Investments of COP 42,649 were made in other projects to expand the companies' IT infrastructure and businesses, of COP 12,162 in internet to increase the capacity for new customers, and of COP 3,943 in innovation with the implementation of projects.
- In Central America, COP 51,532 were executed, which were invested in the construction of solar farms and in generation and innovation projects.
- Projects under construction in 2020 included the capitalization of borrowing costs amounting to COP 10,702. In December 2019, they amounted to COP 12,830 in accordance with IAS 23.

In transportation equipment, the purchase of electric buses in the Celsia Move company for COP 125,606 was recognized during the period.

Transfers from (to) other accounts

Transfers of COP 787,407 correspond to the capitalization of projects, mainly in waterlines, plants and networks for COP 629,099. The following stand out: start-up of the San Andrés hydroelectric power plant, with a capacity of 19.9 MW; the Espinal and Carmelo solar farms; solar roofs installed in the City, Business and Home segments; changes of electricity pylons in Tolima; repowering of the Salvajina power plant; and the expansion and upgrade of the medium and low-voltage network infrastructure in the departments of Valle del Cauca and Tolima.

In communications and computer equipment, amounting to COP 55,707, the majority is for the start-up of the Nova backup control center, located Buga and the remaining equipment of the Nova control center of Celsia Colombia.

In capitalizations, there is a difference in the balance between the assets that started operation and the completed projects of COP 54,842, because some projects include intangible assets of COP 29,581 and right-of-use assets of COP 25,261 from improvements made in buildings in Celsia and Celsia Colombia.

Sales and withdrawals

At December 31, 2020, sales and withdrawals, net, amounted to COP 72,831, comprised of:

- Sales on December 23, 2020, of voltage level 3 and 4 transmission and distribution electricity assets, located in the Tolima Department, to the Caoba Inversiones S.A.S. company for COP 45,289.
- Donation of a community center to the Yaporogos indigenous community, amounting to COP 854.

- Contribution of 96 Segways and seven electric motorbikes to Muverang for a total value of COP 357.
- Withdrawal of machinery and equipment in storage amounting to COP 23,609, required for the development of projects underway.

At December 31, 2019, property, plant and equipment presented significant variations from the previous period in waterlines, plants and networks, constructions underway and machinery in assembly for the concepts described below:

Loss of control over a subsidiary or business:

- The sale of assets from the company Zona Franca Celsia S.A. E.S.P. to the firm Prime Colombia S.A.S. on September 19, 2019, for COP 898,101 and reported in the concept of loss of control. In addition, the assets that Celsia S.A. held related to the intake and 45 houses located in Barranquilla were sold to this firm for the net value of COP 24,167.
- Sale made on December 27, 2019, to the company Caoba Inversiones S.A.S. of the transmission and distribution business owned in the departments of Tolima, Atlántico, Córdoba, La Guajira and Valledupar for the substations developed in Plan 5 Caribe and of Tolima with voltage levels 3 and 4, and a net cost of COP 1,011,768.

Business combinations

Occurred with the acquisition through Celsia Colombia S.A. E.S.P. of the commercial establishment's productive assets from Compañía Energética del Tolima S.A. E.S.P. for a value of COP 1,663,424 (see Note 36).

Sales and withdrawals:

The following sales and withdrawals of 2019 stand out:

- Celsia Colombia S.A. E.S.P. made a contribution to the joint venture formed in partnership with Bancolombia and Sura of COP 121 for five bicycles, three motorcycles and 25 scooters.
- The other withdrawals, due to obsolescence, were mainly of computer equipment, and in the Alto Anchicayá power plant, the replacement of a valve with an investment (capitalized in 2019) of COP 9,024 was derecognized.
- Sale of transportation equipment, which was already fully depreciated and its cost was COP 149.

Additions:

The additions in 2019, amounting to COP 821,769, were mainly in the implementation of assets underway of COP 752,115, the following of which stand out:

  - *Transmission and distribution:* COP 390,491 executed, highlighting the following projects: medium and low voltage projects (Local Distribution System) for COP 117,043, which include underground lines for COP 35,185, smart metering for COP 28,309, and line and ring network construction in Anserma for COP 12,583; as well as solar projects for COP 84,067. Also, COP 82,572 were invested in distribution networks in Tolima and COP 63,054 in high voltage lines (Regional Transmission System).
  - *Generation:* COP 164,873, highlighting the investment in the following projects: San Andrés with COP 106,865, changes of valves and replacement of equipment in the Alto Anchicayá power plant with COP 23,448 and replacement of equipment in the Salvajina power plant with COP 9,097.
  - *Innovation*: Amounting to COP 22,379. The main project was the purchase of 26 electric buses in a joint operation with the Blanco y Negro operator for COP 19,663 and the data science project for COP 1,698.

- Improvements in constructions and buildings with COP 844 for the improvement of the experience center in Cetsa E.S.P.
- In waterlines, plants and networks, with COP 14,114 for the acquisitions in Central America.
- In machinery and equipment, there were additions of COP 53,489, of which COP 53,388 were for additions in Celsia Colombia for the recognition of equipment that is in storage for operations, mainly in distribution.
- In transportation equipment, the additions were COP 125 in Central America.

Transfers from (to) other accounts

The transfers are for the capitalization of projects that ended in 2019 at COP 905,848 for the closure of relevant projects that are reported in the expansion and improvements of constructions and buildings for COP 14,580 used in the improvement of the experience centers in Buga, Zarzal and Palmira for COP 1,722, COP 4,844 in the improvement of the support control center in Buga, and COP 5,041 in the improvement of power plant camps and houses. In waterlines, plants and networks, COP 676,711, which include the capitalization of Plan 5 Caribe for COP 326,651 in the Caracolí, Manzanillo, Bolívar, Norte, Montería and Valledupar substations. An investment was made in networks to expand and normalize them for COP 169,638, and the Bolívar solar farm for COP 30,610. The solar power projects that started operations with COP 28,882 were: City (Opain El Dorado International Airport, Centro Comercial Cartagena, Plaza Malambo, Terranium, and U-Storage Barranquilla and Cartagena), Business (Universidad Javeriana, Olímpica Bombona, Avícola Santa Anita, Icesi, Instituto NCS, Alúmina, Universidad Santo Tomas, Intergrafic, Década 10, and Noel) and Home (Vida Centro Profesional, Naturezza, Robles del Castillo, Trina Solar, and Laurel). In power generation, projects started operations with COP 73,150, which were implemented in the Alto and Bajo Anchicayá power plants (where the spherical entry valve was replaced in U1 and U3 for COP 9,024) and in the Calima, Cucuana and Salvajina power plants.

The transfers also included projects capitalized in furniture, communications and computer equipment with COP 37,131, and in transportation equipment with COP 19,567, mainly for the acquisition of 26 eight-meter electric buses. The negative value is due to transfers to intangible and right-of-use assets of COP 79,052.

The additions in constructions underway included the capitalization of borrowing costs for COP 12,830 (2018: COP 14,765) in accordance with IAS 23 – Borrowing Costs.

Effect of conversion from foreign currency:

The effect of the exchange difference of COP 15,445, net, between costs and depreciations occurs due to the increase in the exchange rate by COP 27.39 per U.S. dollar.

Impairment losses

In 2019, taking into account the operating situation of Bahía Las Minas for the termination of the existing contracts, the Group decided to impair the investment, proceeding to recognize an impairment loss in waterlines, plants and networks of COP 53,369.

Change in classification:

In other changes, mainly the reclassifications made during the period are recorded after analyzing the correct classification of the assets according to their policy and useful life. Also, the presentation of the net value of the assets with impairment was changed, such as land, and waterlines, plants and networks, which are observed in a specific line to add up depreciation and impairment.

Property, plant and equipment do not have restrictions or levies that limit their realization or trading. The Company has sufficient insurance policies to protect its production assets, mainly covering material damage and lost profit caused by fire, explosion, short circuit, natural disasters, terrorism, breakdown of machinery, and other risks.

NOTE 8. RIGHT-OF-USE ASSETS AND LIABILITIES

8.1 Celsia as lessee

The Parent Company and its related companies lease offices for administrative use, vehicles and backup generators. Leases of buildings and backup generators are generally established for a ten-year period with the option to renew the lease after that date. Vehicles are leased in the renting contract category for a five-year period.

In general, lease payments are renegotiated prior to the renewal of contracts to reflect the market rental rates. At December 31, 2020, all the recognized lease contracts are linked to the consumer price index of each jurisdiction in which they were signed. There are no lease contracts that are linked to reference or payment rates that vary to reflect changes in the market rental rates. The Group does not have restrictions on entering into sublease agreements.

The Group rents office furniture and technology with contract terms of one to three years. These are short-term leases or leases of low-value items. The Company has decided to not recognize the right-of-use assets and lease liabilities of these leases.

The balance of leased right-of-use assets and liabilities consists of:

	Leased right-of-use assets					
At December 2020	Initial balance	Additions	Depreciation	Other classifications	Final balance	Final balance of lease liabilities
Land	-	-	-	-	-	-
Constructions and buildings	61,600	27,012	(14,973)	190	73,829	57,102
Land transportation equipment	3,657	1,178	(3,078)	(144)	1,613	1,993
Waterlines, plants and networks	2,159	-	(288)	-	1,871	2,130
Right-of-use assets (liabilities), net	**67,416**	**28,190**	**(18,339)**	**46**	**77,313**	**61,225**

	Leased right-of-use assets					
At December 2019	Initial balance	Additions	Depreciation	Other classifications	Final balance	Final balance of lease liabilities
Land	2,748	-	(220)	(2,528)	-	-
Constructions and buildings	71,408	-	(12,240)	2,432	61,600	64,286
Land transportation equipment	7,260	77	(3,689)	9	3,657	6,230
Waterlines, plants and networks	2,447	-	(288)	-	2,159	2,294
Right-of-use assets (liabilities), net	**83,863**	**77**	**(16,437)**	**(87)**	**67,416**	**72,810**

The contractual cash flows of lease liabilities classified by expiry at December 31 are:

	2020	2019
Less than one year	4,873	11,640
From 1 to 3 years	44,888	29,979
From 4 to 5 years	26,389	771
From 6 to 10 years	1,745	18,233
Total contractual cash flows of lease liabilities	**77,895**	**60,623**
Effect of lease liability discount	(16,670)	12,187
Total lease liabilities	**61,225**	**72,810**
Current	2,795	10,943
Non-current	58,430	61,867
Total lease liabilities	**61,225**	**72,810**

The items recognized in the statement of income and cash flows for leases are:

Leases under IFRS 16	2020	2019
Lease liability interest expenses	6,147	7,127
Expenses related to short-term leases	3,266	2,366
Expenses related to leases of low-value assets	790	3,359
Lease cash flows	14,764	18,179

In 2020, the Group did not have variable lease payment expenses, income from subleasing of right-of-use assets, nor gains (losses) from sales transactions with subsequent leasing.

The current rental contracts do not include the renewal option. At the end of the lease term, new contracts are signed on new vehicles. The majority of the Group's leases, other than rental, contain renewal options that the Group can exercise to extend the term. Generally, companies exercise these renewal options, which can be exercised by them and not by the lessor. On the lease start date, the Group assesses whether it is reasonably certain to exercise the renewal options and considers them in the determination of the lease term and reassesses whether it is reasonably certain to exercise the renewal options if there is a significant event or significant changes in the circumstances under its control.

8.2 Celsia as lessor

As part of their operation, the companies have meters rented out to their clients.

Additionally, to take advantage of the assets used in its operation, the Group leases to third parties some plots located in the area of land where it carries out part of its operations and it shares the electricity infrastructure with other operators. Each lease has an initial non-cancellable period of one year. Subsequent renewals are negotiated with the lessee. Contingent installments are not charged.

All the leases are classified as operating leases from the perspective of lessor, because they do not transfer substantially all the risks and rewards incidental to ownership of the assets.

The income from leasing recognized by the Company in 2020 was COP 6,309 (2019: 5,317).

The following table provides an analysis of the expiry of lease payments, which shows the undiscounted lease payments that will be received after the reporting date.

Undiscounted leases	2020	2019
One year or less	5,698	984
Total	**5,698**	**984**

NOTE 9. INTANGIBLE ASSETS, NET

At December 31, intangible assets, net, were as follows:

	2020	2019
Concessions and franchises (1)	208,919	223,986
Licenses and software	67,962	83,252
Easements	38,337	35,145
Other intangible assets (2)	38,474	28,405
	353,692	**370,788**

(1) The concessions acquired in Central American operations are listed below:

	2020	2019
Guanacaste wind farm concession (a)	149,082	165,279
Concession of power plants in Panama (b)	59,837	58,707
	208,919	**223,986**

(a) The concession in Costa Rica is a permit for the generation of the wind power plant.
(b) Concessions for electric power generation through hydroelectric exploitation of the Estí River in Bontex and of the Chiriquí and Cochea Rivers in Alternegy. BLM has a permit for the provision of the thermal energy supply. In 2019, as a result of the impairment in the investment in this company, COP 22,711 was derecognized in the intangible assets of concessions.

The terms of said concessions are as follows:

Company	Bontex	Alternegy	Alternegy	BLM	PEG

Objective	Concession for electric power generation through use of the Estí River	Concession for electric power generation through use of the Chiriquí and Cochea rivers	Electric power generation permit	Thermal power generation permit	Wind power generation permit
Date on which the concession contract is signed	06/13/2007	12/06/2007	07/18/2008	12/18/1998	09/25/2009
Useful life	50 years extendable	50 years extendable	25 years extendable	40 years extendable	18 years not extendable

(2) The balance of other intangible assets is comprised of:

	2020	2019
List of clients (a)	5,921	7,543
Project studies (b)	19,873	19,877
Other (c)	12,680	985
	38,474	**28,405**

(a) In 2019, as a result of the impairment assessment on the investment in Bahía Las Minas, an impairment loss of COP 7,614 was recognized in the list of clients.
(b) Intangible assets identified on the date of purchase of El Tesorito, and engineering studies for participation in the country's electricity auction.
(c) Consists of the loss plan according to CREG Resolution 015/2018.

The changes related to the different additions and the effect of the exchange difference that affected intangible assets in 2020 and 2019 are presented below:

2020	Licenses and software	Easements	Concessions	Other intangible assets	Total
Balance at January 1, 2020	130,210	35,881	472,571	49,280	687,942
Additions	5,536	-	-	-	5,536
Transfers from (to) other accounts	11,753	3,943	-	13,885	29,581
Conversion effect	-	-	22,403	1,348	23,751
Assets classified for sale	-	-	(28,411)	(11,962)	(40,373)
Sales and withdrawals	(6,628)	-	-	(4)	(6,632)
Other changes	934	-	-	(984)	(50)
Historical cost	**141,805**	**39,824**	**466,563**	**51,563**	**699,755**
Balance at January 1, 2020	46,958	736	248,585	20,875	317,154
Depreciation of the period	28,721	751	27,637	3,350	60,459
Conversion effect	-	-	9,833	839	10,672
Assets classified for sale	-	-	(28,411)	(11,962)	(40,373)
Sales and withdrawals	(1,799)	-	-	-	(1,799)
Other changes	(37)	-	-	(13)	(50)
Depreciation and impairment	**73,843**	**1,487**	**257,644**	**13,089**	**346,063**
Total intangible assets	**67,962**	**38,337**	**208,919**	**38,474**	**353,692**

2019	Licenses and software	Easements	Concessions	Other intangible assets	Total
January 1, 2019	91,375	3,618	462,659	37,262	594,914
Additions	-	-	-	19,781	19,781
Transfers from (to) other accounts	38,927	32,263	5,973	-	77,163
Conversion effect	-	-	3,939	237	4,176
Sales and withdrawals	(92)	-	-	(8,000)	(8,092)
Historical cost	**130,210**	**35,881**	**472,571**	**49,280**	**687,942**
January 1, 2019	28,103	328	198,464	10,520	237,415
Amortization of the period	18,894	407	25,791	4,327	49,419

Conversion effect	12	-	1,619	(1,586)	45
Sale of subsidiary	(53)	-	-	-	(53)
Impairment loss	-	-	22,711	7,614	30,325
Other changes	2	1	-	-	3
Depreciation and impairment	**46,958**	**736**	**248,585**	**20,875**	**317,154**
Total intangible assets	**83,252**	**35,145**	**223,986**	**28,405**	**370,788**

Addition of intangible assets:

At December 2020, the additions and capitalizations of COP 17,289 in licenses and software mainly account for the capitalizations made in constructions underway (Note 7), for investments in licenses and software required to support the businesses' IT infrastructure, as well as the acquisition of easements for COP 3,943, mainly for the San Andrés hydroelectric power plant. In other intangible assets, investments to manage loss reduction of COP 13,885 were made; and intangible assets consisting of the IT asset management platform were sold to the Caoba Inversiones S.A.S. company for COP 816.

Amortization and impairment charge:

The straight-line amortization method is applied to the intangible assets and its effect is recognized in the statement of income in administrative expenses, sales or in costs of sale, and the impairment losses in other expenses. The estimated useful life for each category of intangible assets is as follows:

Concept	Useful life (years)	Remaining useful life (years)
Easements	50	34
Licenses and software	5 to 7	3

The Group has not capitalized borrowing costs in its intangible assets at the reporting date, nor does it have restrictions on realization, nor contractual obligations to acquire or develop intangible assets.

NOTE 10. GOODWILL

10.1 Allocation of goodwill per operating segment

	Colombia	Central America	Total
Gross value	**370,186**	**604,971**	**975,157**
Cumulative impairment	(16,233)	-	(16,233)
Balance at December 31, 2020	**353,953**	**604,971**	**958,924**

	Colombia	Central America	Total
Gross value	**370,186**	**577,589**	**947,775**
Cumulative impairment	(16,233)	-	(16,233)
Balance at December 31, 2019	**353,953**	**577,589**	**931,542**

10.2 The changes in goodwill at December 31 are as follows:

Reportable segment	Colombia	Central America	Total
Balance at January 01, 2020	**353,953**	**577,589**	**931,542**
Effect of conversion from foreign currency (1)	-	27,382	27,382
Balance at December 31, 2020	**353,953**	**604,971**	**958,924**

Reportable segment	Colombia	Central America	Total
Balance at January 01, 2019	**379,976**	**572,761**	**952,737**
Effect of conversion from foreign currency (1)	-	4,828	4,828
Additions (2)	24,640	-	24,640
Sale of businesses (3)	(34,430)	-	(34,430)
Impairment (4)	(16,233)	-	(16,233)
Balance at December 31, 2019	**353,953**	**577,589**	**931,542**

(1) Effect of exchange difference on goodwill (USD 176,247,815) corresponding to the Central American operations.

(2) Net balance of additions at December 31, 2019, after the acquisition of the distribution assets and sales business in Tolima.

(3) In 2019, goodwill is derecognized due to the sale of all the shares in Zona Franca Celsia S.A. E.S.P. in September, the same year.
(4) Impairment of goodwill of the Porvenir II company from the impairment tests, in accordance with IAS 36, given the impact on the flows discounted because of the postponement of the start-up of the project due to the provisional suspension of the environmental license (see Note 1).

The allocation of goodwill in operating segments has been based on the way in which Management controls for the purposes of financial reporting as well as impairment tests in accordance with IAS 36 – Impairment of Assets. Impairment losses are recognized as expenses in the consolidated statement of income in the other expenses line.

Assessment of impairment of goodwill

Goodwill is not subject to amortization. The Group annually reviews the existence of impairment, comparing the book value allocated to the operating segments with the value-in-use. No impairment losses in goodwill were reported during the period.

To calculate the value-in-use, the valuation method used was the discounted free cash flow, using the Organization's long-term financial projections as a reference. The key assumptions used in the assessment are as follows:

Key assumption	Description
Cash flow projection	The projected income, costs and operating expenses correspond to the estimates for the Organization's different businesses (generation, transmission, distribution and sale of energy), the operating performance, uptime and reliability of the assets, and the commercial strategy that assesses the business risks in the regions (Central America and Colombia), where the businesses and the applicable regulation are developed. The projection of revenue reflects the established and approved strategy, which in turn, integrates the initiatives for business continuity, growth, and growth initiatives for the different businesses.
Term for cash flow projection	The cash flows have a horizon of five to ten years and perpetuity for the Colombia and Central America segments, respectively. The period used enables the expression of explicit plans that can be managed by the Company and normalization of the last year's flow, thus giving the indication of stabilization for the perpetuity estimate. These flows have been built in line with the Organization's Growth and Investment Strategy, in line with the strategy analyzed and approved by the Steering Committee and the Board of Directors from time to time.
Discount rate applied to the cash flow projections	To determine the discount rate, the Group used the financial asset valuation model called the Capital Asset Pricing Model (CAPM), which uses the following main variables: - Risk-free rate: Rate of return on a debt that does not have risk of default. It uses the return on the U.S. Treasury bonds with long-term maturity as a reference. - Beta: Risk measurement that associates the volatility of a security with the market volatility. - Difference between the risk-free rate and the market rate of return. - Country risk premium: The difference above the U.S. Treasury bonds demanded by investors in international markets. The Group uses the weighted average cost of capital (WACC) as a discount rate. This weighs the cost of capital, the cost of the debt and the tax effect applicable to each region on the debt and capital according to the capital structure, so that it incorporates the Company's exposure in the different regions where it operates. Therefore, the value associated with the sources of funding is recognized, while representing a measure of the minimum return required according to its risk assigned to the different businesses. The weighted average of the Company's borrowings is taken as a reference for the cost of debt, and the market parameters available at the time of the valuation were used for the cost of capital.
Growth rate	The growth rate is established ensuring that the growth expectations of the operating country and business segment are not exceeded.

The input data to calculate the value-in-use are classified as Level 2 inputs in the fair value hierarchy. The perpetuity growth rate and discount rate used by the Group in said calculation are presented below:

	Colombia	Central America
Perpetuity growth rate	3.5%	2.14%
Discount rate	8.0% - 9.22%	6.73%

In accordance with IAS 36 – Impairment of Assets, to prove the impairment of the Colombia segment, more detailed calculations of the recoverable amount made in 2019 were used, which is possible because said recoverable amount substantially exceeded the book value and there have been no variations in the valuation conditions.

