



Grupo Argos S.A.

Separated Financial Statements 2019

Separated Financial Statements as at 31 December 2019

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Grupo Argos S.A.

SEPARATED STATEMENT OF FINANCIAL POSITION

As at 31 December | Figures stated in millions of Colombian pesos

| | Notes | 2019 | 2018 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 1,729 | 4,850 |
| Derivative financial instruments | 7 | - | 2,932 |
| Trade and other receivables | 8 | 223,804 | 166,415 |
| Inventories, net | 9 | 169,602 | 172,868 |
| Tax assets | 10 | 30,237 | 6,284 |
| Prepaid expenses and other non-financial assets | 12 | 1,189 | 1,656 |
| CURRENT ASSETS | | 426,561 | 355,005 |
| Non-current assets held for sale | 18 | 24,478 | - |
| TOTAL CURRENT ASSETS | | 451,039 | 355,005 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 8 | 96,511 | 107,903 |
| Inventories, net | 9 | 37,204 | 36,747 |
| Right-of-use assets property, plant and equipment, net | 20 | 12,817 | - |
| Intangible assets, net | 13 | 107,005 | 119,633 |
| Property, plant and equipment, net | 14 | 1,452 | 2,022 |
| Investment property | 15 | 2,108,346 | 2,105,213 |
| Investments in associates and joint ventures | 16 | 5,248,263 | 5,072,386 |
| Investments in subsidiaries | 17 | 8,925,402 | 9,070,962 |
| Other financial assets | 11 | 1,167,807 | 1,076,533 |
| Prepaid expenses and other non-financial assets | 12 | 4,666 | - |
| TOTAL NON-CURRENT ASSETS | | 17,709,473 | 17,591,399 |
| TOTAL ASSETS | | 18,160,512 | 17,946,404 |

Grupo Argos S.A.

SEPARATED STATEMENT OF FINANCIAL POSITION

As at 31 December | Figures stated in millions of Colombian pesos

| | Notes | 2019 | 2018 |
|--|-------|-------------------|-------------------|
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Borrowings | 19 | 4,252 | 119,106 |
| Lease liabilities | 20 | 2,036 | - |
| Employee benefits liabilities | 21 | 12,404 | 11,414 |
| Provisions | 22 | 322 | 701 |
| Trade and other payables | 23 | 93,764 | 90,551 |
| Tax liabilities | 10 | 1,974 | 23,811 |
| Derivative financial instruments | 7 | 42 | 175 |
| Bonds and compound financial instruments | 24 | 8,274 | 121,691 |
| Other non-financial liabilities | 25 | 53,332 | 25,419 |
| TOTAL CURRENT LIABILITIES | | 176,400 | 392,868 |
| NON-CURRENT LIABILITIES | | | |
| Financial liabilities | 19 | 497,757 | 738,047 |
| Lease liabilities | 20 | 10,264 | - |
| Deferred tax | 10 | 195,402 | 182,086 |
| Employee benefits liabilities | 21 | 2,785 | 1,865 |
| Derivative financial instruments | 7 | - | 85 |
| Bonds and compound financial instruments | 24 | 1,105,207 | 655,517 |
| TOTAL NON-CURRENT LIABILITIES | | 1,811,415 | 1,577,600 |
| TOTAL LIABILITIES | | 1,987,815 | 1,970,468 |
| EQUITY | | | |
| Share capital | 26 | 53,933 | 53,933 |
| Additional paid-in capital | 26 | 1,354,759 | 1,354,759 |
| Retained earnings | | 8,701,448 | 8,686,431 |
| Reserves | 27 | 3,513,161 | 3,001,515 |
| Profit for the year | | 482,739 | 811,676 |
| Other components of equity | 28 | 301,188 | 374,968 |
| Other comprehensive income | 27 | 1,765,469 | 1,692,654 |
| TOTAL EQUITY | | 16,172,697 | 15,975,936 |
| TOTAL LIABILITIES AND EQUITY | | 18,160,512 | 17,946,404 |

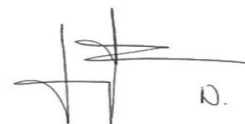
The accompanying notes are an integral part of the financial statements.



Jorge Mario Velásquez Jaramillo
CEO
Legal representative



Claudia Patricia Álvarez Agudelo
Accountant
Professional card No. 69447-T



Johana Novoa Cucunuba
Statutory auditor
Professional card No. 166943-T
Member of KPMG S.A.S.
(See report of 26 February 2020)

Grupo Argos S.A.

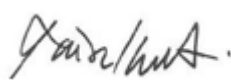
SEPARATED STATEMENT OF COMPREHENSIVE INCOME

Years ended as at 31 December | Figures stated in millions of Colombian pesos, except earnings per share

| | Notes | 2019 | 2018 |
|--|-------|------------------|------------------|
| REVENUE | 30 | 845,609 | 1,379,703 |
| Cost of ordinary activities | 31 | (99,480) | (308,397) |
| GROSS PROFIT | | 746,129 | 1,071,306 |
| Administrative expenses | 32 | (141,761) | (139,750) |
| Selling expenses | 33 | (1,234) | (1,581) |
| STRUCTURE EXPENSES | | (142,995) | (141,331) |
| Other income (expenses), net | 35 | (4,481) | 27,750 |
| PROFIT FROM OPERATING ACTIVITIES | | 598,653 | 957,725 |
| Financial expenses, net | 36 | (102,653) | (111,050) |
| EARNINGS BEFORE TAX | | 496,000 | 846,675 |
| Income tax | 10 | (13,261) | (34,999) |
| NET PROFIT | | 482,739 | 811,676 |
| EARNINGS PER SHARE FROM CONTINUING OPERATIONS (*) | | | |
| Attributable to shareholders | | | |
| Basic (*) | 37 | 563 | 947 |
| Diluted (*) | 37 | 563 | 947 |

(*) Figures stated in Colombian pesos.

The accompanying notes are an integral part of the financial statements.



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CEO
Legal representative



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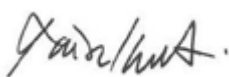
Grupo Argos S.A.

SEPARATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Years ended as at 31 December | Figures stated in millions of Colombian pesos

| | Notes | 2019 | 2018 |
|---|-------|-----------------|------------------|
| NET INCOME | | 482,739 | 811,676 |
| ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | 27.2 | 98,637 | (299,427) |
| Gains or losses of equity investments | | 85,877 | (195,418) |
| Remeasurement of employee defined benefit liabilities | | (5,809) | 2,145 |
| Deferred tax on employee defined benefit liabilities | | 876 | (1,152) |
| Net interests in other comprehensive income of subsidiaries | | 17,693 | (105,002) |
| ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | 27.2 | (16,719) | 431,783 |
| Net gains from instruments under cash flow hedges | | (235) | 189 |
| Effect of cash flow hedging instruments | | 60 | (47) |
| Deferred tax of cash flow hedging instruments | | (16,544) | 431,641 |
| Net interests in other comprehensive income of subsidiaries | | | |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | 27.2 | 81,918 | 132,356 |
| TOTAL COMPREHENSIVE INCOME | | 564,657 | 944,032 |

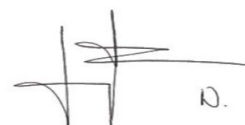
The accompanying notes are an integral part of the financial statements.



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Grupo Argos S.A.

SEPARATED STATEMENT OF CHANGES IN EQUITY

Years ended as at 31 December | Figures stated in millions of Colombian pesos

| | Share capital and additional paid-in capital | Legal Reserve | Other Reserves | Other Comprehensive Income | Retained earnings | Profit for the year | Other components of equity | Total Equity |
|---|--|---------------|------------------|----------------------------|-------------------|---------------------|----------------------------|-------------------|
| Balance disclosed as at 31 December 2017 | 1,408,692 | 29,665 | 2,800,179 | 1,564,175 | 9,149,828 | - | 592,604 | 15,545,143 |
| Accumulated effect of the adoption of new standards by the equity method (note 3.1.1) | - | - | - | - | (8,761) | - | - | (8,761) |
| Adjusted balance as at 1 January 2018 | 1,408,692 | 29,665 | 2,800,179 | 1,564,175 | 9,141,067 | - | 592,604 | 15,536,382 |
| Profit for the period | - | - | - | - | - | 811,676 | - | 811,676 |
| Other comprehensive income for the period, net of tax | - | - | - | 132,356 | - | - | - | 132,356 |
| Comprehensive income for the period 2018 | - | - | - | 132,356 | - | 811,676 | - | 944,032 |
| Ordinary dividends declared in cash | - | - | - | - | (211,691) | - | - | (211,691) |
| Preferential dividends declared in cash | - | - | - | - | (69,479) | - | - | (69,479) |
| Appropriation of reserves | - | - | 171,671 | - | (171,671) | - | - | - |
| Transfers to retained earnings | - | - | - | 1,795 | (1,795) | - | - | - |
| Other variations | - | - | - | (5,672) | - | - | (217,636) | (223,308) |
| Balance as at 31 December 2018 | 1,408,692 | 29,665 | 2,971,850 | 1,692,654 | 8,686,431 | 811,676 | 374,968 | 15,975,936 |
| Balance disclosed as at 31 December 2018 | 1,408,692 | 29,665 | 2,971,850 | 1,692,654 | 9,498,107 | - | 374,968 | 15,975,936 |
| Accumulated effect of the adoption of new standards by the equity method (note 3.1.2) | - | - | - | - | 5,595 | - | - | 5,595 |
| Adjusted Balance as at 1 January 2019 | 1,408,692 | 29,665 | 2,971,850 | 1,692,654 | 9,503,702 | - | 374,968 | 15,981,531 |
| Profit for the period | - | - | - | - | - | 482,739 | - | 482,739 |
| Other comprehensive income for the period, net of tax | - | - | - | 81,918 | - | - | - | 81,918 |
| Comprehensive income for the period 2019 | - | - | - | 81,918 | - | 482,739 | - | 564,657 |
| Ordinary dividends declared in cash | - | - | - | - | (225,890) | - | - | (225,890) |
| Preferential dividends declared in cash | - | - | - | - | (74,140) | - | - | (74,140) |
| Appropriation of reserves | - | - | 511,646 | - | (511,646) | - | - | - |
| Transfers to accumulated income | - | - | - | (9,103) | 9,103 | - | - | - |
| Other variations | - | - | - | - | 319 | - | (73,780) | (73,461) |
| Balance as at 31 December 2019 | 1,408,692 | 29,665 | 3,483,496 | 1,765,469 | 8,701,448 | 482,739 | 301,188 | 16,172,697 |

The accompanying notes are an integral part of the financial statements.



Jorge Mario Velásquez Jaramillo
CEO
Legal representative



Claudia Patricia Álvarez Agudelo
Accountant
Professional card No. 69447-T



Johana Novoa Cucunuba
Statutory auditor
Professional card No. 166943-T
Member of KPMG S.A.S.
(See report of 26 February 2020)

Grupo Argos S.A.

SEPARATED STATEMENT OF CASH FLOWS

Years ended as at 31 December | Figures stated in millions of Colombian pesos

| | 2019 | 2018 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| NET PROFIT | 482,739 | 811,676 |
| Adjustments by: | | |
| Dividend and interest income | (142,147) | (129,234) |
| Income tax expense recognized through profit or loss | 13,261 | 34,999 |
| Equity-accounted investees in the results of subsidiaries | (433,902) | (436,069) |
| Financial expense, net recognized through profit for the period | 99,782 | 110,096 |
| (Profit) loss recognized in respect to employee benefits and provisions | (373) | 22 |
| Gain on disposal of non-current assets | (68,857) | (403,944) |
| Gain on fair value measurement | (59,507) | (110,619) |
| Depreciation and amortization of non-current assets | 16,390 | 22,102 |
| Impairment loss (recovery), net of financial assets recognized in the results of the period | 939 | (27) |
| Impairment, net of non-current assets and inventory | 293 | - |
| Unrealized foreign exchange gains or losses on financial instruments | (42) | (253) |
| Other adjustments | (1,001) | 294 |
| | (92,425) | (100,957) |
| CHANGES IN WORKING CAPITAL OF: | | |
| Trade and other receivables | (106,460) | 25,101 |
| Inventories | 48,011 | 2,344 |
| Other assets | 361 | 15,653 |
| Trade and other payables | (5,943) | (5,457) |
| Other liabilities | 8,030 | (49,080) |
| CASH USED IN OPERATIONS | (148,426) | (112,396) |
| Dividends received | 511,473 | 432,150 |
| Income tax paid | (17,029) | (30,987) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 346,018 | 288,767 |

Grupo Argos S.A.

SEPARATED STATEMENT OF CASH FLOWS

Years ended as at 31 December | Figures stated in millions of Colombian pesos

| | 2019 | 2018 |
|---|------------------|------------------|
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Financial interest received | 9,052 | 7,074 |
| Acquisition of property, plant and equipment | (95) | (93) |
| Acquisition of investment property | (15,739) | - |
| Proceeds from the sale of investment property | 54,002 | 41,547 |
| Acquisition of intangible assets | - | (262) |
| Acquisition of subsidiaries | (2,019) | (1,083,930) |
| Proceeds from the sale of interests in subsidiaries | 134,687 | 659,583 |
| Acquisition of interests in associates and joint ventures | (176,717) | (588) |
| Proceeds from the sale of investments in associates and joint ventures | 399 | - |
| Acquisition of financial assets | (7,912) | (8,147) |
| Restitution of subordinated debt | 71,062 | 57,000 |
| Refund of contributions | 4,395 | 100,945 |
| NET CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES | 71,115 | (226,871) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Issue of bonds | 450,000 | - |
| Payment of bonds and commercial papers | (115,850) | (350,000) |
| Acquisition of other financing instruments | 434,300 | 1,179,276 |
| Payment of other financing instruments | (790,342) | (786,799) |
| Payment of lease liabilities | (1,808) | - |
| Proceedings from financial derivative arrangements with hedging pf finance liabilities | 2,538 | - |
| Dividends paid on ordinary shares | (222,756) | (209,260) |
| Dividends paid on preferential shares | (72,115) | (67,620) |
| Interest paid | (104,203) | (121,732) |
| NET CASH FLOW USED IN FINANCING ACTIVITIES | (420,236) | (356,135) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (3,103) | (294,239) |
| Cash and cash equivalents at the beginning of the period | 4,850 | 299,082 |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currencies | (18) | 7 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1,729 | 4,850 |

The accompanying notes are an integral part of the financial statements.



Jorge Mario Velásquez Jaramillo
CEO
Legal representative



Claudia Patricia Álvarez Agudelo
Accountant
Professional card No. 69447-T



Johana Novoa Cucunuba
Statutory auditor
Professional card No. 166943-T
Member of KPMG S.A.S.
(See report of 26 February 2020)

CERTIFICATION OF THE LEGAL REPRESENTATIVE OF THE COMPANY

Medellin, 26 February 2020

To the shareholders of Grupo Argos S.A.

In my capacity as Legal Representative, I hereby certify that the separated financial statements as of the closing date of 31 December 2019 that are being disclosed do not contain defects, inaccuracies or material errors that would prevent knowing the true financial position or the transactions performed by Grupo Argos S.A. during the corresponding period.



Jorge Mario Velásquez Jaramillo
CEO
Legal representative

CERTIFICATION OF THE LEGAL REPRESENTATIVE AND THE ACCOUNTANT OF THE COMPANY

Medellin, 26 February 2020

To the shareholders of Grupo Argos S.A.

The undersigned Legal Representative and the Accountant of Grupo Argos S.A. (hereinafter the Company), certify that the separated financial statements of the Company as at 31 December 2019 and 2018, before making them available to you and third parties, the following statements contained therein have been verified:

- a) Assets and liabilities included in the Company's financial statements as at 31 December 2019 and 2018 exist and all transactions included in said statements have been made during the years ended on those dates.
- b) The economic events completed by the Company during the years ended 31 December 2019 and 2018 have been recognized in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future economic sacrifices (obligations), obtained or at the expense of the Company as at 31 December 2019 and 2018.
- d) All items have been recognized at their appropriate values in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.
- e) All economic events affecting the Company have been correctly classified, described and disclosed in the financial statements.



Jorge Mario Velásquez Jaramillo
CEO
Legal representative



Claudia Patricia Álvarez Agudelo
Accountant
Professional card No. 69447-T



AUDM&SMDE-EFI2020-5428-P-28054

STATUTORY AUDITOR'S REPORT

To the Shareholders
Grupo Argos S.A.

Statutory auditor's report on the audit of the financial statements

Opinion

I have audited the separated financial statements of Grupo Argos S.A. (the Company), which comprise the separated statement of financial position as of December 31, 2019 and the separated statements of comprehensive income, of changes in equity and of cash flows for the year then ended and their respective notes, that include significant accounting policies and other explanatory information.

In my opinion, the aforementioned separated financial statements, faithfully taken from the books and attached to this report, present fairly, in all material aspects, the separated financial position of the Company as of December 31, 2019, the separated financial performance, and its separated cash flows for the year then ended, in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied uniformly with the previous year.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing accepted in Colombia (ISAs). My responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Separated Financial Statements section of my report. I am independent of the Company, in accordance with the Code of Ethics for Accounting Professionals Issued by the International Ethics Standards Board for Accountants (IESBA Code) included in the Assurance Information Standards accepted in Colombia together with the ethical requirements that are relevant to my audit of the separated financial statements established in Colombia and I have fulfilled my ethical responsibilities in accordance with these requirements and the aforementioned IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the separated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Evaluation of the valuation of investment properties according to IAS 40 - Investment Properties (see note 15 to the separated financial statements) | |
|--|---|
| Key Audit Matter | How my audit addressed the key audit matter |
| <p>The Company's separate statement of financial position at 31 December 2019 includes a significant amount of investment property of \$2,108,346 million COP, represented primarily by land measured at fair value through profit or loss.</p> <p>The principal reasons for considering this a key audit matter are (1) there was significant judgment by the Company in determining the key assumptions for the valuation of investment properties and (2) there was significant judgment and an audit effort to evaluate the evidence obtained related to the valuations performed, as well as the audit effort involving the use of professionals with specialized skills and knowledge in property valuation.</p> | <p>My audit procedures to assess the valuation of investment properties according to IAS 40 included, but were not limited to, the following:</p> <ul style="list-style-type: none"> - Evaluation of the design, implementation and operating effectiveness of the key controls established by the Company to determine and recognise the fair value of investment properties, specifically in the review and approval by the Real Estate Strategy Department, of appraisals performed by external professionals with specialized knowledge in real estate valuation hired by the Company. - Assessment of the competence and capacity of external professionals hired by the Company, that determined the fair value of the investment properties. - Involvement of a professional with relevant knowledge and experience in real estate valuation, who assisted me in assessing the key assumptions used by the external professionals hired by the Company to determine the fair value of investment properties, and whether the procedures and techniques applied comply with IFRS 13 - Fair Value Measurement, and International Valuation Standards. |



Evaluation of the recoverability of investments in subsidiaries and a significant associate (see notes 16 and 17 to the separated financial statements)

| Key Audit Matter | How my audit addressed the key audit matter |
|---|--|
| <p>The Company's separate statement of financial position as of 31 December 2019 includes investments in subsidiaries and a significant associate of \$13,293,515 million COP, which represent 73% of the Company's total assets.</p> <p>I have identified the evaluation of the recoverability of these investments as a key audit matter because it involves significant judgment in identifying indicators of impairment for these investments. Additionally, due to the materiality of the balance, it is considered one of the areas of greatest attention in the audit.</p> | <p>My audit procedures for assessing the recoverability of investments in subsidiaries and a significant associate included, but were not limited to, the following:</p> <ul style="list-style-type: none"> - Identification of events, facts and/or circumstances that evidence the existence of any indicators of impairment in relation to investments in subsidiaries based on impairment testing of the various cash generating units in the context of an audit of the consolidated financial statements. - Evaluation of the work performed by the audit team of the significant subsidiaries in the identification of possible indications of impairment in the investments in subsidiaries. - Professionals with relevant industry knowledge and experience assisted me in (1) evaluating the key assumptions used in the impairment testing performed by the Company on its investment in this significant associate, including the input data, (2) performing independent recalculations supported by information obtained from external sources on the discount rate and macroeconomic variables used, and (3) comparing the results of the calculations obtained, with those performed by the Company. |

Other matters

The separated financial statements as of and for the year ended December 31, 2018 are presented solely for comparative purposes, were audited by another public accountant who in his report expressed an unmodified opinion on those financial statements in their report dated February 22, 2019.

Responsibility of management and those charged with corporate governance for the separated financial statements

Management is responsible for the preparation and reasonable presentation of this separated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes designing, implementing and maintaining such internal control as management deems necessary to enable the preparation of separated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.



In preparing the separated financial statements, Management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with corporate governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separated financial statements

My objectives are to obtain reasonable assurance about whether the separated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separated financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the separated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the separated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separated financial statements, including the disclosures, and whether the separated financial statements represent the underlying transactions and events so that the separated financial statements are reasonably presented.

I communicate with those charged with corporate governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with corporate governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, the related safeguards.

From the matters communicated with those charged with corporate governance, I determine those matters that were of most significance in the audit of the separated financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the result of my tests, in my concept during 2019:

- a) The Company's accounting has been kept pursuant to legal regulations and to accounting techniques.
- b) The operations recorded in the accounting ledgers reflects the Company's bylaws and the decisions of the Assembly of Shareholders.
- c) The correspondence, account vouchers, minutes ledger and shares registry ledger are duly kept and maintained.
- d) There is concordance between the financial statements that accompany this opinion and the management report prepared by the management, which includes a statement by management of the free flow of invoices issued by vendors or suppliers.
- e) The information contained in the payment declarations of contributions to the Comprehensive Social Security System, in particular the information relating to the affiliates and their income contribution base, has been taken from accounting records and supports. The Company is not in arrears for the concept of contributions to the Comprehensive Social Security System.



To comply with the requirements of Articles 1.2.1.2. and 1.2.1.5. of the Regulatory Decree 2420 of 2015, in development of the responsibilities of the Statutory Auditor contained in numerals 1° and 3° of Article 209 of the Code of Commerce, related to the evaluation of whether the acts of the Company's directors are in accordance with the bylaws and orders or instructions of the Shareholders' Assembly, and whether there exists adequate measures of internal control, conservation and custody of the Company's assets or those of third parties in its possession, I issued a separate report dated February 26, 2020.

(Original version issued in Spanish and signed by)
Johana Novoa Cucunubá
Statutory Auditor of Grupo Argos S.A.
Professional License 166943 - T
Member of KPMG S.A.S.

February 26, 2020

Grupo Argos S.A.

NOTES TO THE SEPARATED FINANCIAL STATEMENTS

As at 31 December 2019 and 2018

In millions of Colombian pesos, except where otherwise indicated

NOTE 1: OVERVIEW

Grupo Argos S.A. (hereinafter the company), is a Colombian company incorporated by public deed N°472 of 27 February 1934, of the Second Notary of Medellín. Its main domicile is in the city of Medellín (Colombia), with address Carrera 43A 1A sur 143. Its term expires on 27 February 2033, extendable.

The purpose of the Company is to invest in all types of movable and immovable property, and especially in shares, quotas or parts of interest or any other kind of participation in companies, bodies, organizations, funds or any other legal entity that permits investment of resources. It may also invest in fixed or variable income papers or documents, whether or not they are registered on the public securities market. In any case, the issuers and/or receivers of the investment may be public, private or mixed, national or foreign. The Company can form civil or commercial companies of any kind or join as a partner those already established. The association permitted by this provision may include companies whose activity is different from its own, provided that it is convenient for its interests.

In addition, the company has sufficient capacity to act as a promoter, investor, structurer or developer of real estate projects of any kind, for which it may acquire movable or immovable assets necessary for the development of the corporate business, which may have the character of fixed or movable assets according to their purpose.

Grupo Argos S.A. is the parent company of Grupo Empresarial Argos and, through its subsidiaries, it participates in strategic sectors of the economy: cement, energy, concessions and large-scale infrastructure, coal and real estate.

Its legal status corresponds to an anonymous company, registered in the Colombian Stock Exchange with a solid investment portfolio. The company has strategic investments in companies whose shares and bonds are listed on the stock exchange, such as Cementos Argos S.A. and Celsia S.A. (formerly Celsia S.A. E.S.P), as well as in companies with bonds listed in the stock market as Odinsa S.A. (whose shares were listed in the Colombian Stock Market until 13 March 2018) and other companies not listed. In the Colombian stock market, Grupo Argos S.A. is an issuer of ordinary and preferential shares, targeting the public represented by strategic investors, private investment funds, pension funds, brokerage firms and investors in general (individuals and companies), interested in participating in the country's stock market.

On 26 February 2020 the Board of Directors authorized the issuance of the Separated Financial Statements of the Company for the year ended 31 December 2019 and their respective comparatives.

NOTE 2: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Compliance status

The financial statements for the years ended 31 December 2019 and 31 December 2018 have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia NCIF, which are based on International Financial Reporting Standards (IFRS), together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB). The NCIF were established by Law 1314 of 2009, regulated by Decree 2420 of 2015, amended on 23 December 2015 by Regulatory Decree 2496, on 22 December 2016 by Regulatory Decree 2131, on 22 December 2017 by Regulatory Decree 2170, on 28 December 2018 by Regulatory Decree 2483 and on 13 December 2019 by Regulatory Decree 2270.

Additionally, in compliance with laws, decrees and other regulations in force, the Company applies the following accounting criteria issued specifically for Colombia by the regulatory entities:

- External Circular Letter 36 of 2014 of the Superintendence of Finance of Colombia by means of which it indicates the accounting treatment of positive net differences generated in the first application of the NCIF (Colombian Financial Reporting Standards), may not be distributed to wipe out losses, make capitalization processes, distribute profits and/or dividends, or be recognized as reserves and may only be available when they have been effectively made with third parties, different from those who are related parties, according with the principles of the NCIF. Negative net differences shall not count towards the legal controls applicable to preparers of financial information issuing securities subject to control.
- Decree 2496 of 23 December 2015, which determines that the parameters for establishing post-employment benefits in accordance with IAS 19, Employee Benefits, should correspond to Decree 2783 of 2001 as the best market approximation; for the year 2016, Decree 2131 of 22 December 2016, eliminated the obligation to apply these assumptions for the measurement of post-employment benefits, and continues to be applicable only for financial disclosure purposes. Decree 1625 of 2016 determines that the calculation of pension liabilities must be disclosed in accordance with the parameters established in that standard and in the case of partial pension commutations in accordance with Decree 1833 of 2016 and the differences with the calculation made in accordance with IAS 19 Employee Benefits.

