CELSIA S.A.

Separate Financial Statements
As at December 31, 2021 and 2020

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NOTE 1. GENERAL INFORMATION

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

Celsia was incorporated by Public Deed no. 2912, dated 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. 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 Circuit, registered in the Medellín Chamber of Commerce for Antioquia on September 13, 2019.

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.

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., 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.

Celsia Colombia S.A. E.S.P.

Celsia Colombia 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, Celsia Colombia S.A. E.S.P. 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 S.A. E.S.P. operates 15 hydroelectric power plants with a capacity of 1,105.033 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. The Company has a thermal power plant with a capacity of 167 MW, which Celsia S.A. owns and is located in Barrancabermeja. Additionally, Celsia Colombia S.A. E.S.P. has four solar farms with an installed capacity of 38 MW, as follows: Yumbo, Bolívar, Espinal and Carmelo.

For transmission and distribution activities, Celsia Colombia S.A. E.S.P. owns 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, 3 municipalities of the Cundinamarca Department, and 2 municipalities of the Chocó Department.

Two very important vehicles were structured in 2019 to strengthen the medium and large-scale solar power generation projects, as well as energy transmission and distribution activities in Colombia, achieving an agreement with Cubico Sustainable Investments to boost these businesses.

In 2019, the Company started to operate a new telecommunications business, offering fiber-optic internet plans to homes in the municipality of Palmira, Valle del Cauca. In 2020, it extended its coverage to the municipalities of Jamundí and Candelaria. It currently has just over 7,000 internet service customers, covering 304 km with fiber optics, and with an internet consumption capacity of 10 GB per second.

Celsia S.A. has 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 change the 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 (tax identification number) 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.

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 / September 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, for the Spanish original) 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.

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. Celsia Colombia S.A. E.S.P. has 100% share of Celsia Move S.A.S. 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, for the Spanish original). Its main activity is the transportation of passengers and its secondary activity is the rental and lease of automotive vehicles.

In November 2021, after meeting all the precedent conditions agreed upon, Celsia Colombia, the company through which the Celsia Move was consolidated, finalized the sale to VIP Green Mobility Sarl of 100% of the shares in which the capital stock of Celsia Move S.A.S. is divided.

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., a company that holds 430 shares, opted to be governed by the laws of the Republic of Panama under the name of CTC Curazao, S. A., with 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 Water and Electricity Resources Institute (IRHE, for the Spanish original) by Resolution No. 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 between the issuer and the National Public Utilities Authority (ASEP, for the Spanish original).

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 grid 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.

In line with matters previously described, during 2021 the activities defined in the plan for the disposal of assets and repayment of debts defined by the shareholders in 2020 were executed. This plan contemplated the sale of assets, the payment of debts in cash, the payment of debts with securities of a liquidation trust and the cancellation of balances with their corresponding settlement.

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 Centroamérica

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 area. Through a contract between Celsia Centroamérica S.A. (Panama) and CTC Curazao B.V. (Curaçao), dated December 28, 2018, CTC Curazao B.V. agreed the subscription of 430 Celsia Centroamérica S.A. share certificates with voting rights in the company’s capital. As part of the Group’s restructuring process in Central America, through the agreement dated November 26, 2019, signed by Celsia Centroamérica S.A. and Alternegy S.A., part of the debts that existed between both of them was offset.

Subsequently, Celsia Centroamérica S.A. capitalized the balance of the accounts receivable it held with Alternegy S.A. and Bontex S.A. by virtue of the subscription contracts of subscribed shares on December 11, 2019. Finally, in 2020, 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 August 2021 Celsia S.A. capitalized Celsia Centroamérica S.A. for USD 10.2 million; resources that were destined to loans to related parties.

Alternegy S.A.

The company was incorporated through Public Deed no. 3008, dated September 03, 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. Celsia Centroamérica is the owner of 100% of the shares in the company Alternegy S.A., with which, as the Parent Company, Celsia S.A. has an indirect share of 100% in this company.

Its main economic activity is electric power generation. The company is authorized to install, operate and use 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, for the Spanish original), currently the National Public Utilities Authority (ASEP, for the Spanish original).

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 electricity generation services 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, comprised of 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.

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. Celsia Centroamérica is the owner of 100% of the shares in the company Bontex S.A., and the Parent Company has an indirect share of 100%.

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 September 12, 2007, the Company obtained the concession for the construction and use of an electric power plant, and it was authorized to provide public electricity generation utilities through a hydroelectric power plant. Said concession was granted for a term of 50 years that expires in September 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 use 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 Regulatory Body of Public Utilities (ERSP, for the Spanish original), 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.

In Costa Rica:

Enerwinds de Costa Rica S.A.

Company 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.

In turn, Enerwinds de Costa Rica S.A. has two Costa Rican subsidiaries, the shareholding percentage and their dates of incorporation are detailed below:

Company	Share Percentage	Date of Incorporation
Planta Eólica Guanacaste S.A. (PEG)	100%	June 06, 2006
LandCo La Gloria S.A.	100%	May 06, 2008

The corporate purpose of Enerwinds de Costa Rica S.A. is to develop and invest in electricity generation projects. In 2018, PEG Operaciones Ltda. and Planta Eólica Guanacaste S.A. (PEG) merged into the latter. The corporate purpose of Planta Eólica Guanacaste S.A. (PEG) is the construction and operation of a wind power plant for a term of 18 years, which it will subsequently deliver to the Costa Rican Institute of Electricity (ICE in Spanish), so all of the energy that the power plant produces will 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 implement 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 and third parties, when by virtue of them, it perceives economic remuneration, 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 had a share of 60% of the Company's capital, 20% of which was sold to its subsidiary Celsia Centroamérica S.A. and from March 2020, the remaining 40% belongs to the Instituto de Previsión Militar de Honduras, a legal entity with its own equity. Celsia S.A. does not have a direct share in the Company, but through Celsia Centroamérica S.A., it has a share equivalent to 60%.

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 and Panama with the aim to become investment vehicles for new non-conventional energy projects:

Company	Celsia's shareholding	Corporate purpose	Country	Date of Incorporation
Celsolar S.A .	100%	Electric power generation	Panama	January 06, 2016

NOTE 2. STATUS OF COMPLIANCE AND BASIS OF PRESENTATION

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, 1432/2020 and 938/2021, Celsia S.A. 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) issued in the second half of 2020.

These separate financial statements were prepared to comply with the legal provisions that the Company is subject to as an independent legal entity. Some accounting principles may differ from those applied in the consolidated financial statements and, additionally, they do not include the adjustments or eliminations necessary for the presentation of the consolidated financial position and consolidated comprehensive income of the Company and its subsidiaries.

Therefore, the separate financial statements must be read together with the consolidated financial statements of Celsia S.A. and its subsidiaries.

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

Additionally, in compliance with the laws, decrees and other effective standards, the Company applies the following accounting criteria pursuant to the tax regulations (see Note 27. Income tax) 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. 2021 was a year of transition and economic reactivation following the pandemic, in which the company continued to implement mitigation plans to address the impacts produced by the emergency declaration, which allow us to conclude that the ability to continue as a going concern is not affected (see Note 33 Significant events during the reporting period).

In compliance with the provisions of Decree 1378 of October 28, 2021, the Company performed permanent monitoring of the financial statements, financial information and projections of the Company during 2021 to establish the existence or possibility of impairments and insolvency risks; although the result of the current ratio indicator is lower than 1.0 during the last two periods, the Company has adequately managed its working capital in terms of actions that have led to improving the indicator, concluding that there are no alerts regarding impairment and insolvency risk.

2.3 Basis for Preparation

In its bylaws, Celsia S.A. has established December 31, 2020, as the cut-off date for its accounts to prepare and disclose its general financial statements once a year. For legal purposes in Colombia, the main financial statements are the separate financial statements, which are expressed in thousands of Colombian pesos as the presentation or reporting currency for all purposes. The functional currency (Colombian peso) is the currency of the main economic environment in which Celsia operates.

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

- The non-derivative financial instruments at fair value through profit and loss are measured at fair value.
- Investments in subsidiaries, associates and joint ventures measured using the equity method.
- With respect to employee benefits, the defined benefit assets are reported as the net total of the plan's assets, plus the costs of unreported past services, and the unreported actuarial losses, less the unreported actuarial earnings and the present value of the defined benefit obligation.

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.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and bases established below have been consistently applied in the preparation of the separate 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 or other activities 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 Company's functional currency is generated, applying the effective exchange rate on the date on which the transaction is made.

Cash equivalents are reported when there are investments that have a maturity of less than three months from the acquisition date 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 current exchange rates on the dates the transactions are made. At the end of each reporting period, the monetary entries 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 reported 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; and
- 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 reported 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 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 goodwill and the 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 shall be reported in other comprehensive income and accumulated equity.

3.3 Leases: The 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 assessed 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.

Celsia as lessor: Celsia recognizes new assets and liabilities for its operating leases of meters and some plots of land included in the extension of land where it carries out part of its 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 recognizes 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 reported 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 Colombia 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.

Celsia 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 are not reimbursable by the lessor are reported as the higher value of the right-of-use asset.

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

Celsia presents 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 classifies 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 reported. The lease payment associated with these leases is reported as a linear lease expense during the term of the lease.

In May 2020, the IASB issued an amendment to IFRS 16 named “COVID-19 -Related Lease 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 46(a) and 46(b) to IFRS 16, exempting lessees from having to consider lease contracts individually to determine whether the rental concessions produced as a direct consequence of 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 Company’s financial statements.

3.4. 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 value of the Company’s equity and non-controlling interest is 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 reported directly in equity and it is attributed to the shareholders of the Controlling Company.

When the 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 consideration 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 non-controlling interest. The amounts previously recognized in other comprehensive income related to this subsidiary are recorded as if the Company had directly sold the relevant assets (that is, reclassified to profit or loss, or transferred to another equity category as specified/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.

3.5 Financial instruments: Financial assets and liabilities are recognized when an entity 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 reported in profit or loss.

When estimating the fair value of an asset or liability, the Company 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 separate financial statements is established on this basis, except for leasing transactions within the scope of IFRS 16, and measures that have some similarities to fair value but that are not fair value, such as the net realizable value in IAS 2 – Inventories or the value-in-use in IAS 36 – Impairment of Assets.

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.

3.5.1 Financial assets: The Company 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.

3.5.2 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 reported as income or expenses in the income statement of the period.

3.5.3 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 Company becomes part of the contractual provisions of the instrument.

3.5.3.1 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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.

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

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

3.5.3.3 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 Company 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 Company's documented risk management or investment strategy, and information is provided internally 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 reported in the income statement incorporates any interest paid on the financial liability.

Financial liabilities at amortized cost: The Company 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

3.5.4 Derivative financial instruments: The Company 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 reported 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 reported 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.

3.5.5 Impairment of financial assets

The Company recognizes an allowance for expected credit losses in investments in debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, as well as in loan commitments to the Company and financial guarantee contracts. No impairment loss is reported 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 accounts receivable, lease receivables or contract assets, the Company 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 Company 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 Company 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 Company 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

c) Reasonable and sustainable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

3.5.6 Derecognized financial assets: The Company 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 reported in the income of period as the difference between:

a. its book value; and

b. the amount of consideration received.