The Group considers that there are no foreseeable situations that could affect the key assumptions used in the assessment of impairment that would lead to the book value of a CGU exceeding its recoverable amount.

NOTE 11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2020	2019
Investments in associates and joint ventures	152,358	177,764
Total investments in associates and joint ventures	**152,358**	**177,764**

The details of associates and joint ventures at the close of the reporting period are as follows:

Business name of associate or joint venture	Classification	Main activity	Country	No. of shares	Nominal share		Investment classification	Book value	
					2020	2019		2020	2019
Caoba Inversiones S.A.S. (3)	Joint venture	Sales	Colombia	10,000	51.00%	51.00%	Joint venture	145,372	168,604
CNC del Mar S.A. E.S.P. (1)	Associate	Public utilities	Colombia	349,986	50.00%	50.00%	Joint venture	4,619	8,435
PA Proyecto Dinamarca (4)	Joint venture	Sales	Colombia	-	33.33%	33.33%	Joint venture	1,716	516
Fideicomiso Plan Luz	Joint venture	Backup generators	Colombia	-	50.00%	50.00%	Joint venture	523	66
SUMMA Servicios Corporativos Inte grales S.A.S.	Associate	Sales	Colombia	125	25.00%	25.00%	Associate	128	142
C2 Energy (2)	Joint venture	Renewable energy	Colombia	1,000	50.00%	50.00%	Joint venture	-	1
								152,358	177,764

(1) Net balance of the investment and respective equity method, includes prepayment for future capitalizations transferred by Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa) to CNC del Mar pending capitalization of COP 9,951 (2019: COP 9,923).

(2) On August 23, 2019, the company C2Energía, in which Celsia Colombia has a 50% share, was registered with the Chamber of Commerce. The negative value of the investment is recognized in liabilities.

(3) Celsia Colombia and Cubico Sustainable Investments Spain, S.L. entered into an investment framework agreement to incorporate Caoba Inversiones S.A.S., with 51% and 49%, respectively. This investment was made through the in-kind payment of Plan 5 Caribe transmission assets in Montería amounting to COP 186,625. In 2020, it includes the investment adjustment of COP 8,433 due to the elimination of the direct interest (51%) in the profit from the sale of assets from Celsia to Caoba pursuant to IAS 28. In 2019, the Company had losses as a result of the recognition of deferred tax.

(4) P.A. Muverang (formerly P.A. Proyecto Dinamarca) was created with Celsia Colombia, Bancolombia and Sura to develop transportation projects. During 2020, the Company made capitalizations of COP 2,013.

Corporate purpose of investments in associates and joint ventures

SUMMA Servicios Corporativos Integrales S.A.S.

Celsia has a 25% shareholding in this company, which has the corporate purpose of providing shared services for the whole Business Group with the operation and development of common processes, contributing to competitiveness.

CNC del Mar S.A.S. E.S.P.

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa) has an arrangement for joint control of 50% of this company, which has the corporate purpose of providing the public utilities of distribution and sale of electricity, waterlines, sewage systems and natural gas pursuant to Law 142/1994 and Law 143/1994.

C2 Energía S.A.S

By private document no. 02499181, dated August 23, 2019, registered with the Bogotá Chamber of Commerce on the same date, C2 Energía S.A.S. was incorporated with an indefinite term and its registered address is in Bogotá. The main purpose of said company shall be the management, development and exploitation of renewable energy projects, which is governed by Law 1715/2014, adding Unique Regulatory Decrees 1073/2015 and 570/2018, CREG Resolutions 030/2018 and 038/2018 (among others), and Resolution 463/2018 of the Mining and Energy Planning Unit (UPME in Spanish).

Caoba Inversiones S.A.S.

Celsia Colombia S.A. E.S.P. and Cubico Sustainable Investments Spain, S.L. entered into an investment framework agreement to incorporate Caoba Inversiones S.A.S., with 51% and 49%, respectively.

The transmission business was incorporated into Caoba Inversiones S.A.S. with the assets of Plan 5 Caribe and the national and regional transmission systems of Guajira, Montería, Valledupar, Manzanillo, Caracolí and Norte, as well as the recently acquired Tolima assets with voltage levels 3, 4 and 5. This company shall be the owner, managing and receiving the regulatory revenue from said assets and for the national transmission system and/or regional transmission system projects that Celsia Colombia S.A. E.S.P. implements as network operator in the sales markets of Tolima.

This platform's strategy is to focus the growth of the transmission business in regions other than Valle del Cauca through the association with Cubico, investor in the renewable energy sector with which there is already a strategic partnership for the development of the medium and large-scale solar business in Colombia. We have been strengthening strategic links that will enable us to access its financial and project structuring skills that have made it into a leader of the segments where it operates.

Celsia Colombia S.A. E.S.P. will continue to commercially represent the assets that are part of Caoba and will provide the operations and maintenance services that guarantee the same levels of operational excellency that characterize our operations. Additionally, the Parent Company reflects this investment through the equity method due to the co-governance mechanisms established in Caoba Inversiones S.A.S.

P.A. Muverang (formerly P.A. Dinamarca)

Celsia Colombia S.A. E.S.P., Bancolombia and Operaciones Generales Suramericana S.A.S. agreed to enter into an agreement in December 2019 through a business trust management and payment fund called P.A. Proyecto Dinamarca, with a 33.33% share for each party. It is a transportation project called Proyecto Dinamarca through three initiatives, called Shared Business Mobility (MEC in Spanish) and Electra, starting with a pilot project in the city of Medellín through the Shared Business Mobility system.

According to the analysis of the impact of COVID-19 on the business in the project's three initiatives, it is concluded that there are new challenges and opportunities for the business, as this is a service that can be offered to different business sectors that seek to personalize transportation that is quick, safe and reliable.

Pursuant to the joint venture's brand definition, from June 1, 2020, an addendum was signed for the trust contract to change the name of the stand-alone equity from to P.A. Dinamarca to P.A. Muverang.

Fideicomiso Plan Luz

This joint venture was incorporated to ensure the availability of backup equipment for the electricity supply when the public grid fails.

The summarized financial information included in the following tables corresponds to the values presented in the financial statements of the associates and joint ventures, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia and restated, when appropriate, by the adjustments made for the application of the equity method, including: adjustments related to the standardization of accounting policies, eliminations of acquisitions or transfers of assets between companies up to the share percentage:

2020	CNC del Mar	C2 Energía	Caoba Inversiones S.A.S.	P.A. Muverang (formerly P.A. Dinamarca)	Plan Luz	SUMMA Servicios Corporativos Integrales
Current assets	9,410	-	35,536	4,711	3,366	28,124
Non-current assets	54,889	1	1,412,326	4,721	11,380	16,570
Total assets	**64,299**	**1**	**1,447,862**	**9,432**	**14,746**	**44,694**

Current liabilities	29,037	17	**315,974**	4,285	638	28,521
Non-current liabilities	26,067	-	**874,585**	-	13,062	15,660
Total liabilities	**55,104**	**17**	**1,190,558**	**4,285**	**13,700**	**44,181**
Equity	**9,195**	**(16)**	**257,304**	**5,147**	**1,046**	**513**
Revenue	7,859	-	149,505	360	3,447	10,410
Net loss of continuing operations	(7,499)	(18)	10,422	(2,440)	83	49
Total comprehensive income	(7,499)	(18)	10,422	(2,440)	83	49
Cash and cash equivalents	101	-	18,684	4	1,835	22,867
Current financial liabilities	-	-	5,243	-	-	1,182
Non-current financial liabilities	26,067	-	839,262	-	-	9,599
Financial liabilities	**26,067**	-	**844,505**	**-**	**-**	**10,782**
Depreciation and amortization expenses	231	-	45,985	725	944	272
Revenue from interest	4	-	101	-	-	207
Interest expenses	1,175	-	48,848	-	-	338
Income tax expenses	896	-	5,616	-	-	384

2019	CNC del Mar	C2 Energía S. A.S.	Caoba Inversiones S.A.S.	P.A. Muverang (formerly P.A. Dinamarca)	Plan Luz	SUMMA Servicios Corporativos Integrales
Current assets	10,277	-	147,556	1,298	3,668	44,746
Non-current assets	46,308		1,365,931	216	9,606	16,142
Total assets	**56,585**		**1,513,487**	**1,514**	**13,273**	**60,888**
Current liabilities	39,646	-	478,210	8	1,997	43,548
Non-current liabilities	70	-	759,559		11,144	16,844
Total liabilities	**39,716**	**-**	**1,237,769**	**8**	**13,141**	**60,392**
Equity	**16,869**		**275,718**	**1,506**	**133**	**496**
Revenue	3,609	-	-	-	1,575	8,892
Net loss of continuing operations	(1,624)	-	(46,632)	(15)	(299)	(37)
Total comprehensive income	(1,624)		(46,632)	(15)	(299)	(37)
Cash and cash equivalents	137	-	11,354	1,298	2,805	36,902
Current financial liabilities	1,021	-	10,996	-	-	16,367
Non-current financial liabilities	70	-	715,117	-	-	-
Financial liabilities	**1,091**	**-**	**726,113**	**-**	**-**	**16,367**
Depreciation and amortization expenses	231	-	-	-	983	344
Revenue from interest	24	-	-	-	-	208
Interest expenses	94	-	11,000	-	-	37
Income tax expenses	561	-	44,442	-	-	50

Significant restrictions and commitments:

There are no significant restrictions on the capacity of joint ventures and associate companies to transfer funds for dividends, reimbursement of loans, prepayments or other. Additionally, there are no recognized commitments with joint ventures and associate companies at December 31, 2020, and December 31, 2019, that can give rise to outflows of cash or other resources in the future, such as: contribution of funds or resources, commitments of loans or financial support, and commitments to acquire a share in the associate or joint venture of another party.

Analysis of indications of impairment

The analysis of indications of impairment in associates and joint ventures did not generate any recognition or review of their impairment.

NOTE 12. OTHER FINANCIAL INVESTMENTS

	2020	2019
Financial investments through profit or loss (12.1)	86,039	72,280
Financial investments through other comprehensive income (12.2)	12,101	10,820

Total financial investments					98.140	83,100

12.1 Financial investments through profit or loss

At December 31, financial investments through profit or loss were as follows:

Business name	Investment type	Currency	2020 (USD)	2019 (USD)	2020	2019
Sura SAC LTD – Cell Celsia	Captive reinsurance company investment (1)	USD	11,405,598	10,569,882	39,150	34,639
Sura SAC LTD – Cell Celsia	Captive insurance premium company investment (2)	USD	13,660,312	11,485,915	46,889	37,641
Total financial investments through profit or loss			**25,065,910**	**22,055,797**	**86,039**	**72,280**

(1) Mainly consists of the investment of USD 9,609,064 delivered as capital by Celsia to the cell of the captive insurance company.
(2) Right over the retained risk in the share of the captive cell regarding the current insurance policy for material damages. An income is recognized monthly as time passes until December 2021 if there are no claims that could affect this reserve.

According to the operation of the cell company, the resources invested in Sura SAC LTD, in the cell, do not meet the condition of obtaining cash flows with specified payment dates of the principal and interest. Therefore, they are classified as fair value investments through the income of the year.

In the event of a claim being made, any obligation will be backed by the existing funds in the cell of the captive insurance company. In this situation, the change in fair value of the financial asset as a result of the claim will be recognized and charged to the income of the period. In the event that the claim involves a greater obligation than the existing resources in the cell, a debt payable to Sura shall be recognized for the resources that must paid that the funds in the cell are not sufficient to cover.

SURA SAC LTD – Cell Celsia

Sura SAC LTD is a captive insurance company with the aim to reinsure part of the risks.

In 2017, Celsia invested USD 9,609,064 in this captive insurance company through a cell assigned with the aim to enhance the Organization's operational risk management program, which will enable reduction of the impact of the events of loss. Through the structuring of the captive insurance company, the Parent Company allocates a percentage of the insurance premium to the cell that it has currently rented with Sura SAC LTD. in Bermuda for the 2019-2020 term, amounting to USD 6,879,129 (2019: USD 7,910,661).

12.2 Financial investments through other comprehensive income

At December 31, financial investments through other comprehensive income were as follows:

Business name	Main activity	Country	No. of shares	Nominal share 2020	Nominal share 2019	Functional currency	2020	2019
Gestión Energética	Energy	Colombia	323,699,869	0.07%	0.07%	COP	6,805	6,805
Stem, Inc.	Technology	United States	1,107,595	0.5771%	0.5771%	USD	6,604	5,563
Corporación Financiera Colombiana S.A.	Financial	Colombia	67,690	0.00%	0.00%	COP	2,227	2,085
Innowatts, Inc. (1)	Technology	United States	194,696	0.96%	0.96%	USD	2,164	2,066
Derivex S.A.	Financial	Colombia	35,764	4.99%	4.99%	COP	579	579
Productora de Carbón de Occidente	Sales	Colombia	170,000	13.91%	13.91%	COP	469	469
Centro de Eventos del Valle del Pacífico	Sales	Colombia	15,192	0.20%	0.20%	COP	152	152
Gas Natural Fenosa Telecomunicaciones Colombia S.A.	Energy	Colombia	118,000	10.00%	10.00%	COP	151	151
Termosur S.A. E.S.P.	Energy	Colombia	5	8.33%	8.33%	COP	108	108
Concentra Inteligencia en Energía	Energy	Colombia	84,000	6.25%	6.25%	COP	77	77
Hidroeléctrica Ituango S.A. E.S.P.	Energy	Colombia	45,324,496	0.08%	0.08%	COP	66	66
Hidrosogamoso	Energy	Colombia	3	2.11%	2.11%	COP	56	56
Electrificadora del Caribe S.A. (2)	Energy	Colombia	624,516	0.001%	0.001%	COP	26	26
Emgesa	Energy	Colombia	433	0.00%	0.00%	COP	17	17
Other (3)							81	81
Impairment (4)							(7,481)	(7,481)
Total financial investments through other comprehensive income							**12,101**	**10,820**

(1) On June 19, 2019, Celsia Centroamérica acquired shares in the Innowatts, Inc. company for USD 630,497.05. The corporate purpose of said company is to provide activated predictive analysis software for the advanced metering infrastructure (AMI) and solutions based on artificial intelligence for public

utility companies, energy retailers and smart energy communities.

(2) In September 2019, Celsia S.A. sold 100% of the shares in Zona Franca Celsia S.A. E.S.P. In turn, this company had part of the financial investment in the Electrificadora del Caribe company. Due to the above, there is a decrease in this investment.

(3) Mainly consists of the investments in Poblado Country Club (COP 62), Centro de Exposición de Tuluá (COP 10), Club Colombia (COP 5), and Siderúrgica del Pacífico (COP 4).

(4) The impairment of investments in Gestión Energética, Productora de Carbón de Occidente, Electrificadora del Caribe S.A., Termosur S.A. E.S.P., Hidroeléctrica Ituango S.A. E.S.P., Hidrosogamoso, Concentra Inteligencia en Energía, Emgesa, and Siderúrgica del Pacífico.

NOTE 13. TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

The balance of trade debtors and other accounts receivable, net, at December 31, was as follows:

	2020	2019
Trade debtors (1)	544,629	616,371
Accounts receivable from related parties (2)	341,700	501,113
Other accounts receivable	66,196	64,688
Impairment (3)	(63,665)	(49,200)
	888,860	**1,132,972**
Current	599,488	1,123,732
Non-current	289,372	9,240
	888,860	**1,132,972**

(1) Trade accounts receivable include accounts receivable for the sale of energy services, gas resale services, and the sale of other goods and services. The year 2020 includes a lower value for trade debtors of the Central America segment of COP 7,292, which are presented as a group of assets held for sale in accordance with Note 17.

At December 31, 2020, the Company sold some accounts receivable to the Inter-American Development Bank (IDB). The sold debt portfolio has the rate option of Resolution 012 and the Company's *Estamos contigo* (We are with you) program. The value of the sale was COP 98,624, with a cost of COP 127,688, leading to a financial expense of COP 29,063. The Company signed a mandate agreement with the IDB, where it continues to act as a collector for the sold debt and it commits to the monthly transfer of the resources with minimum payments until 2026. Although these payments serve as a guarantee, the IDB has all the associated risks and benefits, because according to the analysis proposed on the variability of the cash flows, the IDB absorbs this variability. The relative variability shows that the new expected volatility is much less than the existing one, so no allowance has been recognized with respect to the credit guarantees.

(2) Accounts for the debt from the sale of the transmission business to Caoba Inversiones S.A.S., where amortizations and installments related to this trade were made in 2020.

(3) The changes in the impairment of trade debtors and other accounts receivable are as follows:

	2020	2019
Initial balance	49,200	66,745
Recognized impairment losses (a)	15,689	13,519
Write-off of amounts deemed non-chargeable (b)	(1,224)	(1,479)
Derecognition of impairment in sale of subsidiary	-	(29,585)
Final balance	**63,665**	**49,200**

The average credit period on the sale of services is 30 days.

When determining the recoverability of a trade account receivable, the Company assesses the risk of default during the asset's entire lifetime (simplified method permitted by IFRS 9).

(a) Impairment recognized according to the assessment of expected credit losses for the debt portfolio, mainly of conventional energy broken down into class of service and market.

(b) In 2020, the transmission and distribution portfolio was written off according to the analysis of the commercial area with respect to portfolio age and conditions.

According to the assessment made of the expected loss and the portfolio analysis at December 31, there is no objective evidence that the past-due balances receivable pose significant credit risks that involve an adjustment of the impairment recorded in the financial statements on the reporting date.

The following table provides information about the credit risk exposure for trade accounts receivable and contractual assets at December 31, 2020 and 2019:

2020	Credit loss rate	Gross accounts receivable	Loss allowance	Accounts receivable, net
Conventional energy and new businesses	2.1%	235,649	(45,476)	190,173
Wholesale market and distribution	0%	295,818	(12,612)	283,206
Other accounts receivable		421,058	(5,577)	415,481
Total		**952,525**	**(63,665)**	**888,860**

2019	Credit loss rate	Gross accounts receivable	Loss allowance	Accounts receivable, net
Conventional energy and new businesses	1.3%	218,363	(29,804)	188,559
Wholesale market and distribution	0%	295,624	(13,819)	281,805
Other accounts receivable		668,185	(5,577)	662,608
Total		**1,182,172**	**(49,200)**	**1,132,972**

Assessment of expected credit losses

For trade, lease or contractual asset accounts receivable, the Company recognizes the expected credit losses in reference to the expected loss throughout the asset's life.

When monitoring the credit risk, the clients are grouped according to their characteristics, including the business segment, type of market and type of service. The loss rates are based on the historical performance of the collections through the monthly averages and by type of service. Trade debtors and other accounts receivable are mainly related to clients of the regulated and non-regulated energy market of the residential, commercial, industrial and official sectors.

Due to the conditions of the wholesale market (spot market and bilateral contracts with third parties), an individual impairment analysis is made on the associated accounts receivable addressing from the preliminary study of third parties to the coverage of the portfolio with real collateral or promissory notes; the latter only in the case of third parties with a good rating.

Due to the pandemic, by national decree, the Colombian Government granted the deferral of the public utility portfolio for different types of service, especially the residential service for socioeconomic levels 1 to 4. The Company conducted an impairment analysis of the debt portfolio in segments to be able to determine the portfolio impairment as explained in Note 40.

NOTE 14. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents at December 31 is as follows:

	2020	2019
Cash		
Cash	166	175
Checking bank accounts	130,588	60,562
Savings bank accounts	121,082	161,672
Current restricted-use cash (1)	95,098	90,184
Total cash	**346,934**	**312,593**
Cash equivalents		
Investment funds and collective portfolios	47,917	58,469
Trust funds	860	1,226
Restricted-use trust funds (1)	3,836	12,384
Total current financial investments	**52,613**	**72,079**
Total cash and cash equivalents (a)	**399,547**	**384,672**

(a) Lower value of cash and cash equivalents of the Central America segment, including the restricted funds, in 2020 of COP 12,262, which are presented as a group of assets held for sale in accordance with Note 17.

(1) The value of restricted cash and cash equivalents not available for use is as follows:

The breakdown of restricted cash and cash equivalents is as follows:

	2020	2019
Banco Banistmo S.A. (a)	92,852	67,122
Plan 5 Caribe	1,262	997
Patrimonio Autónomo Blanco y Negro	1,032	94

Housing fund for the collective agreement	985	1,229
Housing fund for the trade union	972	1,187
Fiducoldex UPME Toluviejo substation	827	1,088
Celsia Colombia asset project funds	515	2
Complementary healthcare plan	305	1,540
Celsia Tolima asset project funds	184	7,464
Fidudavivienda FAER Tolima contract	-	1,009
Total restricted cash and cash equivalents	**98,934**	**81,732**

(a) At December 31, 2020, Alternegy had restricted funds deposited in Banco Banistmo S.A. of COP 92,852 (2019: COP 67,122), which form part of the public bond issue of USD 320,000,000 in December 2017. In 2019, it included restricted funds of Bahía Las Minas Corp. deposited in Banco General S.A. BG Trust of COP 20,836, as part of the collateral trust of the public issuance of bonds amounting to USD 175,000,000.

The use of the funds in these accounts is restricted to the observance of the trusts' terms and conditions.

Investments recorded at fair value are mainly acquired for trading and to generate short-term profit.

Issuer and counterparty risk: The Group applies a model of issuer and counterparty limits on a monthly basis with the aim to propose the maximum credit exposure for the different financial entities that meet the established guidelines. These limits are constantly monitored and are approved by a committee with the aim to warn of any possible excesses of the use of said limits. At December 31, all of the entities were within the permitted limits.

The average return on the investments at the end of the period was 3.24% (2019: 3.58% AER). Currently, these resources have a minimum rating of AA+ in the credit rating agencies and the counterparties are overseen by the Financial Superintendence of Colombia.

NOTE 15. OTHER NON-FINANCIAL ASSETS

	2020	2019
Prepayments	59,137	42,191
Other non-financial assets	98,423	115,237
	157,560	**157,428**

15.1 Prepayments

At December 31, prepayments were as follows:

	2020	2019
Insurance (1)	43,547	22,725
Other prepayments	15,590	19,466
	59,137	**42,191**
Current	**59,137**	**42,191**

(1) Insurance policies taken out by the Group to protect its production assets, mainly covering material damage caused by fire, explosion, short circuit, natural disasters, terrorism and other risks.
According to the negotiation of the respective policies, the balance at the end of 2020 corresponds to 12 months of pending amortization (six months in 2019).