This is the first set of annual financial statements to incorporate the effects and provisions of IFRS 16 Leases. IFRS 16 Leases was applied using the modified retrospective approach. Under this approach, comparative information is not restated, and the cumulative effect of initial application is recognized through accumulated income at the date of initial application. Changes in significant accounting policies related to this standard are described in Note 2.3 Significant accounting policies.

2.2 Basis of preparation

The Company has defined in its bylaws to make an audit of its accounts, prepare and distribute general purpose financial statements once a year, as of 31 December of each period. For legal purposes in Colombia, the Separate Financial Statements are the basis for the distribution of dividends and other appropriations, are expressed in Colombian pesos as this is the functional currency, which corresponds to the currency of the main economic environment in which the Company operates, and the presentation currency for all purposes, rounded to the nearest million, unless otherwise indicated.

The Company's Separated Financial Statements as of 31 December 2019 and 2018, have been prepared on an accrual basis of accounting, except for the cash flow statement. The measurement basis is historical cost; however, some financial instruments, associates considered as investment entities, and investment property measured at fair value at the end of each reporting period, the land and buildings component of property, plant and equipment for administrative use is measured at revalued cost every four years as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in the exchange of goods and services in the initial measurement.

The Company must make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue, costs and expenses, and their respective disclosures at the date of the separated financial statements. Note 4 provides details of the significant accounting judgments and key sources of estimates used by the Company.

Fair value measurements

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The fair value of some financial assets and liabilities and of investment property is determined at a date near the date of presentation of the financial statements for recognition and disclosure.

In estimating fair value, the Company considers the characteristics of the asset or liability if market participants take those characteristics into account when making the valuation at the measurement date. Fair value for measurement and/or disclosure purposes in the separated financial statements is determined on the basis indicated, except for

share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, if any, lease transactions, within the scope of IFRS 16 Leases and measurements that have certain similarities to fair value but are not, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Fair value measurements are categorized into Level 1, 2 or 3 based on the extent to which the inputs to those measurements are observable, and in accordance with the significance of those inputs to the measurements as a whole, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities for which the entity has access at the measurement date.
- Level 2 inputs are those other than the quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 input data is unobservable data for an asset or liability that reflects the assumptions that market participants would use in pricing the asset or liability including the assumption of risk.

The Company has applied the accounting policies, judgements, estimates and significant accounting assumptions described in Note 2 Basis of presentation and significant accounting policies and Note 4 Significant accounting judgements and key sources of estimates. The judgements include data such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Separated Financial Statements were prepared to comply with legal reporting requirements to which the Company is subject as a separate legal entity and, therefore, do not consolidate the assets, liabilities, equity or profit or loss of subordinate companies, nor do they include the adjustments or eliminations necessary for the presentation of the consolidated financial position and results of the Company and its subordinates. Investments in these companies are accounted for by the equity method as indicated below. These should be read in conjunction with the Consolidated Financial Statements.

The Separate Financial Statements have been prepared on a going concern basis and there are no material uncertainties related to events or conditions as of December 31, 2019 that would cast significant doubt on the ability of Grupo Argos S.A. to continue as a going concern.

2.3 Significant accounting policies

Below are the significant accounting policies applied by the Company in the preparation of its separated financial statements:

2.3.1 Cash and cash equivalents

Cash and cash equivalents in the separated statement of financial position and the separated statement of cash flows include cash and cash equivalents and highly liquid investments that are readily convertible to a specified amount of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition.

2.3.2 Financial assets

Upon initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income - debt instruments; fair value through other comprehensive income - equity instruments; or fair value through profit or loss.

Financial assets are initially recognized at fair value; for financial assets measured at amortized cost, directly attributable transaction costs are included. Financial assets are not reclassified after initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company subsequently measures financial assets at amortized cost or fair value, depending on the business model for managing the financial assets and the characteristics of the contractual cash flows of the instrument.

A financial asset is subsequently measured at amortized cost, using the effective interest rate, if the asset is held within a business model whose objective is to hold it to obtain the contractual cash flows and the terms of the business model give rise on specific dates to cash flows that are solely payments of principal and interest on the value of the outstanding principal.

Financial assets other than those at amortized cost are subsequently measured at a) fair value through other comprehensive income (OCI), if they are debt instruments that are held within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets, and the contractual terms of the asset give rise on specific dates to cash flows that are solely payments of principal and interest on the amount of principal; and b) fair value through profit or loss, being these all other financial assets that do not meet the criteria for classification at amortized cost or at fair value through other comprehensive income (OCI). This category includes all derivative financial assets. However, the Company may elect at initial recognition and on an irrevocable basis, to present gains or losses from measuring financial assets at fair value through other comprehensive income (OCI), for investments in equity instruments that are not held for trading purposes, on an investment-by-investment basis.

The Company has chosen to measure some of its investments in equity instruments at fair value through other comprehensive income (OCI). In the disposal of investments at fair value through other comprehensive income (OCI), the accumulated value of the gains or losses is transferred directly to retained earnings, not reclassified to profit or loss. Dividends received in cash from these investments are recognized in the statement of income.

2.3.2.1 Impairment of financial assets

The Company records expected credit losses on its debt securities, trade receivables, contract assets and lease receivables at the end of the reporting period. In the calculation of expected credit losses under IFRS 9 Financial Instruments, the Company applies a simplified approach on a collective basis which allows it not to track changes in credit risk, but rather to recognize a loss provision based on expected credit losses over the lifespan of the asset at each reporting date, i.e., to recognize expected credit losses resulting from possible events of default over the expected lifespan of the financial instrument. Where there is objective evidence that a financial asset is impaired, the Company recognizes an individual impairment loss provision and excludes the item from collective evaluation under the expected credit loss model.

The Company has established an impairment matrix based on past experience regarding payment collection, an increase in the number of past due payments in the portfolio that exceeds the average credit period, as well as observable changes in local and national economic conditions that are related to default. For trade receivables, which are reported net, said impairment is recorded in a separate account and the loss is recognized through administrative and selling expenses in the Company's separate statement of income. When there is confirmation that the receivable will not be recoverable, the carrying amount of the account receivable is derecognized against the associated provision.

2.3.2.2 Subsequent measurement and profit and loss

| | |
|---|--|
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized through profit or loss. Any gain or loss from derecognition is recognized through profit or loss. |
| Debt investments at fair value through other comprehensive income (OCI) | These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized through profit or loss. Other net gains and losses are recognized through other comprehensive income (OCI). On disposal of |

| | |
|---|---|
| | these assets, the accumulated gains and losses in OCI are reclassified to profit or loss. |
| Equity investments at fair value through other comprehensive income (OCI) | These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of income unless the dividend clearly represents a recovery of a portion for the investment cost. Other net gains and losses are recognized through other comprehensive income OCI and are never reclassified to income for the period. |
| Financial assets at fair value through profit or loss | These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized through profit or loss. |

2.3.2.3 Derecognition of financial assets

A financial asset, or a portion thereof, is derecognized from the separated statement of financial position when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred, and the transfer qualifies for derecognition.

A financial asset is transferred if the contractual entitlements to receive the cash flows of an asset have been transferred or if the contractual rights to receive the cash flows of the financial asset are retained but the entity assumes a contractual obligation to pay them to one or more recipients. When the Company transfers a financial asset, it shall assess the extent to which it retains the risks and rewards of ownership of the asset.

When a financial asset or part of it is derecognized, the difference between its carrying amount and the sum of the consideration received (including any new asset obtained less any liability assumed) must be recognized through profit or loss. The accumulated gain or loss that has been recognized directly through equity within other comprehensive income (OCI), and is related to financial assets derecognized, must be reclassified to retained earnings.

2.3.3 Inventories

Are classified as inventories those goods acquired with the intention of selling them in the ordinary course of business or of consuming them in the process of providing services, or those that were classified as investment property in the acquisition and are then intended for sale in the ordinary course of business.

The inventory is initially measured at cost of acquisition plus expenses and disbursements necessary to place the asset in condition to be sold. The Company recognizes a decrease in the value of inventories if the cost is higher than the net realizable value. When a real estate inventory is transferred from investment property to inventories, the transfer is made at fair value, which corresponds to the new cost of the inventory for purposes of applying IAS 2 Inventories.

Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and estimated costs necessary to make the sale. Inventories include mainly costs for lots, urbanization works and real estate for sale.

The Company recognizes inventories when sold, at book value, as costs in the period in which the corresponding income is recognized.

2.3.4 Intangible assets

Intangible assets are recorded at cost in accordance with IAS 38 Intangible Assets; those with indefinite lifespans are not amortized and those with defined lifespans are amortized based on the straight-line method over their estimated lifespans, or the unit-of-production method. The estimated lifespan and the method of amortization are reviewed at the end of each reporting period, with the effect of any changes in the estimate recorded on a prospective basis. At the end of each period, the Company assesses intangibles with definite lifespans to determine whether they exhibit impairment signs and performs impairment test for intangibles with indefinite lifespans.

Subsequent expenditures on intangible assets are capitalized only when future economic benefits increase, incorporated into the specific asset related to these expenditures. All other expenditures, including expenditures to generate goodwill and trademarks internally, are recognized through profit or loss when incurred.

Amortization begins when the asset is available for use, it is calculated on the basis of the cost of the asset less its residual value on a straight-line basis or by the unit-of-production method over the asset's estimated lifespan, and is recognized in the statement of income in the item selling cost and administrative and selling expenses, as appropriate, and impairment is recognized in the statement of income in the other expenses item.

Estimated lifespan and amortization methods, for the current and comparative period, of the Company's intangible assets are as follows:

| Intangible | Lifespan | Lifespan ranges in years | Depreciation method |
|------------------------------------|------------|--------------------------|--|
| Patents, licenses and software | Finite | 3 to 5 years | Straight-line |
| Concessions, franchises and rights | Finite | 10 years | unit-of-production (2) / straight-line |
| Intangible assets in progress | Indefinite | | |

a. Separately acquired intangible assets. The cost of separately acquired intangible assets comprises their purchase price, including non-recoverable indirect taxes, after deduction of any discount or markdown, and also includes any costs directly attributable to preparing the asset for its intended use.

When payment for an intangible asset is deferred beyond normal credit terms, its cost is the equivalent of the cash price, and the difference between the amount and total payments is recognized as interest expense over the period of the credit unless it is capitalized in accordance with IAS 23 Borrowing Costs.

b. Internally generated intangible assets. Disbursements arising from research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset resulting from development activities, or from the development phase of an internal project, is recognized if and only if the following conditions are met:

- It is technically possible to complete production of the intangible asset so that it can be made available for use or sale.
- The intention is to complete the intangible asset, for use or sale.
- There is capacity to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits.
- Availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset.
- That the expenditure attributable to the intangible asset during its development can be measured reliably.

The amount initially recognized for an internally generated intangible asset is the sum of the expenditure incurred from the time the asset meets the conditions for recognition. When an internally generated intangible asset cannot be recognized, development expenditure is charged to profit or loss the period in which it is incurred.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net proceeds from the sale and the carrying amount of the asset, are recognized through income at the time the asset is derecognized.

2.3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Company assesses the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered any impairment. If so, the recoverable amount of the asset is calculated to determine the extent of the impairment (if any). When it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. When a reasonable and consistent basis for allocation is identified, common assets are also allocated to the individual cash-generating units or allocated to the smallest group of cash-generating units for which a reasonable and consistent basis for allocation can be identified.

Intangible assets with an indefinite lifespan or not yet available for use should be tested for impairment annually, or with a higher frequency if there is any indication that they may be impaired.

The Company determines the recoverable amount of an asset or cash-generating unit by comparing the higher between:

- Its fair value less selling costs.
- Its value in use.

If either of these two values exceeds the book value of the asset under analysis, no impairment is considered, and it is not necessary to estimate the other.

Sometimes it is not possible to determine the fair value of the asset less selling costs. In this case the entity could use the asset's value in use as its recoverable amount.

If there is no reason to believe that an asset's value in use significantly exceeds its fair value less costs to sell, the latter is considered to be its recoverable amount.

The recoverable amount of an individual asset cannot be determined when:

- The asset's value in use cannot be estimated to be close to its fair value less selling costs (for example, when future cash flows from continuing use of the asset cannot be determined because they are negligible).
- The asset does not generate cash inflows that are largely independent of those from other assets.

In such cases, the value in use and, therefore, the recoverable amount, may be determined only for the cash-generating unit.

Criteria for estimating fair value

The Company uses an appropriate valuation model, or an indicator of the fair value of assets, to determine fair value and must take into account the following criteria, with evidence supporting those estimates:

- The existence of a price within a formal commitment to sell, in a transaction carried out under conditions of mutual independence, adjusted by the incremental costs directly attributable to the sale or disposal of the asset.
- If there is no formal commitment to sell, but the asset is traded in an active market, fair value is the market price less selling or disposal costs.
- If there is neither a firm sale agreement nor an active market, fair value is calculated based on the best information available to reflect the value that the Company can obtain (such as replacement cost at new less impairment) at the date of the statement of financial position, in an arm's length transaction between knowledgeable, willing parties, after deducting selling or disposal costs. To determine this value, the Company considers the results of recent transactions with similar assets in the same sector.

For cases in which it is not possible to estimate the fair value reliably, the recoverable value is the value in use.

Criteria for the estimation of value in use

The following elements should be reflected in the calculation of the value in use:

- The estimated future cash flows of the asset or cash-generating unit, based on the time the Company expects to use the asset or the period of the cash-generating unit, if defined.
- The expectations about possible variations in the amount or timing of those future cash flows.
- The time value of money.
- The price for the uncertainty inherent in the asset.
- Other factors, such as the illiquidity that market participants would reflect in pricing the future cash flows that the Company expects to derive from the asset.

The following variables should be excluded from the estimate of future cash flows that the Company expects to obtain:

- Cash outflows relating to obligations recorded as liabilities or costs and expenses generated during construction of the asset.
- Future cash inflows or outflows that are expected to arise from a future restructuring in which the Company is not yet committed; or the improvement or increase in the asset's performance.
- Flows related to tax payments or payments related to the financing of the asset.
- Cash inflows from other assets that are largely independent of the cash inflows from the asset in question.

Future cash flows are discounted to their present value using a pre-tax discount rate corresponding to current market rates and that reflects the time value of money and the risks specific to the cash-generating unit or group of cash-generating units.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately through profit or loss, except if the asset is recorded under the revaluation model, in which case the impairment loss must be considered as a decrease in the revaluation, until it is completely exhausted if necessary, and any outstanding impairment must be recorded against profit or loss.

The Company assesses whether previously recognized impairment losses no longer exist or have decreased; in this case, the carrying amount of the cash-generating unit or groups of cash-generating units is increased to the revised estimate of the recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment been previously recognized. This reversal is recognized as income in the statement of income for the period, except for goodwill, the impairment of which is not reversed under any circumstance.

2.3.6 Property, plant and equipment, net

Property, plant and equipment includes the value of land, buildings and constructions, machinery, furniture and office equipment, computer, communications and transportation equipment and other facilities owned by the Company, which are used in the operation of the entity.

The Company recognizes an item of property, plant and equipment when it is probable that the asset will generate future economic benefits, it is expected to be used over a period of more than one year, all risks and rewards inherent to the asset have been received and its value can be reliably measured.

The initial recognition of property, plant and equipment is recorded at acquisition cost, which includes professional fees, direct dismantling and removal costs (when applicable) and, in the case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy, as well as any other directly attributable expenses, less trade discounts, rebates and other similar items. Such properties are classified in the appropriate categories of property, plant and equipment upon completion and when they are ready for their intended use.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment, if any, except for the homogeneous group of land and buildings for administrative use, which are measured

by the revaluation model, which is applied every four years. Properties under construction for production or service provision purposes are recorded at cost, less any recognized impairment loss.

Depreciation begins when the asset is available for use, and is calculated on a straight-line basis over the estimated technical lifespan of the asset as follows:

| | |
|--|----------------|
| Constructions and buildings | 40 to 80 years |
| Machinery, furniture and office, computer and communication equipment | 3 to 30 years |
| Transport equipment | 3 to 10 years |

An item of property, plant and equipment shall be derecognized on disposal or when future economic benefits are no longer expected to arise from the continuing use of the asset. The gain or loss arising from the decommissioning or disposal of a property, plant and equipment asset is calculated as the difference between the gain or loss on the sale of the asset and the asset's carrying amount and recognized through profit or loss.

Estimates of the residual values, lifespans and depreciation methods of assets are reviewed and adjusted prospectively at each financial year end, if required.

Provisions for decommissioning, restoration and rehabilitation

The Company recognizes a provision as part of the cost of an item of property, plant and equipment when there is a legal or implicit obligation to dismantle an asset or restore the site where it was built or operated, equivalent to the present value of the estimated future costs that are expected to be incurred to perform the dismantlement or restoration.

The provision for dismantling or restoration is recognized at the present value of estimated future expenditures to settle the obligation. Cash flows are discounted at a risk-free pre-tax rate.

The estimate of future cash flows for dismantling or restoration are reviewed periodically. Changes in the estimate, expected dates of disbursements or in the discount rate used to discount the flows are recognized as an increase or decrease in the cost of decommissioning included in the property, plant and equipment item. The change in the value of the provision associated with the passing of time is recognized as a financial expense in the statement of income.

2.3.7 Investment property

Investment property are those real estate properties held to generate value and/or to lease, but not for sale in the normal course of business, use in the production or supply of goods or services, or for administrative purposes.

An investment property is initially measured at cost, which comprises: the purchase price and all costs directly attributable to the investment property. The cost of investment property built by the Company includes: materials, direct labor and other directly attributable costs to bring the asset to its intended use by management, including capitalizable borrowing costs.

Costs arising from the maintenance of the asset are excluded from the initial recognition of an investment property. Such costs should be recognized through profit or loss of the period in which they are incurred. Also should be excluded:

- Commissioning costs (unless necessary to bring the investment property into use conditions).
- Operating losses incurred before the investment property achieves the planned level of occupancy.
- Abnormal amounts of waste materials, labor, or other resources incurred in the construction or development of the property.

In its subsequent measurement, the Company measures investment property under the fair value model, i.e. taking as a reference the price that will be received upon disposal of the asset in a market transaction, at a given measurement date.

To determine fair value, the Company engages independent experts with recognized professional capacity and experience in the valuation of real estate.

Changes in the fair value of investment property is recognized through profit or loss in the period in which they arise.

Investment property may be transferred to property, plant and equipment or inventories; at the time of transfer they are reclassified to their fair value, which becomes the cost for accounting purposes.

An investment property is withdrawn or derecognized from the statement of financial position at the time of its disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Disposal of investment property may occur either by sale or by incorporation into a financial lease. Any gain or loss on the sale of investment property (calculated as the difference between the consideration obtained on disposal and the carrying amount of the asset) is recognized through profit or loss in the period in which the withdrawal or disposal occurs. When an investment property that was previously classified as property, plant and equipment is sold, any amount included in the revaluation reserve in other comprehensive income (OCI) is transferred to accumulated profit.

2.3.8 Investment in associates and joint arrangements

An associate is an entity over which the Company exercises significant influence, i.e. the power to participate in the financial policy and operating decisions of the investee without having control or joint control.

A joint arrangement is one in which there is joint control, i.e. decisions on relevant activities require the unanimous consent of the parties sharing control and may be a joint venture or a joint operation.

A joint venture is an arrangement whereby the parties involved are entitled to the net assets.

A joint operation is an arrangement whereby the parties involved are entitled to assets and income and obligations in respect of liabilities and expenses relating to the terms of the arrangement.

The Company initially recognizes investments in associates and joint ventures under the cost method; subsequently, they continue at cost except for associates considered as investment entities, which are accounted for at fair value using the exception in IAS 28 Investments in Associates and Joint Ventures, paragraph 19.

The Company Recognizes a joint operation, when the contractual arrangement is structured through a separate vehicle or otherwise, by assessing the entitlements granted to the Company over the assets and obligations with respect to the liabilities relating to the arrangement and does not grant rights to the net assets of the arrangement.

In recognizing a joint operation, the Company considers aspects such as the legal form of the separate vehicle, the terms of the contractual arrangement and, where appropriate, other factors and circumstances.

The contractual arrangement in which the Company participates should establish the entitlements of the parties to the assets and the obligations with respect to the liabilities relating to the arrangement, the entitlements to income and the obligations with respect to the expenses corresponding to the parties.

The Company should Recognize the following in its financial statements in relation to its participation in a joint operation:

- Its assets, including its interest in jointly held assets.
- Its liabilities, including its share of jointly incurred liabilities.
- Its income, including its share of jointly earned income.
- It expenses, including its share of jointly incurred expenses.

The Company must account for the assets, liabilities, income and expenses relating to its participation in a joint operation, in accordance with the applicable policies and the terms of the arrangement.

When the Company is a joint operator and performs sales transactions or contributions of assets to a joint operation, it should account for the transaction as follows:

- Recognize gains and losses from this transaction only to the extent of the other parties' interests in the joint operation.

- If the transaction provides evidence of a reduction in the net realizable value of the assets or of impairment, the Company recognizes all losses.

When the Company is a joint operator and enters into a transaction to purchase assets from a joint operation, it must account for the transaction as follows:

- It Recognizes its share of the profits and losses only when it resells those assets to a third party.
- If the transaction provides evidence of a reduction in the net realizable value of the assets or of impairment, its share of those losses must be recognized.

When the Company is a party to a joint operation, but does not have joint control over it, it should account for its interest in the joint venture in the manner described above only if it is entitled to the assets and obligations in respect of the liabilities relating to the joint operation.

2.3.9 Investments in subsidiaries

The Company controls an investee when it has power over, is exposed to, or is entitled to, variable returns from its involvement in the investee and has the ability to influence those returns through its power over the investee. The Company assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control mentioned above. In assessing control, it considers existing substantive voting rights, contractual arrangements between the entity and other parties, and the rights and ability to appoint and remove key management personnel, among other aspects. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee. The Company considers all relevant facts and circumstances in assessing whether voting rights in an investee are sufficient to confer power on the investee, including:

- The size of the Company's voting rights relative to the size and dispersion of the percentages of other voting rights holders.
- Potential voting rights held by the Company, other shareholders or other parties.
- Rights arising from contractual agreements.
- Any additional facts or circumstances indicating that the Company has, or does not have, the actual ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are accounted for in the separated financial statements using the equity method, unless the investment or a portion thereof 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.

Under the equity method, investments in subsidiaries are initially recorded in the separated statement of financial position at cost and are subsequently adjusted to account for the Company's share of profit or loss and other comprehensive income (OCI).

2.3.10 Borrowing costs

Borrowing costs attributed directly to the acquisition, construction or production of qualifying assets, which are assets that require a substantial time span before they are ready to use or sale (more than one year), are added to the cost of these assets until such time as they are ready to use or sale. The Company considers that a substantial time span is one that is greater than one year.

Income received from the temporary investment of resources pending use in the construction or production of qualifying assets is deducted from the cost of loans to be capitalized as an increase in the cost of the asset.

All other borrowing costs are recognized in profit or loss during the period in which they are incurred.

2.3.11 Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount is recovered through a sale transaction rather than through continuing use. These assets or groups of assets are presented separately as current assets and liabilities in the statement of financial position at the lower of carrying amount or fair value less costs to sell and are not depreciated or amortized from the date of classification.

Any impairment loss recognized on a group of assets for disposal is allocated first to the goodwill associated with that group of assets, when applicable; and then to the other assigned assets pro rata on the basis of their book value. This loss is not distributed to financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment on the initial classification of assets as held for sale and subsequent gains and losses arising from the new measurements are recognized through profit or loss.

The condition for the classification of an asset as a non-current asset held for sale (or disposal group) is considered to be met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its current state subject only to terms that are customary and adapted for sales of such assets (or disposal group). Management must be committed to the sale, which should be recognized as a completed sale within one year of the date of classification.

When there is a sales plan involving the loss of control in a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale provided that the above described criteria are met, regardless of whether a non-controlling interest in its former subsidiary will be retained after the sale.

When the Company is committed to a sales plan that involves the sale of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment to be sold is classified as held for sale when the above described criteria are met.

The Company discontinues the use of the equity method in subsidiaries in relation to the portion that is classified as held for sale. Any retained portion of an investment in a subsidiary that is not classified as held for sale continues to be accounted for under the equity method; if at the time of sale of the retained portion of the subsidiary there is a loss of control, the use of the equity method is discontinued and any retained interest in the subsidiary is recognized in accordance with the applicable regulations following its classification.

In case the Company commits to distribute an asset (or disposal group) to the owners, that non-current asset (or disposal group) is classified as held for distribution to the owners. For this to be the case, the assets must be available for immediate distribution in their current condition, and the distribution must be highly probable, i.e. activities to complete the distribution must have commenced and be expected to be completed within one year from the date of classification.

The measurement criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are not applicable to investment property measured at fair value, financial assets within the scope of IFRS 9 Financial Instruments, deferred tax assets, assets arising from employee benefits, among others indicated by this IFRS.

Income, costs and expenses from a discontinued operation are presented separately from those from continuing operations, in a single item after income tax, in the statement of comprehensive income for the current and comparative periods of the previous year.

2.3.12 Leases

The Company applied IFRS 16 Leases as from 1 January 2019, the change in accounting policy was made using the modified retrospective approach, in accordance with the transitional provisions allowed in the standard, and therefore, comparative information has not been restated and continues to be reported in accordance with IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease, recognizing at 1 January 2019 the cumulative effect of the transition from IAS 17 Leases to IFRS 16 Leases directly in equity in retained earnings. Accounting policies under IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease are disclosed separately.

Accounting policy applicable from 1 January 2019

The Company recognizes leases, subleases and contracts with similar characteristics and circumstances taking into account the capacity of the lessor or lessee, the underlying asset and the term of the arrangement.

At the beginning of an arrangement, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange of a consideration. To assess whether a contract transfers the right to control the use of identified assets, the Company uses the definition of a lease in IFRS 16 Leases. This policy applies to contracts in force as at 1 January 2019.

a. The Company as a lessee. As the lessee, at the commencement or amendment of a contract containing a lease component, the Company assigns the consideration in the contract to each lease component on the basis of its relative independent prices.

The Company initially recognizes at the commencement date of the lease a right-of-use asset representing the right to use the underlying asset of the contract and a lease liability representing its obligation to make the payments agreed in the contract.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted with the remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made before the inception date of the contract less any lease incentives received. Unless the Company is reasonably confident of obtaining ownership of the leased asset at the end of the lease term, assets recognized for the right of use are amortized on a straight-line basis over the lease term. Right-of-use assets are subject to impairment. Right-of-use assets associated with investment property are measured initially at cost, and subsequently at fair value, in accordance with the Company's accounting policy for subsequent measurement of investment property.