3.5.7 Derecognized financial liabilities: A financial liability will be derecognized if, and only if, Celsia'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 reported in profit or loss.

3.5.8 Compensation: The Company 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.

3.6 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 Company 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.

3.7 Investments in subordinate companies: A subordinate or controlled company is a company where its decision-making power is subject to the will of another company or other companies that are its parent or controlling company, either directly, in which case it will be called an affiliate, or through the subordinate companies of the Parent Company, in which case it will be called a subsidiary.

In the control assessment, Celsia revises the existence of power over the entity; exposure, or entitlement, to variable returns from its involvement in the entity; and the ability to use its power over the entity to affect the amount of its 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 company, identifies the activities that affect its performance the most and assesses how 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.

Investments in subordinate companies are incorporated into the financial statements using the equity method, except when the investment, or part of it, is classified as held for sale, in which case, it is accounted for in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Pursuant to the equity method, investments in subsidiaries are initially accounted for in the statement of financial position at cost and are subsequently adjusted to account for the Company’s share in profit or loss, and in other comprehensive income of the subsidiary.

3.8 Investments in associates: 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 the associate. The separate 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.

The Company 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 has 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.

3.9 Property, plant and equipment: In the Company, the measurement of property, plant and equipment is carried out twice: Initial measurement, which is reported at cost, and subsequent measurement, which is reported 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 Company includes the cost of the materials and the direct workforce; and any other cost directly attributable to the process of making the asset suitable for work for its intended use. It also includes 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 reported 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 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 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 reported 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 and intangible assets used in the depreciation and amortization 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	
Civil works of power plants	25 - 100
Electromechanical equipment of power plants	20 - 55
Substations, lines and networks	40-50
Buildings	20-50
Machinery and equipment	25
Fiber optics	20
Tools	15
Equipment	10
Transportation equipment	5
Computer equipment	4

3.9.1 Cash-generating units (CGUs): A CGU is the smallest identifiable group of assets that generates cash inflows to the Company 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 establish their recoverable value.

3.10 Intangible assets: Intangible assets represent resources that imply a right or privilege that is enforceable for third parties and 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 Company, 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
Licenses–software	5-7
Easements	50
Other	15

3.10.1 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 reported 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 estimate is recorded on a prospective basis. Separately acquired intangible assets with an indefinite useful life are recorded at cost less any cumulative impairment loss.

3.10.2 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:

- Technically, it is possible to complete the generation of the intangible asset so that it is available for its use or sale;
- The intention is to complete the intangible asset in question for its use or sale;
- The ability to use or sell the intangible asset;
- The Company can demonstrate how the intangible asset is going to generate probable future economic benefits;

- The availability of sufficient technical, financial or other kind of resources to complete the development or to use or sell the intangible asset; and
- It is able to reliably measure the disbursement attributable to the intangible asset during its development.

The initially reported amount for an internally generated intangible asset will be the sum of the disbursements incurred from the time that the item meets the previously established conditions for its recognition. When an internally generated intangible asset cannot be reported, the disbursements 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 amount of impairment loss on the same basis as the separately acquired intangible assets.

3.10.3 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 reported in profit or loss at the time the asset is derecognized.

3.11 Impairment of tangible and intangible assets: At the end of each reporting period, the Company reviews the book value of its tangible and intangible assets to establish whether there is any indication that these assets 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, Celsia 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) is less than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

When an impairment loss is subsequently reversed, the book value of the asset (or cash-generating unit) increases the revised estimated value of its recoverable amount, such that 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 reported in previous years. The reversal of an impairment loss is automatically reported in profit or loss.

3.12 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.

3.12.1 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.

3.12.2 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 reported for all taxable temporary differences. Deferred tax assets shall be reported 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 reported 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.

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.

3.12.3 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 positive taxable profit will be available in the future to offset the differences.

The deferred tax assets that do not meet the aforementioned conditions are not recognized in the separate statement of financial position. At the end of the financial year, the Company 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.

3.12.4 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 that will result from the way in the which the Company expects to realize the assets or settle the liabilities are considered.

On the closing date of the fiscal year, the Company 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 loss is determined in a different currency, changes in the exchange rate give rise to temporary differences that result in a reported deferred tax liability or deferred tax asset. The resulting deferred tax will be charged or credited to the income of the period.

Compensation and classification: The Company 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 statement of financial position as non-current assets or liabilities regardless of the expected date of their realization or settlement.

3.13 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 amount reported 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 (when 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 as 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 reported as an asset if it is virtually certain that the disbursement will be received and the amount of the account receivable can be reliably measured.

The Company 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 Company 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 Contingencies: The Company does not recognize contingent assets and liabilities, these are only disclosed. Contingent liabilities may evolve in a different way to the initial 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.

3.15 Employee benefits: The Company 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 reported 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 unreported actuarial loss and cost of past services, plus the net present value 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 Company recognizes all the actuarial gains and losses that arise from the defined benefit plans in other comprehensive income.

3.15.1 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 reported in the income of the period in which they arise.

3.15.2 Termination benefits

Termination benefits are recognized as an expense when the Company 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.

3.15.3 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 reported for the amount expected to be paid if the Company 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.

3.16 Revenue recognition: The Company 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 it is due in exchange for the goods or services.

3.16.1 Identification of performance obligations

At the start of the contracts, the Company 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 commitments.

A series of distinct goods or services that are substantially the same is reported 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.

In almost all cases, remuneration is received by the Company in the form of cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the remuneration is received in a period longer than one year, the fair value of said remuneration could be less than the nominal amount of cash or cash equivalents receivable. Therefore, the amortized cost method is applied (see Financial instruments chapter), discounting the future flows at a market rate.

3.16.2 Energy sales: Revenue is recognized in the period's income statement 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 its value can be reliably measured. Upon recognizing revenue, all the costs and expenses associated therewith are recognized.

The revenue comes from the commercial representation and sale of the capacity and electricity from its Meriléctrica thermal power plant to Celsia Colombia S.A. E.S.P.

3.16.3 Income from dividends: Revenue 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).

3.16.4 Revenue from interest: Revenue from interest on a financial asset is recognized when it is likely that Celsia 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 Company recognizes are mainly associated with the returns generated and paid to the financial institutions and the income from financing of related parties.

3.17 Recognition of expenses: The Company 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 reported when a disbursement does not generate future economic benefits or when it does not meet the necessary requirements to be recorded as an asset.

3.18 Share capital

3.18.1 Common shares: Common shares are classified as equity. The incremental costs directly attributable to the issuance of common shares are reported 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 Company's financial needs.

The Code of Commerce makes it mandatory for the Company to appropriate 10% of its 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 reported when there is a difference between the nominal value of the share and the amount paid.

3.18.2 Reacquired own shares: The Company carries out the following recognition in the case of reacquired own shares if the Company reacquires its own equity instruments, the consideration is paid, and the related costs are deducted from equity. No loss or profit is reported 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 may be acquired and held by the Company.

3.19 Earnings per share: The Company presents 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 the Company's 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

Standards Issued by the IASB Applicable as of January 1, 2023 in Colombia

Below is a list of the standards issued by the IASB during 2019 and 2020 that were adopted by Decree 938 of 2021 and will be effective as of January 1, 2023, with early application being voluntary provided that the standard allows it.

Financial Reporting Standard	Amendment Topic	Details
IFRS 9 – Financial Instruments; IAS 39 – Financial Instruments: Recognition and Measurement; and IFRS 7 – Financial Instruments: Disclosures	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. 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. 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.
IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Reporting and Measurement; and IFRS 7 - Financial Instruments:	Interest Rate Benchmark Reform – Phase 2	Adds paragraphs: 5.4.5 to 5.4.9, Changes to the basis for determining contractual cash flows as a result of the interest rate benchmark reform (measurement at amortized cost); paragraph 6.8.13 End of the application of the temporary exception in hedge accounting; paragraphs 6.9.1 to 6.9.13 Additional temporary exceptions that arise from the interest rate benchmark reform; paragraph 7.1.10 Effective date; and paragraphs 7.2.43 to 7.2.46 Transition for the interest rate benchmark reform phase 2 to IFRS 9.

Financial Reporting Standard	Amendment Topic	Details
Disclosures, IFRS 4 – Insurance Contracts, IFRS 16 – Leases		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. 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. Any effect on its application shall be carried out prospectively.
IAS 16 – Property, Plant and Equipment (PPE).	It is amended regarding proceeds obtained before intended use	The amendment addresses 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). 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

Financial Reporting Standard	Amendment Topic	Details
		application of the amendments shall be reported 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 reported 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.
Extension of the Temporary Exemption from Applying IFRS 9 - Financial Instruments	Amendments to IFRS 4 – Insurance Contracts	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).
IFRS 17 – Insurance contracts	Application of IFRS 17 and amendment to IFRS 17 issued in June 2020.	IFRS 17 introduced a new measurement model for insurance contracts. The scope is similar to that of IFRS 4. However, the requirements for separating non-insurance components of insurance contracts are significantly different from IFRS 4. Like IFRS 4, IFRS 17 focuses on types of contracts rather than types of entities. Therefore, it applies to all entities, whether they are regulated as insurance entities or not . Annual terms beginning on or after January 1, 2023. Early adoption is permitted if IFRS 9 is also applied before or on the adoption date.

At the issuance date of the financial statements, the Company estimates that the adoption of these standards and interpretations in the future will not have a material impact on the subsequent financial statements.

NOTE 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATES

In application of the 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 reported 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 Company 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 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 accounting period.

5.1.1 Sharesin other entities: The Company 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 relationship was determined in accordance with 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 Company 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.

Associates – Entities over which the Company 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.

5.1.2 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 Company 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 Company 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 Company 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 Company 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 financial statements.

5.1.3 Income tax: The Company and its legal advisors apply their professional opinion to establish the income tax provision. The Company recognizes liabilities for situations observed in preliminary tax audits based on estimates of whether the payment of additional taxes is required. If the final tax result of these situations is different to the initially recorded amounts, the differences will be charged to current income tax and deferred tax assets and liabilities in the period in which this event is established.

5.1.4 Impairment for expected credit losses of trade accounts receivable: For the calculation of expected credit losses, the Company applies the parameters established in the financial asset impairment losses to each line of business.

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 Company's historical information about credit losses and their economic projections cannot be representative of the risk of non-compliance of a current client in the future.

5.1. 5 Fair value of financial instruments: The fair value of financial instruments transacted on active markets is based on their quotes on the date of the statement of financial position and they are established using the valuation techniques permitted by the IFRS that are in line with those established by the Financial Superintendence.

The quote used for financial assets held by the Company is the current price offered. The Company uses assumptions based on the existing market conditions at the date of the statement of financial position, such as quoted prices or rates of return.

5.1.6 Pension plan benefits: The present value of the pension plan obligations depends on factors that are established over actuarial bases, using a number of assumptions, such as the discount rate. Any change in these assumptions will have an impact on the book value of the pension plan obligation.