15.2 Other non-financial assets

At December 31, other non-financial assets were as follows:

	2020	2019
Assets of the employee benefit plan	-	537
Other non-financial assets (1)	98,423	114,700
	98,423	**115,237**

(1) The balance receivable from Prime Colombia for the sale of Zona Franca Celsia S.A. E.S.P. of USD 35,000,000. A power purchase agreement (PPA) was signed for its payment.

NOTE 16. INVENTORIES

At December 31, the inventory balance, net, was as follows:

	2020	2019
Materials and supplies (1)	167,136	180,211

(1) It includes the inventory of gas and materials for the maintenance of the power plants and inventories held by the companies in Central America, amounting to COP 37,967 (2019: COP 107,695).

At December 31, the consumption of inventories recognized as operating costs amounts to COP 77,585 (2019: COP 257,241).

These inventories do not have restrictions or taxes that limit their sale or trading.

In 2020, inventories were classified in the Central American segment as a group of assets held for sale amounting to COP 66,964, in accordance with Note 17.

NOTE 17. NON-CURRENT ASSETS HELD FOR SALE

At the end of 2014, Celsia acquired power plants in Panama and Costa Rica, which included the Bahía Las Minas Corp. (BLM) thermal power plant, a Panamanian company in which Celsia obtained a share of 51.24%. Although it had a marginal value in the transaction, it was necessary to receive it in order to complete the operation.

BLM's management has carried out negotiation processes for the payment of its debts with creditors, suppliers and employees, because maintaining its business in the current conditions is not feasible.

Together with the Panamanian Government, which is a partner of BLM with a 48.76% share, Celsia has made the decision to dispose of this operation, as it has been determined that this sale will not have an impact on the country's electric power generation or affect its users, and it is an opportunity for Panama to keep transforming its energy matrix.

With an installed capacity of 120 MW and more than four decades of continuous operation in Panama, it is the last commercial, coal-fired power plant in the country, and its energy sales contract expired in December 2019. Despite the efficiency achieved in recent years and the efforts made to ensure sufficient income to maintain operations, the age of its assets mean that BLM is less competitive, as large and frequent investments are required in maintenance. This makes its supply unfeasible compared to other more efficient and environmentally-friendly technologies that have entered the Panamanian market.

Consequently, Celsia reflected the following assets and liabilities of BLM in its financial statements at December 2020 as held for sale, considering the plan established to dispose of the investment in Bahía Las Minas Corp.

	2020	
	USD	COP (millions)
Cash and cash equivalents	3,572,377	12,262
Other current assets	21,660,338	74,349
Property, plant and equipment	26,393,521	90,596
Assets classified as held for sale	**51,626,237**	**177,207**
Short-term liabilities	(34,916,648)	(119,852)
Long-term liabilities	(87,581,704)	(300,624)
Other liabilities	(10,222,395)	(35,088)
Liabilities directly associated with assets classified as held for sale	**(132,720,748)**	**(455,564)**
Net liabilities classified as held for sale	**(81,094,511)**	**(278,357)**

At the General Meeting of Shareholders on December 17, 2020, the shareholders of Bahía Las Minas Corp. (BLM) authorized the managers of said company, after a stage of discussions with the main creditors and other stakeholders, to carry out the necessary actions to implement the plan to sell assets and settle the liabilities presented for the consideration of the shareholders. The activities required to settle BLM's assets and liabilities included the signing of required waivers with the bondholders. Celsia S.A. and the Panamanian Government are committed to the sales plan, which will be executed during 2021.

The assets classified as held for sale at the close of 2020 were measured at the lower value between their book value and their fair value less the costs to sell at the time of reclassification. Therefore, no impact was generated on the Group's income, taking into account the discussions held with the stakeholders for several months.

The operations of Bahía Las Minas Corp., which are being reclassified to assets and liabilities held for sale, do not represent a separate main line of business or geographical area of operation, nor are they part of a single coordinated plan to dispose of a main line of business or separate geographical area of operation, so they are not considered a discontinued operation.

NOTE 18. EQUITY

The breakdown of equity at December 31 is as follows:

18.1 Issued capital

The Company's authorized equity is comprised of 1,200,000,000 common shares with a nominal value of COP 0.25 per share. The subscribed and paid-in capital amounts to COP 267,493 and there are 1,069,972,554 outstanding shares. Each share confers a vote to its shareholder and the right to receive dividends.

18.2 Reserves

The companies are legally required to set aside 10% of their net annual profit as a statutory reserve until the balance of this reserve (which cannot be distributed until the company is liquidated, but which can be used to absorb or reduce losses) is equal to at least 50% of the subscribed capital. The companies can allocate the excess of this amount for appropriations as authorized by the General Meeting of Shareholders. At December 31, this reserve met the required minimum amount:

	2020	2019
Legal reserve	1,403	1,403
Reserve to protect equity	2,104,601	2,296,423
Growth and expansion reserve	197,273	197,273

Tax reserve	2,911	2,911
	2,306,188	**2,498,010**

18.3 Annual earnings, net

The net earnings and dividends of the year on equity instruments were as follows:

	2020	2019
Balance at the start of the period	473,447	227,834
Earnings attributable to controlling shareholders	249,320	473,447
Appropriated reserves	191,822	(30,959)
Surplus of profits made in the consolidation (a)	(352,830)	
Dividends declared (b)	(312,439)	(196,875)
Balance at end of the period	**249,320**	**473,447**

(a) Consists of the retained earnings in the consolidated income of 2019 as a result of the records recognized in the separate financial statements that do not have an impact on the consolidated income (assumed liabilities and impairment of subsidiary provision).

(b) At the Celsia S.A. General Meeting of Shareholders held on March 25, 2020, cash dividends were declared on common shares of COP 198 (2019: COP 184) per share, payable in four installments of forty-nine Colombian pesos and fifty cents (COP 49.50) per share in April, July and October 2020, and January 2021. In 2019, the dividends were paid in April, July and October 2019, and January 2020, amounting to COP 196,875.

18.4 Other comprehensive income

Accounts for the unrealized earnings that have not been recognized in the income statement from:

	Earnings (losses) at December 2020	December 31, 2020	Earnings (losses) at December 2019	December 31, 2019
Cash flow hedge assessment	(14,373)	(9,359)	5,751	-
Exchange difference in conversion of subsidiaries abroad	70,488	412,634	11,852	339,963
Measurements of defined benefit plans	4,272	(9,138)	(9,447)	(12,242)
Valuation of investments in equity instruments	(2,774)	(3,819)	202	(993)
	57,613	**390,318**	**8,358**	**326,728**

18.5 Non-controlling interest

The breakdown of non-controlling interest at December 31 is as follows:

	2020	2019
Balance at the start of the period	1,126,742	1,006,354
Share in annual earnings	89,559	129,874
Cash dividends declared	(82,158)	(77,823)
Capitalizations	39,813	29,494
Capital issuance	24,350	164,496
Sale of controlling interest	-	(123,415)
Other comprehensive income	(5,977)	(2,238)
	1,192,329	**1,126,742**

NOTE 19. BORROWINGS

At December 31, financial liabilities were as follows:

	2020	2019
Outstanding bonds (a)	3,090,969	3,302,314
Borrowings from Colombian banks	469,076	347,035
Borrowings from foreign banks (a)	277,342	269,785
Interest payable on bonds (a)	25,785	33,264
Interest payable on borrowings	2,683	4,682
	3,865,855	**3,957,081**

Non-current	3.382.519	3.370.810
Current	483.336	586.271
	3.865.855	**3.957.081**

(a) In 2020, borrowings from foreign banks, bonds, and their respective interest were classified for a total of COP 420,476 within the Central America segment as a group of assets directly associated with assets classified as held for sale, in accordance with Note 17.

The breakdown of current borrowings is as follows:

Financial institution	Debt holder	Interest rate	2020	2019
Borrowings from foreign entities:				
Banco Davivienda Honduras S.A.: USD 1,250,000	Celsia Honduras	7.75%	4,291	-
The Bank of Nova Scotia	Celsia Colombia	7.19% AER	223,113	-
Banistmo S.A.: USD 0 (2019: USD 14,478,000)	Bahía Las Minas Corp.	LIBOR + 2.25%	-	47,446
Banco Davivienda Panamá S.A.: USD 0 (2019: USD 9,700,000)	Bahía Las Minas Corp.	6.75%	-	31,788
Banco General S.A.: USD 0 (2019: USD 4,824,000)	Bahía Las Minas Corp.	5.00% AER	-	15,809
			227,404	95,043

Borrowings from Colombian entities in Colombian pesos:

Financial institution	Debt holder	Interest rate	2020	2019
Banco de Bogotá	Celsia Colombia	4.20% AER	100,000	-
Banco BBVA	Celsia Colombia	3.75% AER	15,500	-
Financiera de Desarrollo Territorial	Celsia Colombia	-	13,273	-
Banco de Bogotá	Cetsa	4.29% AER	10,000	-
Banco de Occidente	Celsia Colombia	DTF (term deposit rate) + 3.90%	9,096	7,831
Banco BBVA	Cetsa	2.13% AER	7,000	-
Banco Popular	Celsia Colombia	5.80% AER	-	40,000
Citibank	Celsia Colombia	5.06% AER	-	40,000
Bancolombia	Celsia Colombia	Credit card	1	2,364
Bancolombia	Celsia S.A.	Credit card	-	47
Banco BBVA	Celsia Colombia	2.14% AER	3,036	-
Banco BBVA	Celsia Colombia	2.03% AER	3,565	-
Banco BBVA	Celsia Colombia	2.14% AER	2,012	-
Banco BBVA	Celsia Colombia	2.03% AER	3,638	-
Bancolombia	Cetsa	4.51% AER	1,500	-
Banco BBVA	Cetsa	2.23% AER	190	-
Banco BBVA	Cetsa	2.13% AER	618	-
Financiera de Desarrollo Territorial	Cetsa	-	563	-
Banco de Bogotá	Celsia Colombia	9.19% AER	50	-
			170,042	90,242
Other debts:				
Interest payable			2,683	4,682
			2,683	4,682
Short-term bonds				
10-year series	Celsia Colombia	CPI + 5.05% quarter in arrears	-	214,120
10-year series: USD 17,280,000 (2019: USD 17,280,000)	Alternegy S.A.	3M LIBOR + 4.5%	59,314	56,629
Series A: USD 0 (2019: USD 9,487,586)	Bahía Las Minas Corp.	LIBOR + 3%	-	31,092
Series B: USD 0 (2019: USD 3,997,270)	Bahía Las Minas Corp.	LIBOR + 3.25%	-	13,100
Series B1: USD 0 (2019: USD 15,250,000)	Bahía Las Minas Corp.	LIBOR + 3.25%	-	49,977
Issuance costs			(1,892)	(1,878)
Interest payable			**25,785**	**33,264**
			83,207	396,304
Total current borrowings			483,336	586,271

The breakdown of non-current borrowings is as follows:

Entity	Debt holder	Interest rate	Year due	2020	2019
Borrowings from foreign entities:					
Banco Panamá: USD 8,278,308	Bahía Las Minas Corp.	4.5% AER	2023	-	27,129
Banco Panamá: USD 6,080,000	Bahía Las Minas Corp.	5% AER	2023	-	19,925
Panama Government: USD 25,348,554	Bahía Las Minas Corp.	Quasi-equity	2030	-	83,071
Banco Central Hondureña S.A.: USD 2,444,932	Celsia Honduras S.A.	11% AER	2023	8,392	-
Banco de América Central Honduras S.A.: USD 6,699,913	Celsia Honduras S.A.	10% AER	2034	22,996	26,860
Leasing Banistmo S.A.: USD 5,404,127	Celsia Centroamérica	5% AER	2029	18,550	17,757
Total borrowings from foreign entities				49,938	174,742

Borrowings from Colombian entities:

Financial institution	Entity	Interest rate	Maturity	2020	2019
Banco de Occidente	Celsia Colombia	DTF (term deposit rate) + 3.90%	2028	151,053	160,359

Bancolombia	Celsia Colombia	5.81% AER	2031	147,981	96,319
Banco de Bogotá	Celsia Colombia	11.89% AER	2021	-	115
				299,034	**256,793**

Bonds					
Series D – Sub-series D12	Celsia	CPI + 5.00%	2025	240,650	240,650
Series D – Sub-series D20	Celsia	CPI + 5.33%	2033	212,080	212,080
Cost of bond issuance	Celsia			(614)	(694)
20-year series	Celsia Colombia	CPI + 6.08%	2030	300,126	300,126
10-year series: USD 249,920,000 (2019: USD 270,200,000)	Alternegy	3M LIBOR + 4.5%	2027	857,850	885,483
Series 3 – 3 years	Celsia Colombia	6.50% AER	2023	29,000	-
Series 3 – 7 years	Celsia Colombia	CPI + 3.96%	2027	171,000	-
Cost of bond issuance	Alternegy			(9,529)	(11,550)
Series A: USD 0 (2019: USD 2,371,898)	Bahía Las Minas Corp.	LIBOR + 3.00%	2020	-	7,772
Series B: USD 0 (2019: USD 22,318,088)	Bahía Las Minas Corp.	LIBOR + 3.25%	2022	-	73,140
Green bonds (c)	Celsia Colombia	IBR + 2.695% CPI + 3.695%	2030 2028	140,000	140,000
Subseries A3 (d)	Celsia Colombia	5.99% AER	2022	236,240	236,240
Subseries C7 (d)	Celsia Colombia	CPI + 3.24%	2026	256,270	256,270
Subseries C12 (d)	Celsia Colombia	CPI + 3.68%	2031	281,515	281,515
Subseries C20 (d)	Celsia Colombia	CPI + 3.93%	2039	325,975	325,975
Cost of bond issuance	Celsia Colombia			(7,016)	(7,732)
Total outstanding shares				**3,033,547**	**2,939,275**

Total non-current borrowings				**3,382,519**	**3,370,810**

The breakdown of bonds is as follows:

	2020	2019
2013 ordinary bond issuance (a)	452,730	452,730
2010 ordinary bond issuance (b)	300,126	514,246
Green bonds (c)	140,000	140,000
2019 ordinary bond issuance (d)	1,100,000	1,100,000
2020 ordinary bond issuance (e)	200,000	-
Ordinary bonds of Bahía Las Minas Corp. (f)	-	175,081
2017 Alternegy ordinary bond issuance (g)	917,164	942,112
Interest on bonds payable	25,785	33,264
Cost of bond issuance (h)	(19,051)	(21,855)
	3,316,754	**3,335,578**

Current	83,206	396,304
Non-current	3,033,548	2,939,274
	3,316,754	**3,335,578**

(a) In December 2013, Celsia issued its first ordinary bonds on the local securities exchange for COP 800,000. The placement was carried out via a Dutch auction at Bolsa de Valores de Colombia S.A.

The ordinary bonds, which are on-demand and may be traded on the secondary market through Bolsa de Valores de Colombia S.A., were allotted as follows:

Reference	Term in years	Interest rate	Value	Year of maturity
Series D – Sub-series D12	12	CPI + 5.00% AER	240,650	2025
Series D – Sub-series D20	20	CPI + 5.33% AER	212,080	2033
			452,730	

All the funds received from the placement of ordinary bonds were used to pay off financial liabilities as part of the strategy to optimize the Company's capital structure.

(b) The corporate bond issuance by Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa) in April 2010, which was listed on the Colombian securities exchange, as indicated below:

Reference	Interest rate	Value	Year of maturity
10-year series	CPI + 5.05% quarter in arrears	214,120	2020

20-year series	CPI + 6.08% quarter in arrears	300,126	2030
		514,246	

(c) As the issuer, Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa) issued green bonds on the secondary market with the following breakdown:

The first tranche of the issuance was granted to the International Finance Corporation (IFC) under the following conditions:

Series	B12
Term	12 years
Index	IBR – one-day term
Issuance date	July 23, 2018
Maturity date	July 23, 2030
Rate of return	IBR + 2.695%
Frequency of interest payments	6 months in arrears
Interest payment date	May 30 and November 30 each year until maturity
Base	Real/360
Amount granted	COP 70,000 million

The second tranche of the issuance was granted to Financiera de Desarrollo Nacional (FDN) under the following conditions:

Series	B8
Term	10 years
Index	CPI – CPI at end
Issuance date	December 7, 2018
Maturity date	December 7, 2028
Rate of return	CPI + 3.69% AER
Frequency of interest payments	6 months in arrears
Interest payment dates	June 22 and December 22 each year until maturity
Base	365/365
Amount granted	COP 70,000 million

The resources from the issuance will be used to finance investment in the Company's initiatives for the development of solar farms. The green bonds program obtained the Climate Bonds certification as part of the Climate Bonds Standard & Certification Scheme, which promotes large-scale initiatives for the reduction of carbon emissions and to prevent or reduce climate change.

(d) The second ordinary bonds issuance by Celsia Colombia S.A. E.S.P. (formerly Epsa) charged to the commercial paper and ordinary bond issuance and placement program:

Subseries	A3	C7	C12	C20
Issuance date	04/24/2019	04/24/2019	04/24/2019	04/24/2019
Term	3 years	7 years	12 years	20 years
Maturity date	04/24/2022	04/24/2026	04/24/2031	04/24/2039
Index	Fixed rate	CPI at the start	CPI at the start	CPI at the start
Cut-off rate	5.99% AER	CPI + 3.24% AER	CPI + 3.68% AER	CPI + 3.93% AER
Interest payment term	Quarter in arrears	Quarter in arrears	Quarter in arrears	Quarter in arrears
Base	365	365	365	365
Capital amortization	On maturity	On maturity	On maturity	On maturity
Interest payment date	For all the series: July 24, October 24, January 24 and April 7 from the issuance date to the maturity date			
Amount granted	COP 236,240	COP 256,270	COP 281,515	COP 325,975

The resources obtained in this issuance were used to fund the investment plan of the subsidiary Celsia Colombia S.A. E.S.P. and to strengthen its liquidity position, refinancing some debts and replacing financial liabilities, among others.

(e) On April 20, Celsia Colombia S.A. E.S.P. carried out the third ordinary bond issuance and placement charged to the commercial paper and ordinary bond issuance and placement program for a value of COP 200,000,000,000. This issuance offered a sum of COP 150,000,000,000 with the over-allotment option of an additional COP 50,000,000,000. The Company allotted COP 200,000,000,000 on the market.

(f) In 2019, the incorporation of the issuance of bonds by Bahía Las Minas on the Panamanian securities exchange was as follows:

Reference	Interest rate	USD	Millions of COP (Colombian pesos)	Maturity
Series A	LIBOR + 3%	11,859,484	38,865	2020
Series B	LIBOR + 3.25%	26,315,358	86,239	2022
Series B1	LIBOR + 3.25%	15,250,000	49,977	2020
		53,424,842	**175,081**	

Bahía Las Minas holds a collateral trust agreement as part of the long-term financing agreement to guarantee the Section B debt, the obligations acquired through the bond issuance, and the syndicated credit line. As a result of these contracts, a collateral trust has been considered with the following assets:

i. Funds related to bank accounts for specific purposes such as execution, cash surplus, withholding, debt services reserve, debt services, insurance, transfers, collateral, purchase or sale of electricity and capacity, and operating and maintenance expenses, which are deposited in Banco General S.A. - BG Trust Inc.
ii. First mortgage and antichresis in the favor of BG Trust Inc. as a trust company for the sum of up to PAB 200,000,000, incorporated by Public Deed no. 19777, dated August 9, 2007, registered through Form no. 414562 and Document no. 1249008.
iii. Real estate mortgage granted to BG Trust Inc. for the sum of up to PAB 5,000,000 on all the equipment, spare parts and inventory of parts that are property of the company, as described in Public Deed no. 19778, dated August 9, 2007, registered through Form no. 231987 and Document no. 1217333 of the Movable Property Section of the Public Registry.
iv. Trade pledge of 51,000,000 common shares without nominal value in the company Bahía Las Minas, Corp., incorporated and existing under the laws of Panama, represented by Share Certificate no. 429, dated April 29, 2003; the original of which is in custody of BG Trust Inc.
v. The transfer to BG Trust Inc. of all the money resulting from sales of electricity and/or capacity, whether on the temporary or regional market; sales by contract or sales for export; as well as all the contracts related to the project; surety bonds and insurance policies; credit cards; and other collateral.

Bahía Las Minas restructured the maturity of Series A and part of Series B1, obtaining 2019 as a grace period. Therefore, the initially agreed maturity dates are extended.

(g) The public issuance of bonds by Alternegy S.A. on the Panamanian securities exchange with Bontex S.A. and Planta Eólica Guanacaste S.A. as joint debtors. The funds obtained were used to pay the entire debt that these companies had with CTC Curazao B.V.:

Reference	Interest rate	USD	Millions of COP (Colombian pesos)	Year of final maturity	Breakdown
10-year series	3M LIBOR + 4.5%	287,480,000	942,112	2027	Payment every six months

The bond issuance is backed by local and foreign collateral trusts, which mainly include: (i) mortgage on the material assets of the issuer and guarantors (real estate and movable property); (ii) pledge of 100% of the shares in the power plants of the issuer (Celsia S.A.); (iii) allocation of all the revenue (PPAs and spot market sales) with a cascading payment mechanism; and (iv) transfer of insurance and material contracts of the issuer and guarantors. The maturity of the bonds is as follows:

Year	USD
2021	23,040,000
2022	26,880,000
2023	14,720,000
2024	16,640,000
2025	19,840,000
2026	24,960,000
2027	145,920,000

The bond issuance by the Alternegy subsidiary in 2018, which matures on December 22, 2027, considers compliances including those with the following financial agreements:

i. A hedging ratio of the debt service equal to or greater than 1.1 times for the last 12 months counted from December 31, 2018.
ii. A "Debt over Consolidated EBITDA" ratio equal to or greater than the ratio that applies from time to time.
iii. The issuer and the jointly liable guarantors cannot incur additional debts except for the permitted debts.