At the commencement date of the lease, the Company recognizes lease liabilities measured at present value of the lease payments to be made over the term of the lease. Lease payments include fixed payments (including essentially fixed payments) less lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments include the exercise price of a purchase option when the Company has reasonable assurance that it will be exercised and penalties for cancellation of the lease, if the term of the lease reflects that the Company will exercise an option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the value of the lease liabilities is increased to reflect the accumulation of interest and is reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the term of the lease, a change in the fixed payments in substance of the lease, or a change in assessment to acquire the underlying asset.

The Company recognizes the depreciation expense for right-of-use assets and allocates the lease payments between the finance expense and the reduction of the lease obligations. Interest expense is charged directly to income, unless it is directly attributable to qualifying assets, in which case it is capitalized in accordance with the general policy for borrowing costs.

The Company presents the right-of-use assets and lease liabilities separately in the separated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within the investment property item.

The Company presents interest expense on lease liabilities separately from the depreciation charge on the leased asset. Interest expense on the lease liability is a component of finance costs, which are presented separately in the separated statement of comprehensive income.

In the separated statement of cash flows, the Company classifies cash payments for principal and interest on lease payments as financing activities and payments for short-term leases and low-value asset leases as operating activities.

Short-term leases and low-value asset leases

The Company recognizes lease payments for contracts with a lease term of 12 months or less and without a purchasing option, or contracts with an underlying asset of low value (i.e., assets with a new value of USD 3,500 or less for operating assets and USD 5,000 or less for administrative assets) as lease expense less related lease incentives on a straight-line basis over the lease term, unless another systematic basis of allocation is more representative of the time pattern of the lessee's benefit.

b. The Company as a lessor

At the commencement or amendment of a contract containing a lease component, the Company assigns the consideration in the contract to each lease component on the basis of its relative independent prices.

As the lessor, at the commencement of the lease, the Company classifies the leases as finance or operating leases, assessing the extent to which risks and rewards of ownership of the asset affect it. The Company classifies a lease as a finance lease when substantially all the risks and rewards of ownership are transferred, and as an operating lease when substantially all the risks and rewards of ownership are not transferred.

The Company Recognizes amounts owed by lessees under finance leases as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated over the accounting periods to reflect a consistent and regular rate of return on the Company's net investment in the leases.

Lease income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

Accounting policy applicable before 1 January 2019

The Company classifies leases by assessing the extent to which the risks and rewards of ownership of the asset affect the lessor or the lessee. Grupo Argos classifies a lease as a finance lease when substantially all the risks and rewards of ownership are transferred, and as an operating lease when substantially all the risks and rewards of ownership are not transferred.

As the lessee, the Company initially recognizes an asset acquired under a finance lease in the statement of financial position, based on its nature, at the lower of its fair value and the present value of the minimum lease payments payable, and recognizes a short or long-term liability for the same amount. Subsequently, the asset is measured in accordance with the property, plant and equipment policy (see property, plant and equipment policy), and the liability is measured at amortized cost.

As the lessor, Grupo Argos recognizes amounts owed by lessees under finance leases as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated over the accounting periods to reflect a regular rate of return on the Company's net investment in the leases.

Lease income under operating leases is recognized using the straight-line method over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

2.3.13 Financial liabilities and equity instruments

a. Classification as debt or equity. Debt and equity instruments are classified as financial liabilities or equity, in accordance with the substance of the contractual arrangement and the definitions of financial liability and equity instrument.

b. Equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the value received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly from equity. No gain or loss is recognized in the results of the purchase, sale, issue or cancellation of own equity instruments.

c. Compound instruments. Components of compound instruments, such as mandatory convertible bonds issued by the Company, are classified separately as financial liabilities and equity, depending on the substance of the contractual arrangement and the definitions of financial liability and equity instrument. A conversion option that will be cancelled through the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's equity instruments is considered an equity instrument.

At the date of issue, the fair value of the liability component is calculated using the prevailing market interest rate for similar non-convertible debt. This amount is recorded as a liability on an amortized cost basis, using the effective interest method, until it is extinguished upon conversion or upon maturity of the instrument.

The portion classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument. This value is recognized and included in equity, net of income tax effects, and cannot be measured subsequently. Additionally, the portion classified as equity remains in equity until it has been exercised, in which case, the balance recognized through equity is transferred to additional paid-in capital. When the conversion option remains unexercised at the maturity date of the convertible instrument, the balance recognized through equity is transferred to Retained earnings. No gain or loss should be recognized through profit or loss upon conversion or expiration of the conversion option.

Transaction costs related to the issuance of convertible instruments are allocated to the liability and equity components, in proportion to the distribution of the gross amounts received. Transaction costs related to the equity component are recognized directly in equity.

Transaction costs related to the liability component are included in the book value of the liability and are amortized over the life of the convertible instruments using the effective interest rate method.

d. Financial liabilities. Are classified at fair value through profit or loss or at amortized cost, using the effective interest method. The Company determines the classification of financial liabilities at initial recognition.

i. Financial liabilities at fair value through profit or loss

A financial liability is classified as held for negotiation if:

- It has been acquired primarily for the purpose of short-term repurchase.
- At initial recognition it forms part of a portfolio of financial instruments managed by the Company and there is evidence of a recent current pattern of short-term profits.
- It is a derivative that has not been designated as a hedging instrument or as financial guarantee.
- It is an embedded derivative that is recognized separately, unless it is designated as an effective hedging instrument.

A financial liability that is not held for negotiation could also be designated as a financial liability at fair value through profit or loss at initial recognition, if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that may arise.
- The financial liability forms part of a group of financial assets or liabilities, or both, which is managed - and its performance is evaluated - on the fair value basis, in accordance with the risk management documented by the Company in its investment strategy, with the information provided internally on that basis.
- It is part of an arrangement that contains one or more embedded instruments. IFRS 9 Financial Instruments allows the entire 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, with any gain or loss arising from the remeasurement recognized through the results of the period. The net gain or loss recognized through profit or loss incorporates any interest paid on the financial liability. The fair value is determined in the manner described in the fair value measurement policy, described in paragraph 2.

- ii. **Other financial liabilities.** Other financial liabilities (including borrowings, trade payables and others) are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating the financial expense over the term. The effective interest rate is the discount rate that exactly matches the cash flows receivable or payable (including all fees and points paid or received that are part of the effective interest rate, transaction costs and other premiums or discounts) estimated over the expected life of the financial liability, or when appropriate, a shorter period, with the net carrying amount at initial recognition.

- iii. **Financial derivatives.** The Company holds financial derivative instruments to cover its exposures to foreign currency and interest rate risk. Financial derivatives are measured at fair value through profit or loss. Some derivatives embedded in other financial instruments or contracts (embedded derivatives) are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and are not recorded at fair value.

Certain transactions with derivatives that do not qualify for hedge accounting are treated and reported as derivatives held for negotiating, even though they provide an effective hedge for managing risk positions.

Derecognition of financial liabilities. The Company derecognizes a financial liability if, and only if, the obligations expire, are cancelled or fulfilled. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized through profit or loss for the period.

2.3.14 Hedge accounting

The Company continues applying the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement, in accordance with the exceptions permitted by the adoption of IFRS 9 Financial Instruments.

For derivatives that qualify for hedge accounting, at the inception of the hedging relationship, the Company designates and formally documents the relationship, the risk management objective and the strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged item or in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have been effective over the reporting periods for which they were designated.

For hedge accounting purposes and those applicable to the Company, hedges are classified and accounted for as follows, once the criteria for hedge accounting are met:

- a. Fair value hedge.** When hedging exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments.

Change in the fair value of a derivative that is a hedging instrument is recognized in the statement of comprehensive income in the statement of income section, as finance cost or income. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the book value of the hedged item and is also recognized in the statement of comprehensive income in the statement of income section as finance cost or finance income.

- b. Cash flow hedge.** When hedging exposure to changes in cash flows attributed either to a particular risk associated with a recognized asset or liability or to a highly probable forecast transaction, or to foreign exchange risk in an unrecognized firm commitment.

The purpose of cash flow hedge accounting is to recognize in other comprehensive income (OCI), the changes in fair value of the hedging instrument in order to apply them to the statement of income when and at the rate that the hedged item affects them.

The effective portion of the gain or loss on the measurement of the hedging instrument is immediately recognized through other comprehensive income (OCI), while only the ineffective portion of the derivative is recognized in the profit or loss account as they arise, as finance cost.

The amounts recognized through other comprehensive income (OCI) are reclassified to income when the hedged transaction affects income, as well as when the hedged finance income or expense is recognized, or when the forecasted transaction takes place. When the hedged item constitutes the cost of a non-financial asset or liability, the values recognized through other comprehensive income (OCI) are reclassified to the initial book value of the non-financial asset or liability. If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized through other comprehensive income is reclassified to profit or loss.

If the hedging instrument expires or is sold, terminated, or exercised without a successive replacement or renewal of a hedging instrument by another hedging instrument, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized through other comprehensive income (OCI) remains there until the forecast transaction or firm commitment affects profit or loss.

- c. Hedge of net investment in a foreign operation.** When hedging differences in foreign currency arising between the functional currency of the foreign operation and the functional currency of the controlling company, regardless of whether the net investment is held directly or through an intermediate controlling company.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized through other comprehensive income (OCI) to the extent that the hedge is effective and presented in the equity translation reserve. To the extent that the hedge is not effective, such differences are recognized through profit or loss. When part of the hedge of a net investment is eliminated, the corresponding amount recognized through other comprehensive income (OCI) is transferred to income as part of the gain or loss on disposal.

2.3.15 Employee benefits

Post-employment benefit and defined contribution plans. The Company Recognizes liabilities for pension, pension securities and bonds, retirement premiums and other post-employment benefits in accordance with the requirements of IAS 19 Employee Benefits.

The Company recognizes benefit plans classified as contribution plans in profit or loss as an administrative, sales or cost of goods sold as the related service is rendered. Contributions paid in advance are recognized as an asset, to the extent that a cash refund or reduction in future payments is available.

The Company recognizes benefit plans classified as defined benefit plans as an asset or liability in the separated statement of financial position. This is done by the difference between the fair value of the plan assets and the present value of the plan obligation of said plan, using the Projected Credit Unit Method to determine the present value of its defined benefit obligation and the related current service cost, and where applicable, past service cost, at least annually. Plan assets are measured at fair value, which is based on market price information and, in the case of listed securities, is the published market price.

The Projected Credit Unit treats each period of service as generating an additional unit of benefit entitlement and measures each unit separately to conform to the final liability. The Company discounts the total value of the obligation for post-employment benefits, even if a portion of the obligation is to be paid within 12 months of the reporting period.

Actuarial gains or losses, returns on plan assets and changes in the effect of the asset ceiling, excluding amounts included in net interest on net defined benefit liabilities (assets), are recognized through other comprehensive income (OCI). Actuarial gains or losses include the effects of changes in actuarial assumptions as well as experience adjustments. The net interest on the net defined benefit liability (asset) comprises interest income on the plan assets, interest costs on the defined benefit obligation and interest expense on the effect of the asset ceiling.

Current service cost, past service cost, any settlement or curtailment of the plan are recognized in the statement of income in the period in which they arise.

The estimate of the post-employment benefit liability is made by an independent actuary.

Short-term benefits

Short-term benefits are those that the Company intends to pay to employees within 12 months after the end of the period in which the employee has rendered services, some examples are salaries, wages, bonuses, vacations, paid absences, among others.

The Company records short-term benefits in the reporting period based on the undiscounted amount of the balances expected to be paid in consideration of the work performed by the employee.

Termination benefits

Correspond to the benefits granted to employees when it is decided to terminate the employment contract before the normal retirement date, or when the employee accepts an offer of benefits in exchange for the termination of the employment contract. Termination benefits are recognized as an expense in the results of the period when the Company cannot withdraw the offer related to the benefits or when the Company recognizes the costs for a restructuring, whichever occurs first. If the benefits are not expected to be settled in full within 12 months after the end of the reporting period, they are discounted.

2.3.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that resources will be required to settle the obligation and a reliable estimate can be made of the value of the obligation. In cases where the provision is expected to be partially or fully reimbursed, the reimbursement is recognized as a separate asset only in cases where such reimbursement is practically certain, and the amount of the receivable can be reliably measured.

Provisions are measured by the Company's best estimate of future expenditures required to settle the present obligation and are discounted using a risk-free rate. The provision expense is presented in the separated statement of income, net of any reimbursement. The increase in the provision due to the passing of time is recognized as a financial expense in the statement of income.

The Company recognizes present obligations arising from an onerous contract as provisions for the lesser of expected costs to terminate the contract or the expected net cost to continue with the contract. An onerous contract is one in which the unavoidable costs of fulfilling the obligations involved exceed the economic benefits expected to be received from the contract. The Company recognizes any impairment loss on the assets associated with the contract.

A restructuring provision is recognized when the Company has approved a detailed and formal restructuring plan and the restructuring itself has commenced or has been publicly announced. Future operating costs are not provisioned.

Contingent liabilities

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 separated statement of financial position but are disclosed as contingent liabilities.

2.3.17 Taxes

Income tax expense represents the sum of current and deferred tax.

- a. **Current income tax.** Current income tax assets and liabilities for the period are measured at amounts expected to be recovered or paid to the tax authority. The tax expense is recognized as current, in accordance with the comparison made between the taxable income and the accounting profit or loss affected by the income tax rate for the current year and in accordance with the provisions of the country's tax regulations. The current tax expense includes at least the amount settled by the presumptive income system in those periods in which there is no taxable income, which is zero or less than 1.5% of the taxable equity (0.5% for year 2020 and 0% from 2021 and onward). The tax rates and regulations used to compute such values are those enacted or approved at the end of the reporting period and that generate taxable income. Current tax assets and liabilities are offset for presentation purposes provided that they are related to the same tax authority, there is a legal right to do so and the Company intends to settle them simultaneously.
- b. **Deferred tax.** Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the financial statements and the corresponding tax bases used to determine taxable income. The deferred tax liability is generally recognized for all temporary tax differences. The deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the entity can charge the deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that does not affect either taxable profit or accounting profit.

The Company recognizes a deferred tax liability for taxable temporary differences relating to investments in subsidiaries and associates, and interests in joint ventures, except where it is able to control the reversal of the temporary difference and where there is a possibility that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized and that there is a possibility that the temporary difference will reverse in the foreseeable future.

The carrying amount of a deferred tax asset should be reviewed at the end of each reporting period and reduced, if the Company considers it probable that sufficient taxable profit will not be available in the future to allow the asset to be recovered in full or in part.

Deferred tax assets and liabilities should be measured using the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.3.18 Foreign currency

Transactions in currencies other than the entity's functional currency (foreign currency) are recorded using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates prevailing at the date the fair value was determined. Non-monetary items that are measured at historical cost are not retranslated.

Exchange differences on monetary items are recognized in the results of operations in the period in which they arise, except for:

- Exchange differences arising from loans denominated in foreign currencies related to assets under construction for future productive use, which are included in the cost of such assets as an adjustment to interest costs on such loans denominated in foreign currencies, provided they do not exceed the borrowing costs of a liability with similar characteristics in the functional currency.
- Exchange rate differences arising from transactions related to exchange rate risk hedges.
- Equity instruments measured at fair value through other comprehensive income (except in the case of impairment when foreign currency differences that have been recognized through other comprehensive income (OCI) are reclassified to income).
- A financial liability designated as a hedge of the net investment in a foreign operation provided that the hedging is effective.
- Cash flow hedges provided the hedging is effective, which are recognized through other comprehensive income (OCI).

2.3.19 Income recognition

The Company's income arise mainly from the sale of goods, the rendering of services, returns on investments and the equity method on investments. Its obligations from contracts with customers are fulfilled at a given time and revenue recognition is made at that time.

The majority of the Company's revenue arise from fixed-price contracts and, therefore, the value of revenue to be obtained from each contract is determined by reference to those fixed prices.

Exceptionally, income from a small number of leases and easements contracts is determined in relation to the volume of mineral material extracted by the lessee and the beneficiary of the easement.

Also, in most contracts, there is no judgment involved in assigning the contract price because there is a fixed unit price for each good or service sold. Therefore, the assignment of the transaction price is the total contract price divided by the number of units (for the sale of goods) or services delivered (for the rendering of services). When the sales prices of each product or service are different, the determination of the price is established by reference to the independent sales prices of each product or service, when it is possible to separate them.

- a. Sale of goods.** A single performance obligation is established for the sale of goods. The Company recognizes revenue when the obligation is satisfied, i.e. when control of the goods or services underlying the performance obligation has been transferred to the customer, at some point in time. This performance obligation is fulfilled at the time of delivery of the asset to the customer. There is no significant financing component associated with the sale of goods. Revenue is reduced by discounts or rebates and other similar allowances estimated for the customers.

The Company sells developed property with revenue generally recognized over time, since the customer receives the benefits of the performance obligation as the asset is partially delivered. In these cases, the Company recognizes revenue based on the progress of the percentage of the asset delivered, which is estimated by comparing the costs executed at the date of the project with the total budgeted costs.

- b. Rendering of services.** The Company provides certain services that are sold on their own under contracts with customers or grouped together with the sale of goods to a customer. In both scenarios, revenue from service contracts is satisfied at some point in time.

The Company provides some services for the development of lots whose performance obligation is fulfilled over time and income is recognized at the time when progress is made in fulfilling the obligation. In these contracts, advance payments are required before the service is provided.

- c. Income from dividends and interests.** Dividend income from investments is recognized once the rights to receive said payment have been established. In the case of subsidiaries it is recorded as a reduction in value of the investment. For all other equity investments, it is recorded through profit or loss.

Interest income on a financial asset is recognized when it is probable that the Company will receive the economic benefits associated with the transaction and the value of the income from ordinary activities can be measured reliably. Interest income is recorded on a time basis, with reference to the principal outstanding and the applicable effective interest rate.

- d. Income from equity method.** Corresponds to the recognition of the participation in the results of subsidiaries. This is recognized at the end of the reporting period taking into account the percentage of equity interest and the profits or losses obtained by the subsidiaries.
- e. Lease income.** The policy for recognition of income from investment property under operating leases is described in the lease policy.

f. Contract balances

Contract assets: a contract asset is the right to receive consideration in exchange for goods or services transferred to the customer, when that right is conditional on a different variable being present over time. If the Company transfers control of goods or services to a customer before the customer pays the consideration, a contract asset is recognized for the consideration earned that is conditional on the performance of one or more variables.

Trade receivables: a receivable represents the Company's unconditional right to a consideration for the transfer of goods or services to a customer. It is unconditional because only the passing of time is required for payment of the consideration.

Contract liabilities: a contract liability is the obligation to transfer goods or services to a customer for which the Company has previously received consideration from the customer. The payment of a consideration by a customer before the Company transfers goods or services to the customer is recognized as a contract liability at the time the payment is made or when the payment is due (whichever occurs first). Contract liabilities are recognized as income once the Company transfers the goods or services to the customer.

2.3.20 Materiality

In accordance with IAS 1 Presentation of Financial Statements, the Company considers information to be material if its omission or inappropriate expression could influence the decisions of users of the separated financial information.

2.3.21 Statement of cash flow

The Company prepares the statement of cash flows using the indirect method based on net profit (loss), broken down into three sections:

- a. Cash flows from operating activities:** Correspond to flows from operations that constitute the Company's main source of revenue, and from those activities that cannot be classified as investing or financing activities. These

flows include, among others, taxes, transaction costs for acquisitions of subsidiaries, and dividends received from associates, joint ventures and financial instruments.

- b. Cash flows from investing activities:** correspond to flows from the activities of acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents. These flows include, among others, flows related to the acquisition of subsidiaries, associates and joint ventures (excluding for subsidiaries, transaction costs that are presented as cash flows from operating activities), contingent considerations paid for business combinations during the measurement period and up to the amount of the identified liability, cash flows from sales of subsidiaries with loss of control, associates and joint ventures; acquisitions and disposals of intangible assets and property, plant and equipment (including transaction costs and deferred payments at the time of receipt or delivery of the flows), and interest received from investments.
- c. Cash flows from financing activities:** correspond to flows from activities that result in a change in the company's capital structure, whether from own resources or from third parties. These flows include, among others, issues of equity instruments, obtaining and repaying loans, issuing bonds and commercial papers and cancelling them, transactions between shareholders that do not involve obtaining and/or losing control (including transaction costs and any deferred payment at the effective time of receipt or delivery of the flows) and derivatives that hedge financial liabilities and dividend payments.

NOTE 3: STANDARDS ISSUED BY THE IASB

3.1 Incorporated in Colombia

3.1.1 Incorporated in Colombia as of 1 January 2018 - Decrees 2496 of 2015 and 2131 of 2016

As from 1 January 2018, the following standards entered into force in the technical standard framework containing some amendments issued by the IASB during 2016, allowing their early application:

| Financial Reporting Standard | Subject of the amendment | Detail |
|-------------------------------|--|--|
| IAS 7 Statement of Cash Flows | Disclosure initiatives | Clarifies disclosures for assessing changes in responsibilities resulting from funding activities. |
| IAS 12 Income Taxes | Recognition of deferred tax assets for unrealized losses | <p>Clarifies the following aspects:</p> <ul style="list-style-type: none"> Unrealized losses on debt instruments measured at fair value and valued for tax purposes result in a temporary difference, regardless of whether the holder of the debt instrument expects to recover the book value of the debt instrument through sale or use. The carrying amount of an asset does not limit the estimation of possible future taxable profit. Estimates of future taxable profit exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity evaluates a deferred tax asset in combination with other deferred tax assets. When tax legislation restricts the use of tax losses, the entity would evaluate a deferred tax asset in combination with other deferred tax assets of the same type.</p> |
| IFRS 9 Financial Instruments | Issuance of new standard | Issued as a comprehensive standard that includes previously issued requirements and additional amendments to introduce a new expected loss model and limited changes to the |

| Financial Reporting Standard | Subject of the amendment | Detail |
|---|--------------------------|--|
| | | <p>classification and measurement requirements for financial assets. It envisages the following phases:</p> <p>Phase 1: all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value.</p> <p>Phase 2: the impairment model, in accordance with IFRS 9 Financial Instruments, reflects expected credit losses as opposed to incurred credit losses in accordance with IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>Phase 3: the three types of hedge accounting mechanisms included in IAS 39 Financial Instruments: Recognition and Measurement are maintained. The effectiveness test has been revised and replaced by the "economic relationship" principle. Additional disclosure requirements have been added to the entity's risk management activities.</p> |
| IFRS 15 Revenue from Contracts with Customers | Issuance of new standard | <p>A unique model for dealing with revenue from contracts with customers. Its basic principle is that an entity must recognize revenue to represent the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services, with 5 steps for recognition.</p> <p>Subsequently, amendments were included that clarify how:</p> <ul style="list-style-type: none"> • Identify a performance obligation (the promise to transfer a good or service to a customer) in a contract. • Determine whether a company is the principal (the supplier of a good or service) or an agent (responsible for arranging the good or service to be provided); and • Determining whether income from a concession should be recognized at a given point in time or over time. <p>This standard replaces the following standards: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Barter Transactions Involving Advertising Services.</p> |

Implementation of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments

The Company applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time from 1 January 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below. Other amendments were applied for the first time in 2018, but do not have an impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers requires recognition of revenue when promised goods or services are transferred to customers for amounts that reflect the consideration the entity expects to receive in exchange for those goods or services, through the application of a five-step approach: step 1: identify the customer contract(s); step 2:

identify the performance obligations within the contract; step 3: determine the transaction price; step 4: assign the transaction price to each performance obligation based on the individual relative sale price of each good or service; and step 5: recognize revenue when (or to the extent that) the entity meets performance obligations by transferring control over the promised goods and services to the customer. Performance obligations can be satisfied at one point in time or over a period of time. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company applied IFRS 15 Revenue from Contracts with Customers, recognizing the cumulative effect of the initial application of this standard on retained earnings at 1 January 2018, the initial date of application of this IFRS. The Company has taken advantage of the following practical solutions established by IFRS 15 Revenue from Contracts with Customers:

- Not to adjust the value of the consideration to be received for significant financing components when, at the beginning of the contract, the period between the time the Company transfers a good or service and the time the customer pays for that good or service is expected to be less than or equal to one year.
- Recognize as an expense the incremental costs of obtaining a contract when the amortization period of the asset, if recognized, would be less than or equal to one year.

Due to the application of the equity method in subsidiaries, the adoption of IFRS 15 Revenue from Contracts with Customers generated a net effect in equity attributable to positive controlling interest for \$12,523, which includes the accounting of a deferred tax of (\$7,372).

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. In the early stages of the revision of IAS 39 Financial Instruments: Recognition and Measurement, the requirements for the classification and measurement of financial liabilities and for derecognition of financial instruments were amended: classification and measurement; impairment; and hedge accounting. The Accounting and Financial Reporting Standards Accepted in Colombia -NCIF, adopted the requirements for the classification and measurement of financial instruments, as of 1 January 2015, through Law 1314 of 2009, regulated by Decree 2420 of 2015, amended on 23 December 2015 by Regulatory Decree 2496 and on 22 December 2016 by Regulatory Decree 2131 so both requirements were adopted by the Company in advance in its first financial statements under IFRS.

Subsequently, new requirements were included to account for accounting hedges, determine the impairment of financial assets using the expected credit loss model and limited modifications were made to the classification and measurement requirements by introducing the fair value through equity category for certain debt instruments. These requirements were applied by the Company as described below:

Application of the expected credit loss model for the impairment of financial assets:

As from 1 January 2018, the Company adopts the new requirements for impairment of financial instruments in IFRS 9 Financial Instruments. The impairment model under IFRS 9 Financial Instruments reflects expected credit losses, as opposed to credit losses incurred under IAS 39 Financial Instruments: Recognition and Measurement, in the scope of impairment in IFRS 9 Financial Instruments, it is no longer necessary for a credit event to occur before credit losses are recognized.

The Company applied the new impairment requirements in IFRS 9 Financial Instruments to its trade receivables on a retrospective basis with the option not to restate comparative information. The Company applied a simplified approach, which allows it not to monitor changes in credit risk, but rather to recognize a loss provision based on expected credit losses over the lifespan of the asset at each reporting date, i.e., to recognize expected credit losses resulting from possible events of default over the expected lifespan of the financial instrument. Where there is objective evidence that a financial asset is impaired, the Company recognizes an individual impairment loss provision and excludes the item from collective evaluation under the expected loss model.

Implementation of hedge accounting requirements

The general hedge accounting requirements in IFRS 9 Financial Instruments maintain the three types of hedge accounting mechanisms of IAS 39 Financial Instruments: Recognition and Measurement, Cash Flow, Fair Value and Net Foreign Investment, the requirement to measure and recognize any ineffectiveness of the hedge through profit or loss and to document the hedge at inception. However, IFRS 9 Financial Instruments introduces changes related to the performance of effectiveness tests and includes a wider range of hedging instruments and risks to be hedged.