The Company establishes the discount rate at the end of every year. This is the interest rate that must be used to establish the present value of the estimated future cash outflows which are forecast to be required to pay the pension plan obligations.

When determining the most appropriate discount rate, Celsia considers the interest rates of the government bonds (TESB curve) denominated in real value units (UVR, for the Spanish original) and that have similar maturity terms or ones close to the terms of the respective pension plan obligations. Other key assumptions to establish the pension plan obligations are based on the current market conditions.

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 reporting period's financial statements that have a significant risk of causing material adjustments to the book value of the assets and liabilities of the next accounting period 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 Company and in the case of contingent assets, in a gain for the Company, but they will only be resolved in the future when one or more future events occur or can occur.

The Company 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 reported 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 Company'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.

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, lawyers' appraisals, estimated duration of the litigation or lawsuit, and statistical information of proceedings with similar features, among others.

5.2.2 Assessment of impairment of goodwill: The Company reviews impairment of 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.

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, deducting 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 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, the Company assesses 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, the Company will annually review the critical business variables that affect the fair value of the assets in each market.

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.

5.2.4 Deferred income tax: The Company recognizes amounts of deferred income tax in the condensed separate 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 6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2021	2020
Land	3,201	3,201
Constructions underway and machinery in assembly	333	1,530
Constructions and buildings	10,456	10,827
Waterlines, plants and networks	96,733	102,935

Machinery and production equipment	166	192
Office furniture and fittings, and equipment	2,616	3,032
Communications and computer equipment	505	864
Other assets	1	2
	114,011	**122,583**

The changes in property, plant and equipment and depreciation as at December 31, 2021 and 2020, are presented below:

2021	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 January 1, 2021	3,201	1,530	13,420	164,609	1,001	4,913	3,718	232	12	192,636
Additions	-	8,613	-	-	-	-	-	-	-	8,613
Transfers from (to) other accounts	-	(9,810)	-	9,526	-	99	23	-	-	(162)
Conversion effect	-	-	-	(10,395)	-	-	-	-	-	(10,395)
Sales and withdrawals	3,201	1,530	13,420	164,609	1,001	4,913	3,718	232	12	192,636
Cost	**3,201**	**333**	**13,420**	**163,740**	**1,001**	**5,012**	**3,741**	**232**	**12**	**190,692**
Balance January 1, 2021	-	-	2,593	61,674	809	1,881	2,854	232	10	70,053
Depreciation of the period	-	-	371	8,953	26	516	382	-	1	10,249
Sales and withdrawals	-	-	-	(10,395)	-	-	-	-	-	(10,395)
Impairment losses	-	-	-	6,774	-	-	-	-	-	6,774
Depreciation and impairment	**-**	**-**	**2,964**	**67,006**	**835**	**2,397**	**3,236**	**232**	**11**	**76,681**
Total property, plant and equipment	**3,201**	**333**	**10,456**	**96,734**	**166**	**2,615**	**505**	**-**	**1**	**114,011**

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	Transportation equipment	Other assets	Total
Balance at January 1, 2020	3,201	6,965	13,420	161,028	905	3,946	3,228	232	12	192,937
Additions	-	863	-	-	-	-	-	-	-	863
Transfers to (from) other accounts	-	(6,298)	-	3,581	96	967	490	-	-	(1,164)
Cost	**3,201**	**1,530**	**13,420**	**164,609**	**1,001**	**4,913**	**3,718**	**232**	**12**	**192,636**
Balance at January 1, 2020	-	-	2,233	52,452	781	1,365	2,394	232	9	59,466
Depreciation of the period	-	-	360	9,222	28	516	460	-	1	10,587
Depreciation and impairment	**-**	**-**	**2,593**	**61,674**	**809**	**1,881**	**2,854**	**232**	**10**	**70,053**

Total property, plant and equipment	**3,201**	**1,530**	**10,827**	**102,935**	**192**	**3,032**	**864**	**-**	**2**	**122,583**

As at December 31, 2021, Celsia SA's property, plant and equipment reported its main variation in projects under construction and equipment in assembly due to the additions of the period, amounting to COP 8,613; such additions correspond to the purchases and contracts necessary for the change of the 207 MVA transformer for the Meriléctrica thermal power plant, located in the department of Santander.

Celsia capitalized projects under construction for COP 9,810, where the main asset reported was the 207 MVA transformer for the Meriléctrica thermal power plant and administrative equipment for COP 122 in office furniture, supplies and equipment, communication and computer equipment and intangibles. Intangibles are described in Note 8.

Celsia reported an impairment of COP 6,774 corresponding to the failure to energize the 207 MVA Ferranti Packard main transformer. This asset was derecognized during the year in the amount of COP 10,395.

As at December 31, 2020, there were changes in property, plant and equipment compared to the balance of the previous year, mainly due to capitalizations and additions in constructions underway of COP 863. The largest projects include geotechnical and hidraulic works in the gas pipeline of the Meriléctrica thermal power plant; the Home Migration and Analytics Reports projects; technological evolution; and upgrades of workstations.

Capitalizations of projects underway amounted to COP 6,298, which were mainly transferred to waterlines, plants and networks for the W501 combustion equipment of the turbine in the Meriléctrica thermal power plant. The total capitalizations included intangible assets of COP 237, which are reflected in Note 9. Intangible assets, net, and COP 927 for improvements made to the constructions and buildings identified as right-of-use assets.

NOTE 7. RIGHT-OF-USE ASSETS AND LIABILITIES

7.1 Leases as lessee

The Company leases offices for administrative use and vehicles. Leases of buildings are generally established for a ten-year period with the option to renew the lease after that date. Vehicles are leased in the rental contract category for a five-year period.

The Company 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				Final balance of lease liabilities
As at December 2021	**Initial balance**	**Depreciation**	**Additions**	**Final balance**	
Constructions and buildings	8,574	(1,941)	-	6,633	7,003
Land transportation equipment	637	(466)	284	455	449
Right-of-use assets (liabilities), net	**9,211**	**(2,407)**	**284**	**7,088**	**7,452**

The additions of COP 284 correspond to two new contracts for transportation equipment; during the year 2021 Celsia did not execute projects for improvements in third-party property.

	Leased right-of-use assets				Final balance of lease liabilities
As at December 2020	**Initial balance**	**Depreciation**	**Additions**	**Final balance**	
Constructions and buildings	9,573	(1,927)	928	8,574	8,453
Land transportation equipment	992	(735)	380	637	505
Right-of-use assets (liabilities), net	**10,565**	**(2,662)**	**1,308**	**9,211**	**8,958**

The additions account for the activation of projects due to improvements to unowned property reported in rights of use for COP 1,308 (2019: COP 612).

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

Leases under IFRS 16	**2021**	**2020**
Lease liability interest expenses	722	992
Expenses related to short-term leases	23	46

Expenses related to leases of low-value assets	43	155
Lease cash flows	2,748	2,529

In 2020, the Company did not have variable lease payment expenses, income from subleasing of right-of-use assets, or earnings (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 Company's leases, other than rental, contain renewal options that the Company can exercise to extend the term. Generally, the Company exercises these renewal options, which can be exercised by the Company and not by the lessor. On the lease start date, the Company 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.

The Company does not have lease contracts in which it is the lessor.

NOTE 8. INTANGIBLE ASSETS, NET

As at December 31, intangible assets, net, were as follows:

	2021	2020
Licenses	145	112
Software	130	86
Other intangible assets	-	-
	275	**198**

The changes in intangible assets as at December 31, 2021 are presented below:

2021	Licenses	Software	Total
Balance January 1, 2021	1,188	780	1,968
Transfers from (to): Other accounts	78	84	162
Cost	**1,266**	**864**	**2,130**
Balance January 1, 2021	1,076	694	1,770
Amortization of the period	44	40	85
Cumulative impairment and amortization	**1,120**	**734**	**1,855**
Total intangible assets	**145**	**130**	**275**

The changes in intangible assets as at December 31, 2020 are presented below:

2020	Licenses	Software	Other intangible assets	Total
Balance January 1, 2020	66	681	984	1,731
Transfers from (to): Other accounts	138	99	-	237
Other changes (1)	984	-	(984)	-
Cost	**1,188**	**780**	**-**	**1,968**
Balance January 1, 2020	65	609	-	674
Amortization of the period	1,011	85	-	1,096
Cumulative impairment and amortization	**1,076**	**694**	**-**	**1,770**
Total intangible assets	**112**	**86**	**-**	**198**

(1) Accounts for ongoing licenses and software capitalized during 2020.

As at December 31, 2021 Celsia S.A. reported new licenses totaling COP 78, which come from the final capitalization and closure of the secure navigation project managed in constructions underway; software for COP 84 corresponding to the development for the migration of Mercurio and Analytics Celsianet report.

As at December 31, 2020, Celsia had not had changes in the useful lives and/or the amortization methods of the intangible assets. During the period, it capitalized the Mithra software for COP 99 and safe browsing and database monitoring licenses for COP 138. These COP 237 came from projects under construction that included the acquisition of this software and licenses.

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.

Celsia 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 9. INVESTMENTS IN SUBSIDIARIES

The breakdown of investments in subsidiaries as at December 2021 and 2020 is as follows:

	2021	2020
Investments in subsidiaries	5,381,345	4,754,799

Investments in subsidiaries as at December 31, 2021 and December 31, 2020, are listed below:

Business name of the subsidiary	Main activity	Country	No. of shares	Nominal share		Cost		Impairment		Net value	
				Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20
Colener	Investment	Colombia	78,410,460	100%	100%	2,105,842	1,984,891	-	-	2,105,842	1,984,891
Celsia Colombia S.A. E.S.P.	Energy	Colombia	69,006,895	19%	19%	1,449,416	1,401,294	-	-	1,449,416	1,401,294
Bahía Las Minas (1)	Energy	Panama	51,000,000	51%	51%	421,889	190,965	(421,889)	(190,965)	-	-
Porvenir II (2)	Energy	Colombia	10,000,000	100%	100%	178,005	178,004	(35,311)	(16,233)	142,694	161,771
Enerwinds Costa Rica (3)	Energy	Costa Rica	7,332	61%	61%	-	(2,280)	-	-	-	(2,280)
Celsia Costa Rica (formerly Callco La Gloria) (3)	Commercial and industrial	Costa Rica	10	100%	100%	-	(298)	-	-	-	(298)
Celsia Centroamérica (4)	Services	Panama	500	100%	100%	1,733,157	1,209,421	(49,764)	-	1,683,393	1,209,421
Total subsidiaries						**5,888,309**	**4,961,997**	**(506,964)**	**(207,198)**	**5,381,345**	**4,754,799**

(1) Taking into account the operational situation of Bahía Las Minas reported in 2019 and by virtue of the plan approved in 2020 for the disposal of the company's assets and payment of liabilities and the agreements reached with creditors, during 2021 Celsia S.A. capitalized the Company at USD 230,924 million. The funds received were used to pay bonds and to reduce associated debt and payments to creditors. In line with the above, Celsia reported an impairment of the investment at 2021 equivalent to the capitalized amount of COP 230,924 (2020 COP 38,767).