All the indicated financial agreements shall be assessed every six months based on the combined financial statements of the issuer, except for the "Debt over Consolidated EBITDA" ratio, which will be assessed based on the combined financial statements of the issuer and the jointly liable guarantors. The combined financial statements include Alternegy, Bontex and Planta Eólica Guanacaste (PEG).

According to the definition of the calculation period, the Company has a term of up to 120 calendar days from the closing date of the applicable period to submit the reports with the calculation based on the audited financial statements.

The result of the calculation of Debt/EBITDA related to the financial agreement at December 31, 2020, was 4.94 times, meeting the levels established in the contract. For the calculation of the financial agreement at December 2020, the applicable information delivery terms are being supplied pursuant to the bond terms and conditions.

(h) The long-term bond issuance costs include COP 615 (2019: COP 694) of Celsia, COP 9,529 (2019: COP 11,550) of Alternegy and COP 7,015 (2019: COP 7,733) of Celsia Colombia.

At December 31, expenses were recognized for interest on debts of COP 267,514 (2019: COP 314,549). Borrowings abroad were adjusted according to the exchange difference by COP 30,543 (2019: COP 14,322).

The following is the reconciliation between changes in borrowings and cash flows from financing activities:

	2020	2019
Initial debt balance	3,957,081	3,625,804
Bond issuance	200,000	1,100,000
Bond payment	(286,551)	(325,432)
New credits	1,478,144	970,789
Debt payments	(1,093,514)	(1,173,358)
Interest paid	(270,186)	(302,125)
Accrued interest	267,514	314,549
Changes due to the acquisition or sale of subsidiaries	-	(253,642)
Classification of assumed liabilities for non-current assets held for sale	(420,476)	-
Adjustments for currency conversion and amortized cost effects	33,844	496
Final debt balance	**3,865,856**	**3,957,081**

NOTE 20. EMPLOYEE BENEFITS

Employee benefits at December 31 were as follows:

	2020	2019
Short-term employee benefits (1)	59,718	53,988
Long-term employee benefits (2)	140,894	148,176
Total	**200,612**	**202,164**

1. Consists of severance funds, interest on severance funds, vacations, vacation bonus and bonus for achieving goals.
2. Consists of defined benefit plan for retirement pensions, social security payments (health insurance and pension) and health insurance plans of some of the Group's companies. In accordance with Decree 2131/2016, it is established to disclose the calculation of pension liabilities in accordance with the parameters established in Decree 1625 / October 2016, and in the case of partial pension transfers, pursuant to Decree 1833 / November 2016, and the differences to the calculation made in accordance with IAS 19 – Employee Benefits.

Employee benefits are presented in the Central America segment as a group of liabilities directly associated with assets classified as held for sale of COP 2,737 in accordance with Note 17.

Defined benefit plan

The employees of Celsia Colombia S.A. E.S.P., Cetsa E.S.P. and Celsia S.A. are members of a defined benefit plan managed by a private pension fund. The Company has to pay a specific percentage of the payroll costs to the defined benefit scheme in order to finance it. The Company's only obligation with respect to the benefit plan is to make the specified payments.

The total expenses recognized in income consist of the cost of interest on defined benefits which was COP 8,982 in 2020 (2019: COP 9,313). This value represents the payments that the Company must make to said plans at the rates specified in the rules of the actuarial plan, 2020 (2019) reporting period. The amounts were paid during and after the date of the reporting period.

With respect to the retirement pensions assumed by the Celsia S.A., the most recent actuarial valuation of the defined benefit obligation's current value was made at December 31, 2020, by the Henao & Henao S.A.S. firm for Celsia Colombia S.A. E.S.P. and Cetsa E.S.P. The valuation was carried out by the Mercer firm. The current value and the prior cost of past related service were measured using the "projected unit credit method".

Actuarial assumptions

The main economic and demographic assumptions used in the present actuarial valuation are shown in the following table. The actuarial assumptions at the valuation date are used to establish the present value of the obligations at December 31, and to estimate the cost and income of defined benefits of the following year.

Measurement date	December 31, 2020 and 2019
Discount rate	For the financial position of the tax year ending on December 31, 2020: 6.25% (2019: 6.25%). Rate used for the annual actuarial projection of 2021: 6.25% (2020: 7.54%).
Inflation	For the financial position of the tax year ending on December 31, 2020: 3.00% (2019: 3.50%). Rate used for

	the annual cash flow projection of 2021: 3% (2020: 3.4%).
Pension increase rate	For the financial position of the tax year ending on December 31, 2020: 3.00% (2019: 3.50%).
Salary readjustment rate	For pensions equivalent to a minimum monthly salary, 3.5%, and different to a minimum monthly salary, 2%.
Mortality rate	See table of demographic assumptions.

Table of demographic assumptions for 2020 and 2019

Mortality rates		
Age	Men	Women
30	0.084%	0.047%
35	0.111%	0.062%
40	0.155%	0.087%
45	0.225%	0.126%
50	0.335%	0.187%
55	0.505%	0.283%
60	0.766%	0.429%
65	1.274%	0.686%
70	2.113%	1.135%
80	5.371%	3.275%
90	12.785%	9.572%
100	29.395%	28.343%
110	100.00%	100.00%

Recognized amounts

The amounts recognized in income with respect to these defined benefit plans are as follows:

	2020	2019
Cost of service		
Interest expenses, net	8,955	9,313
Cost of current service	490	422
Components of the defined benefit costs recognized in income	**9,445**	**9,735**
New measurements of defined benefit liabilities, net		
Actuarial gains and losses resulting from changes of the financial assumptions	(6,673)	11,599
Actuarial gains and losses resulting from experience adjustments	778	454
Actuarial gains and losses not recognized by remeasurements of the pension gap plan	440	(821)
Components of the defined benefit costs in other comprehensive income	**(5,455)**	**11,232**
Total	**3,990**	**20,967**

Net interest expenses for 2020 and 2019 are included in the employee benefit expenses in the statement of income, specifically in financial costs. The new measurements of net defined benefit liabilities are included in other comprehensive income.

The amount included in the statement of financial position resulting from the Group's defined benefit plan obligation is presented below:

	2020	2019
Current value of financed retirement benefit obligation	147,765	154,672
Fair value of the plan's assets	(6,871)	(6,496)
Liabilities from the defined benefit obligation, net	**140,894**	**148,176**

Fair value transaction from benefit assets

	2020	2019
Fair value of the benefit assets at December 31 of previous year	6,496	4,507
Pension gap payments	375	1,051
Financial performance		938
Total	**6,871**	**6,496**

Changes in the present value of the defined benefit obligation:

			2020			2019
	Pension plan and social	Other: dental, education, funeral	Total employee	Pension plan and social	Other: dental, education, funeral	Total employee

	security payments	and other assistance	benefits	security payments	and other assistance	benefits
Assets or (liabilities) of the defined benefit plan, net	106,317	32,742	139,059	111,642	19,689	131,868
Changes in the present value of the obligation						
Present value of the benefit obligations at December 31 of previous year	**117,700**	**19,640**	**137,340**	**108,349**	**15,614**	**123,963**
Cost of current service	434	56	490	373	49	422
Cost of interest on defined benefit obligation	7,172	1,156	8,328	7,527	1,086	8,613
New measurements of defined benefit plan						
Actuarial (gains) losses from changes in:						
Experience	290	111	401	(1,141)	2,721	1,580
Financial assumptions	(5,326)	(1,347)	(6,673)	9,905	1,695	11,600
Actuarial gains and losses not recognized by remeasurements of the pension gap plan	440	79	519	821	45	866
Benefits paid directly by the Company	(8,538)	(1,128)	(9,666)	(8,134)	(1,570)	(9,704)
Present value of the defined benefit obligations at December of the current year	**112,170**	**18,568**	**130,738**	**117,700**	**19,640**	**137,340**
Pension bonds	-	-	15,192			13,761
Total benefit obligations	**112,170**	**32,742**	**145,931**	**117,700**	**19,641**	**151,101**
Plan assets			**(6,871)**			**(954)**
Assets or (liabilities) of the defined benefit plan, net			**139,060**			**144,269**

Sensitivities

The significant actuarial assumptions to determine the defined obligation are the discount rate and expected salary or pension increase. The sensitivity analyses below have been determined based on possible reasonable changes in the respective assumptions that occur at the end of the reporting period, while all the other assumptions remain constant.

Sensitivities of retirement pension plan

Sensitivities	2020	2019
Discount rate (-100 bps)	127,436	133,977
Discount rate (+100 bps)	108,776	112,975
Salary increase rate (-100 bps)	107,947	112,196
Salary increase rate (+100 bps)	128,275	134,743
Duration of the defined benefit obligation (in years)		
Discount rate (-100 bps)	8,25	10,00
Discount rate (+100 bps)	7,58	9,27
Assumptions		
Discount rate (-100 bps)	5.25%	5.25%
Discount rate (+100 bps)	7.25%	7.25%
Salary increase rate (-100 bps)	2.00%	2.50%
Salary increase rate (+100 bps)	4.00%	4.50%

Sensitivities of social security payments

Sensitivities	2020	2019
Discount rate (-100 bps)	3,135	3,506

Discount rate (+100 bps)	2,684	2,982
Salary increase rate (-100 bps)	2,662	2,958
Salary increase rate (+100 bps)	3,156	3,530
Duration of the defined benefit obligation (in years)		
Discount rate (-100 bps)	8,03	8,38
Discount rate (+100 bps)	7,50	7,81
Assumptions		
Discount rate (-100 bps)	5.00%	5.25%
Discount rate (+100 bps)	7.00%	7.25%
Salary increase rate (-100 bps)	2.00%	2.50%
Salary increase rate (+100 bps)	4.00%	4.50%

Sensitivities of health insurance plan (COMFANDI and SOS)

Sensitivities	2020	2019
Discount rate (-100 bps)	20,161	21,688
Discount rate (+100 bps)	16,950	17,994
Salary increase rate (-100 bps)	16,800	17,842
Salary increase rate (+100 bps)	20,313	21,839
Duration of the defined benefit obligation (in years)		
Discount rate (-100 bps)	8,97	9,67
Discount rate (+100 bps)	8,37	9,00
Assumptions		
Discount rate (-100 bps)	5.50%	5.25%
Discount rate (+100 bps)	7.50%	7.25%
Salary increase rate (-100 bps)	2.00%	2.50%
Salary increase rate (+100 bps)	4.00%	4.50%

Sensitivities of retirement pension plan and health payments

Sensitivities	2020	2019
Discount rate (-100 bps)	909	933
Discount rate (+100 bps)	804	821
Salary increase rate (-100 bps)	798	815
Salary increase rate (+100 bps)	915	939
Duration of the defined benefit obligation (in years)		
Discount rate (-100 bps)	6.36	6.62
Discount rate (+100 bps)	5.99	6.23
Assumptions		
Discount rate (-100 bps)	4.25%	4.75%
Discount rate (+100 bps)	6.25%	6.75%
Salary increase rate (-100 bps)	2.00%	2.50%
Salary increase rate (+100 bps)	4.00%	4.50%

Sensitivities of pension gap at discount rate

	Discount rate	Current benefit value	Variation (%)	Cost of current service
Current study	6.57	6,649		489
1% increase in the discount rate	6,6357	6,603	(0.69)	486
1% decrease in the discount rate	6,5043	6,695	(0.69)	493

Sensitivities of pension gap to inflation

	Inflation rate	Current benefit value	Variation (%)	Cost of current service
Current study	3.0	6,649		489
1% increase in CPI	3.03	6,669	0.30	491
1% decrease in CPI	2.97	6,629	(0.30)	488

The sensitivity analysis presented above may not be representative of the real change in the defined benefit obligation, because it is not probable that changes in assumptions occur in isolation from one another, given that some of the assumptions may be correlated.

Furthermore, when presenting the sensitivity analysis above, the current value has been calculated using the projected unit credit method at the end of the reporting period, which is the same method that was applied when calculating the defined benefit obligation liability recognized in the statement of financial position.

There were no changes from the methods and assumptions used in the sensitivity analysis of previous years.

Expected payments for the next ten years

For Celsia Colombia, the breakdown of the retirement pension plan is as follows:

Pension	2020	2019
Year 1	8,647	8,544
Year 2	8,597	8,574
Year 3	8,595	8,556
Year 4	8,565	8,591
Year 5	8,489	8,602
Years (6-10)	40,888	42,317

For Celsia Colombia, the breakdown of the social security payment plan is as follows:

Health and pension payments	2020	2019
Year 1	295	319
Year 2	276	308
Year 3	273	290
Year 4	268	287
Year 5	261	283
Years (6-10)	1,182	1,316

For Celsia Colombia, the breakdown of the health insurance plan (COMFANDI and SOS) is as follows:

Health insurance plan (COMFANDI/ SOS)	2020	2019
Year 1	1,574	1,526
Year 2	1,568	1,538
Year 3	1,563	1,541
Year 4	1,563	1,546
Year 5	1,559	1,554
Years (6-10)	7,579	7,750

For Cetsa, the breakdown of the retirement pension plan is as follows:

Pension	2020	2019
Year 1	106	103
Year 2	105	103
Year 3	102	101
Year 4	98	99
Year 5	92	94
Years (6-10)	350	377

Actuarial methods

The liabilities and service cost of the current period were calculated using the "projected unit credit method". This method consists of quantifying the benefits of each beneficiary in the plan according to the beneficiary's entitlement to them, taking into account future salary increases and the formulation of the plan to allocate benefits. Therefore, the total estimated benefit to which each beneficiary is expected to be entitled upon leaving the Company is divided into units, each one related to an accredited year of service, whether past or future.

The valuation is carried out individually for each employee. Through the application of actuarial assumptions, the projected amount of the benefit is calculated, which depends on the estimated date of separation, accredited service, and the salary at the time of the causing event.

The estimated benefit to which an individual is entitled for the purposes of a valuation related to a separation date corresponds to the benefit described in the plan calculated with the projected salary for the benefit at the expected separation date.

The benefit attributed to the service provided during a period is the difference between the obligation of the valuation at the end of the period less the obligation at the start of the period, that is, the valuation date.

Therefore, the benefit plan obligation at December 31, 2020, is calculated by applying the existing proportion between the accredited service at the measurement date and the total service that each beneficiary will reach by the expected separation date over the total amount of the estimated benefit.

The defined benefit plan obligation is the sum of the obligation of each individual at the measurement date. The service cost of the plan's current period is calculated as the sum of the costs of the individual services of the current period.

Provisions of the retirement pension plan

This valuation reflects the provisions of the plan at December 31, 2020 and 2019. A summary of the main provisions of the plan used to determine the financial position is provided below. They must not be used to establish the individual benefits under the plan.

Sponsor	Celsia Colombia S.A. E.S.P.
Eligibility	Closed group of retirees (and their beneficiaries) comprised of employees who received a pension from the Company before Legislative Act 01/2005.
Pensionable service	The service is considered from the employee's date of entry into the Company.
Pensionable salary	Average salary of the last year before retirement.
Pension plan benefit	The pension benefit is established in accordance with Article 260 of the Colombian Labor Code: 1. The benefit is equivalent to 75% of the pensionable salary. In the event of termination with more than 10 years of pensionable service and less than 20 years of pensionable service, a proportional pension is received. 2. The benefit is paid monthly as a joint and survivor pension. 3. The Company pays 14 monthly pension payments a year.
Maximum and minimum benefits	The monthly benefit cannot exceed 20 times the minimum monthly salary (15 times in the case of 14 premiums or an additional monthly payment in June) and cannot be less than one minimum monthly salary.

Normal payment method	Joint and survivor annuity of 100%.
Optional payment method	None.
Employee contributions	None. The Company assumes the total cost of the plan.

Sponsor	Compañía de Electricidad de Tuluá S.A. E.S.P. – Cetsa E.S.P.
Eligibility	Closed group of retirees (and their beneficiaries) comprised of employees who received a pension from the Company before Legislative Act 01/2005.
Pensionable service	The service is considered from the employee's date of entry into the Company.
Pensionable salary	Average salary of the last year before retirement.
Pension plan benefit	The pension benefit is established in accordance with Article 260 of the Colombian Labor Code: 1. The benefit is equivalent to 75% of the pensionable salary. In the event of termination with more than 10 years of pensionable service and less than 20 years of pensionable service, a proportional pension is received. 2. The benefit is paid monthly as a joint and survivor pension. 3. The Company pays 14 monthly pension payments a year.
Maximum and minimum benefits	The monthly benefit cannot exceed 20 times the minimum monthly salary (15 times in the case of 14 premiums or an additional monthly payment in June) and cannot be less than one minimum monthly salary.
Health payments	Corresponds to the monthly quotation of the 8% on the monthly pension payment charged to the Company, paid 12 times a year.
Normal payment method	Joint and survivor annuity of 100%.
Optional payment method	None.
Employee contributions	None. The Company assumes the total cost of the plan.

Provisions of the health and pension social security payment plan

This valuation reflects the provisions of the plan at December 31, 2020 and 2019. A summary of the main provisions of the plan used to determine the financial position is provided below. They must not be used to establish the individual benefits under the plan.

Sponsor	Celsia Colombia S.A. E.S.P.
Eligibility	Closed group of retirees (and their beneficiaries) comprised of employees who are entitled to receive an additional monthly sum of health and/or pension payments.
Pensionable service	The contributions are calculated over the monthly pension payment that the pensioner receives from the Company.
Health payments	Consists of the payment of a specific percentage of 7.00%, 7.95%, 9.33%, 9.67% or 12.00%, calculated over the monthly pension payment charged to the Company, paid 12 times a year.
Pension payments	Consists of a monthly payment of 16% of the monthly pension payment charged to the Company, paid 12 times a year, for pensioners who expect to receive a pension from Colpensiones.
Normal payment method	The pension payment benefit consists of a temporary annuity effective until the time that the Company shares the monthly pension payment with Colpensiones. The health payment benefit consists of a joint and survivor annuity of 100%.
Optional payment method	None.

Provisions of the health insurance plan (COMFANDI and SOS)

This valuation reflects the provisions of the plan at December 31, 2020 and 2019. A summary of the main provisions of the plan used to determine the financial position is provided below. They must not be used to establish the individual benefits under the plan.

Sponsor	Celsia Colombia S.A. E.S.P.
Eligibility	Closed group of retirees and their spouses, parents and/or dependent

	children who are entitled to receive a monthly subsidy for medical plans from Celsia Colombia S.A. E.S.P.
Pensionable service	The benefit granted by the health insurance plans does not depend on the salary or pension of the participant.
COMFANDI health insurance plan	The payment of the monthly premium of the COMFANDI health insurance plan charged to the Company, which is paid 12 times a year. The value of the premium for 2020 was COP 609,318. Said value was reported by the Company. The value of the premium for 2021 was COP 627,598. Said value was reported by the Company.
SOS health insurance plan	Consists of the payment of the monthly premium of the SOS health insurance plan charged to the Company, which is paid 12 times a year. The value of the premium for 2020 was COP 499,522. Said value was reported by the Company. The value of the premium for 2021 was COP 514,508. Said value was reported by the Company.
Normal payment method	The payment of health insurance plans varies according to the type of beneficiary, as shown below: Retirees, widows, dependent parents and disabled children: Consists of a life annuity. Dependent children: Consists of an annuity payable until they turn 25.
Optional payment method	None.

Description of the pension gap plan

The benefit of this payment consists of granting a one-off premium at the time of departure from the Company to enjoy the retirement pension. Its value consists of the money necessary to fund an annuity pension for the executive (without including the substitution of beneficiaries) equal to the outstanding balance with respect to the maximum legal pension of 70% of 25 legal minimum monthly salaries to achieve an ideal pension, for which the amount depends on the number of years worked in the Group, with a maximum of 35% of the salary accrued at the time of retirement (this maximum is achieved with 30 or more years of service).

Information on the beneficiaries of Celsia Colombia's retirement pension plan

The defined benefit obligation at December 31, 2020 and 2019, is based on information about the beneficiaries at December 31, 2020 and 2019, and the projection to December 31, 2021:

Pension Holder beneficiaries	Number	Average value Age	Monthly pension
At December 31, 2019	467	78.27	0.716
At December 31, 2020	453	79.08	0.780
At December 31, 2021	453	80.08	0.796

Pension Substitute beneficiaries	Number	Average value Age	Monthly pension
At December 31, 2019	301	76.37	0.899
At December 31, 2020	307	77.10	0.999
At December 31, 2021	307	78.10	1.019

Information on the beneficiaries of the Cetsa E.S.P. retirement pension plan

The defined benefit obligation at December 31, 2020 and 2019, is based on information about the beneficiaries at December 31, 2020 and 2019, and the projection to December 31, 2021:

Pension Holder beneficiaries	Number	Average value Age	Monthly pension
At December 31, 2019	7	84.90	14.077
At December 31, 2020	7	85.90	14.776
At December 31, 2021	7	86.90	15.176

Beneficiaries with health insurance payments	Number	Average value Age	Monthly pension
At December 31, 2019	2	75.50	0.954
At December 31, 2020	2	76.50	0.999
At December 31, 2021	2	77.50	1.026

Beneficiaries with health insurance payments	Number	Average value Age	Monthly pension
At December 31, 2019	2	75.50	0.954

At December 31, 2020	2	76.50	0.996
At December 31, 2021	2	77.50	1.026

Information on the beneficiaries of the health and pension social security plan

The defined benefit obligation at December 31, 2020 and 2019, is based on information about the beneficiaries at December 31, 2020 and 2019, and the projection to December 31, 2021:

		Average value	
Beneficiaries with health insurance payments	**Number**	**Age**	**Monthly pension**
At December 31, 2019	330	81.77	0.072
At December 31, 2020	316	82.77	0.075
At December 31, 2021	316	83.35	0.075

		Average value	
Beneficiaries with pension payments	**Number**	**Age**	**Monthly pension**
At December 31, 2019	10	62.46	0.384
At December 31, 2020	07	63.24	0.413
At December 31, 2021	07	64.24	0.422

Information on the beneficiaries of the (COMFANDI and SOS) health insurance plan

The defined benefit obligation at December 31, 2020 and 2019, is based on information about the beneficiaries at December 31, 2020 and 2019, and the projection to December 31, 2021:

		Average value	
COMFANDI beneficiaries	**Number**	**Age**	**Monthly pension**
At December 31, 2019	83	73.40	0.564
At December 31, 2020	72	67.00	0.562
At December 31, 2021	72	68.00	0.579

		Average value	
SOS beneficiaries	**Number**	**Age**	**Monthly pension**
At December 31, 2019	169	67.07	0.463
At December 31, 2020	170	71.80	0.461
At December 31, 2021	170	71.09	0.474

Valuation of pension bonds

The interest rates used for the actuarial valuation are mandatory, using a capitalization of 4% (2019: 4%) and a CPI for the year prior to 2019 of 3.18%. The methodology used is the one established in current regulation in that respect: Decree 1748/1997, Decree 1474/1997, Decree 1513/1998 and Decree 3798/2003.