IFRS 9 Financial Instruments introduces the option of applying the hedge accounting guidelines of this IFRS or continuing to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 16 Hedges of a Net Investment in a Foreign Operation, provided that the policy is applied consistently to all hedging relationships. The Company will continue to apply the hedge accounting requirements established by IAS 39 Financial Instruments: Recognition and Measurement, as permitted by IFRS 9 Financial Instruments and, therefore, there is no financial impact of transition.

As effect of applying the equity method in subsidiaries, the Company recognized at 1 January 2018 the difference from the transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 Financial Instruments directly in equity in retained earnings, presenting a net effect in equity attributable to controlling interests of (\$21,284) which includes the accounting for deferred tax of \$2,052.

3.1.2 Incorporated in Colombia as of 1 January 2019 - Decree 2170 of 2017 and Decree 2483 of 2018

| Financial Reporting Standard | Subject of the amendment | Detail |
|---|-----------------------------------|---|
| Amendment to IAS 40 Investment Property | Investment property transfers | A property is required to be transferred to (or from) investment property only when there is a change in its use. The amendment clarifies that a change in management's intentions for the use of a property does not, in isolation, provide evidence of a change in use. |
| IFRS 16 Leases | Issuance of new standard | <p>Establishes the principles for the recognition, measurement, presentation and disclosure of leases, with the objective of establishing a single model for the recognition of leases for lessees and lessors, providing relevant information that faithfully represents such transactions.</p> <p>IFRS 16 Leases replaces the following standards and interpretations:</p> <ul style="list-style-type: none"> • IAS 17 Leases • IFRIC 4 Determining whether an Arrangement contains a Lease • SIC 15 Operating Leases - Incentives. • SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. <p>IFRS 16 Leases was issued by the IASB in January 2016 and is effective for annual periods beginning on or after 1 January 2019.</p> |
| IFRS 2 Share-based Payment | Classification and Measurement of | IFRS 2 Share-based Payment did not contain any guidance on how the conditions of profit consolidation affect the fair value of cash-settled share-based payment liabilities. |

| Financial Reporting Standard | Subject of the amendment | Detail |
|--|---|---|
| | Share-based Payment Transactions | The IASB has added a guide that introduces the accounting requirements for cash-settled share-based payments, which follow the same approach used for share-based payments. |
| IFRS 4 Insurance Contracts | Possibility of applying exceptions | <p>The amendment allows companies that issue insurance contracts two options for the application of the standard in relation to designated financial assets:</p> <ul style="list-style-type: none"> • Reclassify from profit or loss to other comprehensive income (OCI) some of the income and/or expenses of designated financial assets; • The provisional application of IFRS 9 Financial Instruments until the effective date of IFRS 17 Insurance Contracts. |
| Annual Improvements to the Standards Cycle 2014-2016 | Amendments adopted by the IASB | <p>IFRS 1 First-time Adoption of International Financial Reporting Standards: this amendment eliminates short-term exemptions in relation to comparative information of first-time adopters, information to be disclosed in transfers of financial assets, information to be disclosed on financial instruments, information to be disclosed on employee benefits, among others, and some short-term improvements of the 2012-2014 cycle, since in practice, they only applied in the year in which they became effective in the past.</p> <p>IFRS 12 Disclosures of Interests in Other Entities: this improvement clarifies the scope of interaction of this IFRS with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in that it does not require the breakdown of summary financial information for interests in entities held for sale (or classified as discontinued operations).</p> <p>IAS 28 Investments in Associates and Joint Ventures: the amendment offers an extension to the option of recognizing at fair value investments in associates or joint ventures carried out by or through a venture capital entity by stating that this choice can be made separately for each associate or joint venture at initial recognition.</p> |
| Amendment to IAS 28 Investments in Associates and Joint Ventures | Requirement for the treatment of long-term interests | Clarifies that the requirements of IFRS 9 Financial Instruments are applicable to long-term interests in associates and joint ventures, including impairment requirements. |
| Amendment to IFRS 9 Financial Instruments | Modifies the requirements for the treatment of early contract cancellation rights | allows the measurement at amortized cost (or at fair value through other comprehensive income (OCI), depending on the business model) of rights for the early termination contracts or instruments even if they present negative compensation payments. |
| Annual Improvements to the Standards Cycle 2015-2017 | Amendments adopted by the IASB | IFRS 3 Business Combinations: clarifies that when an entity acquires control over a business that was previously recognized as a joint operation, it must consider the requirements of a business combination achieved in stages, including the remeasurement of the previous interest. |

| Financial Reporting Standard | Subject of the amendment | Detail |
|--|--|---|
| | | <p>IFRS 11 Joint Arrangements: states that if an entity obtains joint control over a joint operation in which it had an interest, but did not control it, the entity shall not remeasure its previous interests.</p> <p>IAS 12 Income Taxes: this improvement describes how an entity should account for the effects of tax payments on financial instruments classified as equity in the statement of income for the period.</p> <p>IAS 23 Borrowing Costs: the amendment clarifies that if an entity obtained a loan specifically to finance an asset and the loan remains outstanding when the qualifying asset is ready for use or sale, the outstanding amount becomes part of the funds the entity took as a generic loan and will be part of the amount for determining the capitalization rate.</p> |
| Practice Paper No. 2 | Making Judgments of Materiality or Relative Importance | The purpose of the document is to provide reporting entities with guidelines on making judgments of materiality or relative importance when preparing general purpose financial statements in compliance with International Financial Reporting Standards. |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | Specify the concept of transaction date | <p>The interpretation specifies that:</p> <ul style="list-style-type: none"> • The transaction date for determining the applicable exchange rate is that of initial recognition of the asset in the case of advance payments and of the liability in the case of deferred income. • If there are multiple payments or receipts of income, the transaction date will be determined for each of them. |

Application of IFRS 16 Leases

IFRS 16 Leases, issued in January 2016 and effective for periods beginning on or after 1 January 2019, with early adoption permitted provided that IFRS 15 Revenue from Contracts with Customers is applied. IFRS 16 Leases replaces existing standards IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 Leases sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases under a single model similar to that used for accounting for finance leases under IAS 17 Leases. IFRS 16 Leases includes two exceptions to the general principle of recognition, namely short-term leases (leases with a term of twelve months or less) and low-value leases. At the commencement of the lease term, the lessee is required to recognize a liability representing the contractual obligation to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees should recognize separately the finance charge for the liability and the depreciation charge for the right-of-use.

Lessees are also required to re-measure the liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or a rate used to determine such payments). Generally, the lessee shall recognize the value of the re-measured liability as an adjustment to the right-of-use asset.

The lessor's accounting under IFRS 16 Leases remains substantially unchanged from the current accounting under IAS 17 Leases. Lessors will continue to classify leases using the same principle of classification in IAS 17 Leases and distinguish between two types of leases: operating and finance leases. IFRS 16 Leases also requires lessees and lessors to make more extensive disclosures than are required by IAS 17 Leases.

A lessee may choose to apply the standard using either full retrospective application or a modified retrospective approach.

Significant mandatory changes in accounting policies

The Company applied IFRS 16 Leases from 1 January 2019. The Company applied the change in accounting policy using the modified retrospective approach, in accordance with the transitional provisions allowed in the standard, under which the cumulative effect of the initial application of the standard is recognized directly through consolidated equity in consolidated retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 was not restated and continues to be presented, as presented above, in accordance with IAS 17 Leases and related interpretations. In addition, the general disclosure requirements in IFRS 16 Leases have not been applied to the comparative information. The choice not to restate financial information available because of the transitional provisions for implementing IFRS 16 Leases does not have a material effect on future periods. Details of the change in accounting policy are disclosed below:

a. Definition of a lease: previously, the Company determined at the beginning of the contract whether an arrangement was or contained a lease in accordance with IFRIC 4 Determining whether an Arrangement Contains a Lease. The Company now assesses whether an arrangement is or contains a lease based on the definition of a lease in IFRS 16 Leases.

On transition to IFRS 16 Leases, the Company chose to apply the practical solution of not reassessing whether an arrangement is, or contains, a lease at the date of initial application. Instead, the standard allows IFRS 16 Leases to be applied only to contracts previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease were not reassessed to determine whether a lease exists under IFRS 16 Leases. Therefore, the definition of a lease under IFRS was applied only to leases entered into or amended on or after 1 January 2019.

b. The Company as a lessee: as a lessee, the Company leases a significant number of assets, including real estate, vehicles and riverine fleet. In accordance with the above accounting policies, the Company classified the leases as operating or finance leases based on the assessment of whether Grupo Argos transferred significantly all the risks and rewards associated with ownership of the underlying asset. Under the new guidelines of IFRS 16 Leases, the Company recognizes right-of-use assets in leases and lease liabilities for the majority of these leases.

On initial recognition, the Company recognized a lease liability equal to the present value of the minimum lease payments payable discounted at the lessee's incremental borrowing rate at the transition date, 1 January 2019, and an asset equal to the lease liability adjusted for any prepaid expenses or payable liabilities recognized in the consolidated statement of financial position under IAS 17 Leases.

Grupo Argos opted to apply the following practical solutions available under IFRS 16 Leases:

- Not to apply the recognition requirements, at the inception date, to contracts with a lease term equal to or less than 12 months and without a purchase option or to contracts whose underlying asset is of low value (i.e., assets whose new value is equal to or less than USD 3,500 for operating assets and USD 5,000 for administrative assets).
- Exclude initial direct costs of measuring right-of-use assets at the initial date.
- Use retrospective reasoning if the contract contains extension or termination options.
- Not to reassess whether an arrangement is or contains a lease and use the analyses under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

c. The Company as a lessor: The Company is not required to make any adjustments on transition to IFRS 16 Leases for leases in which it acts as lessor, except for subleases. At the date of transition and the reporting period, Grupo Argos does not sublease any asset.

Impact of applying IFRS 16 Leases

On transition to IFRS 16 Leases, on 1 January 2019, the Company recognized additional right-of-use assets in leases, including investment property and additional lease liabilities in its separated financial statements, recognizing the difference in retained earnings. The impact on the transition is summarized below:

| | 2019 |
|---|----------|
| Right-of-use assets under lease - Property, plant and equipment (increase of 6.45% of assets) (*) | 13,220 |
| Right-of-use assets under lease - Investment property | - |
| Deferred tax assets (liabilities) | - |
| Lease liabilities (increase of 6.45% of liabilities) (*) | (13,220) |
| Total equity | - |

(*) Compared to figures reported as of 31 December 2018.

The adoption of IFRS 16 increased operating income and interest expense, since lease expenses do not affect profit for the period under the new guidelines.

Given the election not to restate the Company's comparative information for the first-time adoption of IFRS 16, it should be considered that:

- The separated statement of income at 31 December 2018 presents lease expenses for \$3,655 which were included as selling and administrative expenses. In this period, no expenses or costs are presented for depreciation of right-of-use assets, nor interest expenses associated with lease liabilities that under IAS 17 Leases were classified as operating leases.
- The separated statement of income at 31 December 2019 presents depreciation of right-of-use assets for \$2,340 which were included as selling and administrative expenses. Also included are interest expenses associated with lease liabilities for \$828.

When measuring lease liabilities that were classified as operating leases, the Company discounted the lease payments using its incremental interest rate at 1 January 2019. The weighted average rate applied is 6,45%.

| | |
|---|---------------|
| Operating lease commitments at 31 December 2018, as disclosed in IAS 17 Leases in Grupo Argos' separate financial statements. | 16,897 |
| Effect of discounting using the incremental interest rate as of 1 January 2019 | (3,277) |
| (less) Exemption from recognition for leases of low value assets | - |
| (less) Exemption from recognition for leases with less than 12 months' duration | (400) |
| (plus) Reasonably certain renewal options to be exercised | - |
| Lease liabilities Recognized at 1 January 2019 | 13,220 |

As a result of applying the equity method in subsidiaries, the Company recognized at 1 January 2019 the difference from the transition from IAS 17 Leases to IFRS 16 Leases directly in equity through retained earnings for \$5,595.

Other standards incorporated in Colombia as of 1 January 2019 did not generate significant impacts on the Company's separated financial statements.

3.1.3 Standards incorporated in Colombia as of 1 January 2020 - Regulatory Decree 2270 of 13 December 2019

| Financial Reporting Standard | Subject of the amendment | Detail |
|---------------------------------------|---------------------------------|---|
| Amendment to IAS 19 Employee Benefits | Posting changes, reductions and | The amendment requires entities to use updated assumptions to calculate current service cost and net interest for the remainder of the period from the modification, curtailment or |

| Financial Reporting Standard | Subject of the amendment | Detail |
|---|---|--|
| | settlements to a plan | settlement of a plan. It also requires entities to recognize any reduction in surplus as part of past service cost or settlement gain or loss. |
| Amendment to IFRS 3 Business Combinations | Improve the definition of the concept of "Business" | The amendment clarifies that in order to consider the set of activities and assets acquired as a business, they must include at least one input element and a substantive process that together with the input is capable of creating outputs or results. To do so, an entity must: <ul style="list-style-type: none"> • Determine whether the fair value of the assets acquired is concentrated in a single identifiable asset or in a group of identifiable assets of a similar nature. • Determine whether that asset or group of assets includes a substantial process and in company, can generate a result. |
| Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | Definition of Materiality | The information is material if its omission, deviation or concealment has the potential to influence the decisions that users of general-purpose financial statements make about those financial statements. |
| IFRIC 23 Uncertainty over Income Tax Treatments | Accounting for uncertain tax treatments | This interpretation explains how to recognize current and deferred tax assets and liabilities if there is uncertainty about a tax treatment. An entity manages uncertainties in accordance with: <ul style="list-style-type: none"> • The available basis for supporting its position • The approach that the tax authority is expected to take in an audit of the matter. |
| Conceptual Framework | General update | It updates definitions of concepts related to: <ul style="list-style-type: none"> • Measurement: to include factors to be taken into account when selecting measurement bases. • Presentation and disclosure: to determine events in which an income or expense is classified in other comprehensive income (OCI). • Non-recognition: to determine when assets or liabilities should be removed from the financial statements. <p>Additionally, it renews the definitions of assets and liabilities and the criteria for including them in the financial statements. Likewise, it adds or clarifies the meaning of other concepts such as "controlled resource", "economic resource" and "expected flow", among others.</p> |

IFRIC 23 Uncertainty over Income Tax Treatments

In order to provide greater clarity in the accounting treatment of income taxes, in June 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments, which clarifies how to apply the recognition and measurement requirements of IAS 12 Income Taxes when there is uncertainty in the treatments of this tax. An entity shall recognize and measure its current or deferred tax asset or liability by applying the requirements of IAS 12 Income Taxes on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and the tax rates determined by applying this Interpretation. In Colombia, this IFRIC is effective from 1 January 2020.

IFRIC 23 Uncertainty over Income Tax Treatments requires the assumption that the tax authority having the right to examine, and challenge tax treatments will examine the treatment and will have full knowledge of all related information.

If the Company concludes that it is not likely that an uncertain tax treatment will be accepted by the tax authority, it must reflect the effect of the uncertainty on its accounting, adjust income tax expense, and current and deferred tax assets and liabilities.

The impact of the uncertain tax position should be measured using either the most likely amount method or the expected value method depending on whether the Company believes that the uncertain position will be resolved. This IFRIC allows for its initial application with retrospective effect, impacting retained earnings (or another component of equity, as appropriate). The Company will opt for application in these terms and is currently analyzing the expected effect of its application.

It is required to continue disclosing, in accordance with IAS 1 Presentation of Financial Statements, the judgments and estimates made in determining uncertain tax treatments.

3.2 Issued by the IASB not incorporated in Colombia

The following standards have been issued by the IASB, but have not yet been incorporated by Decree in Colombia:

| Financial Reporting Standard | Subject of the amendment | Detail |
|------------------------------|--|--|
| IFRS 17 Insurance Contracts | It seeks to unify the delivery of results from insurance sector entities around the world. | <p>They combine features of a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information on these features, IFRS 17 Insurance Contracts:</p> <ul style="list-style-type: none"> ▪ Combines current measurement of future cash flows with recognition of benefits over the period in which the services are provided under the contract. ▪ Presents the results of the insurance service (including the presentation of insurance income) separately from the income or expense of the insurance finance; and ▪ Requires an entity to make an accounting policy choice to recognize all insurance finance income or expense through profit or loss, or to recognize part of that income or expense in other comprehensive income (OCI). <p>According to the IASB's timetable, IFRS 17 Insurance Contracts becomes effective on 1 January 2021, allowing early application, provided that IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are also applied.</p> |

The Company will quantify the impact on the separated financial statements in a timely manner, so that once the Decree incorporating this standard into the Colombian Technical Regulations Framework is issued, all the necessary activities for its implementation will be carried out.

As at 31 December 2019 the Company has not adopted any standards or improvements to standards in advance.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES.

In applying the Company's accounting policies, which are described in Note 2 Basis of presentation and significant accounting policies, the management must make judgements and estimates that affect the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed regularly by the management. Revisions to accounting estimates are recognized in the period of revision, if the revision only affects that period, or in future periods if the revision affects both the current period and subsequent periods.

4.1 Significant judgements and estimates when applying accounting policies that do not present a significant risk of significantly affecting the subsequent period

In accordance with paragraph 122 of IAS 1 Presentation of Financial Statements, the following are the judgements and significant estimates made by the management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the separated financial statements. These judgements and estimates differ from the estimates referred to in paragraph 125 of the same IFRS, since in the management's opinion they are not identified as presenting a significant risk of causing significant adjustments in the subsequent accounting period.

4.1.1 Interests in other entities

The Company has equity investments in companies that under IFRS are classified as subsidiaries, associates, joint ventures and financial instruments, according to the degree of relationship with the investee: control, significant influence and the 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 judgements and assumptions applied in making this classification are described below:

Subsidiaries - Entities over which the Company has control

In determining control, the Company assesses the existence of power over the entity, exposure, or entitlement, to variable returns from its involvement with the entity and the ability to use its power over the entity to influence the value of the returns. Judgement is applied in determining the relevant activities of each entity and the capacity to make decisions about these activities; for this, the purpose and design of the entity is assessed, the activities that most impact its performance are identified and how decisions about the relevant activities are made. The assessment of decision-making considers existing voting rights, potential voting rights, contractual arrangements between the entity and other parties, and the rights and ability to appoint and remove key management personnel, among other aspects. Judgement is also applied in identifying variable returns and exposure to them. Variable returns include, but are not limited to, dividends and other distributions of economic benefits from the entity, remuneration for managing the entity's assets or liabilities, fees and exposure to loss from providing credit or liquidity support.

The judgements and assumptions made to determine that the Company controls a company even when less than half the voting rights are retained are:

(a) Investment in P.A. Ganadería Rio Grande. Management has evaluated the degree of influence that the Company has over this entity and determined that it exercises control over the entity even though it maintains a percentage of ownership equal to 13.39%, given that the Company is exposed to the variable returns from this investment and has the capacity to influence them through the exercise of its power by making relevant decisions.

The judgements and assumptions made to determine that the Company does not control a company even though it holds more than half of the voting rights are:

(a) Consorcio Constructor Nuevo Dorado and Consorcio Mantenimiento Opain. Management has assessed the degree of influence that the Company has over these consortiums and determined that it does not exercise control over them

even though it holds a percentage of more than 50%, given that the quorum for financial and administrative decisions requires the favorable vote of all the consortiums, giving rise to a relationship of joint control.

(b) Patrimonio Autónomo (autonomous equity) Hacienda Niquía. Management assessed the degree of influence that the Company has over this entity and determined that it does not exercise control over it even though it holds an interest of over 50%, since the Company does not have the current capacity to decide on the activities that most impact the entity's performance.

Associates - Entities over which the Company has significant influence

Judgment is applied in assessing significant influence. The Company is deemed to have significant influence over an associate when it has the power to intervene in the associate's financial and operating policy decisions. To this end, the Company considers the existence and effect of potential voting rights that may be exercised or converted at that time, including potential voting rights held by other companies, in order to assess whether it exercises significant influence over an investment. It should not consider those that cannot be exercised or converted until a future date, or until a future event has occurred.

Joint arrangements as a joint operation or a joint venture

Once the existence of a joint arrangement is determined by assessing the contractual arrangement in which two or more parties exercise joint control in an arrangement, the Company applies significant judgements and assumptions to determine whether the arrangement is a joint venture or a joint operation; That is, (i) if a joint operation exists despite having a separate vehicle, for example, if the Company is granted rights to the assets and obligations in respect of the liabilities relating to the arrangement and not rights to the net assets of the arrangement; or (ii) if a joint venture exists, through a contractual arrangement that is structured through a separate vehicle or not and grants rights to the net assets of the arrangement but not rights to the assets and obligations relating to the arrangement.

The Company should consider the following in recognizing a joint venture when it is formed through a separate vehicle: (i) the legal form of the separate vehicle; (ii) the terms of the contractual arrangement; and (iii) where appropriate, other factors and circumstances.

4.1.2 Functional currency

Management uses its judgment in determining its functional currency. The determination of the Parent Company's functional currency and each of its investments in subsidiaries, associates and joint ventures is determined by evaluating the principle and indicators set forth in IAS 21 The Effects of Changes in Foreign Exchange Rates.

4.1.3 Determination of the term of the lease of contracts with renewal options

Under certain leases, there is the option to lease the assets for additional periods. The Company applies its judgement in assessing whether it is reasonably safe to exercise the renewal option, i.e. it considers all the relevant factors that create an economic incentive to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in the circumstances under its control that affect its ability to exercise (or not exercise) the renewal option. In addition, the Company enters into leases contracts that are automatically renewed at the end of the original lease term for another term of the same duration, or on a month-to-month basis, without any action being taken by the Company or the lessor.

4.1.4 Distinction between investment property and inventories

The Company requires the application of professional judgment to determine whether a property meets the requirements to be classified as investment property or to be classified as inventory. Given the nature of the assets currently held by the Company, this classification may be difficult. Therefore, the Company has developed criteria to exercise such judgment in a manner consistent with the standard, such as:

- The separation of whether the property is held for income or capital appreciation or for sale in the ordinary course of operations.
- Land held for undetermined future use is considered to be held for capital appreciation and, therefore, is held as investment property.
- The commencement of a development with intent to sell it in the ordinary course of business is considered a change in use and therefore involves the transfer of investment property to inventory.
- When the Company decides to dispose of an investment property without carrying out a specific development, it maintains the asset in investment property until it is derecognized and does not treat it as an inventory item.

4.1.5 Current income tax

The Company recognizes current income tax amounts in the consolidated financial statements given the volume of transactions. The determination of current tax is based on management's best interpretation of current and applicable laws and best practices in the jurisdictions in which it operates. The reasonableness of this estimate depends on management's ability to integrate complex tax and accounting standards and to consider changes in applicable laws.

Uncertain tax positions are situations where the tax treatment is not clear, either because there is no express regulation on the matter or because, in contrast to the applicable treatment, there are different jurisprudential and doctrinal interpretations that do not allow for legal certainty for the taxpayer. The Company could have uncertain tax positions mainly because of the deductibility of certain expenses, or because of the differential treatment of some profits in tax returns. To date, no provision is recognized for uncertain tax positions classified as remote or possible for the legal proceedings instituted by the relevant entity. The probability analysis is based on expert opinions and the interpretation of the tax regulations in force in the applicable jurisdiction.

4.1.6 Pension plans and other post-employment defined benefit plans

The liability for pension plans and other post-employment benefits is estimated using the projected credit unit technique, which requires the use of financial and demographic assumptions, including, but not limited to, discount rates, inflation rates, expected salary increases, life expectancy and employee turnover rates. The estimate of the liability, as well as the determination of the values of the assumptions used in the valuation, is made by an independent external actuary, considering the market conditions existing at the measurement date.

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

4.1.7 Recognition of revenue and costs

Since recognition of revenue and costs from construction activities that have not yet been invoiced is related to the execution of contracts, the estimate of the proportion that corresponds to the reporting period is assigned by evaluating the degree of progress of the construction projects through the cost method. These estimates do not normally vary significantly from subsequent actual measurements.

4.1.8 Fair value of financial instruments and financial derivatives other than Level 1

The Company uses assumptions that reflect the most reliable fair value of financial instruments including financial derivatives, which do not have an active market or for which no market price is observable, using valuation techniques that are widely known in the market.

Fair value measurements are made using a fair value hierarchy that reflects the significance of the inputs used in the measurement (Note 2.2 Basis of Preparation) for Level 2 and Level 3 input data, the management must apply its judgment in selecting the appropriate valuation method for the asset or liability being measured and maximize the use of observable inputs.

The assumptions are consistent with market conditions at the time of measurement and the information that market participants would consider in estimating the price of the instrument. Management believes that the valuation models

selected, and the assumptions used are appropriate in determining the fair value of financial instruments. However, the limitations of the valuation models themselves and the parameters required by these models may result in the estimated fair value of an asset or liability not being exactly the same as the price at which the asset or liability could be delivered or settled at the measurement date. In addition, changes in internal assumptions and the rates used in the measurement may significantly affect the fair value of financial derivatives. The frequency of measurement of these instruments is monthly.

4.2 Key data on uncertainty in estimates that present a significant risk of significantly affecting the following period

Following are the assumptions made about the future and other sources of uncertainty used in applying the accounting policies for the preparation of the financial statements for the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the subsequent accounting period:

4.2.1 Provisions, contingent assets and liabilities

Certain contingent conditions may exist at the date the financial statements are issued, which may result in a loss for the Company and, in the case of contingent assets, an income for the Company, but will only be resolved in the future when one or more events occur or may occur.

The Company considers that a past event has given rise to a present obligation if, taking into account all the evidence available at the reporting date, it is probable that a present obligation exists, independent of future events. A provision is recognized when it is more likely than not that an event will occur. 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 are disclosed as contingent liabilities; the occurrence of events that are estimated to be remote is not recorded or disclosed. The occurrence of events giving rise to contingent assets is not recorded but disclosed (Note 22 Provisions and Note 39 Contingent assets and liabilities)

To determine the possibility of the occurrence of a present obligation, the professional judgment of internal and external specialist lawyers is involved. In estimating the provision, management considers assumptions such as, but not limited to, inflation rates, attorneys' fees, estimated duration of the lawsuit, statistical information of processes with similar characteristics, among others.

4.2.2 Impairment of assets, property, plant and equipment and intangibles

The Company assesses at each annual closing date of the statement of financial position or at any time whether there is any indication of impairment of assets. If such an indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit.