(2) At the end of 2021 an impairment to the investment of COP 19,078 was reported for the project's fair value update.

(3) During the fourth quarter, Celsia S.A. transferred shares of the companies Enerwinds and Celsia Costa Rica to Celsia Centroamérica S.A.

(4) Impairment was reported in Celsia Centroamérica for the fair value of operating assets in Central America, which presented a lower value than that one recorded in the books of Central America.

NOTE 10. INVESTMENTS IN ASSOCIATES

Investments in associates and joint ventures as at December 31, 2021 and 2020, are listed below:

	2021	2020
Investments in associates (1)	-	128

Business name of associate or joint venture	Main activity	Country	No. of shares	Nominal share		Book value	
				2021	2020	2021	2020
SUMMA Servicios Corporativos Integrales	Commercial	Colombia	125	25%	25%	-	128

On May 28, 2021, 25 common shares of SUMMA - Servicios Corporativos Integrales S.A.S. were purchased for COP 491,750, without this implying a change in the shareholding.

(1) At the end of 2021, the investment was negative and therefore a liability of COP 51 was reported.

The summarized financial information included in the following tables represents the values presented in the associate's financial statements, prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia and adjusted, when appropriate, by the records 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:

2021	
Current assets	26,442
Non-current assets	12,905
Total assets	**39,347**
Current liabilities	26,872
Non-current liabilities	12,681
Total liabilities	**39,553**
Equity	(206)
Cash and cash equivalents	19,332
Current financial liabilities	776
Non-current financial liabilities	6,722
Financial liabilities	**7,498**

2020	
Current assets	28,124
Non-current assets	16,570
Total assets	**44,694**
Current liabilities	28,521
Non-current liabilities	15,660
Total liabilities	**44,181**
Equity	513
Cash and cash equivalents	22,867
Current financial liabilities	1,182
Non-current financial liabilities	9,599
Financial liabilities	**10,781**

2021	
Revenue	10,733
Net profit of continuing operations	(2,729)
Net profit after discontinued operations	-
Other comprehensive income	-
Total comprehensive income	(2,729)
Dividends received or profits distributed	-
Depreciation and amortization expenses	1,010
Revenue from interest	140
Interest expenses	373
Income tax expenses	(625)

2020	
Revenue	10,410
Net profit of continuing operations	49,003
Net profit after discontinued operations	49,003
Other comprehensive income	-
Total comprehensive income	49,003
Dividends received or profits distributed	-
Depreciation and amortization expenses	272
Revenue from interest	207
Interest expenses	338
Income tax expenses	384

Corporate purpose of investments in associates and joint ventures

SUMMA Servicios Corporativos Integrales

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.

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 the cut-off date of these financial statements 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.

NOTE 11. OTHER FINANCIAL INVESTMENTS

Other financial investments as at December 31 are listed below:

	2021	2020
Financial investments through profit or loss (11.1)	94,070	86,039
Financial investments through other comprehensive income (11.2)	27,256	100
Total financial investments	**121,326**	**86,139**

11.1 Financial investments measured at fair value through profit or loss

Business name	Investment type	USD		COP	
		2021	2020	2021	2020
Sura SAC LTD – Cell Celsia	Captive reinsurance company investment (1)	11,852,328	11,405,598	47,185	39,150
Sura SAC LTD – Cell Celsia	Captive insurance premium company investment (2)	11,779,239	13,660,312	46,885	46,889
Total financial investments through profit or loss		**23,631,567**	**25,065,910**	**94,070**	**86,039**

(1) The investment delivered as capital by Celsia to the cell of the captive cell 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.

SURA SAC LTD – CELL CELSIA

Sura SAC LTD is a captive insurance company with the aim to reinsure risks. Through the structuring of the captive insurance company, Celsia allocates a percentage of the insurance premium to the cell that it has currently rented with

Sura SAC LTD. in Bermuda for the 2020-2021 term, amounting to USD 1,363,040 (2019-2020: USD 7,910,661).

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 period.

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 Seguros Sura shall be recognized for the resources that must paid that the funds in the cell are not sufficient to cover.

11.2 Financial investments measured at fair value through other comprehensive income

Entity	Economic activity	No. of shares	Nominal share		2021	2020
			2021	2020		
Concentra Inteligencia en Energía S.A.S.	Energy	84,000	4.76%	4.76%	77	77
Electrificadora del Caribe S.A. E.S.P.	Energy	624,516	0.00%	0.00%	26	26
Grupo Sura (1)		332,908	0.07%		8,337	-
Banistmo S.A (2)					18,819	-
Other					62	62
Impairment of investments (3)					(65)	(65)
Total financial investments through other comprehensive income					**27,256**	**100**

(1) In December 2021 Celsia S.A. acquired 332,908 shares of Grupo Sura for COP 8,337.
(2) At year-end, the trust rights of Banistmo Trust No. 3214 were purchased for USD 4,700,000, and the valuation of the asset showed a loss of USD 62,907.
(3) Consists of the impairment of the investment in Electrificadora del Caribe S.A. E.S.P. of COP 26, given the order for intervention and settlement issued by the Superintendence of Residential Public Utilities and the subsequent risk of loss. Additionally, it includes the impairment of COP 39 in the investment in Concentra Inteligencia en Energía S.A.S.

The financial investments do not have restrictions or levies that limit their sale or trading. The analysis of the indications of impairment in financial investments did not generate any review of their impairment.

NOTE 12. TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	2021	2020
Trade debtors	1	3,933
Accounts receivable from related entities (1)	480,790	798,499
Other accounts receivable (2)	123,365	103,804
Impairment (3)	(4,195)	(4,188)
	599,961	**902,048**
Current	31,628	33,763
Non-current	568,333	868,285
	599,961	**902,048**

(1) Includes the balance of the account receivable from Celsia Colombia S.A. E.S.P., which is mainly from the sale of the power generation assets for COP 457,268. Also in 2021, Caoba Inversiones S.A.S.'s portfolio was amortized.

(2) It is due to the balance receivable from Prime Colombia Barranquilla S.A.S. of COP 94,528 (2020: COP 98,423) from the sale of Zona Franca Celsia S.A. E.S.P. in September 2019.

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

	2021	2020
Initial balance	4,188	4,188
Recognized recovery of impairment	7	-
Final balance	**4,195**	**4,188**

According to the assessment made of the expected loss and the portfolio analysis as at December 31, 2021, 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 that date.

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

In determining the recoverability of a trade receivable, the company assesses the risk of default

throughout the life of the asset (simplified method permitted by IFRS 9).

The following table provides information about the credit risk exposure for trade accounts receivable and contractual assets as at December 31, 2021:

December 31, 2021	Credit loss rate	Gross accounts receivable	Expected credit loss	Accounts receivable, net
Wholesale market, distribution and other debtors*	0%	604,156	(4,195)	599,961
Total		**604,156**	**(4,195)**	**599,961**
December 31, 2020	**Credit loss rate**	**Gross accounts receivable**	**Expected credit loss**	**Accounts receivable, net**
Wholesale market, distribution and other debtors*	0%	906,236	(4,188)	902,048
Total		**906,236**	**(4,188)**	**902,048**

* The 2021 calculation did not give rise to impairment due to expected loss. The figures in the table are of impairments calculated for invoices more than 360 days past due under the previously used individual analysis methodology.
* The 2020 calculation did not give rise to impairment due to expected loss. The figures in the table are of impairments calculated for invoices more than 360 days past due under the previously used individual analysis methodology.

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

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 public 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 covering from the preliminary study of third parties to the coverage of the portfolio with real collateral or promissory notes. The latter is only in the case of third parties with a good rating.

NOTE 13. CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash		
Cash	27	25
Bank accounts (1)	1,280	3,872
Total cash	**1,307**	**3,897**
Cash equivalents		
Investment funds and collective portfolios (2)	536	269
Trust funds (3)	195	834
Total cash equivalents	**731**	**1,103**
Total cash and cash equivalents	**2,038**	**5,000**

(1) The balances of cash and banks consist of deposits in bank accounts generated during the Company's commercial operation, and the decrease is due to higher expenses for payments to suppliers and loans.

(2) The increase is due to the investments made by the Company during the year.

(3) The Company has investments in collective portfolios with the following entities:

	2021	2020
Valores Bancolombia	270	269
Fondo Progresa - Credicorp Capital	195	834
BTG Pactual S.A.	266	-

Total cash equivalents	731	1,103

Cash equivalents are current financial investments recorded at fair value. The average rate of return of cash in 2021 was 0.85% AER (2019: 3.75% AER).

In 2021 and 2020, cash and cash equivalents are current and did not have restrictions or taxes that limited their realization or trading.

NOTE 14. PREPAYMENTS AND OTHER NON-FINANCIAL ASSETS

As at December 31, the balance of non-financial assets was as follows:

	2021	2020
Insurance (1)	5,601	2,200
Other prepayments (2)	916	-
Total cash	**6,517**	**2,200**
Current	5,601	2,200
Non-current	916	-
	6,517	**2,200**

(1) Insurance policies hired by the Company to protect its production assets, mainly covering material damage caused by fire, explosion, short circuit, natural disasters, terrorism and other risks.
(2) Consists of the net presentation of the termination long-term benefit plan assets, which as at December 2021, ended with a balance of COP 7,552 (2020: COP 5,853), and a balance in liabilities of COP 6,636 (2020: COP 6,306) in other benefits of the pension gap plan - Retirement Bonus. See Note 18. Employee benefits. In 2020, they are presented in liabilities because the net liability balance is greater.

NOTE 15. INVENTORIES

The breakdown of inventories as at December 2021 and December 2020 is as follows:

	2021	2020
Materials and supplies	2,268	2,431

In 2021, the consumption of inventories recognized as expenses was COP 227,040 (2020: COP 21,855), as cost of sales was COP 292,975 (2020: COP 259,966), and as project costs was COP 5,751,521 (2020: COP 44,939). The project costs correspond to the costs for corrective maintenance of the Meriléctrica power plant.

The inventories do not have restrictions or levies that limit their sale or trading.

NOTE 16. EQUITY

The breakdown of equity as at December 2021 and December 2020 is as follows:

16.1. Issued capital

In 2021 and 2020, the authorized equity of the Company was represented by 1,200,000,000 common shares with a nominal value of COP 0.25 per share. In December 2021 and 2020, the subscribed and paid-in capital amounted to COP 267,493, and there were 1,069,972,554 outstanding shares. Each share confers a vote to its shareholder and the right to receive dividends.

16.2. Reserves

The Company is legally required to set aside 10% of its net annual profit for the 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 Company can allocate the excess of this amount for appropriations as authorized by the General Meeting of Shareholders. As at December 31, 2021 and 2020, this reserve had the minimum amount required.