The value of the bonds that have already matured is COP 8,988 (2019: COP 9,634), meaning that around 59% (2019: 67%) of this liability is represented by this group of bonds, covering 62 (2019: 62) out of the 109 (2019: 109) people included in this assessment.

The results of the pension calculation are as follows:

Disclosure required by Decree 2131/2016 on defined benefit plans

In accordance with Decree 2131/2016 and the main assumptions used for the purposes of the actuarial assessments in accordance with Decree 1625/2016:

Under the previous local regulation, the interest rate used was the one established by regulation (technical interest rate: 4.80%), while in the new regulation, the rate corresponds to a market expectation given the term of the obligation. The difference as a result of this change is COP 13,463 (2019: COP 19,176).

	2020		2019	
	With regulated rate	**With market rate**	**With regulated rate**	**With market rate**
Celsia Colombia S.A. E.S.P.	88.684	102.147	89.207	108.383
Discount rate	8.62%	6.25%	8.90%	6.25%
Inflation	3.64%	3.00%	3.91%	3.50%
Technical interest	4.80%	3.16%	4.80%	2.66%

	2020		2019	
	With regulated rate	**With market rate**	**With regulated rate**	**With market rate**
Cetsa E.S.P.	734	853	745	874
Discount rate	8.62%	5.25%	8.90%	5.75%
Inflation	3.91%	3.00%	3.91%	3.50%
Technical interest	4.80%	2.18%	4.80%	2.17%

The breakdown of the accounting expenses component of the difference between the calculation of the defined benefit plans is provided below, under the methodology described in Decree 2131/2016 and the applicable methodology to comply with the technical regulatory framework applicable in Colombia at December 31, 2020:

	Assumptions of Decree 1625 (Decree 2131)	**Employee benefit assumptions (IAS 19)**	**Difference**
Cost of service			
Interest expenses, net	10,535	8,344	2,191
Amortization of actuarial calculation	-	-	-
Components of the defined benefit costs recognized in income	10,535	8,344	2,191
New measurements of defined benefit liabilities, net			
Actuarial gains and losses resulting from changes in the financial assumptions	-	11,599	(11,599)
Actuarial gains and losses resulting from experience adjustments	-	1,580	(1,580)
Actuarial gains and losses not recognized by remeasurements of the pension gap plan	-	-	-
Components of the defined benefit costs in other comprehensive income	**-**	**13,179**	**(13,179)**
Total	**10,535**	**21,523**	**(10,988)**

NOTE 21. PROVISIONS

At December 31, provisions were as follows:

	2020	**2019**
Provision for labor and legal proceedings	217.789	232.420

The following details reflect the changes in the provisions:

	2020	**2019**
Balance at the start of the period	232,420	234,359
New provisions	5,444	2,785
Recoveries	(13,007)	(5,031)
Provisions paid directly by the Company	(10,017)	(8,548)
Financial update of existing provisions	2,892	8,971
Effect of conversion	57	-
Loss of control over a subsidiary	-	(116)
Balance at end of the period	**217.789**	**232.420**

The company duly addressed its legal affairs and did not receive any notification of penalties that could affect its financial position. It received the notification of a class-action lawsuit against the Company, as well as several companies of the electricity sector, the Colombian Government, the Ministry of Mines and Energy and the Superintendence of Residential Public Utilities. The lawsuit is against the reliability charge, which is a remuneration system that enables the feasibility of the investment in electric power generation resources necessary to efficiently meet the electricity demand in critical supply conditions. This proceeding is not provisioned as there is no established effect on the Company in terms of amount.

During the first half of 2020, Celsia Colombia received notification of a lawsuit, which was classified as a contingency and because of its amount, did not affect its financial position. Additionally, on March 9, 2020, the Superintendence of Residential Public Utilities announced a resolution through which it imposed a fine of COP 878. This value had been provisioned and was paid on March 16, 2020. Similarly, a notification was received on April 8, through which a fine of COP 1,214 was imposed. The fines are based on the fact that allegedly, the grouped quarterly distribution index of voltage levels 1, 2 and 3 exceeded the basic average and interference band established in CREG Resolution 173/2010. Therefore, the Company allegedly violated the established regulation related to the users categorized as the "worst served". Additionally, a charge was made for having 26,405 users categorized as "worst served" and whose estimated compensation exceeded the costs of the distribution service billed for the months April to May 2017, July to September 2017, and April to December 2018.

The increase in provisions includes the adjustment of COP 2,892 (2019: COP 7,253) for the update of the provisions in line with the consumer price index (CPI).

The balance of the provisions at December 2020 includes the provision of COP 199,840 (2019: COP 196,948) for the estimate of the class-action lawsuit filed by some Afro-Colombian community councils of the Anchicayá river against Celsia Colombia S.A. E.S.P., formerly Empresa de Energía del Pacífico S.A. E.S.P. – Epsa E.S.P., for reparations for damages caused to the community by the opening of the deep water discharges from the Bajo Anchicayá hydroelectric power plant between July and August 2001. After having restarted the procedure for the possible review by virtue of the decisions issued by the

Constitutional Court and the Council of State, Section 3 of the latter decided to suspend the effects of the ruling of the Administrative Tribunal of Valle del Cauca on September 7, 2009. Celsia Colombia S.A. E.S.P. and the representatives of the communities filed a request for the office to set a date and time to establish a reconciliatory initiative, which was not accepted by the Council of State. Through the action of December 5, 2019, the residing judge announced that the office is currently preparing the draft sentence, which shall be subject to the decision of Section 3 of the Council of State.

The balance of recoveries at December 31 includes the value of COP 8,999 with the plaintiffs Luis Alfredo Salcedo and others. The proceeding is regarding an electrical accident involving the Company's infrastructure where one person was injured. In the first instance, the judge decided to deny the lawsuit's claims for reasons including that it was not possible for the defendants to foresee the occurrence of the accident or to prevent the way in which the plaintiff acted. Consequently it ruled in favor of Celsia Colombia. The proceeding with the plaintiffs Vivian Bardawil Tobón and others is regarding an electrical accident involving the Company's infrastructure close to a household, where one person died. In the second instance, the Council of State revoked the sentence of the first instance and determined that there were grounds exempting the exclusive liability of the victim, denying the lawsuit's claims, and ruling in favor of Celsia Colombia.

Additionally, it includes the recovery of COP 3,363 (2019: COP 3,363) for the executive proceeding filed under number 76001-23-33-008-2014-00481-01 by the municipality of Tuluá against Cetsa E.S.P., based on the same events of the contract dispute proceeding filed under number 76001-23-33-001-2014-00918-00, also against the company, which were carried out in parallel.

According to the negotiation process started in the second half of 2019, the parties made reciprocal concessions and accepted to end the two aforementioned cases. In turn, Cetsa E.S.P. had to pay the municipality the sum of (COP 15,500) as a one-off and global amount to satisfy all of the municipality's claims in the aforementioned legal proceedings, both recognized and unrecognized. The payment was under the condition of the execution of the legal rulings that approve the transaction, also determining to definitively end any past, present or future dispute arising from the signing, execution, termination and settlement of Concession Agreement no. 002, dated April 10, 1997.

On November 8, 2019, the Council of State accepted the transaction and declared the definitive termination of the executive proceeding. On December 3, 2019, the transaction agreement was amended by the parties to adjust the payment method pursuant to the issued legal rulings. Consequently, the first installment of the transaction contract, amounting to 50%, was paid by Cetsa E.S.P. on December 16, 2019, and the second installment paid on January 17, 2020.

The provision for the public lighting proceeding filed by the municipality of Tuluá against the company was adjusted in the first half of 2020, pursuant to the transaction contract entered into between the parties and accepted by the Council of State and by the addendum to the initial contract. Under these terms, on March 13, 2020, the ruling of the Administrative Tribunal of Valle del Cauca was notified, which established fulfillment of the condition for the second and final payment to the municipality of Tuluá by Cetsa E.S.P., which was executed and became definitive on Monday July 6, 2020, due to the suspension of legal terms because of the health, social and economic emergency in Colombia caused by COVID-19. The payment was made on July 17, 2020, of COP 7,750. The proceeding has ended.

NOTE 22. TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

The trade creditors and other accounts payable at December 31 were as follows:

	2020	2019
Colombian suppliers	328,817	303,222
Foreign suppliers	43,408	75,183
Sundry creditors (1)	252,189	238,544
To related parties (Note 35)	153,615	63,796
Advances and prepayments received	16,443	28,092
Other accounts payable	4,801	6,603
Total trade creditors and other accounts payable	**799,273**	**715,440**
Current	692,408	616,081
Non-current	106,865	99,359
Total trade creditors and other accounts payable	**799,273**	**715,440**

(1) Includes COP 106,865 (2019: COP 99,359) for the commitment with Integral S.A. acquired in 2015 regarding the purchase of Porvenir II. Said commitment will start to be met from 2022 and it is annually updated according to the CPI. It also includes other prepayments of suppliers, deposits delivered, and prepaid taxes in its favor.

In 2020, accounts payable were classified in the Central America segment as liabilities directly associated with assets classified as held for sale of COP 5,091 in accordance with Note 17.

The average credit period for the purchase of goods is three months, and for the purchase of services, it is 30 days. The Group has implemented financial risk management policies to ensure that all the accounts payable are paid in accordance with the agreed credit terms.

NOTE 23. OTHER LIABILITIES

At December 31, other non-financial liabilities were as follows:

	2020	2019
Collections for third parties (1)	28,592	28,533
Other prepayments received (2)	1,587	18,377
	30,179	**46,910**

(1) Payments received for public lighting and sanitation that must be reintegrated to comply with the contracts signed with the municipalities.

(2) The value received in advance for the prepaid energy service of Empresa de Energía de Pereira S.A. E.S.P.

NOTE 24. REVENUE

Celsia and its related companies mainly generate revenue from energy sales through bilateral contracts on the regulated and non-regulated markets, on the spot market, through the automatic generation control (AGC) service, and through the reliability charge.

At December 31, revenue from the provision of public utilities was as follows:

	2020	2019
Energy sales on the regulated and non-regulated market (1)	1,847,796	1,458,144
Energy sales on the spot market	725,601	888,604
Energy sales in contracts	391,749	482,891
Grid use and connection (2)	271,591	439,250
Reliability charge (3)	181,003	324,779
Natural gas sales and transportation capacity	2,013	40,627
Other operating services	116,254	91,467
Total revenue	**3,536,007**	**3,725,762**

(1) In 2019, there was revenue from the Tolima business from its acquisition date in June 2019, and in 2020, the revenue is for the whole year.

(2) Revenue from grid connection and usage decreased year on year due to the transfer of assets to Caoba and the backdated reporting in December 2019 in compliance with Resolution 015.

(3) There is a decrease mainly because 2019 included the revenue of Zona Franca Celsia (COP 156,774) until September and because there was lower income from sales on the secondary market.

Revenue by geographical area is as follows:

	2020	2019
Colombia		
Energy sales on the regulated and non-regulated market	1,842,114	1,458,144
Electric power generation	881,915	1,074,434

	2020	2019
Grid use and connection	271,591	439,250
Natural gas sales and transportation capacity	2,013	40,627
Other operating services	110,520	87,730
	3,108,153	**3,100,185**
Central America		
Electric power generation	416,438	621,841
Electricity sales on the regulated market	5,683	-
Other operating services	5,733	3,736
	427,854	**625,577**
Total revenue	**3,536,007**	**3,725,762**

NOTE 25. COST OF SALES

The cost of sales for activities related to the provision of services at December 31 was as follows:

	2020	2019
Costs of goods and public utilities	1,517,146	1,666,005
Depreciation and amortization	325,320	366,022
Personnel services	176,886	157,513
Operation and maintenance	102,062	124,460
Licenses and contributions	40,722	54,805
Insurance	40,567	32,290
Materials and other operating costs	57,106	60,435
General costs	71,121	68,625
Professional fees	16,637	16,517
Tax	20,184	20,357
Public utilities	7,949	10,591
Leases	2,276	3,054
Total cost of sales	**2,377,976**	**2,580,674**

In 2020, the consolidated cost of sales of COP 2,377,976 was down 7.9% from the previous year. Excluding the Tolima operations and the Termoflores figure to make the figures comparable, the cost of sales decreased 6.9% in the year. The Tolima operations are only consolidated from June 2019, while in 2020, they were consolidated for all the months. The Zona Franca Celsia thermal power plant's operations contributed revenue in the first nine months of 2019, while it did not contribute anything in 2020, because of the sale of these assets in 2019.

There was a lower value of energy purchases in Central America due to lower prices and a low cost of fuel purchases, because Bahía Las Minas and Cativá only dispatched in the first and second quarters.

NOTE 26. OTHER INCOME (EXPENSES), NET

At December 31, the balance of other income (expenses) was as follows:

	2020	2019
Profit from the sale of assets that constitute a business (1)	-	334,777
Profit from the sale of investments (2)	13,264	305,790
Profit from the sale and derecognition of property, plant and equipment (3)	15,323	6,476
Recoveries (4)	15,433	6,354
Miscellaneous	1,716	4,230
Dividends of equity investments.	3,419	112
Income from leases	466	1,117
Total other income	**49,621**	**658,856**
Donations (1)	(13,977)	(9,008)
Loss from derecognition of property, plant and equipment (2)	(10)	(7,051)
Loss from derecognition of other intangible assets (3)	-	(8,000)
Provision (recovery) for legal proceedings	(5,444)	130
Investment impairment (4)	-	(16,233)
Impairment of property, plant and equipment (5)	-	(53,369)
Impairment of intangible assets (5)	-	(30,325)
Other expenses (6)	(8,041)	(10,675)
Total other expenses (2)	**(27,472)**	**(134,531)**
Total other expenses, net	**22,149**	**524,325**

Other revenue

(1) In 2019, due to the strategic connections with Caoba Inversiones S.A.S. as a result of the sale of the

transmission business for the formation of its capital structure.

(2) In 2019, it accounts for the profit from the sale of Zona Franca Celsia in September 2019 and some assets related to the operation of said investment. An adjustment for the sale of Zona Franca Celsia was presented in 2020.

(3) Profit was reported in 2020 from the sale of electricity voltage level 3 and 4 transmission and distribution assets and from the constructions of assets under a BOT contract to Caoba Inversiones S.A.S., located in the department of Tolima.

(4) Accounts for the recovery of a legal litigation provision for rulings in favor of the Company amounting to COP 13,006.

Other expenses:

(1) Mainly includes donations made to Fundación Grupo Argos of COP 4,600 (2019: COP 4,400); Fundación Celsia Colombia of COP 7,485 (2019: COP 4,483); Corporación Antioquia Presente of COP 550 and the Yaporogos indigenous reservation of COP 854.

(2) Consists of the derecognition of assets in Zona Franca Celsia due to the loss reported in June 2019.

(3) Recognition of loss from the derecognition of other intangible assets due to studies of Porvenir III.

(4) Impairment of investments in Porvenir II as a result of the assessment of the investment caused by the postponement of the project's start-up, due to the temporary suspension of the environmental license.

(5) Impairment of property, plant and equipment and intangible assets: In 2019, taking into account the operating situation of Bahía Las Minas due to the termination of the existing contracts, the Parent Company decided to impair the investment.

(6) Includes non-deductible expenses, fines and penalties, legal expenses, assumed taxes and derecognition of inventories in Central America.

NOTE 27. ADMINISTRATIVE EXPENSES

At December 31, administrative expenses were as follows:

	2020	2019
Personnel expenses	78,223	80,781
Depreciation and amortization	55,554	47,659
Professional fees	37,787	45,363
Charged and effective payments	24,523	24,226
Maintenance and repairs	22,661	18,520
Portfolio impairment	15,689	13,519
Taxes, contributions and rates	11,376	13,506
Public utilities	14,717	10,463
Travel expenses	5,847	10,009
Publicity and advertising	6,079	7,709
Miscellaneous	10,247	7,024
Cleaning and cafeteria services	5,936	5,041
Security and surveillance	3,424	3,507
Communications and transportation	3,523	3,696
Leases	3,379	2,522
Insurance	1,637	1,380
Management of real estate	2,213	1,416
Total administrative expenses	**302,815**	**296,341**

The increase in administrative expenses is mainly due to:

- The impairment of trade accounts receivable due to the current situation of COVID-19, which is focused in the socioeconomic levels where there have been lower collection percentages, recognizing an impairment of COP 15,689.
- Amortizations in IT systems, with the largest including the software of the commercial IT system – Esfera.
- Maintenance and repairs of facilities, mainly in maintenance expenses of IT systems.

NOTE 28. EQUITY METHOD

At December 31, the balance of the equity method in the income of the period and in other comprehensive income was as follows:

Business name of the subsidiary	Description	Year-to-date: Recognized shareholding 2020: In income of the period	Recognized shareholding 2020: In other comprehensive income	Recognized shareholding 2019: In income of the period	Recognized shareholding 2019: In other comprehensive income
CNC del Mar S.A. E.S.P.	Joint venture	(3,844)	-	(812)	-
Fideicomiso Plan Luz	Joint venture	457	-	(326)	-
Calamarí LNG S.A. E.S.P. (1)	Associate	-	-	(56)	33
SUMMA Servicios Corporativos Integrales	Associate	(14)	-	(53)	-
Caoba Inversiones S.A.S. (2)	Joint venture	(426)	-	(18,041)	-
C2 Energía S.A.S.	Joint venture	(9)	-	-	-
P.A. Proyecto Dinamarca	Joint venture	(814)	-	(5)	-
Total equity method		**(4,650)**	**-**	**(19,293)**	**33**

(1) Calamarí is an associate in the company Zona Franca Celsia S.A. E.S.P. and, in turn, this is a subsidiary of Celsia S.A. The sale of 100% of the shares in Zona Franca was established in September to the companies Prime Energía Colombia S.A.S. and Prime Colombia Barranquilla S.A.S., subsidiaries of the U.S. company Enfragen. After the sale of the Calamarí company, it will no longer be an associate of Celsia S.A. In 2019, it consisted of the equity method reported between January and August.

(2) In 2019, Caoba Inversiones S.A.S. had a negative result because of the recognition of the deferred tax liability, which arose from the incorporation of the transmission business.

NOTE 29. FINANCIAL REVENUE (COSTS), NET

At December 31, financial revenue was as follows:

	2020	2019
Investment income	8,832	11,686
Interest and returns on accounts receivable (1)	15,395	4,744
Fines and surcharges	2,068	1,429
Discounts for early payment	2,468	1,124
Miscellaneous	83	2,217
Total financial revenue	**28,846**	**21,200**
Interest on borrowings (2)	(267,514)	(314,549)
Financial costs for rights of use	(6,147)	(7,127)
Tax on financial transactions	(17,039)	(22,656)
Pension liability financial cost	(8,955)	(9,313)
Bank fees and expenses	(7,579)	(22,884)
Financial costs from sale of debt (3)	(29,063)	-
Other financial costs	(18,474)	(35,361)
Total financial costs	**(354,771)**	**(411,890)**
Exchange difference income	104,784	81,685
Exchange difference expenses	(51,573)	(73,434)
Income from appreciation of derivatives	7,330	-
Expenses from appreciation of derivatives	(64,097)	(7,342)
Exchange difference, net (4)	**(3,556)**	**909**
Total financial revenue (costs), net	**(329,481)**	**(389,781)**

1) In 2020, it includes interest of COP 10,087 charged to Caoba for the outstanding balance from the sale of assets in 2019.
2) In 2019, there were extraordinary financial costs related to the transactions the Company made, primarily including the acquisition of the Tolima assets, the creation of the Caoba investment platform, and the sale of the Zona Franca Celsia S.A. E.S.P. thermal power plant.
3) Accounts for financial costs from the sale of debt (see Note 13).
4) Includes the net effect of the appreciation of the derivative financial instruments of COP 56,767 (2019: COP 7,342), which the Company has acquired to hedge the debt and to purchase equipment in foreign currency. The representative exchange rate used for the reconversion of foreign currency is COP 3,432.50 (2019: COP 3,277.14) per U.S. dollar.

NOTE 30. INCOME TAX

According to current tax regulation, the Group is subject to income tax and additional taxes. The applicable rates for 2019 and 2020 were 33% and 32%, respectively.

The taxable income from capital gains is taxed at the rate of 10%.

The base for determining income tax cannot be less than 0.5% (2020 tax year) of its liquid equity on the last day of the previous tax year (presumptive income).

Through Article 22, Law 1819/2016 established that for the 2017 term and subsequent years, to determine the income tax and related taxes, the payers of this tax obliged to file accounts shall apply the recognition and measurement systems to the value of assets, liabilities, equity, income, costs and expenses, pursuant to the technical, regulatory, accounting frameworks in effect in Colombia, when tax law expressly refers to them, and in the cases in which it does not regulate them. In all cases, the tax law can expressly establish a different treatment, pursuant to Article 4 of Law 1314/2009.

The income tax returns of the tax years 2016 to 2019 are available for statutory audit by the tax authorities. Additional taxes are not expected in the event of an audit.

i) The CREE tax returns of the year 2016 are subject to audit by the tax authorities. Additional taxes are not expected in the event of an audit.

ii) At December 31, 2020, there are no pending tax losses to offset in income tax.

The accumulated tax losses up to 2016 can be offset with the future liquid income of income tax at any time without any kind of percentage limitation. The tax losses of the years 2017, 2018 and 2019 can be offset with a maximum of the liquid income of the following twelve (12) years from their occurrence.