For assessing the appropriateness of performing the full impairment test, the Company will perform an annual review of the critical business variables that affect the fair value of the assets in each market. The indicator matrix is defined for each geography or market in which the business is conducted and is reviewed periodically with the different areas to ensure its validity. The general indicators are:

- Observable evidence that the value of the assets has decreased over the period significantly more than would be expected as a result of the passing of time or normal use.
- Changes in the legal, social, ecologic or market environment that may reduce the value of the asset.
- Changes in prices that affect future income.
- Changes in their capacity to generate income.
- Changes in its total cost.

The purpose of the impairment test is to determine the recoverable value, which is the higher of fair value less disposal costs and value in use, as mentioned in Note 2 paragraph 2.3.5 Impairment of tangible and intangible assets.

4.2.3 Fair value of investment property

In order to determine the fair value, the Company opted to hire independent experts with recognized professional capacity and experience in the valuation of real estate.

For the valuation process, these experts select one of three approaches: market approach, cost approach, income approach (Note 15 Investment Property).

4.2.4 Deferred income tax

The Company recognizes deferred income tax amounts in the consolidated financial statements given the volume of transactions. The determination of deferred tax is based on management's best interpretation of current and applicable laws and best practices in 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 changes in applicable laws, and to evaluate, for purposes of recognition of the deferred tax asset, the existence of sufficient taxable income to realize it.

Exception from IAS 12 Income Tax, on investments: The Company applies its judgment not to recognize in its separate financial statements deferred tax liabilities on investments in subsidiaries, taking into account that it is able to control the timing of the reversal of temporary differences and it is probable that these will not reverse in the foreseeable future. The Company applies its judgment not to recognize in its separate financial statements deferred tax liabilities on investments in subsidiaries, taking into account that it is able to control the timing of the reversal of temporary differences and it is probable that these will not reverse in the foreseeable future.

NOTE 5: CHANGE IN POLICIES AND RECLASSIFICATIONS OF ITEMS IN THE FINANCIAL STATEMENTS.

5.1 Change in policies

During the 2019 period, the Company changed its leasing policy as a result of the entry into force of IFRS 16 Leases as explained in paragraph 2.3.12 Leases.

5.2 Reclassification of Items in the Financial Statements

During the year 2019, the Company did not make any reclassification in its comparative figures.

NOTE 6: CASH AND CASH EQUIVALENTS.

The total balance of this item at the end of the reporting period, as shown in the Separated Statement of Cash Flows, can be reconciled to the related items in the Separated Statement of Financial Position as follows:

| Breakdown of cash | 2019 | 2018 |
|--|--------------|--------------|
| Cash and banks | 1,337 | 3,504 |
| Cash equivalents (*) | 392 | 1,346 |
| Total cash and cash equivalents | 1,729 | 4,850 |

(*) The following are the cash equivalents held by the Company at the end of the reporting period:

| Breakdown of cash equivalents | 2019 | 2018 |
|--|-------------|--------------|
| Collective portfolios and investment funds | 392 | 1,346 |
| Total cash equivalents | 392 | 1,346 |

During 2019 there were no relevant transactions that did not involve cash movements. For 2018, cash flow from the sale of shares of EPSA S.A. E.S.P. (now Celsia Colombia S.A. E.S.P.) to Celsia S.A. E.S.P. (now Celsia S.A.) for \$654,602 and the acquisition of shares of Celsia S.A. E.S.P. (now Celsia Colombia S.A.) for 782,553 were offset by the Company, with the net value being disbursed.

Cash equivalents correspond to resources available to the Company managed through liquidity funds.

At 31 December 2019 and 2018, the Company has no current or non-current restricted cash or cash equivalents.

NOTE 7: FINANCIAL INSTRUMENTS.

7.1 Capital risk management

The Company's capital structure is based on net financial debt consisting of short- and long-term financial obligations, bonds and commercial papers, and equity, consisting of issued shares, both preferred and ordinary, reserves, retained earnings and other components of equity, as disclosed in Note 19 Financial obligations, Note 24 Bonds and compound financial instruments, Note 25 Other non-financial liabilities, Note 27 Reserves and other comprehensive income and Note 28 other components of equity.

The Company manages its capital to ensure its ability to continue as a going concern, as it maximizes the return to its shareholders through permanent monitoring of the execution of the business plan, the optimization of the debt and equity balances in order to seek an optimal capital structure and equity in order to find an optimal capital structure.

Similarly, it strategically designs an efficient capital structure, consistent with growth, investment and credit rating plans. To this end, indicators of leverage, coverage, solvency and profitability have been established. As this structure is flexible, it is reviewed periodically or whenever there are relevant changes in the Company's strategy.

In the same way, the Company manages capital risk through the rotation of portfolio assets and the management of reasonable debt levels, which allows the consolidation of its strategic pillars within an investment portfolio with emphasis on the infrastructure and energy sector. The Company is not subject to external capital requirements, which is why all leverage decisions and target capital levels are made with the premise of generating value for shareholders, while maintaining an investment grade credit rating. Therefore, the operating cash flow (FCO/interest) indicator is expected to be higher than 1 to ensure debt sustainability from cash generated by the operation. In addition, debt term is consistent with the capital cycles of each of the Company's investments.

7.2 Financial instrument categories

| | 2019 | 2018 |
|--|------------------|------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 6) | 1,729 | 4,850 |
| Prepayment purchase of financial investments | 1,441 | - |
| Financial assets measured at fair value through profit or loss (Note 11) | 830 | 814 |
| Financial assets measured at fair value through other comprehensive income - OCI (Note 11) | 1,165,536 | 1,075,719 |
| Financial assets measured at amortized cost (Note 8) | 320,315 | 274,318 |
| Derivatives in Hedging Relationships | - | 2,932 |
| Total financial assets | 1,489,851 | 1,358,633 |

| | | |
|--|------------------|------------------|
| Financial assets classified as non-current assets held for sale | 1,524 | - |
| Total financial assets including non-current assets held for sale | 1,491,375 | 1,358,633 |
| Financial liabilities | | |
| Derivatives in Hedging Relationships | 42 | 260 |
| Financial liabilities measured at amortized cost (Notes 19, 23 and 24) | 1,709,254 | 1,724,912 |
| Total financial liabilities | 1,709,296 | 1,725,172 |

7.2.1 Financial liabilities measured at amortized cost

| | 2019 | 2018 |
|--|------------------|------------------|
| Bonds and commercial paper in circulation (Note 24) | 1,099,288 | 763,845 |
| Financial liabilities (Note 19) | 502,009 | 857,153 |
| Trade and other payables (Note 23) | 93,764 | 90,551 |
| Preferential shares classified as compound financial instruments (Note 24) | 14,193 | 13,363 |
| Total financial liabilities measured at amortized cost | 1,709,254 | 1,724,912 |

At the closing of 2019 and 2018, the financial liabilities presented by the Company correspond to short- and long-term loans, ordinary bonds, suppliers and payables.

7.2.2 Reclassification of financial assets

During 2019 and 2018 no changes in the business model for managing and administering financial assets were made, and therefore no financial assets have been reclassified from the fair value category to amortized cost, or vice versa.

7.2.3 Offsetting of financial assets and liabilities

At 31 December 2019 and 2018 the Company, for presentation purposes, did not offset financial assets and liabilities and has no relevant offsetting agreements.

7.2.4 Sensitivity analysis of financial assets

A 1% variation in the share price of Grupo Nutresa S.A. would generate variations in the other comprehensive income (OCI) of approximately \$11,492 (2018 \$10,632); however, it should be noted that this financial asset is not available for realization in the short term.

7.3 Financial risk management objectives

Among the most important financial risks for the Company are market risks. These risks are derived from fluctuations in macroeconomic and microeconomic variables that can generate fluctuations in the value of assets and liabilities with an impact on profit and therefore on profitability for shareholders.

In the management of its financial instruments, the Company is exposed to risk factors such as exchange rates and interest rates. These risks are managed in accordance with the guidelines set forth in the Treasury Manual and supports the decisions of the Treasury Committee, which are executed in accordance with the following policies:

- The exchange rate risk is the contingency of losses generated by the volatility in the quotation of the currencies in which positions are held. The Company mainly executes operations in local currency.
- In the case of trading financial (or debt) instruments in foreign currency, internal policies establish that exchange rate hedges are in place. Operations that do not have a counterpart or natural hedge must have a financial derivative to create a hedge position in local currency.

- Interest rate risk is associated with fluctuations in macroeconomic factors such as inflation, and microeconomic factors such as risk premiums of financial instrument issuers. In this risk are considered the devaluation of securities and the conditions for reinvesting liquidity.
- The Company constantly seeks to optimize its interest rates through the placement and renewal of its loans.
- Within the framework of the accounting policies established for the Company, the relevant investments with terms of more than 90 days are subject to being valued at market conditions. Thus, if investments are not settled on a date prior to the maturity of the security, movements in interest and reference rates do not affect cash investments (e.g. certificates of deposit, bonds, Repos).

Market risk exposures are measured using different quantitative models, such as scenario simulation and sensitivity analysis.

7.3.1 Market risk

In the management of its financial instruments, the Company is exposed to risk factors such as exchange rates, interest rates and price levels. These risks are managed in accordance with the Company's policy guidelines and market risk exposures are measured using various quantitative models, such as Value at Risk (VaR), scenario simulation and sensitivity analysis. There have been no changes in the Company's exposure to market risks or in the way in which such risks have been managed and measured.

7.3.2 Foreign exchange risk management

The Company's general policy is to minimize exposure to exchange rate risk. When the Company makes investment, financing and operating activities, it is possible to manage this risk by selecting the appropriate hedging instrument. The following options are available for this purpose:

- Natural hedges, consisting of taking two positions that are reflected in the assets and liabilities in the balance sheet, such as a dollar investment and a dollar liability.
- Financial hedges, realized with derivative instruments such as forwards, futures, options, swaps, among others.

7.3.2.1 Foreign currency sensitivity analysis

The Company's general policy is to limit the effects of exposure to exchange rate risk. When the Company carries out investment, financing and operating activities, it is possible to manage this risk by selecting the appropriate hedging instrument.

The Company monitors the concentration of foreign exchange risk in order to avoid volatility in the financial statements and to monitor target exposure limits. For this purpose, sensitivity analyses and Monte Carlo simulations are performed on the exchange rate, based on the monetary cycles in which it is present. The results of these analyses have a direct influence on the capital structure, in particular with respect to the functional currencies of debt, reference indices and the contracting of derivative instruments.

The Company performs various sensitivity analyses in order to quantify the impact of exchange rates on results. In general terms, the Company benefits from increases in exchange rates, which is largely explained by the weight of the investments in Cementos Argos S.A., Celsia S.A. (formerly Celsia S.A. E.S.P.), Odinsa S.A. and the exposure that these companies have to the markets of the United States, the Caribbean and Ecuador. The hedging structures of the Company allow it to maintain a balanced net position in the statement of income and of financial position.

7.3.2.2 Foreign currency derivative contracts

Derivative instruments that arise within a financial hedging relationship, whose value depends on the price of an asset (e.g. a bond, share, product or commodity), of an interest rate, an exchange rate, an index (e.g. of shares, of prices), or any other quantifiable variable (which is called the underlying), may be constituted in such a way as to allow companies to anticipate and hedge risks or changes that may occur in the future, in such a way as to reduce volatility.

Financial derivatives are recognized in the statement of financial position at their fair values, taking into account the market curves in force at the measurement date. Accounting for changes in the fair value of derivatives depends on the use of the derivative and its designation as an accounting hedge instrument.

Following is a detail of the foreign currency and interest rate derivatives outstanding at 31 December of the reporting period:

| Type of instrument | Hedged item | Underlying rate | Notional value of the underlying - Amount of the derivative instrument | | Rate of the derivative instrument | Expiration of the derivative instrument | Fair value of the asset (liability) derivative instrument | |
|--------------------|-----------------------|-----------------|--|----------------------|-----------------------------------|---|---|--------------|
| | | | 2019 | 2018 | | | 2019 | 2018 |
| Forward purchase | Financial obligations | LIBOR12M+0.3% | - | USD 525,293.71 | 3,212.33 | 29-Abr-2019 | - | 33 |
| Forward purchase | Financial obligations | LIBOR12M+0.3% | - | USD 31,528,179.94 | 3,244.51 | 29-Oct-2019 | - | 2,505 |
| | | | | | | | | 2,538 |

For 2018 derivative instruments entered into by the Company to cover exchange risk were generally designated as cash flow hedging instruments.

The following tables detail the notional principal amounts and remaining terms of the outstanding foreign exchange forward and swap contracts at the end of the reporting periods.

| | Notional value of the hedged item in Colombian pesos | | Fair value of the asset (liability) derivative instrument | |
|---|--|---------------|---|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flow hedging | | | | |
| 1 year or less | - | 98,743 | - | 2,538 |
| Derivative contracts in foreign currency | - | 98,743 | - | 2,538 |

7.3.3 Interest rate risk management and inflation indexes

The Company is exposed to interest rate risks because it borrows money at rates that can be fixed or variable. This risk is managed based on market readings of the macroeconomic environment and of the counterparties, monitoring risk premiums, investment returns and the cost of debt, in real terms.

This monitoring is done through the Treasury Committee, considering the cash flow projections in the short and medium term, in order to establish the efficient index and term compositions. For support, quantitative models are used that allow analyzing the duration, using interest rate curves. Another efficient mechanism for the management of this risk is the interest rate derivatives.

The Company believes that most of its debt should be indexed to indicators such as the CPI and Bank Reference Indicator (BRI), since the rates obtained are linked to inflation and the price at which banks are willing to offer resources to the money market. At the close of 2019, it had financial obligations and bonds payable at a nominal value of \$1.59 trillion pesos (2018 \$1.60 trillion pesos), with an average life of 6.4 years (2018 4.9 years) and an average cost of 7.03% EAR (2018 6.77% EAR). Thus, it is largely exposed to variations in the general consumer price index and the intervention rate of the Colombian economy.

The following sensitivity analyses have been determined based on the exposure to interest rates and inflation indexes for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, an analysis is prepared assuming that the amount of the liability outstanding at the end of the reporting period has been the liability outstanding for the entire year.

Based on the exposure of the Company's debt to market rates, an increase of 100 PBS (basic points) in the CPI would affect the cost of debt by \$9,060 (2018 \$4,281); an increase of the same magnitude in the Bank Reference Indicator (BRI) would increase it by \$5,033 (2018 \$7,599).

7.3.3.1 Contracts derived from interest rates and inflation indexes

Derivative instruments entered into by the Company to cover interest rate risk are designated as cash flow hedging instruments. The Company does not hold any derivative instruments to cover this risk that have not been designated as hedging instruments. The value recognized through other comprehensive income (OCI) for the valuation of these derivative instruments is detailed in Note 27 Reserves and other comprehensive income (OCI).

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

| Type of instrument | Hedged item | Underlying rate | Notional value of the underlying - Amount of the derivative instrument | | Rate of the derivative instrument | Expiration of the derivative instrument | Fair value of the asset (liability) derivative instrument | |
|--------------------|----------------|-----------------|--|--------------------|-----------------------------------|---|---|-------|
| | | | 2019 | 2018 | | | 2019 | 2018 |
| CPI Swap | Ordinary bonds | CPI | COP 100,000,000 | COP 100,000,000 | 3.72% | 10-Jun-2020 | (42) | (260) |
| CPI Swap | Ordinary bonds | CPI | - | COP 200,000,000 | 3.46% | 10-Dic-2019 | - | 394 |
| | | | | | | | (42) | 134 |

| | Notional value of the hedged item in Colombian pesos | | Fair value of the asset (liability) derivative instrument | |
|--------------------------|--|--------------------|---|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flow hedging | | | | |
| 1 year or less | | 100,000,000 | 200,000,000 | (42) |
| 1 to 5 years | | - | 100,000,000 | - |
| Cash flow hedging | | 100,000,000 | 300,000,000 | (42) |
| | | | | 134 |

7.3.4 Credit risk management

Credit risk is defined as the potential failure to meet contractual obligations arising from the Company's business activities. The Company's cash inflows come from four main sources:

- Dividends from subsidiaries and associates.
- Lot sales.
- Portfolio activities.
- Financial returns.

Of the sources of income for the Company, there are no credit risks on resources coming from divestments, financial returns and dividends, due to the nature of these flows. In the case of real estate sales, this risk is managed through the following mechanisms:

- Analysis of counterparties and their technical, financial and administrative qualities, using qualitative and quantitative criteria.
- Disposal policies that require advance payment of a percentage of the value of the property.
- Definition of maximum client concentration thresholds in relation to the total portfolio.
- Contractual clauses and required collaterals.

The Company periodically performs impairment analysis of its financial assets, including an analysis of expected losses in the portfolio. Details of trade current and other receivables are shown in Note 8 trade and other receivables, net.

7.3.5 Liquidity risk management

Liquidity risk is generated when there is no close relationship between the capital structure and the return on investments. This risk is managed on the basis of financial planning and cash management exercises, with permanent monitoring of the cash flow of the Company and working capital needs. Likewise, through the design and monitoring of the capital structure, the Company efficiently plans sources and uses, guaranteeing financial flexibility, risk management and return.

Finally, the policies established in the Treasury Manual include a list of the type of investment risk authorized for contracting financial instruments, so that the Company minimizes the risk of liquidity, derived from issuers or illiquid instruments.

7.3.5.1 Maturity analysis of non-derivative financial liabilities

The maturity profile of the Company's non-derivative financial liabilities previously agreed upon is detailed below. The tables have been designed based on the undiscounted cash flows of the financial liabilities, taking into account the date on which payments must be made. Additionally, they include both interest and capital cash flows. To the extent that interest is floating rate, the undiscounted amount is derived from the last known interest rate at the end of the reporting period. The contractual maturity is based on the minimum date on which payment must be made.

| As at 31 December 2019 | Weighted average effective rate | 3 months to 1 year | 1 to 5 years | 5 years or more | Total | Carrying amount |
|-------------------------------------|---------------------------------------|-----------------------|------------------|--------------------|------------------|--------------------|
| Non-interest-bearing | | 94,611 | 57 | 13,346 | 108,014 | 108,014 |
| Fixed-rate instruments | 5.78% | 7,138 | 135,352 | - | 142,490 | 123,798 |
| Floating rate instruments | 7.13% | 105,013 | 1,309,982 | 898,225 | 2,313,220 | 1,477,442 |
| Total as at 31 December 2019 | | 206,762 | 1,445,391 | 911,571 | 2,563,724 | 1,709,254 |
| As at 31 December 2018 | | | | | | |
| Non-interest-bearing | - | 91,398 | 47 | 12,516 | 103,961 | 103,961 |
| Floating rate instruments | 6.77% | 318,415 | 1,304,983 | 568,549 | 2,191,947 | 1,620,951 |
| Total as at 31 December 2018 | | 409,813 | 1,305,030 | 581,065 | 2,295,908 | 1,724,912 |

7.3.5.2 Maturity of derivative financial instruments

The following table details the profile for the maturity of the Company's derivative financial instruments:

| | 1 year or less | 1 to 5 years | 5 years or more | Total | Carrying amount |
|-------------------------------|----------------|--------------|-----------------|--------------|-----------------|
| As at 31 December 2019 | | | | | |
| Swaps (net) | (42) | - | - | (42) | (42) |
| Total (net) | (42) | - | - | (42) | (42) |
| | 1 year or less | 1 to 5 years | 5 years or more | Total | Carrying amount |
| As at 31 December 2018 | | | | | |
| Forward | 2,538 | - | - | 2,538 | 2,538 |
| Swaps (net) | 219 | (85) | - | 134 | 134 |
| Total (net) | 2,757 | (85) | - | 2,672 | 2,672 |

7.4 Collaterals

Following is the breakdown of Collateral guarantees for financial assets and liabilities provided by the Company:

In 2019, the market value of the Company's financial assets pledged as collateral for financial liabilities is \$1,479,613 (2018 \$1,523,366). These collaterals correspond to 36,724,303 shares of Grupo Sura S.A. (2018 - 40,773,889 shares) and 9,093,972 shares of Grupo Nutresa S.A. (2018 9,093,972 shares).

A number of 13,364,075 of the shares (2018 27,798,683 shares) pledged back the loans disbursed during 2019 (\$92,500 maturing in 2022) and during 2018 (\$460,000 maturing in 2023). The remaining shares have been pledged for an indefinite period of time in order to provide the Company with financial flexibility.

7.5 Fair value

The following is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments:

| | Carrying amount | Fair value | Carrying amount | Fair value |
|---|------------------|------------------|------------------|------------------|
| | 2019 | | 2018 | |
| Financial Assets | | | | |
| Measured at fair value through OCI | | | | |
| Equity investments *(1) | 1,168,501 | 1,173,928 | 1,075,719 | 1,075,719 |
| Derivative financial instruments - Swap (5) | - | - | 394 | 394 |
| Measured at fair value through profit and loss | | | | |
| Other investments (1) | 830 | 830 | 814 | 814 |
| Derivative financial instruments - Swap - Forward (5) | - | - | 2,538 | 2,538 |
| Measured at amortized cost | | | | |
| Cash and cash equivalents | 1,729 | 1,729 | 4,850 | 4,850 |
| Trade and other receivables (2) and (3) | 320,315 | 322,871 | 274,318 | 274,591 |
| Total financial assets | 1,491,375 | 1,499,358 | 1,358,633 | 1,358,906 |
| Financial liabilities | | | | |
| Measured at fair value through OCI | | | | |
| Derivative financial instruments | 42 | 42 | 260 | 260 |
| Measured at amortized cost | | | | |
| Financial obligations (2) | 502,009 | 507,862 | 857,153 | 861,325 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Bonds and securities in circulation (2) and (4) | 1,099,288 | 1,159,884 | 763,845 | 808,895 |
| Preferential shares classified as debt | 14,193 | 14,193 | 13,363 | 13,363 |
| Suppliers and payables ^{**} (3) | 93,764 | 93,764 | 90,551 | 90,551 |
| Total financial liabilities | 1,709,296 | 1,775,745 | 1,725,172 | 1,774,394 |

* The increase in equity investments is mainly due to the valuation adjustment of Grupo Nutresa shares for \$85,963 during the period of 2019.

** This amount includes \$79,647 of dividends payable (December 2018, \$74,489).

In paragraph 7.5.1, in accordance with reference number (1), (2), (3), (4) and (5), the significant valuation variables for each of the instruments described above are described.

7.5.1 Description of significant valuation variables

The significant variables used in measuring the fair value of financial instruments at 31 December 2019 and 2018 are presented below:

| | Hierarchy Level | Valuation technique | Technical description of valuation | Significant variables |
|---|-----------------|--|------------------------------------|--|
| Financial Assets | | | | |
| Measured at fair value through OCI | | | | |
| Equity investments | 1 | Market prices (Colombian Stock Market) | (1) | Share price |
| Derivative financial instruments | 2 | Fair value for swaps | (5) | Implied inflation, OIS COP curves and CPI curve |
| Measured at fair value through profit and loss | | | | |
| Derivative financial instruments | 2 | Discounted cash flows | (2) | Market rate |
| Agricultural development titles | 1 | Market returns | (1) | Market rate |
| Measured at amortized cost | | | | |
| Trade and other receivables | 2 | Discounted cash flows | (2) y (3) | Market rate |
| Financial liabilities | | | | |
| Measured at amortized cost | | | | |
| Financial obligations | 2 | Discounted cash flows | (2) | Market rate |
| Bonds in circulation | 2 | Discounted cash flows | (4) | Discount rate resulting from the zero coupon curve |
| Preferential shares classified as debt | 2 | Discounted cash flows | (2) | Market rate |
| Suppliers and payables | 2 | Discounted cash flows | (4) | Discount rate |

The following are the valuation techniques used to measure the Company's financial assets and liabilities at fair value for disclosure purposes:

- (1) Quoted market prices: the fair values of these investments are determined by reference to published quoted prices in active markets, for the financial instrument in question.
- (2) Market discount rate: future cash flows are discounted to present value at the market rate for loans with similar conditions on the measurement date according to the days of maturity.
- (3) The Company assessed that the fair values of receivables, dividends receivable and payable, suppliers, payables and other current liabilities approximate their carrying values due largely to the short-term maturities of these

assets. Future cash flows of receivables or payables maturing in more than 12 months are discounted to present value at the market rate for loans in similar conditions at the measurement date, according to the days of maturity.

- (4) The fair value is calculated by discounting the future cash flows with the zero coupon curve of the ordinary bonds issued by the Company.
- (5) The measurement method of the swap financial instrument uses the derivative financial instrument's own cash flows, which are then discounted to their present value. The right is projected using the CPI curve and the obligation corresponds to the same amount in the payment periods during the life of the instrument. Since both flows correspond to future values, they are discounted to present value using the rates of the OIS COP curve (Overnight Index Swap, on the Bank Reference Indicator (BRI) Overnight rate negotiated in the OTC market). The difference between the inflow and the outflow represents the net value of the derivative at the evaluated cut.

7.6 Reconciliation between changes in assets and liabilities and cash flows arising from financing activities

| | Financial liabilities | Bonds and compound financial instruments | Lease liabilities | Dividend liabilities | Trade liabilities and other liabilities | Derivative (Assets) / liabilities for financial liabilities hedging | Cash flow from financing activities for financial liabilities |
|--|-----------------------|--|-------------------|----------------------|---|---|---|
| Balance at the beginning of the period 1 January 2019 | 857,153 | 777,208 | - | 87,852 | 2,699 | (2,672) | 1,722,240 |
| Issuance of bonds | - | 450,000 | - | - | - | - | 450,000 |
| Payment of bonds and commercial papers | - | (115,850) | - | - | - | - | (115,850) |
| Increase in other financing instruments | 434,300 | - | - | - | - | - | 434,300 |
| Decrease in other financing instruments | (790,342) | - | - | - | - | - | (790,342) |
| Payments for lease liabilities | - | - | (1,808) | - | - | - | (1,808) |
| Collections from financial derivative contracts with financial liability hedging | - | - | - | - | - | 2,538 | 2,538 |
| Dividends paid on ordinary shares | - | - | - | (222,756) | - | - | (222,756) |
| Dividends paid on preferential shares | - | - | - | (72,115) | - | - | (72,115) |
| Interest paid | (40,182) | (60,200) | (828) | - | (2,993) | - | (104,203) |
| Total changes by cash flows from financing activities | (396,224) | 273,950 | (2,636) | (294,871) | (2,993) | 2,538 | (420,236) |

| | | | | | | | |
|---|----------------|------------------|---------------|----------------|-------------|------------|------------------|
| Unrealized exchange rate difference (effect of changes in foreign exchange rates) | - | - | - | - | (22) | - | (22) |
| Recognition of leases | - | - | 14,108 | - | - | - | 14,108 |
| Interest caused | 41,080 | 62,323 | 828 | - | 2,927 | - | 107,158 |
| Other changes | - | - | - | 300,860 | (2,688) | 176 | 298,348 |
| Total changes other than cash flows in financial liabilities | 41,080 | 62,323 | 14,936 | 300,860 | 217 | 176 | 419,592 |
| Balance at the end of the period 31 December 2019 | 502,009 | 1,113,481 | 12,300 | 93,841 | (77) | 42 | 1,721,596 |

NOTE 8: TRADE AND OTHER RECEIVABLES, NET.