	December 2021	December 2020
Legal reserve	1,403	1,403
Reserve to maintain equity	2,421,716	2,419,525
Growth and expansion reserve	197,273	197,273
Tax reserve	2,911	2,911
Reserve for the repurchase of shares	(7)	(7)
	2,623,296	**2,621,105**

16.3. Earnings

Retained earnings and dividends from equity instruments were as follows:

	December 2021	December 2020
Balance at start of the period	282,524	120,617
Earnings of the period, net	341,851	282,524
Occasional reserve	(2,191)	191,822
Dividends declared (a)	(239,785)	(312,432)
Reacquired own shares	(40,548)	(7)
Balance at end of the period	**341,851**	**282,524**

(a) At the General Meeting of Shareholders held on March 24, 2020, ordinary cash dividends were declared on 1,069,972,554 common shares of COP 206 (2020: COP 198) per year per share with a proposal for payment in cash payable in four installments of fifty-one Colombian pesos and fifty cents (COP 51.5) (2020: COP 49.5) per share in April, July and October 2021 and January 2022. In addition, an extraordinary dividend to be distributed in the amount of COP 59,918,463, equivalent to COP 56 per share per year on 1,069,972,554 shares.

During the period between January to December 2021, COP 410,928 (December 2020: COP 286,032) were paid in dividends.

Accounts payable as at December 31, 2021, for dividends amounted to COP 153,838,786 (December 2020: COP 115,106).

16.4. Other comprehensive income

Consists of the unrealized earnings and losses that have not been recognized in the statement of income from:

	Earnings (losses) as at December 2021	December 31, 2021	Earnings (losses) as at December 2020	December 31, 2020
Valuation of investments in equity instruments	(5,211)	(9,030)	(2,826)	(3,818)
New measurements of defined benefit plans	14,655	5,517	3,104	(9,138)
Exchange rate differences	184,700	583,833	62,721	399,132
Share in other comprehensive income of joint ventures	15,054	5,694	(9,359)	(9,359)
	209,197	**586,014**	**53,640**	**376,817**

NOTE 17. BORROWINGS

The breakdown of borrowings as at December 31, is as follows:

	2021	2020
Outstanding bonds (1)	452,194	452,115
Obligations in national currency	2,003	3
Borrowings with related parties (2)	173,891	-
Interest payable with related parties	167	-
Interest payable on bonds	2,557	1,720
Interest payable on borrowings	-	-
Total borrowings	**630,812**	**453,838**
Current	4,727	1,723
Non-current	626,085	452,115
Total borrowings	**630,812**	**453,838**

(1) 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 first tranche of bonds was paid in 2016, amounting to COP 83,620; and in 2019, the second tranche of COP 263,650 was paid.

(2) Borrowings with Celsia Centroamérica S.A. for capitalization for subordinated debt equivalent to USD 43,688,305.37

The ordinary bonds, which are on-demand and may be traded on the secondary market through the Colombian Securities Exchange, were allotted as follows:

Non-current outstanding bonds

Reference	Interest rate	Term in years	Year of maturity	2021	2020
Series D – Sub-series D12	CPI+5.00% AER	12	2025	240,650	240,650
Series D – Sub-series D20	CPI+5.33% AER	20	2033	212,080	212,080

Reference	Interest rate	Term in years	Year of maturity	2021	2020
Cost of bond issuance				(536)	(615)
Total non-current outstanding bonds				**452,194**	**452,115**

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.

The breakdown of non-current borrowings with related parties is as follows:

Borrowings with related parties	Interest rate	Maturity	2021	2020
Celsia Centroamérica (2)	3M LIBOR + 2.5%	2023	173,891	-
Total non-current borrowings			**626,085**	**-**

The breakdown of current borrowings is as follows:

Financial institution	Interest rate	Maturity	2021	2020
Bancolombia	IBR (nominal annual rate for semester in arrears) + 0.9%	2022	2,000	-
Bancolombia - credit card			3	3
Total, current borrowings			**2,003**	**3**

Other debts	2021	2020
Interest payable on bonds	2,557	1,720
Interest payable on borrowings	-	-
Interest payable with related parties	167	-
Total current borrowings	**4,727**	**1,723**

The increase in debt in 2021 corresponds to credit taken to cover working capital and the value of interest on the bonds accrued as at December 2021, due to a considerable increase in the CPI during this year.

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

	Loans and other financial liabilities	Bonds	Total borrowings	Liabilities for right-of-use assets
Balance at start of the period, January 01, 2021	**1,723**	**452,115**	**453,838**	**8,958**
Increase in loans and other financial liabilities	271,735	79	**271,814**	-
New right-of-use liabilities	-	-	**-**	1,009
Payments of loans and other financial liabilities	(98,000)	-	**(98,000)**	(2,515)
Payments of liabilities for right-of-use assets	-	-	**-**	-
Interest paid	(1,764)	(39,362)	**(41,126)**	-
Result of conversion from foreign currency	2,157	-	**2,157**	-
Accrued interest	1,931	40,198	**42,129**	-
Balance at end of the period, December 31, 2021	**177,782**	**453,030**	**630,812**	**7,452**

	Loans and other financial liabilities	Bonds	Total borrowings	Liabilities for right-of-use assets
Balance at start of the period, January 01, 2020	**60,255**	**452,036**	**512,291**	**11,106**
Increase in loans and other financial liabilities	41,440	-	**41,440**	-
New right-of-use liabilities	-	-	**-**	3,008
Payments of loans and other financial liabilities	(101,471)	79	**(101,392)**	-
Payments of liabilities for right-of-use assets	-	-	**-**	(6,149)
Interest paid	(36,271)	-	**(36,271)**	992
Result of conversion from foreign currency	3,994	-	**3,994**	-
Accrued interest	33,777	-	**33,777**	-
Balance at end of the period, December 31, 2020	**1,723**	**452,115**	**453,838**	**8,958**

NOTE 18. EMPLOYEE BENEFITS

Employee benefits as at December 31 are classified as follows:

	2021	2020
Short-term employee benefits (1)	6,033	6,605
Long-term employee benefits (2)	-	452
	6,033	**7,057**

(1) Consists of severance funds, interest on severance funds, vacations, vacation bonus, and bonus for achieving goals.

(2) Consists of the pension gap defined benefit 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 (see Note 19).

According to the plan, the Company recognizes a retirement benefit, which consists of a one-off premium at the time of departure from the Company to enjoy the retirement pension. Its value corresponds to the money necessary to fund an annuity pension for the executive (without including replacement 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, of which the amount depends on the number of years worked in the Company, 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).

18.1 Defined benefit plan

The Company's employees are members of a defined payment 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 415 in 2021 (2020: COP 428). This value represents the payments that the Company must make to said plans at rates specified in the rules of the actuarial plan, 2021 reporting period. The amounts were paid during and after the date of the reporting period.

With regard to the retirement pension assumed by the Company, the actuarial valuation as at December 31, 2021, was carried out by the Henao & Henao S.A.S. firm. The current value and the prior cost of past related service were measured using the "projected unit credit method".

19.1.1 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 as at December 31, 2021 and 2020, and to estimate the cost and income of defined benefits of the following year.

	2021	2020
Discount rate	8.19%. The weighted average of the discount rate that reflects the value of the expected cash flows from the future payments of benefits. The return curve for the TES B treasury securities at October 30, 2020, consulted in Infovalmer. This rate was approved by the Company for the purposes of the study.	6.57%. The weighted average of the discount rate that reflects the value of the expected cash flows from the future payments of benefits. The return curve for the TES B treasury securities at October 30, 2020, consulted in Infovalmer. This rate was approved by the Company for the purposes of the study.
Salary readjustment rate	Salary increases 1.73% above inflation.	Salary increases 1% above inflation.
Mortality table	Mortality table of male and female annuitants with experience, 2005-2008, approved by the Financial Superintendence pursuant to Resolution 1555 / July 30, 2010.	Mortality table of male and female annuitants with experience, 2005-2008, approved by the Financial Superintendence pursuant to Resolution 1555 / July 30, 2010.
Inflation	The inflation rate for 2021 is 4.5%.	The inflation rate for 2020 is 2.1%.
Entitled personnel	Six employees who are part of the Company's key personnel were reported for said effect.	Seven employees who are part of the Company's key personnel were reported for said effect.

18.1.2 Table of demographic assumptions for 2021 and 2020

	Mortality rate	
Age	Man	Woman
30	0.084%	0.047%

Age	Mortality rate Man	Woman
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%

18.1.3 Recognized amounts: The amounts reported in income with respect to these defined benefit plans are as follows:

	Income as at December 31, 2021	Income as at December 31, 2020
Cost of service		
Interest expenses, net	415	428
Cost of current service	430	434
Components of the defined benefit costs reported in income	**845**	**862**
New measurements of defined benefit liabilities, net		
Actuarial gains and losses not reported by remeasurements of the pension gap plan	(514)	440
Components of the defined benefit costs in other comprehensive income	**(514)**	**440**
Total	**331**	**1,302**

Net interest expenses for 2021 and 2020 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 Entity's defined benefit plan obligation is presented below.

	Income at December 31, 2021	Income as at December 31, 2020
Current value of financed retirement benefit obligation	6,636	6,305
Fair value of the plan's assets (*)	(7,552)	(5,853)
Restrictions on the recognized assets	-	-
Defined benefit obligation liabilities, net	**(916)**	**452**

* (*) As at December 2021 and 2020, the Company owns a voluntary pension fund managed by Protección S.A., to support the pension gap benefits (plan's assets).

Changes in the fair value of the plan's assets:

	Income as at December 31, 2021	Income as at December 31, 2020
Fair value of the benefit assets as at December 31 of previous year	**6,878**	**5,542**
Pension gap payments	674	311
Celsia Colombia's account receivable for employee transfer	-	-
Financial yields	-	-
Fair value of the benefit assets as at December 31 of current year	**7,552**	**5,853**

Changes in the present value of the defined benefit obligation:

	Income as at December 31, 2021	Income as at December 31, 2020
Retirement premium plan		
Liabilities of the defined benefit plan, net	916	(452)
Changes in the present value of the obligation		

Present value of the benefit obligations at December 31 of previous year	6,305	5,005
Cost of current service	430	433
Cost of interest on defined benefit obligation	415	427
New measurements of defined benefit plan		
Actuarial (gains) losses from changes in:		
Actuarial gains and losses not reported by remeasurements of the pension gap plan	(514)	440
Other changes	-	-
Present value of the defined benefit obligations at December of the current year	6,636	6,305
Total employee benefits	**6,636**	**6,305**
(Less) Related non-financial assets	(7,552)	(5,853)
Liabilities from employee benefit obligation, net	**(916)**	**452**

18.1.4 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.