With the amendments introduced by Law 2010/2019, the new term of definitiveness of income tax and additional tax returns that establish (calculate) or offset tax losses or that are subject to the transfer price regime is reduced to five years.

30.1 Income tax recognized in the income statement

	2020	2019
For the current year	(174,792)	(326,857)
For previous years	1,684	(1,032)
Current tax	(173,108)	**(327,889)**
Deferred tax for the current year	(31,247)	(32,788)
Total income tax	(204,355)	**(360,677)**

The reconciliation between earnings before tax and taxable liquid income for the years ending on December 31 is as follows:

	2020	2019
Earnings before tax from continuing operations	**543,234**	**963,998**
Accounting losses (earnings) that are not a base for income tax	37,210	19,293
Effect of untaxed income (1)	(51,649)	(17,702)
Effect of deductible and non-deductible expenses (2)	98,448	294,109
Difference between fiscal and IFRS depreciation and amortization, and other IFRS	53,293	64,694
Net effect of sale of fixed assets (4)	(32,390)	(647,043)
Deduction from application of Law 1715	(14,817)	(1,174)
Deduction from investment in research certified by Colciencias	(33,440)	(16,141)
Offsetting of tax credits from previous periods	(27,308)	(16,240)
Liquid income	**572,581**	**643,794**
Tax		
Income tax at 32% in 2020 (2019: 33%)	183,226	196,962
Income tax in Central America	9,850	3,636
Tax base on presumptive income	5	9,279
Income tax from the sale of fixed assets (4)	7,571	71,624
Capital gains tax (4)	1,326	61,426
Tax deductions (3)	(27,186)	(16,070)
Tax adjustment to earnings of previous years	(1,684)	1,032
Total income tax	**173,108**	**327,889**

(1) Untaxed income

	2020	2019
Untaxed dividends	(3,419)	(112)
Net effect of captive cell	13,178	(15,186)
Recoveries	(7,742)	(6,508)
Unrealized exchange difference	(53,666)	4,104
	(51,649)	(17,702)

(2) Non-deductible expenses

	2020	2019
Update of Bajo Anchicayá financial contingency	2,891	7,254
Provisions	878	2,793
Derecognition of assets	-	5,374
Environmental management projects	2,235	3,444
Portfolio provision	(38)	9,400
Financial transaction tax	8,536	11,313
Net effect of captive cell	24	-
Deduction of pension installments	(1,495)	411
Donations	13,489	8,991
Non-deductible taxes	22,015	21,020
Limitation of expenses – Art. 177-1 Tax Law	23,581	26,949
Impairment of BLM (2020 and 2019) and Porvenir II (2019) investments	38,767	200,014
IFRS 16 lease expenses vs. financial costs	(14,547)	(7,621)
Other	2,112	4,767
	98,448	294,109

(3) Tax deductions (25%-50%)

	2020	2019
Donations (25%)	3,158	2,227
Ministry of Science (25%)	8,360	2,805
Environmental management projects (25%)	559	861
Energy efficiency (25%)	4,599	-
Industry and commerce (50%)	10,510	10,177
	27,186	16,070

(4) In September 2019, Celsia S.A. sold 100% of its shares in the Zona Franca power plant located in the city of Barranquilla to Prime Energía Colombia S.A.S. and Prime Colombia Barranquilla S.A.S., subsidiaries of the U.S. company Enfragen. Said transaction led to a capital gains tax. Fixed assets were sold in December 2019 to the company Caoba Inversiones S.A.S. of the transmission and distribution business owned in the departments of Tolima, Atlántico, Montería, La Guajira and Valledupar for the substations developed in Plan 5 Caribe and of Tolima with voltage levels 3 and 4.

30.2 Reconciliation of the effective rate

The Group's effective income tax and related tax rate differs from the applicable nominal rate according to current laws. The reconciliation between the rates is listed below:

	December 2020		December 2019	
Profit before tax	**543,234**	**%**	**963,998**	**%**
Theoretical tax expenses calculated according to the current tax rates	**173,835**	**32.00%**	**318,119**	**33.00%**
Accounting losses that are not a tax base	11,907	2.19%	-	-
Untaxed income	(16,532)	(3.04%)	(5,203)	(0.5%)
Non-deductible expenses	31,508	5.80%	96,418	10.0%
Difference between IFRS and tax depreciation	17,054	3.14%	21,349	2.2%
Net effect of sale of assets	(10,365)	(1.91%)	(213,524)	(22.1%)
Colciencias deduction	(10,701)	(1.97%)	(5,327)	(0.6%)
Deduction from Law 1715	(4,741)	(0.87%)	(387)	(0.0%)
Offsetting of tax losses	(8,739)	(1.61%)	(5,359)	(0.6%)
Other	-	-	(9,124)	(0.9%)
Tax deductions	(27,186)	(5.00%)	(16,070)	(1.7%)
Adjustment of previous periods	(1,685)	(0.31%)	1,031	0.1%
Presumptive income tax effect	5	0%	9,279	1.0%
Capital gains tax effect	1,326	0.24%	61,426	6.4%
Central America tax effect	9,850	1.81%	3,636	0.4%
Income tax from the sale of fixed assets	7,571	1.39%	71,624	7.4%
Deferred property, plant and equipment	10,158	1.87%	(7,993)	(0.8%)
Deferred provisions	2,887	0.53%	1,073	0.1%

Deferred defined benefit obligations	447	(0.08%)	(148)	(0.0%)
Deferred tax losses	8,313	1.53%	9,914	1.0%
Deferred investments	(13,477)	(2.48%)	-	-
Deferred borrowings	11,094	2.04%	-	-
Other deferrals	11,826	2.18%	29,943	3.1%
Total income tax expenses	**204,355**	**37.62%**	**360,677**	**37.5%**

30.3 Deferred tax

The difference between the book value of the assets and liabilities and their tax bases gives rise to the following temporary differences generated by the deferred taxes calculated and reported in the periods ending on December 31, 2020 and 2019, based on the current tax bases as a reference for the years in which said temporary differences shall be reversed.

There are no unrecognized temporary differences.

The analysis of the deferred tax presented in the consolidated statements of financial position is presented below:

	2020	2019
Deferred tax assets	2,189	7,560
Deferred tax liabilities	(325,585)	(324,264)
	(323,396)	**(316,704)**

The balances above are broken down as follows:

2020	Initial balance	Recognized in income	Other changes	Closing balances at December 2020
Related to:				
Property, plant and equipment, and intangible assets (1)	(365,910)	(10,158)	27,261	(348,807)
Provisions	9,857	(2,887)	-	6,970
Defined benefit obligations	15,429	(447)	(2,705)	12,277
Tax losses	8,792	(8,313)	-	479
Other	15,128	(9,443)		5,685
	(316,704)	**(31,247)**	**24,556**	**(323,396)**

(1) The other changes are due to the change of part of the power plants within the Central America segment, which is presented as a group of assets held for sale and liabilities directly associated with them in accordance with Note 17.

2019	Initial balance	Recognized in income	Other changes (1)	Closing balances at December 2019
Related to:				
Property, plant and equipment, and intangible assets	(421,355)	7,993	47,452	(365,910)
Provisions	10,930	(1,073)	-	9,857
Defined benefit obligations	10,514	148	4,767	15,429
Tax losses	18,705	(9,913)	-	8,792
Other	48,858	(29,943)	(3,787)	15,128
	(332,348)	**(32,788)**	**48,432**	**(316,704)**

(1) Reduction mainly due to the sale of Zona Franca S.A. E.S.P.

According to current tax legislation in Colombia, neither the distribution of dividends nor the retention of profits have an effect on the income tax rate.

In compliance with IAS 12 – Income Taxes, the Parent Company did not report deferred tax liabilities related to temporary differences of investments in subsidiaries, mainly due to concepts of undistributed profits and tax readjustments on investments. The above is due to the fact that: i) the Company has control over the subsidiaries and, therefore, it can decide about the reversal of said temporary differences; and ii) the Parent Company does not have their realization planned in the medium term, therefore, it is probable that said temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized to the extent that their realization is probable through future tax benefits.

30.4 Uncertainties in open tax positions

Additional taxes are not expected in 2020 and 2019 in the event of possible visits from the tax authorities or the existence of uncertainties related to tax positions applied by the Company.

30.5 Transfer prices

In response to Law 788/2002 and Law 863/2003, the Company prepared a study of transfer prices on the operations carried out with foreign related parties during 2019. The study did not lead to adjustments that would affect the Company's tax income, costs and expenses.

Although the study of transfer prices in 2020 is in the process of preparation, significant changes from the previous year are not expected.

30.6 Economic Growth Law – (Tax law amendment)

In December 2018, the Tax Law in Colombia was amended through Law 1943, gradually reducing the income tax rate and similarly reducing the rate for the payment of presumptive income tax until its elimination as of 2021.

Considering that Law 1943 was declared unenforceable in Sentence of the Constitutional Court C481/2019, it led to the Colombian Government presenting a tax reform initiative, which was approved by Colombian Congress and issued through Law 2010, or Economic Growth Law, dated December 27, 2019. This law contains the provisions in favor contained in Law 1943/2018, and that were deemed essential for economic growth and competitiveness in the country. It also introduced some amendments, of which we highlight the following:

- For the 2019 tax year, the applicable income tax rate is 33%. The tax rates established in Law 1943/2018 are maintained: 2020: rate of 32%, 2021: rate of 31%, and as of 2022: rate of 30%.
- For the purposes of calculating income tax under the presumptive income system, the Economic Growth Law keeps gradually reducing the rate from 0.5% for 2020 to 0% as of 2021 and subsequent years.
- It keeps as deductible 100% of the taxes, rates and payments effectively paid in the tax year that are directly related to income generation (except income tax). Fifty percent of the financial transaction tax will be deductible regardless of whether it is directly related to the income generating activity or not.
- Fifty percent of industry and commerce tax could be treated as a tax deduction on income tax in the tax year in which it is effectively paid and to the extent that it is directly related to the economic activity. From 2022, it can be deducted 100%.
- The following remain as tax deductions: (i) VAT paid on the import, formation, construction or acquisition of real fixed production assets, including the necessary services for their construction and start-up; (ii) industry and commerce tax in the terms indicated in the previous section.
- With respect to dividend tax, the following amendments were introduced:
  - The withholding tax rate on untaxed dividends declared for the benefit of foreign companies and entities, non-resident individuals, and permanent establishments increased 10%.
  - The table applicable to untaxed dividends declared for the benefit of resident individuals in Colombia and undistributed estates of residents who incur tax was amended, providing a marginal rate of 10% for dividends that exceed 300 UVTs.
  - It was established that tax on taxed dividends shall be determined: (i) by applying the income tax rate of the year in which they are declared (2019: 33%; 2020: 32%; 2021: 31%; and 2022 onward: 30%); and (ii) on the remainder, the rate applicable to untaxed dividends shall be applied, depending on the beneficiary (if it is a resident individual or undistributed estate of a resident who incurs tax, the table shall apply and for the other cases, the rate of 7.5% shall be applied).
  - The withholding tax regime on dividends declared for the first time by Colombian companies remains, which shall be transferable to the final beneficiary as a resident individual or investor resident abroad at the rate of 7.5%.
  - The dividends declared charged to profits in 2016 and previous years shall maintain the current treatment for that time; and those for profits of the years 2017, 2018 and 2019 declared from 2020 onward shall be governed by the rates provided in Law 2010.
- • With the Economic Growth Law, it is specified that the taxpayers can opt for the *Obras por impuestos* (Works for Taxes) mechanism as a way of extinguishing the tax obligation, established in Article 238 of Law 1819/2016 or for the mechanism of the direct investment agreement established in Article 800-1 of the Tax Law.
- • Economic Growth Law established that the term for definitiveness of the tax returns that establish or offset tax losses or that are subject to the transfer price regime shall be five (5) years from submission of the tax declaration.
- • The term for correction for the taxpayers who make corrections that increase the tax or reduce the balance in their favor is amended, as the term the taxpayer had to voluntarily correct its tax returns was two (2) years. With the Economic Growth Law, this term is amended and it is unified with the general term of definitiveness for tax returns, setting it at three (3) years.

The audit benefit is extended for the income tax returns to the 2020 and 2021 tax years, for which the increase in the net income tax from the previous year is required so that the return becomes definitive in six months (30%) or in 12 months (20%), as established in Law 1943/2018 for the returns of the tax years 2019 and 2020. It is specified that the provisions established in Law 1943/2018 with respect to the audit benefit shall have the effects established herein for taxpayers that have used the audit benefit for the 2019 tax year.

NOTE 31. EARNINGS PER SHARE

The calculation of basic earnings per share at December 31 was based on the profit of COP 338,879 (2019: COP 603,321) taxable to the shareholders of

1,069,972,554 outstanding common shares.

The earnings per share at December 31 are as follows:

	2020	2019
Annual earnings, net	338,879	603,321
Number of outstanding shares	1,069,972,554	1,069,972,554
Earnings per basic share (in COP)	**316,72**	**563,87**

The net earnings per diluted share are equal to income from the basic share.

NOTE 32. OPERATING SEGMENTS

32.1 Segmentation criteria: The Group coordinates its activity according to the approach of priority to its basic business, which is comprised of electric power generation, transmission and distribution, and the sale of gas and related services, and it establishes two large lines of business, each one based in a geographical area: Colombia and Central America.

Given that the Group's structure basically coincides with that of the businesses and, therefore, of the segments, the distributions established in the information by segment that is presented below are based on the financial information of the companies that comprise each segment. The companies that comprise the segments are:

Colombia: Includes the companies Celsia S.A., Zona Franca Celsia S.A. E.S.P. (until August 2019), Colener S.A.S., Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - Epsa), Cetsa E.S.P., and Porvenir II S.A.S. E.S.P.

Central America: Comprised of Bahía Las Minas Corp., Bontex S.A., Alternegy S.A. and Celsia Centroamérica S.A., located in Panama; Enerwinds S.A. and Celsia Costa Rica S.A. in Costa Rica; Celsia Honduras S.A. in Honduras; and CTC Curazao B.V. in Curaçao.

Operations between segments form part of the normal activities in terms of their aim and conditions, as observed in Note 35. Transactions with related parties.

32.2 Information by segment

The information by segment at December 31, 2020 and 2019, is presented below:

Statement of Income

Colombia	2020	2019
Revenue		
Revenue	3,108,153	3,100,184
Cost of sales	(2,058,603)	(2,027,706)
Gross earnings	**1,049,550**	**1,072,478**
Other income	52,917	656,300
Administrative expenses	(264,739)	(250,232)
Other expenses	(23,325)	(43,937)
Equity method, net	(4,650)	(19,293)
Earnings before financial costs	**809,753**	**1,415,316**
Financial revenue	27,902	7,643
Financial costs	(261,143)	(320,160)
Exchange difference, net	(2,022)	8,413
Earnings before tax	**574,490**	**1,111,212**
Income tax	(191,194)	(354,403)
Net earnings	**383,296**	**756,809**
Earnings attributable to:		
Controlling shareholders	256,698	588,227
Non-controlling interest	126,598	168,582
Earnings of the period, net	**383,296**	**756,809**

Central America:	2020	2019
Revenue	427,854	625,578
Cost of sales	(319,374)	(552,968)
Gross earnings	**108,480**	**72,610**
Other income	560	2,556
Administrative expenses	(38,076)	(46,109)
Other expenses	(4,147)	(303,659)
Earnings before financial costs	**66,817**	**(274,602)**
Financial revenue	944	14,412
Financial costs	(101,310)	(99,929)
Exchange difference, net	(1,534)	(161)
Earnings before tax	**(35,083)**	**(360,280)**
Income tax	(13,162)	(6,275)
Annual earnings, net	**(48,245)**	**(366,555)**
Earnings attributable to:		
Controlling shareholders	(11,206)	(327,846)
Non-controlling interest	(37,039)	(38,709)
Annual earnings (losses), net	**(48,245)**	**(366,555)**

Statement of Financial Position	Colombia		Central America	
	2020	2019	2020	2019
Non-current assets	8,208,480	7,408,765	2,175,585	2,213,716
Current assets	942,959	1,338,326	486,308	478,064
Total assets	**9,151,439**	**8,747,091**	**2,661,893**	**2,691,780**
Non-current liabilities	3,120,826	2,907,900	893,467	1,154,538
Current liabilities	1,487,303	1,364,026	571,081	337,811
Total liabilities	**4,608,129**	**4,271,926**	**1,464,548**	**1,492,349**
Total equity	**4,543,310**	**4,475,165**	**1,197,345**	**1,199,431**
Total liabilities and equity	**9,151,439**	**8,747,091**	**2,661,893**	**2,691,780**

NOTE 33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020	2019
Cash and cash equivalents (Note 14)	399,547	384,672
Financial assets at fair value through profit or loss (1)	86,039	77,924
Financial assets at fair value through other comprehensive income (2)	12,102	10,820
Financial assets measured at amortized cost (3)	289,372	10,102
Total financial assets	**787,060**	**483,518**
Financial liabilities measured at amortized cost (4)	4,033,946	4,131,944
Derivative instruments in hedging relationships	43,474	-
Total financial liabilities	**4,077,420**	**4,131,944**

(1) Mainly the investment of USD 25,065,910 delivered as capital by Celsia to the cell of the captive insurance company (see Note 12).

(2) Equity investments other than prepayments for future capitalizations and shares in associates and joint ventures (see Note 12-2).

(3) Long-term accounts receivable, which are measured at amortized cost using the effective interest rate method.

(4) Financial liabilities measured at amortized cost:

	2020	2019
Outstanding bonds (Note 19)	3,116,754	3,335,578
Borrowings (Note 19)	749,102	621,503
Trade creditors and other accounts payable (a)	106,865	102,053
Liabilities for right-of-use assets (b)	61,225	72,810
	4,033,946	**4,131,944**

(a) The commitment acquired in 2015 with Integral for the purchase of Porvenir II, which will start to be met from 2022, and the borrowing from IBM for the acquisition of SAP licenses, developments and implementation based on technology, which permit the integration of energy generation, transmission and distribution operations through a unified control center.

(b) Short-term accounts receivable and accounts payable that are presented at their nominal amount (Notes 13 and 22).

Description of the significant valuation variables

The significant variables used in the fair value measurements at December 31, 2020 and 2019, are shown below:

	Hierarchical level	Valuation technique	Technical description of valuation	Significant variables
Financial assets Measured at fair value through other comprehensive income				
Equity investments	1	Market prices (bvc)	(1)	Share price

Measured at fair value through profit or loss				
Equity investments	1	Market prices (bvc)	(1)	Share price
Measured at amortized cost				
Trade debtors and other accounts receivable	2	Discounted cash flows	(2) and (3)	Market rate
Financial liabilities				
Measured at amortized cost				
Borrowings	2	Discounted cash flows	(2)	Market rate
Outstanding bonds	2	Discounted cash flows	(4)	Discount rate that produces the zero-coupon yield curve

The valuation techniques used for fair value measurement are described below for the purposes of disclosure of the Group's financial assets and liabilities:

(1) Market listing prices: The fair values of these investments are determined by reference to the listed prices published on active markets for the financial instrument in question.

(2) Market discount rate: The future cash flows are discounted at present value with the market rate for loans in similar conditions on the measurement date according to the days they are due.

(3) The Company assessed that the fair values of the accounts receivable, dividends receivable and payable, suppliers, accounts payable and other current liabilities are close to their book value, largely due to the short-term expiry of these instruments. The future cash flows of the accounts receivable or payable that expire in more than 12 months are discounted at present value with the market rate for loans in similar conditions at the measurement date, according to the days they are due.

(4) The fair value is calculated by discounting the future cash flows with the zero-coupon yield curve of the ordinary bonds issued by the Company according to the days of maturity.

NOTE 34. FINANCIAL RISK MANAGEMENT

34.1 Strategic risks

Risk management approach:

For the Company, risk management is a determining factor in the fulfillment of its strategy.

The aim of enterprise risk management is to assess the positive and negative impacts that could affect the achievement of strategic objectives as well as the performance of the businesses. This process reduces uncertainty in decision-making to create and protect the Organization's value.

Celsia conceives enterprise risk management as the implementation of a set of actions for risk management. This management system is based on a cycle that includes identification, analysis, assessment, monitoring and communication, as well as the actions established to mitigate the risks.

The Risk Management System affects the following stakeholders: employees, suppliers, shareholders, communities, clients, government and authorities. This effect is reflected in risk management's contribution to maintaining the profitability and stability of the Organization's operations, as well as contributing to the achievement of the Company's objectives and maintaining its image.

Some pillars aimed at supporting the structure of the Enterprise Risk Management System have been defined, which consist of the creation of a governance framework, a process, supporting technology, and the establishment of a risk management culture.

Risk management methodology:

The Organization follows the principles of the ISO 31000 and COSO international standards for the implementation and development of the Enterprise Risk Management System.

The Organization identifies risks based on a qualitative and quantitative analysis both strategically and operationally. This is subsequently complemented with an assessment of the controls established in order to prioritize the main risks that affect business growth.

The analysis of each risk is approached from different kinds of impact, seeking to cover the strategic variables and stakeholders. The different perspectives used are: financial, human resources, information and reputational.