The balance of trade and other receivables, net, as at 31 December comprises:

| | 2019 | 2018 |
|---|----------------|----------------|
| Trade receivables | | |
| Domestic customers (1) | 121,232 | 74,408 |
| Foreign customers (1) | 8,100 | - |
| Other receivables | | |
| Receivables from related parties (Note 38) | 177,216 | 183,548 |
| Income and other receivables (2) | 13,612 | 15,484 |
| Employee receivables (3) | 1,602 | 1,387 |
| Impairment for doubtful accounts | (1,447) | (509) |
| Total trade and other receivables, net | 320,315 | 274,318 |
| Current | 223,804 | 166,415 |
| Non-current | 96,511 | 107,903 |
| Total trade and other receivables, net | 320,315 | 274,318 |

(1) At the end of 2019, there was a receivable for \$129,332, which mainly corresponds to the sale of lots Pajonal lot D San José Block 1A, lot 2A Barú, Alameda del Río, Volador Oriental, lots Block 24 Alejandría stage 1, lot Block C Clúster Institucional, lot Santa Isabel Concesión, Pajonal Oreja 53 and Lot Villa Carolina 8.

At the end of 2018, there was a receivable for \$74,408 corresponding to the sale of Volador Oriental, Lot 1 Barú, Lago Alto 1 - 6, 16 - 17, Villa Carolina VIII B1 - B3 and block 3, Alameda del Río and the sale of 16,616 shares of Contrebutte S.A.S.

(2) Corresponds mainly to dividends receivable from Grupo Nutresa S.A. for \$6,922 payable between January and March 2020 and sponsorships for \$3,292, of which \$1,946 correspond to direct employees.

(3) In 2018, corresponds mainly to dividends receivable from Grupo Nutresa S.A. for \$6,407 payable between January and March 2019 and sponsorships for \$2,688.

(4) Employee receivables do not include key management personnel, which are grouped under related party receivables.

During 2019, there were no transfers of financial assets, nor portfolio endorsed or negotiated with banks or other economic entities.

Long-term receivables are measured at amortized cost under the effective interest rate method and short-term receivables are presented at their nominal amount.

Following is a detail of the maturities for trade and other receivables as of 31 December:

| | 2019 | 2018 |
|--|----------------|----------------|
| Unmatured trade receivables | 318,791 | 273,862 |
| Matured trade receivables not impaired (1) | 1,524 | 456 |
| Impaired trade receivables (2) | 1,447 | 509 |
| Total gross receivables | 321,762 | 274,827 |
| Impairment for doubtful accounts | (1,447) | (509) |
| Total net receivables | 320,315 | 274,318 |

(1) Age of matured but not impaired receivables

| | 2019 | 2018 |
|---|--------------|------------|
| Ageing of matured but not impaired receivables | | |
| Matured between 1-30 days (*) | 1,294 | 56 |
| Matured between 31-90 days | 59 | 119 |
| Matured between 91-180 days | 171 | - |
| Matured between 181-360 days | - | 4 |
| Matured more than one year | - | 277 |
| Total matured receivables not impaired | 1,524 | 456 |
| Average age (days) | 32 | 178 |

(*) Corresponds mainly to the outstanding balances of \$1,169 from the sale of the Contreebute shares performed in 2018, which expired in December 2019.

(2) Age of impaired receivables:

| | 2019 | 2018 |
|-----------------------------------|--------------|------------|
| Between 0-90 days | 334 | - |
| Between 91-180 days | 45 | - |
| Between 180-360 days | 88 | - |
| Between 1-3 years | 980 | 509 |
| Total impaired receivables | 1,447 | 509 |

The movement in impairment for doubtful accounts at 31 December is detailed below:

| | 2019 | 2018 |
|---|--------------|------------|
| Movement in impairment for doubtful accounts | | |
| Balance at the beginning of the year | 509 | 723 |
| Impairment losses | 1,238 | 86 |
| Recovery of portfolio impairment | (300) | (300) |
| Balance at the end of the year | 1,447 | 509 |

NOTE 9: INVENTORIES, NET.

The balance of inventories, net, at 31 December 2019 comprises:

| | 2019 | 2018 |
|-------------------------------|----------------|----------------|
| Urbanized lots | 199,856 | 201,402 |
| Real estate for sale | 6,950 | 8,213 |
| Total inventories, net | 206,806 | 209,615 |
| Current | 169,602 | 172,868 |
| Non-current | 37,204 | 36,747 |
| Total inventories, net | 206,806 | 209,615 |

The cost of inventories recognized as selling cost at 31 December 2019 is \$41,026 (2018 \$13,242). (Note 31).

The value of the decrease in inventories to net realizable value corresponds to \$142 (2018 \$0) which is due to the valuation of lot C7 of the CIC project.

None of the lots in the inventory are pledged as collateral for liabilities, nor do they have any restrictions or liens that limit their disposition, except for the Hotel Calablanca lot in Barú as explained below:

According to the promise of trust rights signed between Grupo Argos, PEI and Arquitectura y Concreto in December 2018, the Company will contribute a lot in Barú for the development of the Hotel Sofitel Calablanca project for which a public deed was signed and is pending the registration process. According to the mentioned promise, the hotel project will have a total value of \$200,200 that will be invested as follows:

- 20% (i.e. \$40,040) corresponds to the value of the land to be contributed by the Company.
- The 20% (i.e. \$40,040) will correspond to contributions from Architecture and Concrete as the only party responsible for building and delivering the hotel fully equipped and in working order.
- 60% (i.e. \$120,120) will correspond to capital contributions to be made by PEI in compliance with the aforementioned promise and prior compliance with the conditions agreed upon.
- The lot will be a collateral of a mortgage that will be constituted for the construction of the hotel.

Development time of the project as agreed in the rights subscription promise is 24 months. The opening of the hotel is estimated for the second half of 2021. Currently, Arquitectura y Concreto is developing the project with an estimated progress of 35%.

For the operation of the hotel, the parties signed a hotel management contract with a well-known operator for a duration of 30 years.

NOTE 10: CURRENT AND DEFERRED INCOME TAX.

10.1 Current tax assets

Current tax assets at 31 December comprise:

| | 2019 | 2018 |
|--|---------------|--------------|
| Recoverable balance in private liquidation of income tax (*) | 30,237 | - |
| Advance payment income tax | - | 6,284 |
| Total current tax assets | 30,237 | 6,284 |

(*) At 2019, current tax assets consist of:

- Self-withholdings for \$27,407.
- Advance payment income 2018 \$5,118.

- Deduction at source made to the Company for \$2,117.
- Tax discounts for \$1,357.
- Current income tax liability (\$5,762).

10.2 Current tax liabilities

Current tax liabilities at 31 December comprise:

| | 2019 | 2018 |
|------------------------------|--------------|---------------|
| Income Tax (*) | - | 22,881 |
| Self-withholdings | 1,974 | 930 |
| Total tax liabilities | 1,974 | 23,811 |

(*) In 2018 the current tax liability includes:

- Taxes on occasional income \$7,145 corresponding to the sale of investment property and investments.
- Income tax settled by the presumptive income system for \$15,736.
- Self-withholdings of \$930 generated by the sale of lot inventory.

Tax provisions applicable and in force

The income tax in Colombia is settled by 2019 at a rate of 33% according to Law 1943 of 2018. For the taxable period 2018, income tax was settled at a rate of 33% plus a surcharge of 4%, in accordance with Law 1819 of 2016, which came into force on 1 January 2017 and was applied until 31 December 2018.

The capital gains tax rate in Colombia is 10%.

Other relevant provisions

- For 2019 the minimum base for determining the tax is 1.5% of the net worth on the last day of the immediately preceding taxable year.
- Companies may offset tax losses against ordinary net income obtained in the following twelve periods, without prejudice to the presumptive income for the year. Tax losses generated before the entry into force of Law 1819 of 2016 may be offset without any time limitation.
- Excesses of presumptive income over ordinary income may be offset against ordinary net income within five years, adjusted for inflation until the 2016 taxable period.
- Since 2004, income taxpayers who enter into transactions with economic associates or related parties abroad are required to determine for income tax and supplementary tax purposes the transfer pricing study, in accordance with current regulations.
- Companies may apply in their tax liquidation, tax discounts for taxes paid abroad, donations, scholarships to athletes, sales tax paid on imports, training, construction or acquisition of real productive fixed assets and by paid tax of Industry and Commerce.

Tax reforms

Following is a summary of some modifications to the Colombian tax regime for the years 2017 and following:

a. Changes introduced by Law 2010 of 2019.

On 1 January 2019, Law 1943 of 2018 "*Financing Act*" entered into force but was declared unconstitutional by the Constitutional Court in an October ruling that said law would be effective until 1 January 2020.

On 1 January 2020, Law 2010, issued on 27 December 2019, called the *Growth Act*, came into effect with a similar content and some additional ones to the Financing Act.

The most significant changes introduced by this law for income and supplementary tax purposes are as follows:

Rate: the gradual reduction of the income tax rate for national and foreign legal entities and permanent establishments is maintained as follows:

| Year | General rate |
|-------------|--------------|
| 2020 | 32% |
| 2021 | 31% |
| 2022 onward | 30% |

Presumptive income: the reduction in the percentage applicable to the presumptive income base is modified as follows:

| Year | General rate |
|--------------|--------------|
| 2020 | 0.5% |
| 2021 onwards | 0% |

Deduction for taxes paid: amendment to article 115 of the Colombian tax code is maintained, in the following sense:

- Possibility of taking as a deduction 100% of the taxes, fees and contributions effectively paid during the taxable year, provided that they have a causal relationship, with the exception of income tax.
- The Tax on Financial Movements will be deductible at 50% whether or not there is a causal relationship.
- Possibility of taking as a discount in the income tax liquidation 50% of the Industry and Commerce Tax effectively paid during the taxable year (100% from 2022).

The Sales Tax paid on the acquisition, construction, training and import of real productive fixed assets, as well as the services to commissioning the assets, may be taken as a discount in the income tax liquidation in the year of payment, or in any following taxable period, even if the assets are acquired through leasing.

b. Changes introduced by Law 1943 of 2018.

On 28 December 2018, Law 1943 ("*Financing Act*") was passed and was only effective for fiscal year 2019.

The changes introduced and applied in 2019 were:

- General tax rate of 33%.
- Basis for calculating presumptive income of 1.5% of liquid assets of the previous year.
- It allows deduction of all taxes, rates and contributions, effectively paid during the year or taxable period, that have a causal relationship with the economic activity. Likewise, 50% of the Industry and Commerce Tax and notices and boards paid can be taken as a discount in the income tax liquidation from 2019 to 2021, and 100% from 2022.
- The 4-year time limit for the use of the tax discount for taxes paid abroad is abolished.
- Creates the dividend tax for legal entities for profits generated from 2019 onwards, as a deduction at source and transferable to the final beneficiary, a resident natural person or an investor resident abroad.
- The Sales Tax paid on the acquisition, construction, training and import of real productive fixed assets, as well as the services to commissioning the assets, is deductible from income in the year of payment, or in any subsequent taxable period, even if the assets are acquired through leasing.

10.3 Income tax recognized through profit or loss for the period

| | 2019 | 2018 |
|--|---------------|---------------|
| Current tax | | |
| For the current year | 5,762 | 22,796 |
| Previous year's adjustment | (6,752) | (5,992) |
| Total current tax | (990) | 16,804 |
| Deferred tax | | |
| Changes in temporary differences | 13,189 | 41,843 |
| Changes in laws and tax rates | - | 8,610 |
| Uncompensated losses, tax credits and excess presumptive income used | 1,062 | (32,258) |
| Total deferred tax for the year | 14,251 | 18,195 |
| Total tax expense related to continuing operations | 13,261 | 34,999 |

The determination of the effective rate applicable to the Company is as follows:

| Income Tax | 2019 | 2018 |
|--|---------------|---------------|
| Earnings before income tax and discontinued operations | 496,000 | 846,675 |
| Income Tax (Current + Deferred) | 13,261 | 34,999 |
| Effective tax rate | 2.7% | 4.1% |

The reconciliation between earnings before taxes and taxable net liquid income is as follows:

| Reconciliation of the effective tax rate | Reconciliation of current accounting and fiscal tax | Deferred tax for the year | Reconciliation of the effective tax rate | Reconciliation of current accounting and fiscal tax | Deferred tax for the year | Reconciliation of the effective tax rate |
|--|---|---------------------------|--|---|---------------------------|--|
| | 2019 | | 2018 | | 2018 | |
| Earnings before income tax and discontinued operations | 496,000 | - | 496,000 | 846,675 | - | 846,675 |
| Statutory tax rate in (%) | 33% | - | 33% | 33% | - | 33% |

| | | | | | | |
|--|----------------|---------------|----------------|----------------|---------------|----------------|
| Current tax expense at the legal rate applicable to the Company | 163,680 | - | 163,680 | 279,403 | - | 279,403 |
| Effect of permanent tax differences and others | | | | | | |
| Untaxed dividends and shares | (134,485) | - | (134,485) | (32,076) | - | (32,076) |
| Sale of listed investments and untaxed fixed assets | (20,241) | - | (20,241) | (216,945) | - | (216,945) |
| Cost of listed investments | - | - | - | 97,401 | - | 97,401 |
| Tax expenses for the period | 18,080 | - | 18,080 | 22,796 | - | 22,796 |
| Income from measurement at fair value and other untaxed income | (154,444) | - | (154,444) | (179,897) | - | (179,897) |
| Expenses or other similar items not taxed | 126,420 | - | 126,420 | 46,122 | - | 46,122 |
| Effect of temporary differences | | | | | | |
| Receivables, other items | - | 5,018 | 5,018 | - | 686 | 686 |
| Investments | - | 5,101 | 5,101 | - | (12,142) | (12,142) |
| Property, plant and equipment | - | 9,503 | 9,503 | - | 39,513 | 39,513 |
| Financial liabilities | - | (3,813) | (3,813) | - | 794 | 794 |
| Employee Benefits | - | (74) | (74) | - | 1,970 | 1,970 |
| Provisions | - | (1,051) | (1,051) | - | 4,024 | 4,024 |
| Other items | - | (433) | (433) | - | (16,650) | (16,650) |
| | (990) | 14,251 | 13,261 | 16,804 | 18,195 | 34,999 |

| | 2019 | 2018 |
|---|---------------|---------------|
| Current tax and deferred tax in profit or loss | | |
| Deferred tax | 14,251 | 18,195 |
| Occasional Income Tax | 180 | 7,145 |
| Presumptive Income Tax | 5,582 | 13,988 |
| Other (surcharge 4% on excess of \$800 for 2018) | - | 1,663 |
| Adjustment of current tax estimate for previous years | (6,752) | (5,992) |
| Current and deferred tax | 13,261 | 34,999 |
| Effective tax rate (in %) | 2.7% | 4.1% |

The income tax rate applicable to the 2019 taxable period is 33%. The Company's effective tax rate is 2.7% since it takes as its tax base the presumptive income and the occasional gain generated from the sale of investment property and investments.

This rate corresponds to a holding company, given that the companies in which it holds investments, considered individually, have already been taxed on their income.

10.4 Income tax recognized directly in equity and other comprehensive income (OCI)

Balances of deferred taxes recognized through equity, generated by temporary differences caused by transactions recognized through other comprehensive income are detailed as follows:

| | 2019 | 2018 |
|--|-----------|--------------|
| Deferred tax | | |
| remeasurements of Defined Benefit Plans | - | 876 |
| Cash flow hedges | (14) | 46 |
| Valuation of financial instruments | 96 | 96 |
| Total deferred tax recognized through other comprehensive income (OCI) | 82 | 1,018 |
| Adoption of new standards | - | - |
| Total deferred tax Recognized through equity | - | - |
| Total deferred tax recognized through equity and other comprehensive income (OCI) | 82 | 1,018 |

10.5 Current tax assets and liabilities and deferred tax balances

| | 2019 | 2018 |
|-------------------------|---------------|-----------------|
| Current tax assets | 30,237 | 6,284 |
| Current tax liabilities | (1,974) | (23,811) |
| | 28,263 | (17,527) |

The balance of deferred tax assets and liabilities is presented below, net of non-current liabilities:

| | 2019 | 2018 |
|---------------------------------------|------------------|------------------|
| Deferred tax assets | 202,771 | 216,836 |
| Deferred tax liabilities | (398,173) | (398,922) |
| Total deferred tax liabilities | (195,402) | (182,086) |

Changes in deferred tax assets and liabilities is shown below:

| | Opening Balance | Included in results | Included in other comprehensive income | Final balance |
|-------------------------------|-----------------|---------------------|--|---------------|
| 2019 | | | | |
| Current assets | (31,305) | (5,018) | - | (36,323) |
| Associates and joint ventures | (9,979) | (1,800) | - | (11,779) |
| Other equity investments | (30,119) | (3,301) | - | (33,420) |
| Property, plant and equipment | (60) | 37,506 | - | 37,446 |
| Investment property | (234,747) | (47,009) | - | (281,756) |
| Intangible Assets | 1,854 | - | - | 1,854 |
| Other non-current assets | 2,094 | 1,495 | - | 3,589 |

| | | | | |
|---------------------------|------------------|-----------------|------------|------------------|
| Provisions | 885 | 1,051 | - | 1,936 |
| Employee Benefits | (894) | 134 | 876 | 116 |
| Financial liabilities | - | 3,753 | 60 | 3,813 |
| | (302,271) | (13,189) | 936 | (314,524) |
| Tax losses | 86,173 | - | - | 86,173 |
| Excess presumptive income | 34,011 | (1,062) | - | 32,949 |
| | 120,184 | (1,062) | - | 119,122 |
| | (182,087) | (14,251) | 936 | (195,402) |

| 2018 | Opening Balance | Included in results | Included in other comprehensive income | Final balance |
|---|------------------|---------------------|--|------------------|
| Current assets | (32,497) | 1,192 | - | (31,305) |
| Associates and joint ventures | 15,323 | (25,302) | - | (9,979) |
| Other equity investments | (67,563) | 37,444 | - | (30,119) |
| Property, plant and equipment | (1,813) | 1,753 | - | (60) |
| Investment property | (191,638) | (43,109) | - | (234,747) |
| Intangible Assets | 11 | 1,843 | - | 1,854 |
| Other non-current assets | 2,094 | - | - | 2,094 |
| Provisions | 4,909 | (4,024) | - | 885 |
| Employee Benefits | 2,229 | (1,970) | (1,153) | (894) |
| Financial liabilities | 628 | (582) | (46) | - |
| Share convertible financial instruments | 212 | (212) | - | - |
| Other liabilities | 17,486 | (17,486) | - | - |
| | (250,619) | (50,453) | (1,199) | (302,271) |
| Tax losses | 76,301 | 9,872 | - | 86,173 |
| Excess presumptive income | 11,626 | 22,386 | - | 34,012 |
| | 87,927 | 32,258 | - | 120,185 |
| | (162,692) | (18,195) | (1,199) | (182,086) |

10.6 Unrecognized deductible temporary differences, unused tax losses and unused tax credits

Unused deductible temporary differences, excesses of presumptive income, tax losses are as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| Unused losses and tax credits | | |
| More than five years | 216,822 | 87,441 |
| No time limit | 199,962 | 199,961 |
| | 416,784 | 287,402 |
| Excess presumptive income over ordinary liquid income | | |
| One year later | 28,177 | 21,467 |
| More than one year and up to five years | 119,583 | 106,127 |
| | 147,760 | 127,594 |
| Total unused tax benefits | 564,544 | 414,996 |

As of 2019, a deferred tax was recognized for \$393,529, due to its probable utilization expectation.

| Unused tax benefits | 2019 | 2018 |
|--|----------------|----------------|
| Amount of tax shields on which deferred tax was calculated | 393,529 | 393,529 |
| Amount of tax shields for which no deferred tax was calculated (*) | 171,015 | 21,467 |
| Total unused tax benefits | 564,544 | 414,996 |

(*) Tax shields for 2017 and 2018 increased by \$170,686. Tax shields expiring in 2019 were offset by \$12,552 and uncompensated tax shields expiring in 2019 were offset by \$8,756.

Finality of declarations

Currently in Colombia the general term of finality of tax returns is three (3) years from the expiration of the period to declare. In the case of returns where tax losses are determined or compensated, finality depends on the year of filing:

| Year of presentation | Term of finality |
|----------------------|---|
| Until 2016 | Statements in which losses were liquidated and/or offset become final within five (5) years of filing. |
| 2017 to 2019 | For returns that resulted in tax losses, the finality is twelve (12) years; if tax losses were offset, the finality is six (6) years. |
| From 2020 onwards | For returns in which tax losses are liquidated and/or offset, the finality is five (5) years. |

For the returns submitted by taxpayers subject to the transfer pricing regime, the term of finality shall be five (5) years.

Tax returns for the years 2014, 2015, 2016, 2017 and 2018 are subject to review by the tax authority as they have not yet become final. Management and the tax legal advisers consider that the amount recorded as taxes payable is sufficient to cover any liabilities that may be established with respect to those years.

10.7 Unrecognized taxable temporary differences from investments in subsidiaries, associates and joint ventures

| | 2019 | 2018 |
|--|-------------|-------------|
| Investments in subsidiaries | 2,869,801 | 3,083,161 |
| Investments in associates and joint ventures | 2,864,750 | 3,569,296 |

In accordance with paragraph 39 of IAS 12 Income Taxes, the Company applied the deferred tax recognition exception to investments in subsidiaries, associates and joint ventures in which the timing of the reversal of the temporary difference is controlled and it is not likely to reverse in the foreseeable future.

NOTE 11: OTHER FINANCIAL ASSETS.

The following table shows the composition of the other financial assets at the end of the periods:

| | 2019 | 2018 |
|---|------------------|------------------|
| Financial assets at fair value through other comprehensive income (1) | 1,165,536 | 1,075,719 |
| Advance payment for purchases of financial assets (1) | 1,441 | - |
| Financial assets at fair value through profit or loss (2) | 830 | 814 |
| Total other financial assets | 1,167,807 | 1,076,533 |
| Current | - | - |

| | | |
|-------------------------------------|------------------|------------------|
| Non-current | 1,167,807 | 1,076,533 |
| Total other financial assets | 1,167,807 | 1,076,533 |

(1) Financial assets measured at fair value through other comprehensive income are as follows:

| | 2019 | 2018 |
|--------------------------|------------------|------------------|
| Grupo Nutresa S.A. (*) | 1,149,192 | 1,063,229 |
| Other investments (**) | 17,785 | 12,490 |
| Total non-current | 1,166,977 | 1,075,719 |

(*) As of 31 December 2019 and 2018, the Company has a 9.83% interest equivalent to 45,243,781 shares of Grupo Nutresa S.A. This investment is not held for trading purposes, but for strategic medium- and long-term purposes. Considering the above, the accounting recognition of its valuation is made in the other comprehensive income (OCI).

(**) The other investments correspond to shares of unlisted companies; the most representative were valued through financing rounds, which at the cut-off date did not show any variations since their acquisition.

The advance payment for the purchase of financial assets was drawn for the acquisition of a financial asset that will be measured with changes in other comprehensive income.

The balance of these investments at 31 December is detailed below:

| Investment | 2019 | 2018 |
|--|---------------|---------------|
| Stem INC. | 4,963 | 4,963 |
| Cimcon lighting INC. | 3,634 | - |
| Occipital INC. | 3,171 | 3,171 |
| Innowatts | 2,019 | - |
| Scoot networks INC. | 1,441 | - |
| Fondo de Capital Privado Progres Capital (*) | 1,221 | 1,496 |
| Plaza Mayor Medellín Convenciones y Exposiciones | 507 | 507 |
| Fondo Regional de Garantías del Caribe Colombiano S.A. | 424 | 424 |
| Triple A Barranquilla S.A. E.S.P. | 252 | 252 |
| Aeropuerto de Barranquilla S.A. | 153 | 153 |
| Compañía Colombiana de Empaques Bates S.A. (**) | - | 1,524 |
| Total other investments | 17,785 | 12,490 |

(*) As of December 2019, Progres Capital Private Equity Fund repaid contributions for \$190 (2018 \$84) and presented a valuation loss adjustment of \$85 (2018 \$36).

(**) As of December 2019 Compañía Colombiana de Empaques Bates S.A. is classified as non-current assets held for sale. (Note 18).

(2) The breakdown of financial assets measured at fair value through profit and loss is as follows:

| | 2019 | 2018 |
|--|------------|------------|
| Agricultural Development Title | 830 | 814 |
| Total Non-Current | 830 | 814 |
| Total financial assets at fair value through profit or loss | 830 | 814 |

Dividends recognized in the revenue item of the separated statement of income for financial assets measured at fair value through changes in other comprehensive income for the period ended December 31 are listed below:

| | Investments held at the end of the period | |
|------------------------------|---|---------------|
| | 2019 | 2018 |
| Grupo Nutresa S.A. | 27,689 | 25,626 |
| Other investments | 195 | 154 |
| Total dividend income | 27,884 | 25,780 |

NOTE 12: PREPAID EXPENSES AND OTHER NON-FINANCIAL ASSETS.

The balance of prepaid expenses and other non-financial assets at 31 December comprises:

| | 2019 | 2018 |
|--|--------------|--------------|
| Employee benefit plan assets, net (1) | 4,666 | - |
| Insurance and bonds (2) | 863 | 685 |
| Advance payment for purchases of services | 309 | 791 |
| Other current tax assets | 11 | - |
| Other prepaid expenses | 6 | 143 |
| Industry and commerce tax withheld | - | 37 |
| Total prepaid expenses and other non-financial assets | 5,855 | 1,656 |
| Current | 1,189 | 1,656 |
| Non-current | 4,666 | - |
| Total prepaid expenses and other non-financial assets | 5,855 | 1,656 |

1. Corresponds to resources managed by Protección S.A. to fund the employee benefit plans, net of the liability from the actuarial calculation of the same benefit.

2. Corresponds to civil liability policy for \$863 (2018 \$685).

NOTE 13: INTANGIBLES, NET.