Sensitivity to change in the discount rate

	Discount rate		Current valuation of the benefits		Variation (%)		Cost of current service	
	2021	2020	2021	2020	2021	2020	2021	2020
Current study	8.19	6.57	7,022	6,649			477	489
1% increase in the discount rate	8.27	6.6357	6,969	6,603	(0.75)	(0.69)	473	486
1% decrease in the discount rate	8.10	6.5043	7,076	6,695	(0.76	(0.69)	481	493

Sensitivity to change in inflation

	Discount rate		Current valuation of the benefits		Variation (%)		Cost of current service	
	2021	2020	2021	2020	2021	2020	2021	2020
Current study	3.50	3.0	7,022	6,649			477	489
1% increase in the discount rate	3.53	3.03	7,044	6,669	0.31	0.30	479	491
1% decrease in the discount rate	3.46	6.97	7,001	6,629	(0.31)	(0.30)	476	488

NOTE 19. PROVISIONS

Other provisions as at December 2021 and 2020, were as follows:

	2021	2020
Provisions for administrative and ordinary, labor and tax lawsuits	878	34,173
Provision for disassembly	-	-
	878	**34,173**

The changes in current provisions are as follows:

	2021	2020
Balance at start of the period	34,173	31,788
New provisions	-	878
Recoveries	(37,516)	-
Financial update of existing provisions	4,221	1,507
Current balance as at December 31	**878**	**34,173**

The balance of the provision corresponds to notification 20202401227571. On September 23, 2019, the Superintendence of Residential Public Utilities initiated an investigation to Zona Franca Celsia S.A. E.S.P. now Prime Termoflores S.A. E.S.P. for the alleged violation of Article 168 of Law 142/1994, section 2 of Annex 1 of Resolution CREG 062 of 2013 and CREG Resolution 025/1995 modified by CREG Resolution 026/2001, considering that the company declared the availability of generation resources it did not have due to lack of fuel supply, failing to comply with the instructions of the NDC for backup generation. As a result of the investigation, Resolution No. 20202400062335 of December 18, 2020, resulted in two charges arguing that Prime Termoflores did not guarantee backup generations in accordance with NDC instructions, due to having declared the Flores I and IV power plants unavailable or with partial unavailability for the month of August 2018, and by not having disclosed to the NDC the best estimate of the expected availability for each generating unit, as a consequence of having declared the Flores I and IV units available with their maximum generation capacity, when in fact they did not have the fuel required to operate for the month of August 2018. A penalty totaling COP 877,802 was imposed. The decision was promptly appealed by the company, arguing that Prime Termoflores complied with the regulations in force during the maintenance period undertaken by SPEC and that the declarations of unavailability and partial availability of the plants were due to an extraneous cause that made it impossible to guarantee the safety generation according to the NDC's instructions. The penalty has not yet been finalized.

The recovery is for the reversal of the provision for the liability guaranteed by Celsia on BLM's obligation in favor of Davivienda for USD 9,700,000 equivalent to COP 37,517 (2020; COP 33,293), due to the settlement in August 2021 of such obligation by BLM.

NOTE 20. TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

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

	2021	2020
Colombian suppliers	1,585	1,552
Balances payable to related parties (1)	10,455	131
Foreign suppliers	143	65
Dividends payable (2)	69,425	115,106
Sundry creditors (3)	113,198	108,376
	194,806	**225,230**
Current	83,132	118,365
Non-current	111,674	106,865
	194,806	**225,230**

(1) The increase compared to 2020 is mainly due to the payment of all-risk insurance policies to the supplier Seguros Generales Suramericana and Celsia Colombia S.A E.S.P.

(2) The balance consists of the last installment of ordinary and extraordinary dividends declared at the General Meeting of Shareholders held on March 25, 2020, which were paid on January 21, 2021.

(3) Mainly consists of the account payable to Integral S.A. totaling COP 106,865 (2019: COP 99,360) acquired in 2015 for the purchase of Porvenir II, which will start to be paid as from 2022.

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

NOTE 21. OTHER NON-FINANCIAL LIABILITIES

As at December 31, non-financial liabilities were as follows:

	2021	2020
Income received in advance	9	48
Total revenue, net	**9**	**48**

NOTE 22. REVENUE

At as December 31, net revenue was as follows:

	2021	2020
Equity method, net (22.1)	603,033	300,187
Other revenue (expenses), net (22.2)	(265,008)	66,429
Total revenue, net	**338,025**	**366,616**

22.1 Equity method, net

The equity method in the income of the period and in other comprehensive income as at December 31, 2021 and 2020, was as follows:

		2021		2020	
Company	**Classification**	**In income of the period**	**In other comprehensive income**	**In income of the period**	**In other comprehensive income**
Colener S.A.S.	Subsidiary	244,073	(2,649)	168,581	(881)

CTC Curazao B.V. (1)	Subsidiary	-	-	40,529	-
Celsia Colombia S.A. E.S.P.	Subsidiary	97,198	(1,053)	67,138	(78)
Porvenir II S.A. E.S.P.	Subsidiary	1	-	(110)	-
Enerwinds Costa Rica (1)	Subsidiary	-	-	(12,173)	-
Alternegy (1)	Subsidiary	-	-	34,191	-
Bontex (1)	Subsidiary	-	-	9,383	-
Celsia Centroamérica	Subsidiary	262,443	(1,509)	(5,247)	(1,867)
Celsia Costa Rica (formerly Callco La Gloria) (1)	Subsidiary	-	-	(61)	-
Celsia Honduras	Subsidiary	-	-	(2,030)	-
SUMMA Servicios Corporativos Integrales	Associate	(682)	-	(14)	-
Total earnings (losses) from equity method		**603,033**	**(5,211)**	**300,187**	**(2,826)**

(1) Due to reorganization issues at the end of 2021 Celsia transferred the shares of Enerwinds and Celsia Costa Rica. In 2020, Celsia Centroamérica acquired the Bontex and Alternegy companies. Additionally, it merged with the company CTC Curazao.

22.2 Other revenue (expenses), net

As at December 31, other income (expenses), net, were as follows:

	2021	2020
Profit from the sale of investments	-	17,120
Investment impairment (1)	(299,767)	(38,767)
Electricity capacity of the representation contract (2)	27,068	74,803
Reliability charge sales	5,524	
Risk management Cell revenue (3)	2,167	13,273
Total other revenue (expenses), net	**(265,008)**	**66,429**

(1) Corresponds to the impairment of the liquidation trust of Bahia Las Minas Corp. in 2021. Located in Central America.

(2) Consists of income from electricity capacity of the power plants under representation contract where Celsia S.A. consolidates its operation through Celsia Colombia S.A. E.S.P., which is the company dedicated to energy generation, transmission and distribution that will concentrate the electricity assets in Colombia. These revenues decreased in 2021 compared to 2020, due to the replacement of the 207 MVA transformer at the Meriléctrica thermal power plant.

(3) The decrease reflects the value of the reserve in the Sura SAC investment pending compensation due to damage on the transformer at the Meriléctrica thermal power plant, which has an impairment for damage amounting to COP 6,774.

NOTE 23. COST OF SALES

As at December 31, the cost of sales was as follows:

	2021	2020
Depreciation and amortization	9,212	9,488
Personnel services	4,730	4,812
Insurance	2,834	2,878
Costs of goods and public utilities (1)	2,002	918
Operation and maintenance (2)	2,021	1,767
General costs	1,423	1,689
Materials and other operating costs	656	765
Public utilities (3)	166	242
Professional fees (4)	157	391
Licenses and contributions	222	302
Leases	45	60
	23,468	**23,312**

(1) These are the costs per Commission of the Meriléctrica thermal power plant.

(2) This is for the adaptation of the air conditioning system for spaces to be remodeled at the Meriléctrica thermal power plant.

(3) These are the costs of landline, mobile, and telecommunications services, which were used from homes most of the year.

(4) These are costs for studies, projects and consulting services undertaken in 2021 that did not occur in 2020.

NOTE 24. OTHER INCOME AND EXPENSES, NET

As at December 31, other income and expenses, net, were as follows:

	2021	2020
Recoveries	37,565	295
Compensation insurance companies	4,021	-
Professional fees and commissions	74	-
Other	25	-
Total other income	**41,685**	**295**
Investment impairment (1)	-	-
Impairment of property, plant and equipment (2)	(6,774)	-
Donations (3)	(5,000)	4,600
Other (4)	(326)	2,331
Total other expenses	**(12,100)**	**6,931**
Total other expenses, net	**29,585**	**6,636**

1. Impairment on investment in Bahia Las Minas (see note 9, section 1).
2. Value impairment due to the failure to energize the 207 MVA Ferranti Packard main transformer at the Meriléctrica thermal power plant. (See Note 6).
3. Donation to Fundación Grupo Argos in the amount of COP 5,000,000 (2020; COP 4,600,000) approved by the General Meeting of Shareholders in accordance with minutes No. 22 of March 24, 2021.
4. Reduction of commission charged by Celsia Colombia S.A. E.S.P. for the representation contract of the generation power plant, given the drop in the power plant's generation.

NOTE 25. ADMINISTRATIVE EXPENSES

As at December 31, administrative expenses were as follows:

	2021	2020
Personnel expenses (1)	10,353	11,156
Depreciation and amortization	3,529	4,856
Professional fees (2)	3,511	4,222
Travel expenses	2,611	2,173
Charged and effective payments	2,390	1,654
Other	1,160	1,208
Taxes, contributions, and rates (3)	1,076	2,263
Maintenance and repairs	832	892
Management of real estate	762	942
Security and surveillance	707	606
Publicity and advertising (4)	588	1,013
Services	411	196
Commission	410	431
Insurance	382	293
Public utilities (5)	266	585
Cleaning and cafeteria services	159	253
Leases	21	141
Communications and transportation	11	71
Impairment of accounts receivable	6	-
	29,185	**32,955**

(1) In 2020, as opposed to 2021, there were refunds of global health premiums due to changes in the pension plans. There were less contributions to said plans in 2020.

(2) The breakdown of expenses of professional fees is as follows:

	2021	2020
Legal advice	1,225	1,473
Board of Directors	911	914
Financial advice	640	615
IT consultancy	525	536
Statutory audit	180	180

	2021	2020
Appraisal advice	24	
External audit	3	46
Design and study consultancy	3	62
Other professional fees	-	396
	3,511	**4,222**

(3) The decrease is due to a lower provision and payment of the industry and commerce tax, mainly due to lower income.

(4) The decrease is due to lower advertising and publicity expenses during the period.

(5) In 2021, expenses mainly on landline telephone services decreased.

NOTE 26. FINANCIAL REVENUE AND COSTS, NET

As at December 31, financial revenue and costs, net, were as follows:

	2021	2020
Interest on other loans and items receivable (1)	39,273	43,112
Interest on bank deposits	642	1,217
Other	-	81
Total financial income	**39,915**	**44,410**
Interest on borrowings (2)	(41,189)	(33,777)
Financial costs	(5,886)	(9,569)
Commission	(1,085)	(118)
Financial transaction tax	(2,144)	(1,477)
Financial costs for rights of use	(722)	(993)
Other financial costs	(625)	(814)
Total financial costs	**(51,651)**	**(46,748)**
Exchange difference income (a)	47,402	-
Exchange difference expenses (b)	(5,903)	(2,590)
Total income, exchange difference (3)	**(41,499)**	**(2,590)**
Total financial revenue (costs), net	**29,763**	**(4,928)**

(1) In 2021, less interest was charged to Celsia Colombia S.A. E.S.P. due to the decrease in the rate indexed to the consumer price index - CPI, as a result of the financed sale of generation assets in December 2018.

(2) The increase in expenses is due to higher interest on securities issued.