The identified strategic risks, as well as a brief description of their level of exposure and the treatment actions implemented for their management, are presented below:

Strategic risk	Definition	Potential impact of the risk on the business	Mitigation actions
1. Human talent and culture	Impact on the achievement of the strategy due to human resources that do not suit the capabilities and culture required by the Organization.	Reputational/Financial	Correct management of employee selection and training processes. Definition of development plans that increase leadership capacity.
2. Regulatory	Changes in regulation that adversely affect the operation of the assets	Reputational/Financial	Monitoring and analysis of the variables that may generate

Strategic risk	Definition	Potential impact of the risk on the business	Mitigation actions
	and the delivery of products and services.		adverse regulatory changes for the Company. Work with professional associations, ministries and the Colombian Government to review the proposals for change.
3. Political	Probability that political forces generate radical changes that could affect the business.	Reputational/Financial	Monitoring of variables that could generate adverse political changes for the Company. Management with government bodies.
4. Technology	Not having the IT technology required to leverage the operation and growth of the business.	Financial	Update and upgrade of the technologies that support the business.
5. Climate variability	Reduction of rainfall and level of the reservoirs. Effects on resources and production supplies.	Reputational/Financial	Assessment of legal requirements; carbon footprint measurements.
6. Projects	Overcharge or increase in the projects' execution times.	Reputational/Financial	Proactive management with the communities and authorities. Adequate selection of suppliers, validating their experience and financial stability. Strengthening of the audit processes.
7. Commercial	Failures in the sales strategy of the businesses and the processes of delivering products and services.	Reputational/Financial	Strengthening of sales and innovation skills with the capacity to efficiently assess the new businesses.
8. Fuel	Changes in the availability and price of fuels that make the assets unfeasible.	Financial	Strengthening of the infrastructure required to operate with different fuels, supported by adequate maintenance and hiring systems.
9. Obsolescence of assets	Assets that lose efficiency, value and competitiveness.	Reputational/Financial	Maintenance and replacement plans for the operating assets.
10. Cybersecurity	Cyber-attacks or failures that affect the provision of services or delivery of products.	Reputational/Financial	Implementation of tools to detect events promptly and with the capacity to remotely isolate the compromised operations.
11. Demand	Decrease in the energy demand due to the entry of new technology or changes in consumer patterns.	Financial	Diversification of the energy portfolio and businesses. Improvement of sales and innovation skills that drive changes in consumer habits.
12. Financial	Inadequate financial structure to support the business, new projects and economic resources for growth.	Financial	Improvement of the financial assessment of the business cases and new businesses. Adequate funding plans. Adequate counterparty risk management.
13. Acquisitions	Errors and omissions in partnerships, mergers or acquisitions and structuring of projects.	Reputational/Financial	Adequate implementation of the business cases, intervention plan and capital structure. Participation of specialized teams.
14. Supply and distribution chain	Failures in the process of supplying and delivering products and services that affect the cost and consumers.	Reputational/Financial	Implementation of a new strategic supply model.

Strategic risk	Definition	Potential impact of the risk on the business	Mitigation actions
15. Competitors	Reaction of the competitors to the new businesses and products, and the entry of new competitors that harm business performance.	Financial	Positioning of the business and contractual models in light of the other competitors.
16. Energy Portfolio	Inadequate structuring of the energy portfolio that reduces the Company's competitiveness.	Financial	Change in the energy sales strategy. Search for new energy purchase options associated with asset development.
17. Social	Production assets or projects becoming unfeasible due to problems related to communities.	Reputational/Financial	Agreement processes with the communities of the areas of influence and strengthening of relations with the different stakeholders of the area.
18. Reputational	Situations that expose the prestige and credibility of the Company for stakeholders.	Reputational/Financial	Prior and aware assessment of all the actions that the Organization intends to carry out. Commitment to good practices and actions, and compliance with the Corporate Governance Code and Code of Business Conduct.

34.2 Capital risk management:

Celsia's capital structure depends on the net financial debt comprised of the short and long-term borrowings, bonds and commercial papers, and equity, comprised of the issued shares, reserves and other equity components, as disclosed in Note 20. Borrowings and Note 18. Equity.

Celsia manages its capital to ensure its capacity to continue as a going concern, while it maximizes the return for its shareholders through the efficient enhancement of the capital structure in line with the expansion and investment plans. In the same way, it manages the risk by handling some levels of reasonable debt (mainly measured in the net debt / EBITDA ratio).

Celsia is not subject to external capital requirements, so all the leverage and target capital level decisions are made with the premise of value creation for the shareholders.

34.3 Objectives of financial risk management:

Celsia's financial policies aim to guarantee a strong financial structure and to maintain the exposure to market, liquidity and credit risk at acceptable levels according to the nature of the business and according to the policies established by the Parent Company.

Celsia constantly assesses and quantifies under different capital structures (equity-debt mix, debt interest rate –fixed or variable–, currency and interest rate). The risk is mitigated through the use of natural hedging or financial derivatives to the extent that the market permits it. It is not Celsia's policy to use derivatives for speculation.

Special operations such as acquisitions and issuances of shares or bonds can cause them to temporarily exceed the limit established by Management, which is controlled though constant monitoring of the volatility and of the execution of the investment plans associated with the specific operation carried out.

34.3.1 Market risk:

Due to the activities that it carries out and its capital structure, Celsia is exposed to changes in the exchange rate and interest rates. Exposure to different market risks is measured by determining the value at risk (VaR) of Celsia's portfolio of electricity assets and complementing this with a sensitivity analysis. Compared to the previous year, the exposure to market risks or the way in which said risks are managed and measured has not changed.

34.3.2 Exchange risk management:

At the close of 2020, Celsia's profit before tax was exposed to changes in the exchange rate through the components of cost of sales in U.S. dollars and borrowings.

The net exposure of Celsia S.A. based on the notional value of monetary assets and liabilities after exchange rate hedging, mainly with the U.S. dollar, is as follows:

	In U.S. dollars			
At December 31, 2020	**Exposure to the U.S. dollar**	**Exposure to the Euro**	**Exposure to currencies other than**	**Total exposure**

			the U.S. dollar, Euro and Colombian peso	
Monetary assets	60,980,618	43,173	4,101	61,027,892
Monetary liabilities	113,225,209	638,559	-	113,863,768
Net exposure	**(52,244,591)**	**(595,386)**	**4,101**	**(52,835,876)**
At December 31, 2019				
Monetary assets	73,187,330	293,509	13,825	73,494,664
Monetary liabilities	45,045,771	812,273	1,712	45,859,756
Net exposure	**28,141,559**	**(518,764)**	**12,113**	**27,634,908**

	(In millions of Colombian pesos)			
At December 31, 2020	**Exposure to the U.S. dollar**	**Exposure to the Euro**	**Exposure to currencies other than the U.S. dollar, Euro and Colombian peso**	**Total exposure**
Monetary assets	209,316	148	14	209,478
Monetary liabilities	388,645	2,192	-	390,837
Net exposure	**(179,329)**	**(2,044)**	**14**	**(181,359)**
At December 31, 2019				
Monetary assets	239,845	962	45	1,671,288
Monetary liabilities	147,621	2,662	6	150,288
Net exposure	**92,224**	**(1,700)**	**39**	**1,521,000**

Foreign currency sensitivity analysis

Celsia conducts sensitivity analyses in order to quantify the impact of the exchange rate on the figures of its income. It is mainly exposed to the U.S. dollar.

The following table shows the sensitivity to a 20% increase or decrease in the Colombian peso against foreign currency. The 20% change represents the sensitivity percentage used when the exchange rate risk is internally reported to key risk management staff and it represents risk management's assessment of the possible reasonable change in the exchange rates. The sensitivity analysis only includes the pending monetary entries denominated in foreign currency and their conversion is adjusted at the end of the period for a change of 20% in the exchange rates. A positive figure further on indicates an increase in income, where the Colombian peso becomes 20% stronger against the relevant currency. If there is a 20% weakening of the functional currency against the benchmark currency, there will be a comparable impact on income.

Strengthening of the Colombian peso against the U.S. dollar	*Impact on profit before tax and continuing operations* [20%]	[-20%]
At December 31, 2020	(35,866)	35,866
At December 31, 2019	18,445	(18,445)

The sensitivity analysis on the foreign exchange risk shows that at a 20% appreciation of the Colombian peso against the U.S. dollar would have the following impact on the conversion into Colombian pesos of the profit before tax and of continuing operations of subsidiaries whose functional currency is not the Colombian peso.

	Appreciation of the U.S. dollar 2020	2019
Impact on profit before tax and continuing operations	(5,480)	(16,720)
Equity	(71,955)	(57,358)

A drop of 20% in the value of the Colombian peso against the U.S. dollar would have produced the opposite effect. For the analysis, it is assumed that all the other variables are constant.

Transactions and balances in foreign currency are converted using the representative exchange rate certified by the Central Bank of Colombia. In the preparation of the financial statements, the assets and liabilities, as well as the income, costs and expenses in foreign currency have been converted into Colombian pesos using the average and closing exchange rates, as follows:

	2020		2019	
Against the U.S. dollar	Closing exchange rate	Average exchange rate	Closing exchange rate	Average exchange rate
COP	3,432.50	3,468.50	3,277.14	3,383.00
EUR	0.817		0.891	
GBP	0.819		0.755	

34.3.3 Interest rate risk management:

Celsia is exposed to different indicators, such as the CPI, IBR and LIBOR, which enable efficient absorption of changes in monetary policy and the performance of the national and international macroeconomic variables. Additionally, 55% of this debt is indexed to the CPI and IBR, thus achieving a natural hedge with the Company's revenue that mainly varies with the changes in the CPI.

The following table shows the liability and agreed interest rate. Exposure occurs on the amounts with a variable interest rate:

	Debt		Debt	
Agreed interest rate	2020	2019	2020	2019
Fixed interest	691,305	407,015	15%	9%
Variable interest	3,225,260	3,399,999	69%	72%
Does not accrue interest	727,273	912,417	17%	19%
Total consolidated debt	**4,643,838**	**4,719,431**	**100%**	**100%**

Interest rate derivatives and inflation rates

The derivatives acquired by Celsia to hedge the interest rate risk are designated as cash flow hedging instruments. The value recognized in other comprehensive income (OCI) for the valuation of these derivative instruments is explained in Note 18. Equity, in the Reserves and Other comprehensive income sections.

The breakdown of the current foreign exchange derivatives at December 31 is provided below:

		Notional underlying value – Amount of derivative instrument			Fair value of derivative instrument asset (liability)
Type of instrument	Hedged item	December 2020	Derivative instrument rate	Maturity of derivative instrument	December 2020
Non-deliverable forward	Liability	USD 65,000,000	4,074,67	01/29/21	(41,804)
Non-deliverable forward	Liability	USD 250,000	3,662,75	01/21/21	(58)
Non-deliverable forward	Liability	USD 4,900,000	3,634,44	02/24/21	(1,140)
Non-deliverable forward	Liability	USD 1,800,000	3,626,53	01/20/21	(349)
Non-deliverable forward	Liability	USD 500.000	3,641,50	04/19/21	(98)
Non-deliverable forward	Liability	USD 400,000	3,498,24	02/24/21	(25)
					(43,474)

Exchange rate derivatives

The following table shows the notional capital amounts and the remaining terms of the exchange rate forwards and swaps at the end of the reporting period:

	Notional value of the hedged item in Colombian pesos	Fair value of derivative instrument asset (liability)
	December 2020	December 2020
Not designated as hedge accounting		
One year or less	250,058	(43,474)
Exchange rate derivatives	**250,058**	**(43,474)**

Sensitivity analysis of exchange rates and inflation rates

An analysis is prepared for the liabilities at variable rates, assuming that the pending amount of the liability at the end of the reporting period has been the pending liability for the whole year. When internally informing the key risk management staff of the interest rate risk, the increase or decrease of 100 bps on the spot market rate of the index is used, keeping the rest of the variables constant, which represents risk management's assessment of the possible reasonable change in the interest rates:

	CPI		IBR		LIBOR	
Annual	2020	2019	2020	2019	2020	2019
Profit before tax and discontinued operations	18,576	21,370	4,097	1,663	11,413	11,646

33.3.4 Credit risk management: Credit risk refers to the risk of one of the parties not meeting its contractual obligations resulting in a financial loss. The Company has adopted a policy to only become involved with solvent parties and to obtain sufficient collateral, when appropriate, as a way of mitigating the risk of financial loss caused by default.

In sales in which the Organization determines its counterparty in advance and agrees to special conditions that allow it to mitigate the risks of the counterparty, the Company adjusts its respective offers (price, payment method, etc.) so that they reflect the assessment made of the counterparty, as well as the amount exposed in each of the operations.

The credit risk of liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings awarded by credit rating agencies. Celsia applies a strict practice of distribution of its cash and investments, which mitigates the risk of concentration of its funds in the same entity or security.

The Company is exposed to credit risk with respect to the financial guarantees it grants to its subsidiaries. The Company's maximum exposure in this respect represents the maximum amount that the Company would have to pay in the event that the collateral is required.

34.3.5 Liquidity risk management:

Liquidity risk can be generated when there is insufficient capital structure and/or the return on investments is affected. This risk is managed through financial planning and cash administration exercises, with constant monitoring of cash flow. Additionally, through the design and monitoring of working capital needs and the capital structure, Celsia efficiently plans the sources and uses, guaranteeing financial flexibility, risk management and returns.

To mitigate the liquidity risk on the capital maturities and renewals of borrowings, Celsia regularly monitors the concentration of the debt maturities, which enables it to manage them in advance. It also has an ample portfolio of liquidity providers in different currencies, index rates and terms, which include Colombian banks, foreign banks, commercial financing companies, and securities market brokers, as well as the issuance of bonds and commercial papers on the capital market as a recurring issuer. Additionally, Celsia has uncommitted credit limits with Colombian and foreign banks of a sufficient amount to respond to any situation.

Celsia maintains a liquidity policy according to the flow of working capital, executing the supplier payment agreements in line with the established payment policy. This management is supported by the preparation of cash flow budgets, which are regularly reviewed, enabling the establishment of the liquid asset position necessary to respond to liquidity needs.

34.3.6 Rate risk: In light of the volatility risk of the spot market price, electricity wholesale in contracts is a hedging mechanism that allows the Company to maintain a stable or minimum flow of income in light of sales on the spot market, which record high volatility due to water levels and the spot market price. The Company has a commercial policy that limits concentration in spot market sales. The contracts are made with sales and distribution companies in Colombia with financial stability and experience.

34.3.7 Other price risks: The portfolio investments that remain in equity are maintained for strategic reasons and not for sales purposes. The Company does not actively trade these investments.

34.4 Analysis of the maturity of non-derivative financial liabilities

The following tables show Celsia's remaining contract maturity for its non-derivative financial liabilities with agreed reimbursement periods. The tables have been designed based on the financial liabilities' undiscounted cash flows based on the date on which Celsia must make the payments. The tables include the cash flows from both interest and capital. To the extent that the interest is at the variable rate, the undiscounted amount derives from the interest rate curves at the end of the reporting period. The contractual maturity is based on the minimum date by which Celsia must make the payment.

	Effective weighted-average rate	One year or less	From 1 to 5 years	Five years or more	Total	Book value
At December 31, 2020						
Financial liabilities that do not accrue interest	N/A	681,573	9,732	-	691,305	691,305
Instruments with variable interest rate	COP 5.93% AER; USD 5.29% AER	401,520	1,383,432	3,197,327	4,982,279	3,225,260
Instruments with fixed interest rate	COP 6.10 AER; USD 6.86 AER	326,461	486,594	153,405	966,460	727,273
Total		**1,409,554**	**1,879,758**	**3,350,731**	**6,640,043**	**4,643,838**

The contractual flows from the lease liabilities are disclosed in Note 8. Right-of-use assets and liabilities.

34.5 Maturity of derivative financial instruments

The following table shows the maturity of the derivative financial instruments of Celsia Colombia S.A. E.S.P. The table has been designed based on the net discounted contractual cash flows that are paid on a net base, and the gross discounted cash flow on the derivatives that require gross payment. When the amount payable or receivable is not fixed, the disclosed amount has been determined based on the projected interest rates, as illustrated in the return curves at the end of the reporting period:

	One year or less	From 1 to 5 years	Five years or more	Total	Book value
At December 31, 2020					
Forwards	(43,474)	-	-	(43,474)	(43,474)
Total	**(43,474)**	**-**	**-**	**(43,474)**	**(43,474)**

There were no derivative financial instruments in 2019.

NOTE 35. TRANSACTIONS WITH RELATED PARTIES

The immediate parent company of Celsia S.A. is Grupo Argos S.A., with its main business address in Medellín, Colombia, which holds a direct share of 52.93%, making it the controlling shareholder.

35.1 Qualitative information about relations between related parties

35.1.1 Relations between Celsia S.A. and its parent company Grupo Argos S.A.

- Dividend payment
- Air travel of employees
- Lease service of constructions and buildings
- Technical administrative support services

35.1.2 Relations between Celsia S.A. and entities with significant influence on the Group

- Insurance policies taken out by the Company to protect its production assets, mainly covering material damage caused by fire, explosion, short circuit, natural disasters, terrorism and other risks

35.1.3 Relations between Celsia S.A. and joint ventures

- The transactions mainly account for the sale of distribution and transmission assets by Celsia Colombia S.A. E.S.P. to Caoba Inversiones S.A.S.
- Representation contract with Caoba Inversiones S.A.S. for the operation of distribution and transmission assets in Tolima and Plan 5 Caribe
- Loans to be used as working capital

35.2 Quantitative information about relations between related parties

The following commercial transactions were made with related parties during the period:

	Parent company	Entities with significant influence on the Group	Associates	Joint ventures	Key management staff	All related parties
2020						
Sale of assets and other income	-	14,668	-	24,608	-	**39,276**
Purchase of assets and other expenses	30	60,841	1,901	-	48,877	**111,649**
Amounts receivable	-	4,723	1,491	330,462	5,024	**341,700**
Amounts payable and prepayments received	54,657	63,132	785	35,040	-	**153,614**
Lease assets	-	67,969	-	-	-	**67,969**
Lease liabilities	-	55,485	-	-	-	**55,485**
2019						
Sale of assets and other income	-	16,115	-	1,659	-	**17,774**
Purchase of assets and other expenses	-	68,837	7,919	-	47,530	**124,286**
Amounts receivable	-	44,490	-	456,624	2,598	**503,712**
Amounts payable and prepayments received	26,055	37,738	1,118	52	-	**64,963**
Lease assets	-	67,969	-	-	-	**67,969**
Lease liabilities	-	62,227	-	-	-	**62,227**

At December 31, 2020 and 2019, the Company had not recognized impairment and expenses due to the impairment of the amounts receivable from related parties. The Company has granted guarantees of balances payable to related parties. The transactions between the reporting company and its related parties are made in equivalent conditions to those that exist in transactions between independent parties.

The average term of the accounts receivable from related parties for the sale of goods is 30 days, and the accounts payable to related parties have an average term of 30 days. The average term of the loans in 2020 is one year.

35.3 Payment of key management personnel: Payment of executives and other key members of Management during the year was as follows:

	2020	2019
Short-term benefits	43,582	41,972
Long-term benefits	3,920	4,244
Professional fees (1)	1,375	1,313
Credits granted to key management staff (2)	5,024	2,598
	53,901	**50,127**

(1) The payments of professional fees consist of the payments for attending meetings of the Board of Directors and the supporting committees for its management.

(2) The credit balances granted to the Company's executives at the end of December 2020 and 2019, mainly for housing, special loans to senior executives, and vehicle and health insurance.

NOTE 36. BUSINESS COMBINATIONS

At December 31, 2020, the process of allocating the purchase price related to the acquisition of the commercial establishment had been completed, which includes all the transmission and distribution assets and the electricity sales business in Tolima, formerly operated and owned by Compañía Energética del Tolima S.A. E.S.P.

New business combinations had not been made at December 31, 2020.

NOTE 37. JOINT ARRANGEMENTS

37.1 Joint operations

At the cut-off of December 31, 2020, the following operations were presented, where the Company operates jointly:

With Blanco y Negro Masivo S.A. and with Blanco y Negro Móvil S.A.S.

They are companies dedicated to providing the service, and managing and operating the massive transportation system in Cali, with its registered business address in the municipality of Yumbo, Valle del Cauca. Celsia Colombia signed a business cooperation agreement with the aim to provide the massive passenger transportation public service in Cali with electric buses, by virtue of the transportation agreement that Blanco y Negro Masivo has signed with Metro Cali. The share of Celsia Colombia S.A. E.S.P. in the cooperation agreement is 50% and its contribution to the business is providing the electric fleet required to operate the transportation service agreement. Like in every cooperation agreement, the parties share the risks and rewards of the business.

With Cubico Colombia S.A.S.

Company with the corporate purpose to jointly invest in the development, construction and start-up of solar power generation projects with its main registered address in the city of Bogotá. Celsia Colombia has entered into a joint arrangement with a 50% share in the business. The main purpose of the cooperation agreement is the joint exploitation of power generation using renewable energy in Colombia and like every cooperation agreement, the parties share the generated risks and rewards. Cubico has global experience in renewable energy projects. In turn, Celsia Colombia has ample experience in the planning, structuring, construction, management and operation of solar power plants.

With PC Mejía S.A.

An electrical engineering company, which has the corporate purpose of building and installing electricity solutions, and more than 20 years on the market and experience in more than 450 projects of this kind. Celsia Colombia has entered into a joint arrangement with a 50% share. The purpose of the business is the exploitation and installation in joint projects of electrical engineering, electricity assets and lighting. By virtue of this, the parties will make different contributions to the business and they will share the generated risks and rewards.

NOTE 38. OTHER DISCLOSURES

38.1 Energy supply commitments

At the end of 2020, the Organization's companies had the following commitments for the supply of energy, which did not generate the recognition of a liability:

Celsia Colombia: At the close of 2020, Celsia Colombia had commitments with third parties for the electricity supply acquired through the traditional energy sales process (traditional public calls for tender) or through the Centralized System of Public Calls for Tender Information (SICEP in Spanish) until 2025. In turn, and as a result of the UPME auction process for non-conventional renewable energy sources, it has energy sales contracts until 2036. Said commitments are financial contracts and they do not have the obligation of physical delivery from any power plant in particular. In the event that the seller does not have the electricity, this is supplied through the spot market at the seller's cost.

All of the contracts with third parties are "contract pay" agreements where the amounts are established according to the hours and the majority of the prices are set in COP/kWh of a month and are indexed on a monthly basis to the Producer Price Index. For the contracts resulting from the UPME auction, an additional correction is made to the rate due to the actual evolution of the real equivalent cost of energy (CERE in Spanish).

Cetsa: At the close of 2020, Cetsa did not have commitments for the supply of electricity with third parties. Until 2035, it has commitments with one related company (Celsia Colombia). The amounts of the contract with Celsia Colombia will depend on the generation of Cetsa's power plants in ideal dispatch versus the signed contracts, and they will be equal to the surplus. Said commitments are financial contracts and they do not have the obligation of physical delivery from any power plant in particular. In the event that the seller does not have the electricity, this is supplied through the spot market at the seller's cost.