Intangible assets of the Company at 31 December are detailed below:

| | 2019 | 2018 |
|--|----------------|----------------|
| Concessions, franchises and rights | 137,172 | 137,172 |
| Patents, licenses and software | 1,983 | 12,866 |
| Intangible assets in progress | 214 | 262 |
| Total intangible assets other than capital gains, gross | 139,369 | 150,300 |
| Accumulated amortization | (32,364) | (30,667) |
| Total intangible assets other than capital gains, net | 107,005 | 119,633 |

As of December 31, 2019 and 2018, intangible assets under development do not include capitalization of borrowing costs and will begin to be amortized when they become available for use.

Changes in intangible assets are presented below:

| | Concessions, franchises and rights | Patents, licenses and software | Intangible assets in progress | Total |
|---|------------------------------------|--------------------------------|-------------------------------|----------------|
| 1 January 2019 | 137,172 | 12,866 | 262 | 150,300 |
| Transfers | - | (10,883) | - | (10,883) |
| Transfer from or to other groups of intangibles | - | - | (48) | (48) |
| Historical cost as of December 31, 2019 | 137,172 | 1,983 | 214 | 139,369 |
| 1 January 2019 | 18,545 | 12,122 | - | 30,667 |

| | | | | |
|---|----------------|--------------|------------|----------------|
| Amortization | 12,198 | 382 | - | 12,580 |
| Transfers | - | (10,883) | - | (10,883) |
| Amortization and impairment | 30,743 | 1,621 | - | 32,364 |
| Total intangible assets, net at 31 December 2019 | 106,429 | 362 | 214 | 107,005 |

| | Concessions, franchises and rights | Patents, licenses and software | Intangible assets in progress | Total |
|---|------------------------------------|--------------------------------|-------------------------------|----------------|
| 1 January 2018 | - | 12,921 | - | 12,921 |
| Additions, other than internally generated assets | - | - | 262 | 262 |
| Transfers | - | (55) | - | (55) |
| Transfer from or to other groups of intangibles | 137,172 | - | - | 137,172 |
| Historical cost as of 31 December 2018 | 137,172 | 12,866 | 262 | 150,300 |
| 1 January 2018 | - | 9,592 | - | 9,592 |
| Amortization | 18,554 | 2,585 | - | 21,139 |
| Transfers | - | (55) | - | (55) |
| Transfer from or to other groups of intangibles | (9) | - | - | (9) |
| Amortization and impairment | 18,545 | 12,122 | - | 30,667 |
| Total intangible assets, net at 31 December 2018 | 118,627 | 744 | 262 | 119,633 |

Lifespans of intangible assets are:

| Intangible | Lifespan | Lifespan ranges in years | Depreciation method |
|------------------------------------|----------|--------------------------|--|
| Patents, licenses and software | Finite | 3 to 5 years | Straight line |
| Concessions, franchises and rights | Finite | 10 years | unit-of-production (*) / straight-line |
| Intangible assets in progress | Finite | | |

(*) The intangible asset associated to the right over the concession contract of El Dorado International Airport in Bogota, is amortized by means of the technical production units method, based on the number of passengers that pay airport tariffs and that are estimated to use the airport services during the term of the concession contract.

Amortization of intangibles is recognized as an expense in the statement of income under the heading of administrative and selling expenses, as applicable, and impairment losses are recognized as expenses in the statement of income.

As of 31 December 2019 and 2018, there are no restrictions on the realization of intangible assets and no contractual obligations to acquire or develop intangible assets.

The book values and remaining amortization periods for other intangible assets is:

| Intangible | Remaining amortization period | 2019 | 2018 |
|------------------------------------|-------------------------------|----------------|----------------|
| Patents, licenses and software | 1 year | 362 | 744 |
| Concessions, franchises and rights | 8 years | 106,429 | 118,627 |
| Intangible assets in progress | Finite | 214 | 262 |
| | | 107,005 | 119,633 |

NOTE 14: PROPERTY, PLANT AND EQUIPMENT.

The balance of property, plant and equipment, net as of 31 December, comprises:

| | 2019 | 2018 |
|--|------|-------|
| Furniture and office, computer and communication equipment | 634 | 1,476 |
| Other assets | 338 | 350 |

| | | |
|---|--------------|--------------|
| Constructions and buildings | 317 | 162 |
| Machinery and equipment | 163 | 34 |
| Total property, plant and equipment, net | 1,452 | 2,022 |

| | Construction in progress, equipment in assembly and transit | Constructions and buildings | Machinery and production equipment | Furniture and office, computer and communication equipment | Other assets | Total |
|--|---|-----------------------------|------------------------------------|--|--------------|-------|
| Balance at 1 January 2019 | - | 187 | 44 | 4,852 | 584 | 5,667 |
| Additions | - | 163 | 133 | - | 67 | 363 |
| Historical cost at 31 December 2019 | - | 350 | 177 | 4,852 | 651 | 6,030 |
| Balance at 1 January 2019 | - | 25 | 10 | 3,376 | 234 | 3,645 |
| Depreciation expense for the period | - | 8 | 4 | 842 | 79 | 933 |
| Depreciation and impairment | - | 33 | 14 | 4,218 | 313 | 4,578 |
| Total Property, Plant and Equipment at 31 December 2019 | - | 317 | 163 | 634 | 338 | 1,452 |

| | Construction in progress, equipment in assembly and transit | Constructions and buildings | Machinery and production equipment | Furniture and office, computer and communication equipment | Other assets | Total |
|--|---|-----------------------------|------------------------------------|--|--------------|---------|
| Balance at 1 January 2018 | 7,864 | 187 | 30 | 4,981 | 515 | 13,577 |
| Additions | - | - | 14 | 43 | 69 | 126 |
| Other accounts | (7,226) | - | - | - | - | (7,226) |
| Sale and transfers of property, plant and equipment | (638) | - | - | (172) | - | (810) |
| Historical cost at 31 December 2018 | - | 187 | 44 | 4,852 | 584 | 5,667 |
| Balance at 1 January 2018 | - | 18 | 7 | 2,651 | 178 | 2,854 |
| Depreciation expense for the period | - | 7 | 3 | 897 | 56 | 963 |
| Sale and transfers of property, plant and equipment | - | - | - | (172) | - | (172) |
| Depreciation and impairment | - | 25 | 10 | 3,376 | 234 | 3,645 |
| Total Property, Plant and Equipment at 31 December 2019 | - | 162 | 34 | 1,476 | 350 | 2,022 |

During the 2019 period there was no capitalization of costs for loans in buildings and construction in progress.

As of 31 December 2019 and 2018, no property, plant and equipment assets have been pledged as collateral for the performance of obligations or payables to third parties.

The Company has no contractual commitments for the acquisition of property, plant and equipment; additionally, no compensation was generated by third parties for impaired, lost or abandoned property, plant and equipment. The

Company has adequate insurance policies to protect productive assets, covering mainly material damages caused by fire, earthquake, weak current, natural disasters, terrorism and other risks.

The Company has not presented any changes in accounting estimates that have a significant impact on the period affecting residual values, lifespans and depreciation methods.

NOTE 15: INVESTMENT PROPERTY.

The balance of investment property at 31 December comprises:

| | 2019 | 2018 |
|-----------------------------|------------------|------------------|
| Land | 2,107,287 | 2,104,154 |
| Constructions and buildings | 1,059 | 1,059 |
| Total | 2,108,346 | 2,105,213 |

For determination of the fair value of the investment property, independent firms with extensive experience and recognition in the market were hired. To estimate these fair values, the firms used the appropriate valuation techniques for the case, using the guidelines of IFRS 13 Fair Value and International Valuation Standards (IVS), the most commonly used for the case being the market comparison approach and the residual value approach.

All valuations are made under the comparative market value approach and with the residual value technique, both valuation methodologies are internationally recognized. The resulting differences in value opinions were reconciled into a final commercial value opinion for the property.

Input data for the fair value estimate is classified as Level 2 input data within the fair value hierarchy, which also corresponds to the complete estimate, associated with offer prices, appraisals or similar property transactions observable, either directly or indirectly, in the market, and which have been adjusted or homogenized by factors such as area, access roads, immediate neighborhood, finishes, improvements, state of conservation, among others.

Below are the Company's revenue and expenses directly related to the investment property:

| | 2019 | 2018 |
|---|--------|--------|
| Lease income of investment Property | 2,767 | 4,030 |
| Direct expenses related to investment property | 33,601 | 28,385 |
| Direct expenses related to investment property that did not generate lease income | 21,397 | 21,168 |

At 31 December 2019, the Company has no contractual obligations to acquire, construct or develop investment property, nor are there any restrictions on any investment property.

Reconciliation of investment property

| | 2019 | 2018 |
|---|------------------|------------------|
| Historical cost as of 1 January | 2,105,213 | 2,083,575 |
| Gain from measurement at fair value (*) (Note 30) (1) | 32,482 | 76,743 |
| Additions (2) | 15,739 | - |
| Provisions (3) | (8,497) | (55,105) |
| Transfers to/from investment property (4) | (36,591) | - |
| Historical cost as of 31 December | 2,108,346 | 2,105,213 |

(1) During 2019 the fair value of the investment property was adjusted, mainly for the land in Pavas, Barú, Pajonal and Insignares, among others.

- (2) Corresponds to capitalized disbursements for the adaptation of the Pavas Molina land in Barranquilla and adaptations to the Barú land.
- (3) In 2019, investment property Sagaró, lot B in Puerto Colombia was sold, and partial sales were made of land lot Pajonal, lot Matarredonda, lot Insignares lot A and partial sales of Triangular land on the beach.
- (4) A reclassification was made from Inventory to Investment Property for the Pavas Molina work for a value of \$5,660, additionally \$42,251 were transferred to inventories of the Pavas Molina and Pajonal K lot D.

The Company has no contractual obligations or restrictions on the investment property.

NOTE 16: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES.

16.1 General information on associates and joint ventures

The general information on associates and joint ventures for the periods indicated is as follows:

| Company name associate or joint venture | Main activity | Country | Interests and voting rights (*) | | Investment classification | Book Value | |
|---|---|----------|------------------------------------|--------|------------------------------|------------------|------------------|
| | | | 2019 | 2018 | | 2019 | 2018 |
| Grupo de Inversiones Suramericana S.A. | Financiamiento | Colombia | 27.66% | 27.66% | Associate | 4,368,113 | 4,368,113 |
| Fondo de Capital Privado Pactia Inmobiliario | Real estate management | Colombia | 37.20% | 32.14% | Associate | 870,133 | 666,638 |
| Occidental de Empaques S.A. | Packaging | Colombia | 49.79% | 49.79% | Associate | - | 22,954 |
| Consorcio Constructor Nuevo Dorado | Execution of EPC construction contract | Colombia | 30.00% | 30.00% | Joint venture | 1,250 | 6,143 |
| Internacional Ejecutiva de Aviación S.A.S. | Executive air transport | Colombia | 33.33% | 33.33% | Associate | 4,591 | 4,591 |
| P.A. Hacienda Niquía | Real estate management | Colombia | 51.00% | 51.00% | Associate | 2,818 | 2,818 |
| Promotora de Proyectos S.A. | Financiamiento | Colombia | 33.68% | 30.73% | Associate | 1,165 | 936 |
| Consorcio Mantenimiento Opain | Maintenance and complementary services of works | Colombia | 30.00% | 30.00% | Joint venture | 188 | 188 |
| Pactia S.A.S. | Real estate management | Colombia | 50.00% | 50.00% | Joint venture | 5 | 5 |
| Total investments in associates and joint ventures | | | | | | 5,248,263 | 5,072,386 |

(*) Of the associates and joint ventures of the Company, for the associate Grupo de Inversiones Suramericana S.A. the percentage of ownership with voting rights is different from that indicated. The percentage of voting rights at 2019 is 22.29%, taking into account the issue of non-voting preferential shares by this associate. For other investments in associates the percentage of ownership is equal to the voting rights.

All investments in associates and joint ventures are accounted for at cost except for F.C.P. Pactia Inmobiliario which is accounted for at fair value. Of these investments, the only one listed in the stock market is Grupo de Inversiones Suramericana S.A., whose market value at 31 December 2019 for ordinary shares is \$34,000 COP per share (2018 \$32,120 COP per share). However, the market value of the share is lower than the book value and no impairment is generated because the business fundamentals and the valuation made do not imply impairment (Note 16.6). The value of the F.C.P. Pactia Inmobiliario unit is \$11,579.65 COP (2018 \$11,156.56 COP).

16.2 Corporate purpose of associates and joint ventures and nature of the relationship

Grupo de Inversiones Suramericana S.A. – Grupo Sura S.A.: is a company with strategic investments in the banking, insurance, pension, savings and investment sectors. Its main domicile is in Medellín (Colombia).

With Grupo de Inversiones Suramericana S.A. significant influence is exercised through participation in the Board of Directors, where the company has two representatives (out of seven in total). This is a relevant investment for Grupo Argos S.A. given its expansion in the region, its leadership in the insurance, pension, banking and investment markets, its financial strength and the demographic evolution in the regions where it is located. It also has a policy of responsibility and corporate citizenship, complying with the highest standards in social, environmental, economic and governance matters.

Fondo de Capital Privado Pactia Inmobiliario: a closed-end private equity fund which is made up of all the resources transferred to the fund by the contributors in kind and in money. The private equity fund is the sole shareholder of Patrimonio Autónomo Pactia - P.A. Pactia.

The fund's main objective is to make long-term strategic investments in assets for economic exploitation and to obtain an attractive return for its investors with a moderate level of risk. Each of the real estate assets in which the fund invests has a defined management, business and brand strategy, whose main focus is the generation of value for the fund.

This alliance gives life to a real estate fund, which is structured through the constitution of a Private Equity Fund, which is the owner of the assets and is managed according to the instructions given by the professional manager in the form of a company called Pactia S.A.S. Its main office is in Medellín (Colombia).

The fund has a duration of 30 years, which can be extended for an additional 10 years period. The alliance between Grupo Argos S.A., Concreto S.A. and Protección S.A. is developed through the delivery of contributions represented by real estate and cash to Fiduciaria Bancolombia S.A., the latter acting as the management company.

Occidental de Empaques S.A. – Odempa S.A.: its main corporate purpose is the manufacture, distribution and sale of paper and other packaging. Its main domicile is in the municipality of Girardota (Colombia). The Board of Directors is made up of three main members and three alternate members. Significant influence is exerted through the Board of Directors, where the company, through officers of Cementos Argos S.A., has one principal member and two alternate members.

Consortio Constructor Nuevo Dorado: has as its corporate purpose the execution of the EPC construction contract for the modernization and expansion of El Dorado International Airport; To this end, it may carry out all the activities and perform all the necessary and complementary acts, including, but not limited to, the conclusion of any type of contract, the acquisition of fixed assets and, in general, the goods and inputs necessary for the provision of the services under its responsibility, the opening of current accounts, the conclusion of guarantee contracts and the rendering of services that are accessory or complementary to those that constitute its main object, on the understanding that the Consortium will be entitled to participate in all the necessary and convenient operations that complement its main object.

The Consortio Constructor Nuevo Dorado is classified as a joint venture because decisions are taken unanimously by the members of the Administrative Committee, regardless of the percentage of participation of each consortium partner.

Patrimonio Autónomo Hacienda Niquía – P.A. Niquía: alliance between Grupo Argos S.A., Londoño Gómez S.A.S., Arquitectura y Concreto S.A.S. and Situm S.A.S. (merged with Grupo Argos S.A. in 2017), which aims to execute the Hacienda Niquía project. It acts solely and exclusively through its spokesperson and administrator Fiduciaria Bancolombia S.A. The binding agreement was signed on 6 December 2013, which defines the general terms and conditions of the alliance, including the rules for the contribution of assets. Its main domicile is in Medellín (Colombia).

Internacional Ejecutiva de Aviación S.A.S. – IEA S.A.S.: its main corporate purpose is the provision of public, unscheduled commercial air transport services for passengers and cargo, including the performance of charter flights on domestic and international routes in accordance with the regulations in force and international conventions on civil aviation, as well as the performance of activities and services complementary and related to such air transport service. Likewise, the company may provide all ground handling and aircraft handling services at the airport, in accordance with the national and international regulations in force. Its main domicile is in Medellín (Colombia).

Opain Maintenance Consortium: the purpose of the consortium formed under the civil consortium modality is to provide maintenance services for the works that are part of the modernization and expansion stage of Bogota's El Dorado International Airport, as well as complementary works and services, in accordance with the definitions set forth in this agreement and those applicable under the Concession Contract and the EPC Contract.

The services to be provided by the consortium will be executed directly by the parties, without prejudice to the possibility of subcontracting them to third parties.

The Opain Maintenance Consortium is classified as a joint venture because decisions are taken unanimously by the members of the Administrative Committee, regardless of the percentage of participation of each consortium partner.

Promotora de Proyectos S.A.: its main corporate purpose is to undertake activities that will make public and private investment more dynamic, generate employment and foreign currency, replace imports, increase investment in the industrial, agro-industrial, commercial and service sectors and contribute to the creation and consolidation of companies. The main office is located in Medellín (Colombia). The Board of Directors is made up of five principal members and five alternate members. The Company has two principal and two alternate members.

Pactia S.A.S.: its principal corporate purpose is the professional management and administration of a portfolio of real estate assets, regardless of their legal form, including, but not limited to, the operation and lease of shopping centers, corporate buildings, warehouses, distribution centers, logistics parks, hotels and other similar projects. Its main domicile is in Medellín (Colombia). The Board of Directors is comprised of four principal members, the Company participates with two principal members and two alternate members.

16.3 Changes in the ownership interests in associates and joint ventures

Below are the changes presented in the ownership interest in associates and joint ventures for the indicated periods:

Fondo de Capital Privado Pactia Inmobiliario: During 2019 this investment presented different movements, highlighting the distribution of profits \$8,677 and the capitalization made by the company \$176,487. Likewise, the Equity Fund received a capitalization from Protección S.A. which together with the movements indicated, generated that the participation percentage increased from 32.14% in 2018 to 37.20% in 2019.

Pactia S.A.S.: as of December 2019, the Company has received dividends for \$5,186.

Consorcio Constructor Nuevo Dorado: as of December 2019, the Company has received profit distributions for \$17,797 and contribution refunds for \$4,205, which did not imply changes in the interests percentage.

Opain Maintenance Consortium: as of December 2019, the Company has received profit sharing for \$29.

Promotora de Proyectos S.A.: in December 2019 the Company made a capitalization of \$230 increasing its participation from 30.73% (December 2018) to 33.68% (December 2019).

Occidental de Empaques: on 2 January 2020, Grupo Argos S.A., Cementos Argos S.A. and Smurfit Kappa Centroamérica SLU signed an agreement for the sale of all the shares of Compañía Occidental de Empaques S.A., whose formalization is subject to the approval of the Superintendencia of Industry and Commerce (note 18).

During 2018, the following changes were made in the ownership interest of associates and joint ventures:

Fondo de Capital Privado Pactia Inmobiliario: the Company's participation is decreased from 36.29% (December 2017) to 32.14% (December 2018) due to the increase in the participation of Protección S.A. Additionally, in June 2018, a contribution refund for \$12,179 was received and a contribution for \$7,226 was made in kind. In July 2018, a cash contribution of \$588 was made and in October 2018, contribution refund for \$86,114 was made. Additionally, dividends for \$14,016 were received from the Pactia Private Equity Fund.

Contrebutte S.A.S.: in December 2018, the total stake held in Contrebutte S.A.S. was divested, generating a profit of \$2,380.

Pactia S.A.S.: as of December 2018, there are no changes in the ownership interests. In February 2018, the Company received dividends for \$4,223.

Opain Maintenance Consortium: as of December 2018, there were no changes in the ownership interests; in March 2018 the Company received a \$450 accountability and in December 2018 a \$331.

Consortio Constructor Nuevo Dorado: no change in ownership interests. In May 2018, a contribution refund for \$598 was received. Also, the Company received profit distributions for \$1,140, \$3,300 and \$2,566, in May, June and December 2018, respectively.

Patrimonio Autónomo Hacienda Niquía – P.A. Niquía: as of December 2018, \$1,970 was received as contribution refund.

16.4 Summary Financial Information

The summary financial information included in the following tables represents the values presented in the financial statements of associates or joint ventures most significant for the company, prepared in accordance with the International Financial Reporting Standards.

| | Grupo de Inversiones Suramericana S.A. | PEF Pactia Inmobiliario | Other Associates and Joint Ventures |
|--|---|------------------------------------|--|
| December 2019 | | | |
| Current assets (*) | Not applicable | Not applicable | 50,203 |
| Non-current assets (*) | Not applicable | Not applicable | 121,107 |
| Total assets | 69,040,114 | 3,871,876 | 171,310 |
| Current liabilities (*) | Not applicable | Not applicable | 67,391 |
| Non-current liabilities (*) | Not applicable | Not applicable | 68,258 |
| Total liabilities | 40,949,112 | 1,435,639 | 135,649 |
| Equity | 28,091,002 | 2,436,237 | 35,661 |
| Revenue | 21,914,782 | 269,976 | 120,630 |
| Net income from continuing operations | 1,710,506 | 104,433 | 49,308 |
| Net income after discontinued operations | 1,718,678 | 104,433 | 49,308 |
| Other comprehensive income | (122,360) | 985 | 698 |
| Total comprehensive income | 1,596,318 | 105,419 | 219,944 |
| Dividends paid to the owner | 70,309 | 8,677 | 23,012 |

| | Grupo de Inversiones Suramericana S.A. | PEF Pactia Inmobiliario | Other Associates and Joint Ventures |
|--|--|-------------------------|-------------------------------------|
| December 2018 | | | |
| Current assets (*) | Not applicable | Not applicable | 170,249 |
| Non-current assets (*) | Not applicable | Not applicable | 244,730 |
| Total assets | 71,073,372 | 3,387,866 | 414,979 |
| Current liabilities (*) | Not applicable | Not applicable | 177,737 |
| Non-current liabilities (*) | Not applicable | Not applicable | 86,631 |
| Total liabilities | 44,172,460 | 1,217,814 | 264,368 |
| Equity | 26,900,912 | 2,170,052 | 50,611 |
| December 2018 | | | |
| Revenue (*) | 19,349,819 | 218,901 | 219,789 |
| Net income from continuing operations | 1,406,349 | 138,544 | 56,944 |
| Net income after discontinued operations | 1,343,286 | 138,544 | 56,944 |
| Other comprehensive income | (246,299) | 14,442 | 14,411 |
| Total comprehensive income | 1,096,987 | 152,986 | 71,355 |
| Dividends paid to the owner | 50,397 | 13,787 | 12,011 |

(*) The associates Grupo de Inversiones Suramericana S.A. and Fondo de Capital Privado Pactia Inmobiliario present the statement of financial position in order of liquidity, and therefore the breakdown of current and non-current assets and liabilities is not included.

Additional summarized financial information for associates and significant joint ventures is provided below:

| | Grupo Inversiones Suramericana S.A. | PEF Pactia Inmobiliario | Other Associates and Joint Ventures |
|---------------------------------------|-------------------------------------|-------------------------|-------------------------------------|
| December 2019 | | | |
| Cash and cash equivalents | 2,346,157 | 44,271 | 13,348 |
| Current financial liabilities (*) | Not applicable | Not applicable | 23,638 |
| Non-current financial liabilities (*) | Not applicable | Not applicable | 68,054 |
| Financial liabilities (*) | 10,092,894 | 1,331,891 | 91,692 |
| Depreciation and amortization expense | 503,768 | 443 | 12,078 |
| Interest income | 1,090,921 | 3,194 | 137 |
| Interest expenses | 716,162 | 108,514 | 6,102 |
| Income tax expense | 683,746 | - | 8,610 |

| | Grupo de Inversiones Suramericana S.A. | PEF Pactia Inmobiliario | Other Associates and Joint Ventures |
|---------------------------------------|--|-------------------------|-------------------------------------|
| December 2018 | | | |
| Cash and cash equivalents | 1,878,040 | 47,870 | 8,484 |
| Current financial liabilities | Not applicable | Not applicable | 43,671 |
| Non-current financial liabilities | Not applicable | Not applicable | 76,881 |
| Financial liabilities | 10,446,774 | 1,134,674 | 120,552 |
| Depreciation and amortization expense | 358,393 | 337 | 12,471 |
| Interest income | 1,103,116 | 5,743 | 296 |
| Interest expenses | 625,181 | 66,501 | 5,550 |
| Income tax expense | 273,289 | - | 9,430 |

(*) The associate Grupo de Inversiones Suramericana S.A. presents the statement of financial position in order of liquidity, and therefore does not include the breakdown of current and non-current assets and liabilities.

16.5 Significant restrictions and commitments

No significant restrictions exist on the ability of joint ventures and associated companies to transfer funds by way of dividends, loan repayments, prepayments or otherwise. Also, there are no unrecognized commitments with joint ventures and associates at 31 December 2019 and 2018 that could give rise to future cash or other resource outflows, such as: contributions of funds or resources, loan or financial support commitments, commitments to acquire an interest in the associate or joint venture from another party.

The Company has as collateral for financial liabilities 36,724,303 (2018 - 40,773,889) shares of Grupo de Inversiones Suramericana S.A. and 9,093,972 (2018 - 9,093,972) shares of Grupo Nutresa S.A.

16.6 Impairment analysis

The analysis in the associates and joint ventures for impairment testing did not generate any situation susceptible to impairment. The methodology used was the Discounted Free Cash Flow (DFCF) to determine the value in use, taking as reference the budget and financial projections approved by the management of each business. For companies trading on the stock market, in addition to the discounted cash flow value, it was also compared with the market value, selecting the one that best approximates the reality of the business.

NOTE 17: INVESTMENTS IN SUBSIDIARIES.