(3) The exchange difference, net, as at December 31, is presented below:

	2021	2020
Borrowings (a)	(6,375)	(14,833)
Accounts receivable (b)	16,243	7,580
Acquisition of goods and services	602	1,302
Cash and cash equivalents	471	3,368
Investments and other (c)	30,558	(7)
Exchange difference income (expenses)	41,499	**2,590**
Exchange difference income (expenses)	**41,499**	**2,590**

(a) The exchange difference on financial obligations decreased due to the cancellation of the loan with Celsia Centroamérica - CECA and the decrease in the representative exchange rate (TRM). This variation includes the adjustment of the provision for the BLM liability in favor of Davivienda for USD 9,700,000, guaranteed by Celsia S.A. (See note 19 Provisions).

(b) The reduction in the exchange difference from the previous year is due to the appreciation of the accounts receivable in U.S. dollars from Prime Colombia Barranquilla for the sale of Zona Franca Celsia S.A. E.S.P. in September 2019, which as at December 2021 totaled COP 113,477,342 (2020: 107,738,912).

(c) The increase is due to an income increase of exchange difference in the Captive cell.

The representative exchange rate used for the reconversion of foreign currency is COP 3,981.16 (December 2020: COP 3,432.50) per U.S. dollar.

NOTE 27. INCOME TAX

According to current tax regulation, the Group is subject to income tax and additional taxes. The applicable rates for 2020 and 2021 were 32% and 31%, respectively.

The taxable income from capital gains is taxed at the rate of 10%.

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.

i. The income tax returns of the years 2016 to 2020 are available for statutory audit by the tax authorities. Additional taxes are not expected in the event of an audit.

ii. The CREE income tax return for equality of 2016 is subject to audit by the tax authorities. Additional taxes are not expected in the event of an audit.

iii. As at December 31, 2021, this is the breakdown of the Company's tax losses:

- Tax losses 2021 COP 5,822

The general term of definitiveness for tax returns is as follows:

Year of Statement	Term of Definitiveness
2016	2029
2017	2030
2018	2031
2019	2032
2020	2033

27.1 Income tax recognized in the income statement

	2021	2020
For the current year:		
Current tax	-	10,733
Deferred tax	3,662	5,686
For previous years:	**-**	**-**
Current tax	(793)	(158)
Total tax expenses related to continuing operations	**2,869**	**16,261**

The reconciliation between earnings before tax and taxable liquid income for the periods ending on December 30 is as follows:

	2021	2020
Earnings before tax from continuing operations	**344,720**	**298,785**
Equity method	(603,033)	(300,187)
Taxed or untaxed income (1)	(86,706)	5,357
Effect of non-deductible expenses (2)	334,226	70,203
Difference between IFRS and tax depreciation and amortization	4,971	5,526
Net effect of sale of fixed ordinary income assets	-	(17,120)
(Tax loss) / Revenue	**(5,822)**	**62,564**
Offsetting of losses	-	(27,229)
Taxable liquid income	**-**	**35,335**
Income tax of 31% in 2021 (2020: 32%, presumptive)	**-**	11,307
Capital gains tax	-	1,326
Tax deductions (3)	-	(1,900)
Total	**-**	**10,733**
Adjustment of income tax - previous years	(793)	(158)
Income Tax	**(793)**	**10,575**

(1)	2021	2020
Unrealized income due to investment in the captive insurance cell	3,339	13,178
Recovery of provisions	(37,517)	-
Realized exchange difference	(45,467)	(7,821)
Untaxed compensations	(7,061)	-
Total taxed and untaxed income	**(86,706)**	**5,357**

(2)	2021	2020
Impairment of investments in subsidiaries	305,249	38,767
Financial transaction tax	1,072	739
Donations	5,000	4,600

Industry and commerce	-	1,748
Expenses subject to limitation	21,590	23,250
Other non-deductible expenses	1,315	1,099
Total non-deductible expenses	**334,226**	**70,203**

(3)	**2021**	**2020**
Donations	-	1,150
Industry and commerce tax	-	750
Total tax deductions	**-**	**1,900**

27.2 Reconciliation of the effective rate

The Company'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:

	2021		**2020**	
Profit before tax	-	%	298,785	%
Theoretical tax expenses calculated according to the current tax rates	-	0.00%	95,611	32.00%
Untaxed income	-	0.00%	1,714	0.57%
Non-deductible expenses	-	0.00%	22,880	7.66%
Difference between IFRS and tax depreciation and amortization	-	0.00%	1,768	0.59%
Equity method	-	0.00%	(96,060)	(32.15%)
Capital gains tax effect	-	0.00%	1,326	0.44%
Income tax effect from the sale of fixed assets	-	0.00%	5,478	1.83%
Offsetting of tax losses	-	0.00%	(8,713)	(2.92%)
Tax deductions	-	0.00%	(1,900)	(0.64%)
Adjustments of previous periods	(793)	(0.23%)	(158)	(0.05%)
Deferred property, plant and equipment	(2,918)	(0.85%)	1,658	0.55%
Deferred other long-term investments	2,462	0.71%	2,791	0.93%
Deferred rights of use	778	0.23%	174	0.06%
Deferred current assets	-	0.00%	(2,213)	(0.74%)
Deferred other liabilities	5,410	1.57%	292	0.10%
Deferred other assets	(32)	0.01%	(31)	(0.01%)
Deferred tax losses	(2,038)	(0.59%)	(8,356)	(2.80%)
Total income tax expenses	**2,869**	**(0.85%)**	**16,261**	**5.44%**

The effective rate differs from the nominal rate mainly due to the equity method, which is exempt from income tax.

27.3 Current tax assets and liabilities

	2021	**2020**
Balance in favor Income Tax	5,937	**-**
Prepaid local taxes	205	15
Current tax assets	**6,142**	**15**
Income tax payable and other taxes	(943)	(6,457)
Income tax payable and contributions	1	(2,127)
Current tax liabilities	(942)	**(8,584)**
	5,200	**(8,569)**

27.4 Deferred tax

The difference between the book value of the assets and liabilities and their tax bases give rise to the following temporary differences generated by deferred taxes, 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 statement of financial position is shown below:

	2021	**2020**
Deferred tax assets	3,697	289
Deferred tax liabilities	(18,470)	(10,044)
	(14,773)	**(9,755)**

The balances above are broken down as follows:

2021	**Initial balance**	**Recognized in income**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax (liabilities) or assets related to:				
Property, plant and equipment	(6,897)	2,918	-	(3,979)
Other equity investments	(1,608)	(2,462)	-	(4,070)
Intangible and right-of-use assets	(1,507)	(778)	-	(2,285)
Other assets	(32)	32	-	-
Other liabilities	289	(5,410)	-	(5,122)
Tax losses	-	2,038	-	2,038
Exchange rate adjustment	-	-	(1,355)	(1,355)
	(9,755)	**(3,662)**	**(1,355)**	**(14,773)**

2020	**Initial balance**	**Recognized in income**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax (liabilities) or assets related to:				
Property, plant and equipment	(8,555)	1,658	-	(6,897)
Other equity investments	(4,399)	2,791	-	(1,608)
Intangible and right-of-use assets	(1,681)	174	-	(1,507)
Current assets	2,213	(2,213)	-	-
Other assets	-	(32)	-	(32)
Other liabilities	(2)	291	-	289
Tax losses	8,355	(8,355)	-	-
	(4,069)	**(5,686)**	**-**	**(9,755)**

27.5 Deductible unrecognized temporary differences, unused tax losses and unused tax credits: There are no recognized temporary differences in 2021.

In compliance with IAS 12, the 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 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. The temporary differences for the indicated concepts are as follows:

Year	**Accounting cost**	**Tax cost**	**Unreported temporary differences**
2021	5,504	5,215	289
2020	4,920	4,829	91
2019	4,741	4,798	(57)

Considering the increase in the basic income tax rate from 31% in 2021 to 35% applicable as of 2022, provided by Law 2155/ 2021 (Social Investment Law), in accordance with the provisions of Decree 1311/2021, the Company opted to record the remeasurement of the deferred tax in the retained earnings account of prior years in equity, the effect of which was an expense amounting to COP 1,355.

27.6 Uncertainties in open tax positions

Reviews were conducted of the possible tax uncertainties, finding that no disclosure in that respect will be necessary at the end of 2021.

On a quarterly basis, these will be reviewed in order to prevent additional taxes in the event of possible visits from the tax authorities or the existence of uncertainties related to tax positions applied by the Company.

27.7 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 2020. 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 2021 is in the process of preparation, significant changes from the previous year are not expected.

27.8 Social Investment Law and Economic Growth Law - (Latest Tax Reforms)

In September 2021, the Colombian Tax Law was amended through Law 2155 (Social Investment Law), which increased the income tax rate to 35% as of 2022 and subsequent years.

On the other hand, Law 1943/December 28, 2018 (Economic Growth Law), was declared unenforceable in Constitutional Court Ruling, C-481 of 2019, a situation that resulted in the National Government submitting a new tax reform initiative, which was approved by the Congress of the Republic and issued through Law 2010/December 27, 2019.

Said Law includes the provisions of Law 1943/2018 that were considered essential for the reactivation of economic growth and competitiveness in the country and introduced some amendments which are highlighted below:

- For the 2021 tax year, the applicable income tax rate is 31%. For taxable year 2020 it is 32%. As from 2022 and subsequent years, with the issuance of Law 2155/2021 (Social Investment Law), the rate is 35%.
- For 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.
- 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 tax value units (UVTs, for the Spanish original).

  - 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 (2020: 32%; 2021: 31%; and 2022 onward: 35%); 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. The term the taxpayer had to voluntarily correct its tax returns was two (2) years, but with 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 28. EARNINGS PER SHARE

The calculation of basic earnings per share as at December 31 was based on the profit of COP 341,850,763 taxable to the shareholders (2020: COP 282,523,659) and a weighted average number of outstanding common shares of 1,069,972,554 (2020: 1,069,972,554), calculated in the following way:

28.1 Weighted average of the number of shares

	2021	2020
Outstanding shares at January 1	1,069,972	1,069,972
Total number of common shares as at December 31	**1,069,972**	**1,069,972**

The earnings per share as at December 31 are as follows:

	2021	2020
Annual earnings, net	341,851	282,524
Number of outstanding shares	1,069,972	1,069,972
Earnings per basic share (in COP)	**319.49**	**264.05**

The net earnings per diluted share are equal to income from the basic share.

NOTE 29. FINANCIAL INSTRUMENTS

29.1 Compliance with loan agreements

As at December 31, the Company had not breached any of the financial clauses or other part of the signed loan agreements. Additionally, during the reporting period, it did not default on capital payments or interest of financial liabilities and/or borrowings payable.

29.2 Reclassification of financial assets

During the current and previous period, the Company has not made changes to the business model for management and administration of the financial assets, so financial assets have not been reclassified from the fair value category to amortized cost, or vice versa.