Alternegy S.A.: At the end of 2020, it had the following relevant commitments:

- Contracts of commitments for the supply of power and electricity with distribution companies, and power and energy reserve contracts with other energy generation companies.
- Power reserve contracts with an annually renewable supply period.

Bontex S.A.: At the end of 2020, it had the following relevant commitments:

- Contracts of commitments for the supply of power and electricity with distribution companies, and power and energy reserve contracts with other power generation companies.
- Power reserve contracts with an annually renewable supply period.

Bahía Las Minas Corp.: At the end of 2020, it had the following relevant commitments:

- Contracts of commitments for the supply of only power with distribution companies, and electric power reserve contracts with other power generation companies.
- Power reserve contracts with an annually renewable supply period.

Celsia Centroamérica S.A.: At the end of 2020, it had the following relevant commitments:

- Contracts of commitments for the supply of only power with distribution companies, and power and energy reserve contracts with other power generation companies
- Power reserve contracts with an annually renewable supply period.

38.2 Contingencies

Celsia and its subsidiaries mainly have the following events that could generate liabilities:

Celsia Colombia S.A. E.S.P. (formerly Epsa): On March 14, 2014, through an official settlement, the National Directorate of Taxes and Customs (DIAN in Spanish) amended the company's private liquid income of the 2010 tax year, considering that the deduction for investment in fixed assets taken for the construction of the Cucuana Hydroelectric power plant does not comply with the requirements indicated in current regulation. In accordance with the aforementioned, the tax and the penalty for the inaccuracy, both under discussion according to the settlement of the DIAN, would amount to COP 16,800 and COP 26,880, respectively.

The company proceeded to file the corresponding appeals, which were ruled against the company's interests. As a result of the above, the appeal for annulment and reestablishment of the right was filed with the Administrative Tribunal of Valle del Cauca against the applicable administrative proceedings. Subsequently, the appeal was amended to include as evidence a recent ruling of the Council of State, which confirms that the deduction for investment in real fixed production assets (Art. 158-3 of the Tax Law) acquired through financial lease is applicable in the year in which the investment is made or in which the contract is signed. After completing the initial stages of the proceedings and the initial hearing on August 8, 2017, the company submitted its closing arguments. Currently, the document is under study for the issue of the ruling in the first instance before the Administrative Tribunal of Valle del Cauca.

The company currently has 61 active proceedings in labor law courts and the contentious-administrative and enforcement proceedings started by entities. The main demands of these proceedings are: declaration of the work contract as legitimate, compensation for dismissal without just cause, declaration of employer misconduct resulting from an occupational accident and payment of compensation for damages, pension replacement, and pension penalty. No accounting provision has been recognized for these proceedings given their remote or possible probability.

In the ruling of the writ for the protection of constitutional rights T462 A against the company and other entities, issued on July 8, 2014, by the Constitutional Court, some obligations were established to improve river and land transportation for the communities of Cerro Tijeras and Honduras, which are in the area of influence of the Salvajina power plant's reservoir. To date, progress has been made in the prior consultations with the plaintiff communities involved in compliance with the legal ruling. Notwithstanding the aforementioned, for the submission of the Environmental Management Plan (hereinafter EMP) of the Salvajina hydroelectric power plant, the prior consultation processes need to be completed with the other communities of the area of influence (which are not part of the writ for the protection of constitutional rights), without which it is not possible to register or have the plan authorized by the relevant environmental authority within the process of establishing the EMP. Therefore, it is reported that the implementation costs of the measures stated in the ruling will be budgeted and executed in the framework of the programs of the EMP, which will be managed for the operation and maintenance of the hydroelectric power plant.

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

NOTE 39. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS

Financial investments measured at fair value through profit or loss

To comply with the fair value recognition of the insurance premium for the cell that the Company took out with Sura SAC, the liability of said cell is reclassified with a balance at December 31, 2019, of COP 5,644, as the lower value of the investment in the premium, ensuring the comparability of the financial information.

	December 31, 2019, with reclassification	December 31, 2019
Assets		
Non-current assets		
Other financial investments	72,380	78,024
Liabilities		
Current liabilities		
Other non-financial liabilities	289	5,933

This change affects the note of other financial investments and the note of other non-financial liabilities, as follows:

	December 31, 2019, with reclassification	December 31, 2019
Financial investments through profit or loss	72,280	77,924
Financial investments through other comprehensive income	10,820	10,820
Total financial investments	**83,100**	**88,744**

Business name	Investment type	Currency	USD (thousands)		COP	
			2019(*)	2019	2019(*)	2019
Sura SAC LTD – Cell Celsia	Captive reinsurance company investment	USD	10,570	10,570	34,639	34.639
Sura SAC LTD – Cell Celsia	Captive insurance company premium investment	USD	11,486	13,208	37,641	43.285
Total financial investments through profit or loss			**22.056**	**23,778**	**72,280**	**77,924**

(*) December 2019 with reclassification

Other non-financial liabilities

	December 31, 2019, with reclassification	December 31, 2019
Income received in advance	289	5,933
	289	**5,933**

Deferred tax

Regarding the 2019 term, for the purposes of comparison and according to IAS 12 for the purposes of presentation, the deferred tax assets and liabilities shall be offset so that only the net offset deferred tax will be shown. Therefore, the reclassification is carried out as follows:

	12/31/2019	01/01/2019
Deferred tax assets	7,560	52,105
Deferred tax liabilities	(324,264)	(384,453)
	(316,704)	**(332,348)**

NOTE 40. RELEVANT EVENTS DURING THE REPORTING PERIOD

40.1 Impacts of the economic, social and ecological emergency due to the effects of COVID-19

Regarding the management carried out during the global health emergency due to COVID-19, the Company reports that through the Enterprise Risk Management System, aligned with global standards and practices, it continues to constantly identify, analyze and assess the risks, assessing the potential impacts and establishing preventive and containment measures so that the businesses are not affected. Operations have continued in all areas, so the provision of the electricity utility has been guaranteed, deemed by the State as essential during the emergency.

The Company continues its crisis and risk management board to constantly monitor the emergency, which as well as the Steering Committee, includes all operations and critical processes. It has defined priorities and has been working on the following principles of action:

i) **Job protection and maintenance:** We keep applying all the measures to take care of employees: The administrative team continues to work remotely and the operating team implements social distancing protocols, use of biosafety equipment and the adaptation of infrastructure. Thanks to all the biosafety protocols implemented, we have managed to keep operations safe and take care of our employees' integrity with a low rate of infection. Similarly, the Company has provided additional physical and emotional well-being support for its employees. The adopted protocols have been shared with the service providers so that their staff adopt them.

ii) **Payment terms were reduced for suppliers:** As part of this principle of action, the Company reduced the terms for payment for its suppliers, improving the available cash for these companies, which are mostly SMEs. With this support, the Company hopes that its suppliers will have sufficient cash flow to maintain their operations and protect their employees' jobs.

iii) **Customer support and assistance:** As well as the benefits that customers can use to defer the payment of their electricity bill, especially those in socioeconomic levels 1 to 4, payment agreements were also facilitated for those who requested them in socioeconomic levels 5 and 6, as well as commercial and industrial clients. The virtual and in-person customer service channels were improved in order to facilitate communication. The rate for distribution clients has been frozen since March.

iv) **Solidarity:** As part of the efforts and contributions of Grupo Empresarial Argos to improve the health system and support the most vulnerable families during the COVID-19 emergency, Celsia Colombia S.A. E.S.P. has joined different initiatives and made donations to non-profit organizations, benefiting hospitals and institutions with medical supplies and equipment, as well as providing nutritional kits and drinking water for vulnerable population groups. We have executed public-private partnerships with Fundación Valle del Lili.

v) **Protection of financial flexibility:** This financial strategy has focused on four areas: (i) the reduction of cash flow needs while maintaining commitments and service quality; (ii) the maintenance of liquidity; (iii) the availability of credit lines to meet the short-term needs that may arise under the circumstances; and (iv) the availability of economic resources to support customers and suppliers.

Regarding the public utility portfolio, the Company reviewed and adjusted the method used to determine the expected credit losses or impairment to cover the substantial changes in credit risk caused by the emergency. As a result of said review, during the fourth quarter, an impairment of COP 6,256 was recognized, with accumulated impairment at December 2020 of COP 15,689.

The debt associated with socioeconomic levels 1 to 4 is excluded from said calculation because these customers are the direct beneficiaries of the Colombian Government's measures. Therefore, the risk of collection is minimized through the stated economic reliefs applicable for essential services such as electricity. It is worth highlighting that this exclusion applies from March to July. Therefore, the impairment will be applied to the other months of the year.

40.2 Regulatory aspects and issuance of regulations during the economic and health emergency caused by COVID-19

As part of the economic and health emergency, the Colombian Government and control bodies have issued certain decrees with a specific scope for companies in the residential public utilities sector.

Through Resolution 385 / March 12, 2020, the Ministry of Health and Social Protection declared a health emergency until May 30, 2020, with the aim to prevent and control the propagation of COVID-19 and mitigate its effects. This emergency was extended until August 31, 2020, through Resolution 844/2020; date which would be used as a reference for the extension of the terms of some of the provisions established in the issued resolutions.

The Colombian Government declared the state of economic, social and ecological emergency throughout Colombia through Decree 417 / March 17, 2020, as a result of COVID-19, announcing some measures to mitigate its adverse effects on the social and economic sectors.

Upon the declaration of the state of economic, social and ecological emergency, the Colombian Government has adopted additional measures necessary to mitigate the crisis and prevent the expansion of its negative economic effects, as well as ensuring the necessary budget operations to carry them out.

These measures have also been directed at the residential public utilities sector with the aim to ensure the ongoing supply to users and offer them support and economic relief during the lockdown, while minimizing the effect on the sector's financial stability. These measures include:

Decree 517 / April 4, 2020 - Which rules the provisions on electricity and fuel gas public utilities as part of the state of economic, social and ecological emergency declared by Decree 417/2020.

a. Deferred payment of the electricity and gas residential public utilities:

   Subsistence consumption is the minimum electricity consumption that a household requires to meet its basic needs. The Colombian Government subsidizes part of this consumption with a discount on the rate. The subsidy is currently up to 60% for socioeconomic level 1 and up to 50% for socioeconomic level 2. For customers who consume more than the "subsistence consumption", the full rate is charged and without the subsidy.

b. Financing of deferred payments:
   - Financing shall be mandatory for the resellers if a liquidity line is established at a nominal interest rate of 0% for the same term for which the charge is deferred.
   - The application to the customer is mandatory, even when the company chooses not to use it.
   - The companies must offer a minimum discount of 10% on the unsubsidized value to customers in socioeconomic levels 1 and 2 who pay their bill on time, which will be reflected in the following bill.
   - Companies that do not offer the discount will only be able to access the financing line for 75% of the amount to defer.

c. Source of information to define the amount to finance:
   - The liquidity line shall be granted using the historical consumption data and the unit costs according to the data from the Single Information System.
   - A multilateral or bilateral financial institution that offers the liquidity line may require guarantees such as:
     i. Transfer of the accounts receivable or bills owed by users from any socioeconomic level.
     ii. The subsidies incurred or that are going to be received.
     iii. Any other sufficient type of collateral for the multilateral or bilateral financial institution that offers the liquidity line.

d. Adoption of extraordinary measures in the provision of public utilities:

   During the economic emergency, the CREG may:
   - Temporarily adopt special systems to defer the payment of the issued bills.
   - Temporarily adopt all the measures, utility rate provisions and special regulatory regimes that it deems necessary.
   - Not apply the terms and procedures for consulting regulation.

e. "*Comparto mi energía* (I share my energy)" voluntary donation:
   - Residential users of socioeconomic levels 4, 5 and 6 and commercial and industrial users may make a voluntary contribution to provide economic relief for the payment of electricity and fuel gas residential public utilities.
   - The residential users who will be the beneficiaries of the voluntary donation shall be defined by the Ministry of Mines and Energy.
   - For this, we have to include in the bills of all users from socioeconomic levels 4, 5 and 6, as well as commercial and industrial users, a value that includes a suggested amount or percentage of the bill as a "*Comparto mi energía*" voluntary donation.
   - A way for users to pay a different amount or percentage must also be facilitated.
   - Companies must report the application of "*Comparto mi energía*" to the Superintendence of Residential Public Utilities.

f. Prepayment of subsidies:

   During the 2020 term, provided that there is available cash and budget for the subsidy funds, the Ministry of Mines and Energy may:
   - Assign subsidies in advance for the users of socioeconomic levels 1 and 2.
   - Assign the subsidies through lower rates than 2019 for the resellers, without requiring a definitive validation of the amounts.
   - Before December 31, 2020, the respective reconciliations and validations must be made for the early payments of subsidies made.

g. Assumption of public utility payments by the territorial entities:
   - During the term of the declared state of emergency, the territorial entities will be able to assume part or all of the costs of the electricity or natural gas public utilities within their jurisdiction.

- If they do so, they must transfer the funds in time to the resellers that supply said users.
- When this occurs, the amount assumed by the regional entity shall be applied to reduce the utility rate for the users determined by the respective territorial entity.

Decree 581 / April 2020 - Through which measures are adopted to authorize a new transaction with Findeter, which establishes the operating conditions of the direct loans that this entity may directly offer to public utility companies associated with the liquidity line stated in Decree 517 and that permits the financing of the bills for socioeconomic levels 1 and 2 up to "subsistence consumption" at a 0% interest rate for a term of 36 months.

- Direct loan to residential public utility companies. After this Decree comes into effect and until December thirty-one (31) of two thousand and twenty (2020), with prior verification of the Financial Superintendence of Colombia that the requirements for the administration and management of the comprehensive risk management systems are met, Financiera de Desarrollo Territorial S.A. (Findeter) may grant direct loans to public, mixed and private residential public utility companies overseen by the Superintendence of Residential Public Utilities. This is with the aim to provide them with the necessary cash flow or working capital to implement the measures adopted by the Colombian Government to mitigate the effects of the economic social and ecological emergency declared through Decree 417/2020.
- Financiera de Desarrollo Territorial S.A. (Findeter), through the credit regulations it rules, shall establish the general financial conditions of the loans that are granted through the transaction authorized by this legislative decree. The financial transactions granted by virtue of this article may have special conditions such as zero interest rate.
- The amounts shall be subject to credit review by Financiera de Desarrollo Territorial S.A. (Findeter), with prior verification of the respective ministry or the Superintendence of Residential Public Utilities.
- The disbursement transactions established in this legislative decree shall be exempt from financial transaction tax in accordance with Article 215 of the Colombian Constitution. For this purpose, Financiera de Desarrollo Territorial S.A. (Findeter) shall indicate where the funds for these operations will be solely and exclusively managed.

Resolution 058 / April 2020 -CREG- Through which temporary measures are adopted for the payment of the electricity bills. Decree 517 regulates that:

- The temporary rules do not apply to concepts other than the electricity consumption included in the bill (public lighting, cleaning, rates, etc.).
- Applies for:
    i. Socioeconomic levels 1 and 2 for consumption that exceeds basic or subsistence consumption (that is, consumption not covered by Decree 517).
    ii. Socioeconomic level 3, for consumption less the subsidy applied to the user.
    iii. Socioeconomic level 4 for the total consumption value.
- All the resellers must offer their residential users in socioeconomic levels 1 to 4 options to defer their bill payments. Applies to the bills for April and May.
- For the other regulated users, before suspending the service due to failure to pay, the reseller must offer deferred payment options.
- It must offer the option of deferred payment or paying the total value of the bill. In the event of failure to make the deferred payment, the reseller may suspend the service.
- Grace period. The reseller must offer residential users from socioeconomic levels 1 to 4 a grace period so that the first payment of the deferred bills can be made two (2) months after May 30.
- Payment term: The reseller must offer users the following payment terms:
    i. For residential users of socioeconomic levels 1 and 2, a term of 36 months at no extra cost.
    ii. For residential users of socioeconomic levels 3 and 4, a term of 24 months charged at the rate of the CPI.
    iii. For the other regulated users, the term shall be agreed between the parties.
- The transmission and distribution company can voluntarily apply the lower value of the distribution and transmission charge.
- When there is an increase in the rate over 3%, the application of the utility rate option is mandatory. Resellers that are currently applying the utility rate option must use the sales price variable with a zero (0) value from the issue of this resolution and until two (2) months after May 30 (that is, not increase the rate for two months).

Decree 798 / June 2020 - Extension for the deferred payment of electricity and fuel gas residential public utilities:

- Resellers of electricity and fuel gas residential public utilities through grids can defer the cost of basic or subsistence consumption for a term of thirty-six (36) months for residential users from socioeconomic levels 1 and 2. This will be deferred to the consumption of the next bill, as established in Article 1 of Decree 517/2020, and the resellers cannot charge any interest or financial costs to the end user for the deferral of payment.
- It will only be mandatory for the residential public utility companies of electricity and fuel gas through grids if the liquidity line stated in the following article is established for residential public utility companies of electricity and fuel gas through grids at a nominal interest rate of 0% for the same term for which the billing of basic or subsistence consumption described in this article is deferred in the respective bill.
- Resellers of electricity and fuel gas public utilities though grids that take the liquidity line established in the following article at a nominal interest rate of 0% for all of the amount to defer must offer a discount to residential users of socioeconomic levels 1 and 2 of at

least 10% off the next bill's unsubsidized value. Resellers of electricity and fuel gas public utilities through grids that do not offer said discount shall only be able to access the liquidity line at the nominal interest rate of 0% for 75% of the total amount to defer.

- In this case, or in the event that the public utility companies choose not to take the aforementioned liquidity line, they shall not be able to transfer any interest or financial costs to the user derived from a mechanism to cover the deferral of the bill payment.
- To finance the deferred bill payments of socioeconomic levels 1 and 2, public utility companies of electricity and fuel gas through grids will be able to take out direct loans with Findeter to obtain cash flow or working capital.

Resolution 043 / April 2020 - Programs to limit the supply or for suspension of the withdrawal of market agents:

Suspension of supply limit: During the three months following this resolution coming into effect, the programs to limit supply shall not be applied. Once the term established herein ends, they shall be resumed.

Suspension of the withdrawal of market agents: For the three months following this resolution coming into effect, exclusive energy resellers that default on payments shall not be withdrawn from the Wholesale Energy Market. Once the three months are over, the procedure shall be resumed to remove the agents in default from the market. This measure generates a large debt risk during three months of consumption from the independent resellers that will not have backing for their debts.

Interest rate for default on the payments of the Administrator of the Commercial Exchanges System (ASIC in Spanish) and the Liquidator and Account Administrator (LAC in Spanish): The payment of default interest is established at the ordinary commercial loan rate.

CREG Resolution 050 / April 2020 - Amendment of the system of guarantees and deferred payments of Wholesale Energy Market (WEM) resellers:

- Amount to defer for transactions on the WEM. Up to a maximum value of 20% of the payment obligations invoiced by the ASIC shall be deferred, charged to the reseller, for transactions carried out on the Wholesale Energy Market during April and May 2020.
- The maximum percentage of payment obligations to defer in May 2020 may be adjusted upon the justified request of the reseller, according to its collection and external financing conditions.

Resolution 056 / April 2020 - Defines the temporary dates for the issuance and payment of invoices for the publication of information and presentation of guarantees**:**

- The term is extended for the payment of invoices with the ASIC and LAC to April 30. Similarly, the bills of the ASIC and LAC of May will have the payment date of May 29.
- Additionally, the term and validity rules of the financial guarantees are adjusted so that they cover the payment terms.
- The CREG did not include the measure established in the comments version associated with the obligation of agents to defer 20% of the accounts with the ASIC, the LAC, and bilateral contracts.

Resolution 061 / 2020 - Mechanism to defer the payment obligations of the resellers invoiced by the ASIC and LAC, and those settled by the LAC during April and May 2020:

- Beneficiary agents: Reseller agents with collection problems in April and May 2020 and which have demand at the time of issue of Legislative Decree 457 / March 22, 2020, with the exception of reseller agents that exclusively attend to unregulated users.
- Amount to defer for transactions on the WEM. Up to a maximum value of 20% of the payment obligations invoiced by the ASIC can be deferred, charged to the reseller, for transactions carried out on the Wholesale Energy Market for payments due in April and May 2020.
- Payment term for the deferred amounts: The payment terms of the sum of the deferred amounts in April and May, including interest, will be twelve (12) months counted from July 2020.

NOTE 41. EVENTS THAT OCCURRED AFTER THE REPORTING PERIOD

There were no relevant events that occurred after the closure of the financial statements and until the date of their approval that could significantly affect the financial position of the Company reflected in these financial statements.

However, it is reported that on January 21, 2021, the Board of Directors of Celsia Colombia S.A. E.S.P. authorized the Company's registered agents to sign a loan agreement with Scotiabank Colpatria for COP 265 billion, due in four years to convert into Colombian pesos *and* to extend the term of the current credit facility the Company has with this banking group in U.S. dollars. Renewal of the loan improves the Company's maturity profile with a competitive interest rate.

Additionally, it authorized the Company's registered agents to guarantee the debts that Termoeléctrica El Tesorito S.A. E.S.P. will acquire by virtue of the letters of credit that said company must issue in the name of Wärtsilä Finland OY for up to EUR 42.7 million to pay for the construction of the power plant. The company to guarantee is a corporate vehicle with controlling interest in the company, through which it is developing the El Tesorito thermal power plant project of 200 MW, located in the municipality of Sahagún.

Additionally, with the aim to update the debt limits according to the budgeted investment levels and to meet the operating needs of the business, which can be used or not by the Company, the Board of Directors authorized the renewal of the amount to carry out credit transactions due in up to two years with Colombian or foreign financial institutions through revolving or portfolio credit lines, for a value of up to COP 400 billion or its equivalent in U.S. dollars. The authorization will be valid until February 28, 2022, and will not involve an increase in the Company's level of debt.

Finally, the Board of Directors authorized a limit for performing derivative operations for an amount of up to USD 150 million in order to implement hedges related to financial variables (interest rates, exchange rates) in the budget and business plans of the Company's different initiatives. The authorization is valid up to February 28, 2022.

NOTE 42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were authorized for their disclosure by the Board of Directors on February 23, 2021. These financial statements will be submitted for the consideration of the highest corporate body, which can approve or reject them.