29.3 Categories of financial instruments

	2021	2020
Cash and cash equivalents (Note 13)	2,037	5,000
Financial assets at fair value through profit or loss (a)	227,852	184,462
Financial assets at fair value through other comprehensive income (b)	8,436	100
Financial assets measured at amortized cost (c)	(14,825)	769,861
Total financial assets	**223,500**	**959,423**
Financial liabilities measured at amortized cost (d)	**742,486**	**560,703**

(a) Mainly consists of the investment delivered as capital by Celsia to the cell of the captive insurance company, and the reinsurance premium. Additionally, it includes the account receivable balance from Prime Colombia for the sale of Zona Franca Celsia in September 2019.

(b) Equity investments other than prepayments for future capitalizations and shares in subsidiaries, associates and joint ventures. (Note 11.2 Financial investments measured at fair value through other comprehensive income).

(c) Consists of long-term accounts receivable, which are measured at amortized cost using the effective interest rate method, except for the account receivable from Prime Colombia, which is presented in the financial assets at fair value through profit or loss. (Note 12. Trade debtors and other accounts receivable), except for the account receivable from Prime Colombia, which is presented in financial assets at fair value through profit or loss.

(d) Financial liabilities measured at amortized cost:

	2021	2020
Outstanding bonds (Note 17. Borrowings)	454,751	453,835
Borrowings (Note 17. Borrowings)	176,061	3
Trade creditors and other accounts payable (a)	111,674	106,865
Total financial liabilities measured at amortized cost	**742,486**	**560,703**

(a) Corresponds to the commitment with Integral acquired in 2015 in relation to the design consultancy for the construction of the Porvenir II Hydraulic Project, which will effectively commence in 2022.

The book value of the financial liabilities reported in the financial statements are close to their fair value, so the fair value comparison is not included in the notes to the financial statements.

Short-term accounts receivable and accounts payable are presented at their nominal value.

Financial liabilities do not include the right-of-use liabilities, which are within the scope of IFRS 16.

NOTE 30. FINANCIAL RISK MANAGEMENT

30.1 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 S.A. 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, registration, monitoring and communication, as well as the actions established to mitigate the risks.

The Risk Management System mainly 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 risk management process is defined in its Integrated Risk Management System (ERMS) and aligned with international best practices such as ISO 31000 and the COSO ERM standard.

The Organization identifies risks based on a qualitative and quantitative analysis both strategically and operationally, on the basis of understanding the business, objectives and trends. 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: economic, reputational, occupational safety and health and information.

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 or new regulation that adversely affect the operation of the assets and the delivery of products and services.	Reputational/Financial	Monitoring and analysis of the variables that may generate 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	Mitigation, compensation, adaptation and communication plans within the climate change strategy. Assessment of legal requirements; carbon footprint measurements. Definition and execution of environmental management plans.
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.
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.

Strategic risk	Definition	Potential impact of the risk on the business	Mitigation actions
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 incidents 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.
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.

30.2 Capital risk management:

The capital structure of Celsia S.A. 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 17. Borrowings and Note 16. Equity.

The Company 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 S.A. 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.

30.3 Objectives of financial risk management:

The financial policies of Celsia S.A. 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.

The Company 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.

30.3.1 Market risk:

Due to the activities that it carries out and its capital structure, Celsia S.A. 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.

30.3.2 Exchange risk management:

At the close of 2021, the profit before tax of Celsia S.A. was exposed to changes in the exchange rate through the components of cost of sales in U.S. dollars and borrowings.

The net exposure based on the notional value of monetary assets and liabilities after exchange rate hedging, mainly with the U.S. dollar, is as follows:

Exposure to the U.S. dollar (in U.S. dollars)	**2021**	**2020**
Monetary assets	35,271,870	30,801,796
Monetary liabilities	35,698,908	518,610
Net exposure	**(427,038)**	**30,283,186**

Exposure to the U.S. dollar (in Colombian pesos)	**2021**	**2020**
Monetary assets	140,423	105,727
Monetary liabilities	142,123	1,780
Net exposure	**(1,700)**	**103,947**

Foreign currency sensitivity analysis

The Company 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.

	Impact on profit before tax and continuing operations	
Strengthening of the Colombian peso against the U.S. dollar	**[20%]**	**[-20%]**
As at December 31, 2021	(340)	340
As at December 31, 2020	20,789	(20,789)

Operations 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:

	2021		**2020**	
Against the U.S. dollar	**Closing exchange rate**	**Average exchange rate**	**Closing exchange rate**	**Average exchange rate**
COP	3,981.16	3,967.77	3,432.50	3,468.50

30.3.3 Interest rate risk management:

Celsia S.A. is exposed to different indicators, such as the CPI, which enable efficient absorption of changes in monetary policy and the performance of the national and international macroeconomic variables.

The following table shows the financial liability and agreed interest rate. Exposure occurs on the amounts with a variable interest rate:

	Debt		Debt	
Agreed interest rate	**2021**	**2020**	**2021**	**2020**
Fixed interest (**)			-	-
Variable interest	454,730	452,730	100%	100%
Does not accrue interest		-		
Total consolidated debt	**454,730**	**452,730**	**100%**	**100%**

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 indexer 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	
Annual	**2021**	**2020**
Profit before tax and discontinued operations	4,527	4,527

30.3.4 Market risk: Due to the activities that it carries out and its capital structure, Celsia S.A. 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 Company's exposure to market risks or the way in which said risks are managed and measured has not changed.

30.3.5 Interest rate risk management: The Company is exposed to changes in interest rates, mainly the changes in the CPI, as the majority of the financial debt is indexed to this indicator, achieving a natural hedge with the Company's income that varies with the changes in this indicator.

To establish the exposure to variations in the indicators to which the Company's financial debt is indexed, the sensitivity of the variation in the financial costs is established by changing each indicator by +/-25 bps on the year's average.

30.3.6 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.

30.3.7 Liquidity risk management: The Organization 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.

Similarly, the debt policy aims to maintain an adequate availability of credit quotas with Colombian and international financial entities to respond to the working capital needs that may arise during operations.

30.3.8 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. The Company 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.

30.4 Analysis of the maturity of financial liabilities

30.4.1 Analysis of the maturity of non-derivative financial liabilities

The following tables show the remaining contract maturity of Celsia S.A. 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 the Company 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 it must make the payment.

2021	Effective weighted average rate	One year or less	From 1 to 5 years	Five years or more	Total	Book value
Financial liabilities that do not accrue interest	N/A	83,135	-	-	83,135	83,135
Instruments with variable interest rate	COP 10.65% AER	50,426	407,424	372,188	830,038	630,809
Instruments with fixed interest rate		10,085	66,470	132,396	208,951	111,674
Total		**143,646**	**473,894**	**504,584**	**1,122,124**	**825,618**

2020	Effective weighted average rate	One year or less	From 1 to 5 years	Five years or more	Total	Book value
Financial liabilities that do not accrue interest		118,365			118,365	118,365
Financial lease liability					-	-
Instruments with variable interest rate	COP 6.72% AER	30,420	361,466	328,346	720,232	453,838
Instruments with fixed interest rate			64,402	144,547	208,949	106,865
Other liabilities					-	-
Total		**148,785**	**425,868**	**472,893**	**1,047,546**	**679,068**

The contractual flows from the right-of-use liabilities are disclosed in Note 7. Leases and rights of use.

NOTE 31. 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.

31.1 Qualitative information about relations between related parties

31.1.1 Relations between Celsia S.A. and its subsidiaries:

- Representation contract of the Meriléctrica power plant
- Loans for investment or to be used as working capital
- Dividends charged
- Reimbursements of costs and expenses

31.1.2 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
- Insurance policies hired by the companies to protect their production assets, mainly covering material damage caused by fire, explosion, short circuit, natural disasters, terrorism, and other risks.

31.2 Quantitative information about relations between related parties

The following commercial transactions were made with related parties during the period:

	Sale of assets and other income		Purchase of assets and other expenses	
	2021	2020	2021	2020
Subsidiaries	66,193	117,752	-	982
Other related parties	-	-	**2,807**	2,716
Total related parties	**66,193**	**117,752**	**2,807**	**3,698**

	Amounts receivable		Lease assets		Amounts payable and prepayments received	
	2021	2020	2021	2020	2021	2020
Parent company	-	-	-	-	29,168	54,657
Subsidiaries	463,337	798,499	-	-	5,013	126

Other related parties	16,410	-	-	-	45,647	60,452
Total related parties (*)	**479,747**	**798,499**	**-**	**-**	**79,828**	**115,235**

(*) Until 2020, dividends payable to minority shareholders were presented as related party transactions; however, since they do not have control or significant influence over the Group, they are removed from the disclosure.

As at December 31, 2021 and 2020, the Company had not recognized impairment and expenses due to the impairment of the amounts receivable from related parties. The Company has not received or granted guarantees of balances receivable or 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.

31.2.1 Payment of key management personnel: Payment of executives and other key members of Management during the year was as follows:

	2021	2020
Short-term benefits	9,131	2,209
Long-term benefits	1,513	1,364
Professional fees (1)	911	914
Credits granted to key management staff (2)	-	4,167
	11,555	**7,631**

(1) In 2021, payments of professional fees consisted of 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, mainly for housing, special loans to senior executives, and vehicle and health insurance. No loans were made to key management personnel in 2021.

NOTE 32. OTHER DISCLOSURES

Commitments and contingencies

The Company duly addressed its legal affairs and did not receive any notification of lawsuits or penalties that could affect its financial position. Contingent assets and liabilities have not presented significant variations in relation to their amount and/or qualification from January 1, 2021 to December 31, 2021. Contingent assets and liabilities have not presented significant variations in relation to their amount and/or qualification from January 1, 2021 to December 31, 2021.

NOTE 33. RELEVANT EVENTS DURING THE REPORTING PERIOD

2021 was a year of transition and post-pandemic economic revival. In the last year, the Company made investments to grow and guarantee electricity services as a basis to support economic recovery, competitiveness, and employment preservation.

There were also some challenges last year. We faced disruptions in international supply chains, and for a couple of months there were road blockades in Colombia that impacted our operations, in addition to the threats arising from the presence of several COVID-19 variants and contagion peaks. Despite the above, and aware that energy service is essential, the Company focused all its efforts on guaranteeing one hundred percent of its operation and a quality and reliable service for its customers. The operational and financial results were remarkable, and demonstrate Celsia's resilience in overcoming difficulties.

To date, we have connected more than 1,225,000 customers, 43,000 km of distribution lines and 291 km of transmission lines, and we are firmly committed to continue modernizing these networks to support the needs of our customers. To this end, we invested in substations, new circuits and control systems to improve reliability and make them safer.

Aimed primarily at improving service, these investments, are remunerated and generate stable cash flows that ensure the profitability of the operations. At the same time, the SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) indicators show significant progress.

In growth activities, we are moving forward with the development and operation of solar farms in the alliance with Cubico Sustainable Investments, an investment vehicle of two Canadian pension funds that believe in Colombia. In this platform we already have 47.5 MW in operation and we expect to have 1 GW in solar farms under development in the next 3 or 4 years.

NOTE 34. 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.

NOTE 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been authorized for their disclosure by the Registered Agent and the Board of Directors pursuant to the meeting held on February 24, 2021.