17.1 Overview and corporate purpose of subsidiary companies

| Name of the subsidiary | Main activity | Place of incorporation and operations | Functional currency | Portion of direct shareholding | | Type of interests | Book value | |
|---|------------------------------|---------------------------------------|-----------------------|--------------------------------|--------|-----------------------------------|------------|-----------|
| | | | | 2019 | 2018 | | 2019 | 2018 |
| Cementos Argos S.A. | Cements and related products | Colombia | Colombian Pesos | 57.98% | 57.98% | Direct | 4,069,839 | 4,132,412 |
| Celsia S.A. (formerly Celsia S.A E.S.P.) | Energy | Colombia | Colombian Pesos | 52.93% | 52.93% | Direct | 2,448,774 | 2,369,426 |
| Odinsa S.A. | Engineering and Architecture | Colombia | Colombian Pesos | 94.99% | 94.89% | Direct | 2,110,767 | 2,078,168 |
| Sociedad Concesionaria Operadora Aeroportuaria Internacional - Opain S.A. | Concessions | Colombia | Colombian Pesos | 30.00% | 30.00% | Direct | 132,350 | 262,802 |
| Sator S.A.S. | Coal mining | Colombia | Colombian Pesos | 96.76% | 96.76% | Direct | 121,707 | 130,080 |
| Valle Cement Investments Ltd. | Financial | British Virgin Islands | United States dollars | 8.19% | 8.19% | Indirectly through Cementos Argos | 36,362 | 34,789 |
| P.A. Ganadería Río Grande. | Livestock Business | Colombia | Colombian Pesos | 13.39% | 13.39% | Direct | 5,059 | 5,047 |
| Fucol S.A. in Liquidation. | Metallurgy | Colombia | Colombian Pesos | 51.59% | 51.59% | Direct | 447 | 455 |
| Summa S.A.S. | Any lawful activity | Colombia | Colombian Pesos | 25.00% | 25.00% | Direct | 97 | 149 |
| Concretos Argos S.A.S. (*) | Mixes and concretes | Colombia | Colombian Pesos | 0.00% | 0.00% | Indirectly through Cementos Argos | - | - |
| Industrias Metalúrgicas Apolo S.A. in liquidation. (*) | Metallurgy | Colombia | Colombian Pesos | 76.62% | 76.62% | Direct | - | - |

| | | | | | | | | |
|---|--------|----------|-----------------|-------|-------|---------------------------|------------------|------------------|
| Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – EPSA S.A. E.S.P.) | Energy | Colombia | Colombian Pesos | 0.00% | 1.87% | Indirectly through Celsia | - | 57,634 |
| Total | | | | | | | 8,925,402 | 9,070,962 |

(*) The book values of these investments is rounded to zero when expressed in millions of Colombian pesos.

The following are the main subsidiaries included in the Company's financial statements:

Cementos Argos S.A.: a commercial company incorporated under Colombian law on 14 August 1944. The company's corporate purpose is the exploitation of the cement industry, the production of concrete mixtures and other materials or articles based on cement, lime or clay; the acquisition and sale of minerals or mineral deposits that can be used in the cement industry and its similar industries, of rights to explore and exploit minerals of the aforementioned, whether by concession, privilege, lease or any other title; the provision of port services; acting as a contractor, builder, consultant, controller, designer or planner of civil works or other types, before any public or private entity. The main domicile is in Colombia and its term expires on 14 August 2060.

Celsia S.A. (formerly Celsia S.A. E.S.P.): incorporated under the laws of Colombia on 4 October 2001, its principal place of business is in Colombia. At the ordinary meeting of Celsia S.A.'s Shareholders' Meeting (formerly Celsia S.A. E.S.P.) held on 27 March 2019, a statutory reform was approved which included, among other things, the change of the company name by virtue of which it ceased to be a public home utility company and the modification of the corporate purpose as a result of the business reorganization carried out through the sale of certain electricity generation assets, and the commercial representation, sale of capacity and electricity from a thermal asset to Celsia Colombia S. A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P.) This amendment to the bylaws was notarized through Public Deed No. 2795 dated 11 September 2019 of the Notary 7 of the Circle of Medellín, registered at the Medellín Chamber of Commerce for Antioquia on 13 September 2019. The above taking into consideration that the registration of the statutory reform before said entity was conditioned to the company's effective withdrawal as Market Agent, which took place at the beginning of September.

As a consequence of the above, the main purpose of the company now consists of the administration, supervision or increase of its assets through the encouragement and promotion of industrial or commercial activities, especially through investment in companies or other legal entities, or participation in other types of corporate structures, related to the energy industry, public utilities and their related or complementary activities, or through entities, organizations, funds or any other legal figure, either by participating as a founding member in its constitution, making subsequent capital contributions or acquiring capital participations. Likewise, it may invest in all types of movable and immovable property, fixed and variable income papers or documents; or any type of securities, whether or not they are registered on the public securities market. It may also provide advice on economic, administrative and financial matters to all types of companies. Its legal term is indefinite.

Odinsa S.A.: incorporated under the Colombian law on 16 July 1992. Its main corporate purpose is the study, implementation, financing and operation of all activities and works of engineering and architecture in all its forms and specialties, inside or outside the country. Its main domicile until May 2016 was Bogotá (Colombia) when it changed its name and address to Medellín (Colombia) and its term expires on 31 December 2100.

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – EPSA S.A. E.S.P.): incorporated on 12 December 1994. Its corporate purpose is to carry out policies, plans, programs and projects for the generation, transmission, distribution and marketing of energy, its administration, management and use in accordance with the regulations, guidelines and directives issued by the Ministry of Mines and Energy. Its domicile is in the municipality of Yumbo (Colombia) and the term of duration is indefinite. Control of this company is maintained through Celsia S.A. (formerly Celsia S.A. E.S.P.).

Sociedad Concesionaria Operadora Aeroportuaria Internacional Opain S.A.: the company has as its sole corporate purpose the subscription and execution of the concession contract subject to public bidding 5000091 OL of 2005, the object of which is the granting of a concession for the concessionaire to carry out, on its own account and at its own

risk, among others, the administration, operation, commercial exploitation, maintenance and modernization and expansion of the El Dorado International Airport in the city of Bogotá D.C.

Valle Cement Investments Ltd.: incorporated on 18 December 1998. Its corporate purpose is to make investments of any kind. At present it invests in shares, quotas or interest shares and other types of securities. Its main domicile is in the British Virgin Islands and the term of the company is indefinite. Control of this company is held through Cementos Argos S.A.

Sator S.A.S.: incorporated under Colombian law on 28 October 1981, its main domicile is in Colombia and its term is indefinite; its corporate purpose is to perform the prospecting, exploration, exploitation, production, benefit, transformation, acquisition, disposal, marketing and transportation of coal and any other mineral substance associated with coal, import, export, marketing and supply of raw materials, inputs, equipment and machinery required for mining coal and other minerals.

Fundiciones Colombia S.A. in liquidation: since 29 December 2002, the company suspended the development of its corporate purpose, as a result of the assignment of its assets and liabilities made to Fundicom S.A. at an extraordinary meeting held on 15 November 2002. The administrative management of this company continues to be aimed at the supervision, control and compliance with the payment of the obligations acquired by Fundicom S.A., as established in the agreement signed by the parties. Its main domicile is in Colombia. On 27 November 2018 the termination of the Restructuring Agreement was registered at the Medellín Chamber of Commerce and on 28 January 2019 it was declared dissolved by its Shareholders' Meeting and entered into a state of liquidation. Its main domicile is in Medellín (Colombia).

Concretos Argos S.A.: incorporated on 22 April 1985. Its corporate purpose is the exploration, exploitation, transport, benefit, integral use, commercialization and sale of stone minerals such as: sand, cement, gravel, premixed concrete and prefabricated concrete elements, concrete blocks and any other material and elements of its own, accessories and complementary used in the construction industry. Its domicile is in Bogota (Colombia) and the term of duration is until 8 September 2093. Control of this company is held through Cementos Argos S.A.

Industrias Metalúrgicas Apolo S.A. in liquidation: incorporated on 6 March 1958. Since 2001 year-end, the company has suspended its corporate purpose. At present, its activity is focused on the fulfillment of its obligations under the agreement and administration expenses. Its main domicile is in Medellín (Colombia).

Servicios Corporativos Integrales S.A.S. - SUMMA: incorporated on 7 December 2016. Its corporate purpose is to provide specialized business services in Colombia and abroad to companies linked to Grupo Empresarial Argos or to third parties, in any area that can create value for its clients; to provide consulting or intervention services in any of the businesses of the companies that make up Grupo Empresarial Argos or to third parties; to carry out all those acts that are intended to exercise the rights and comply with the obligations, legal or conventional, derived from the existence and activities developed by the Company and to carry out any other legal economic activity both in Colombia and abroad. Its domicile is in Medellín (Colombia).

Patrimonio Autónomo Ganadería Rio Grande: established on 14 August 2017. It includes all activities related to the operation and administration of the business of breeding and marketing of livestock, biotechnology and maintenance of the farms where the heads of livestock are located. Through the execution of a joint account agreement, in which the assets associated with the livestock business were contributed, the Fundación Grupo Argos, as managing partner, manages and operates the assets related to this business on its own.

17.2 Changes in the ownership interest of a subsidiary

As of 31 December 2019, the following changes were made in the ownership interests of subsidiaries:

Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – EPSA S.A. E.S.P.): in March 2019 all 6,495,205 shares of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P.) were sold to the subsidiary Celsia S.A. (formerly Celsia S.A. E.S.P.) for \$122,792 corresponding to a 1.87% ownership interests.

Odinsa S.A.: in April 2019 the Company acquires an additional 0.09% over Odinsa S.A. corresponding to 179,372 shares for a value of \$1,884, in July 2019 acquires 0.0016% corresponding to 3,157 shares for a value of \$33, in September acquires 0.0046% corresponding to 8,941 shares for a value of \$94 and in December 2019 acquires 0.0004% corresponding to 770 shares for a value of \$8. In turn, the sale of Odinsa in 2017 represented cash in 2019 for a value of \$11,895.

Sociedad Concesionaria Operadora Aeroportuaria Internacional Opain S.A.: the Company received payments for subordinated debt as follows: to capital, in June 2019 for \$47,999 and in August for \$6,524, to interest of subordinated debt for \$16,538.

As of December 2018, the following changes were made to the ownership interests of subsidiaries:

Cementos Argos S.A.: in March 2018, the Company acquired an additional 2.64% interest in Cementos Argos S.A. corresponding to 30,423,040 ordinary shares for \$294,627. In September 2018, disbursements related to the purchase of shares were capitalized in the amount of \$454.

Empresa de Energía del Pacífico S.A. E.S.P. (now Celsia Colombia S.A. E.S.P.): in February 2018, 34,635,000 shares of EPSA S.A. E.S.P. (now Celsia Colombia S.A. E.S.P.) were sold to the subsidiary Celsia S. A. E.S.P. (now Celsia S.A.) for \$654,602 and in October 4,200 shares of EPSA S.A. E.S.P. (now Celsia Colombia S.A. E.S.P.) were sold for \$81. This did not implied loss of control.

Odinsa S.A.: in February 2018 the Company acquires an additional 0.13% ownership interest in Odinsa S.A. corresponding to 245,537 shares for \$2,578 and in March 2018 acquires 0.01% corresponding to 16,682 shares for \$166. In August 2018 it acquires 0.0001% corresponding to 190 shares for \$2 and in November 2018 it acquires 0.00004% corresponding to 70 shares for \$1. In turn, the sale of Odinsa in 2017 represented cash in 2018 for \$4,901.

Celsia S.A. E.S.P. (now Celsia S.A.): in February 2018 the Company acquires 174,677,000 shares of Celsia S.A. E.S.P. for \$782,553, without changing its ownership percentage. In September 2018, disbursements related to the purchase of shares were capitalized for \$740.

P.A. Ganadería Río Grande: during 2018 additional contributions were made for \$2,806 corresponding to 7.02% of the ownership interests in the Autonomous Equity.

Sociedad Concesionaria Operadora Aeroportuaria Internacional Opain S.A.: in June 2018, the Company received a refund of \$57,000 corresponding to the subordinated debt included in the initial operation. In December 2018, \$137,180 was reclassified to the intangible assets account for rights on contracts, in order to recognize the excess value paid at the time of purchase, which was determined to be a separate intangible and to be amortized.

17.3 Significant restrictions and commitments

No significant restrictions exist on the ability of direct subsidiaries to transfer funds to the Company in the form of cash dividends, loan repayments, advances or otherwise.

17.4 Impairment analysis

Signs of impairment associated with each investment are reviewed annually.

Impairment tests are performed through a combination of different valuation techniques, mainly under the Discounted Free Cash Flow (DFCF) methodology and addition of parts to find its value in use. These valuations take as a reference a base line of results such as the budget and financial projections approved by the management of each business. Also, the discount rate used was the Weighted Average Cost of Capital (WACC) of each. In the case of companies trading on the stock exchange, the fair values of the companies were compared with the prices of the shares as of 31 December of the respective valuation years, subtracting the transaction or sale costs on the stock exchange.

None of the investments in subsidiaries showed any indication of impairment for the years 2019 and 2018.

NOTE 18: NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.

At 31 December 2019, non-current assets held for sale relate to the investment of:

- 1,080,000 shares of Compañía Occidental de Empaques S.A. for \$22,954.
- 2,402 shares of Compañía Colombiana de Empaques Bates S.A. for \$1,524. This investment was classified as a financial instrument measured at fair value for \$1,524. This classification generated a deferred tax liability of \$96.

On 19 December 2019, an arrangement for the sale of all the shares of the Colombian company Empaques Bates S.A. Colombates was signed between Grupo Argos S.A., Cementos Argos S.A. and Smurfit Kappa Centroamérica SLU, with a sale date of 15 January 2020.

On 2 January 2020, an agreement was signed between Grupo Argos S.A., Cementos Argos S.A. and Smurfit Kappa Centroamérica SLU for the sale of all the shares of Compañía Occidental de Empaques S.A., the formalization of which is subject to the approval of the Superintendence of Industry and Commerce.

As of 31 December 2019 and 2018, the Company has no non-current assets held for sale that are classified as discontinued operations.

NOTE 19: FINANCIAL OBLIGATIONS.

The following is a summary of the composition with financial entities held by the Company as of 31 December:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| Promissory notes in local currency | 501,952 | 755,773 |
| Other obligations | 57 | 47 |
| Promissory notes in foreign currency | - | 101,333 |
| Total financial obligations | 502,009 | 857,153 |
| Current | 4,252 | 119,106 |
| Non-current | 497,757 | 738,047 |
| Total financial obligations | 502,009 | 857,153 |

The financial obligations consist mainly of the obligations acquired with the national bank for \$737,500, the balance of which at 31 December is \$497,700, and the disbursement made during 2019 was \$434,300 to finance investment projects and replace debt. These loans are secured with a collateral of 36,724,303 (2018 - 40,773,889) shares of Grupo Sura S.A.

Breakdown of the Company's loans with national banks at nominal value

| Financial institution | Maturity | Currency | Amount of loan | Agreed interest rate | Balance of debt 2019 | Balance of debt 2018 |
|-----------------------|----------|----------|----------------|----------------------|----------------------|----------------------|
| Bancolombia | 2023 | COP | 460,000 | BRI+1.86% | 385,700 | 460,000 |
| Banco de Bogotá | 2022 | COP | 92,500 | BRI+1.57% | 52,500 | - |
| Banco Popular | 2022 | COP | 100,000 | BRI+2% | 40,000 | 73,000 |

| | | | | | | |
|-----------------|------|-----|---------|-----------|----------------|----------------|
| Bancolombia | 2022 | COP | 19,500 | BRI+1.59% | 19,500 | - |
| Banco de Bogotá | 2021 | COP | 200,000 | BRI+2% | - | 185,000 |
| Banco Itaú | 2020 | COP | 160,000 | BRI+2% | - | 20,000 |
| Bancolombia | 2019 | COP | 30,000 | BRI+2.2% | - | 15,000 |
| Total | | | | | 497,700 | 753,000 |

Breakdown of the Company's loans with international banks at nominal value

| Financial institution | Maturity | Currency | Amount of loan | Agreed interest rate | Balance of debt 2019 | Balance of debt 2018 |
|-----------------------|----------|----------|----------------|----------------------|----------------------|----------------------|
| Sumitomo | 2019 | USD | 31,000,000 | LIBOR +0.3% | - | 98,743 |
| Total | | | | | - | 98,743 |

During 2019 the Banco de Bogotá loan contract for \$92,500 had a modification consisting in a rate reduction from BRI + 2% to BRI + 1.57% and a 6 months increase on the maturity date. With respect to the other loans, no modifications were made to the original conditions of the loan contracts. During 2018, there were no modifications to the original conditions of the loan contracts.

During the reported periods, there were no defaults on principal or interest payments on financial liabilities and/or loans payable.

NOTE 20: LEASES.

20.1 Leases as a lessee

20.1.1 Lease arrangements

As a result of the adoption of IFRS 16 Leases, the Company performed the assessment of the leases in effect at 1 January 2019, for the purpose of right-of-use assets, except for those leases which have a term of less than twelve months or the underlying assets of the new lease which are valued at less than \$3,500 for operating assets and \$5,000 for administrative assets. As a result of the evaluation, it was observed that the terms of the most significant non-cancellable leases vary for building leases of 8 years and vehicle leases of 3 years, signed with Leasing Bancolombia S.A., which mature in 2026. Additionally, it was identified that there are no significant lease arrangements that provide restrictions related to dividend distribution, additional indebtedness or to new lease arrangements, nor are there contingent quotas, renewal options or escalation clauses.

As of 31 December 2019, recognized real estate leases are linked to the consumer price index (CPI).

20.1.2 Right-of-use assets and liabilities

The balance of right-of-use lease assets and liabilities comprises:

| 2019 | Right-of-use lease assets | | | | Ending balance | Ending balance of lease liabilities |
|-----------------------------|---------------------------|-----------|--------------|---------------|----------------|-------------------------------------|
| | Opening balance | Additions | Depreciation | Other changes | | |
| Constructions and buildings | - | 11,784 | (1,423) | 44 | 10,405 | 10,714 |
| Land transport equipment | - | 2,706 | (800) | (381) | 1,525 | 1,586 |

| | | | | | | |
|--|---|---------------|----------------|--------------|---------------|---------------|
| Right-of-use improvements in other people's properties | - | 1,004 | (117) | - | 887 | - |
| Right-of-use assets/liabilities, net | - | 15,494 | (2,340) | (337) | 12,817 | 12,300 |

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

| | 2019 |
|--|---------------|
| One year or less | 2,643 |
| 1 to 3 years | 4,723 |
| 3 to 5 years | 3,905 |
| 5 onwards | 3,989 |
| Total contractual cash flows from lease liabilities | 15,260 |
| Effect of discounting lease liabilities | (2,960) |
| Total lease liabilities | 12,300 |
| Current | 2,036 |
| Non-current | 10,264 |
| Total lease liabilities | 12,300 |

20.1.3 Items recognized in the statement of income and cash flows from leases

| | 2019 |
|--|-------------|
| 2019, leases under IFRS 16 | |
| Interest expense on lease liabilities | 828 |
| Variable lease payment expense | 3 |
| Expenses related to short-term leases | 925 |
| Expenses related to low value asset leases | 239 |
| Cash flows from leasing (including interest) | 2,636 |
| 2018, operating leases under IAS 17 | |
| Leasing costs | 3,655 |

20.1.4 Renewal options

The Company's leases contain renewal options that can be exercised to extend the lease term from one year to six years, that can be exercised up to one year before the end of the non-cancellable period of the contract.

Generally, the Company can exercise these renewal options because of the financial and operating facilities they provide. Renewal options are only exercisable by the Company and not by the lessor. The Company assesses at the commencement date of the lease whether it is reasonably safe to exercise the renewal options and considers them in determining the lease term, meanwhile, it reassesses whether it is reasonably safe to exercise the options if there is a significant event or change in the circumstances under its control.

20.2 Leases as a lessor

20.2.1 Financial leases

The Company does not have any financial lease arrangements in which it acts as the lessor.

20.2.2 Operating leases

The Company enters into lease arrangements as lessor mainly on land, buildings and constructions, mainly on land in Pajonal, Corporative lot, Hacienda Campo Alegre and Pochihueca.

Lase income recognized by the Company during 2019 was \$3,207 (2018 \$4,047)

For the year 2018, the Company did not have financial lease assets, recognized under IAS 17 Leases.

NOTE 21: EMPLOYEE BENEFITS LIABILITIES.

Employee benefits are classified as:

| | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| Short-term employee benefits | 11,933 | 10,908 |
| Post-employment benefits | 33,269 | 24,854 |
| Plan assets | (30,013) | (22,483) |
| Total employee benefits | 15,189 | 13,279 |
| Current | 12,404 | 11,414 |
| Non-current | 2,785 | 1,865 |
| Total employee benefits | 15,189 | 13,279 |

21.1 Short-term employee benefits

The following are recognized as short-term employee benefits: vacations, bonuses, extralegal premiums, collective life insurance, health insurance and education policies, among others.

For retired employees in Colombia, a death benefit is granted which is increased in accordance with the Consumer Price Index (CPI), up to the equivalent of five times the current legal minimum monthly wage (SMLV).

21.2 Post-Employment Employee Benefits

The actuarial valuation of plan assets and the present value of the defined benefit obligation is performed annually by independent actuarial consultants. The present value of the defined benefit obligation and the current service cost and related past service cost were measured using the projected credit unit method. The Company's employees belong to a public retirement benefit plan managed by the Government, or a private pension fund. The Company is required to contribute a specific percentage of the payroll costs to the retirement benefit scheme.

Regarding the retirement pensions assumed by the Company, the most recent actuarial valuation of the present value of the defined benefit obligation was performed as of 31 December 2019. The present value of the defined benefit obligation, current service cost and related past service cost were measured using the projected unit credit method.

The amount included in the Statement of Financial Position for the entity's obligation under defined benefit plans, defined contribution plans, the movement in the present value of the benefit obligation in the current year and changes in the fair value of plan assets in the current period are as follows:

| | 2019 | 2018 |
|--|-----------------|---------------|
| Present value of obligations at 1 January | 24,656 | 24,421 |
| Fair value of plan assets at 1 January | (34,679) | (12,256) |
| Present value of obligations, net at 1 January | (10,023) | 12,165 |
| Cost of current service | 1,010 | 742 |
| Interest expenses | 1,765 | 1,620 |
| New defined benefit plan measures net of contributions | 5,535 | (1,734) |
| Increase in plan assets | - | (10,227) |
| Actuarial gain (loss) from changes in: | 489 | (97) |
| Financial assumptions | 71 | (20) |
| Demographic assumptions | 418 | (77) |
| Benefits paid directly by the Company | (336) | (296) |
| Other changes | - | - |

| | | |
|--|----------------|--------------|
| Present value of obligations at 31 December | (1,560) | 2,173 |
| Defined contribution plan liabilities | 150 | 198 |
| Reclassification of Plan Assets | 4,666 | - |
| Post-Employment Benefits | 3,256 | 2,371 |
| Present value of obligations at 31 December | 33,269 | 24,854 |
| Fair value of plan assets at 31 December | (30,013) | (22,483) |
| Present value of obligations at 31 December | 3,256 | 2,371 |

Retirement Benefit

The retirement benefit is equal to 75% of the average monthly salary, payable for life, subject to the following limits:

- Minimum payment equal to the minimum monthly wage.
- Maximum payment equal to 25 minimum monthly salaries.

In addition, two additional payments are made, one in June and one in December. For participants who retire after 25 July 2005, the June payment is eliminated, except for participants who receive less than three minimum wages. After 31 July 2011, all participants who retire are not eligible for the June payment, therefore, they receive only 13 annual payments.

When the participant expects to receive benefits under the Colpensiones, these benefits are deducted from the benefits payable by the Company's plan, thereby reducing the obligation.

Pensions in payment increase in accordance with inflation. When a participant receives a pension equal to the minimum wage, the pension increases in accordance with increases in the minimum wage.

In the event of the participant's death after retirement, the beneficiary receives 100% of the pension. The beneficiary or beneficiaries are those established by legal provisions.

An additional benefit is granted to participants who do not receive benefits from Colpensiones, which consists of a single payment equal to the participant's monthly pension, subject to the following limits:

- Minimum payment of 5 minimum monthly wages.
- Maximum payment of 10 minimum monthly wages.

Social Security Contribution Benefit

Corresponds to a post-retirement benefit in addition to the statutory pension plan (retirement benefit), in which the Company assumes the payment of health contributions to social security entities. The beneficiary or beneficiaries are those established by legal provisions.

Pension Gap at Retirement Benefit

This benefit consists of the granting of a single premium at the time of separation from the entity to enjoy the old-age pension, the value of which corresponds to the money needed to close the executive's pension gap. This benefit currently has contributions in private pension funds that will be used only when the requirements for obtaining the benefit are met.

The following is the expenditure of defined contributions for 2019 and 2018, which includes the expenditure of compulsory pension contributions and severance payments:

| | 2019 | 2018 |
|-------------------------------|-------|-------|
| Defined contribution expenses | 2,051 | 1,961 |

Main actuarial assumptions

(1) The main actuarial assumptions used to determine the obligations for the defined benefit plans are as follows:

| | 2019 | 2018 |
|--------------------|-------|-------|
| Discount rate | 6.52% | 7.12% |
| Salary increase | 4.40% | 4.20% |
| Pension increase | 4.15% | 3.95% |
| Inflation rate (%) | 3.35% | 3.35% |

(2) Below is a detail of the mortality rates used to determine plan longevity conditions:

| Age | 2019 | | 2018 | |
|-----|-------|-------|-------|-------|
| | Women | Men | Women | Men |
| 35 | 0.06% | 0.11% | 0.06% | 0.11% |
| 40 | 0.09% | 0.16% | 0.09% | 0.16% |
| 45 | 0.13% | 0.23% | 0.13% | 0.23% |
| 50 | 0.19% | 0.34% | 0.19% | 0.34% |
| 55 | 0.29% | 0.51% | 0.29% | 0.51% |
| 60 | 0.43% | 0.77% | 0.43% | 0.77% |
| 65 | 0.69% | 1.27% | 0.69% | 1.27% |
| 70 | 1.14% | 2.11% | 1.14% | 2.11% |
| 75 | 1.92% | 3.40% | 1.92% | 3.40% |

Sensitivity analysis

The following table shows the effect of a 1% change in the inflation rate and a 1% change in the discount rate on the defined post-employment benefit plan obligation:

| | Total |
|--------------------------------------|--------|
| Change in discount rate | |
| Increase in discount rate by +1% | 32,743 |
| Decrease in the discount rate by -1% | 37,973 |
| Change in inflation rate | |
| Increase in inflation rate by 1% | 30,088 |
| Decrease in inflation rate by -1% | 30,164 |
| Change in mortality rate | |
| 10% increase in mortality rate | 2,989 |
| Decrease in mortality rate by -10% | 3,236 |

There was no change in the methods and assumptions used in preparing the sensitivity analysis of previous years.

Expected contributions for the next few years financed from own resources:

| | 2019 |
|------|------|
| 2020 | 321 |
| 2021 | 317 |
| 2022 | 312 |

| | |
|---|--------|
| 2023 | 306 |
| 2024 | 297 |
| Assessment date +6 years to assessment date +10 years (5 years) | 78,257 |

As required by Decree 2131 of 2016, the principal assumptions used for purposes of actuarial valuations under Decree 1625 of 2016 and partial pension commutations under Decree 1833 of 2016 are as follows:

| | 2019 |
|---------------------------|------|
| Inflation rate (%) | 3.9% |
| Discount rate (%) | 4.8% |
| Minimum wage increase (%) | 3.9% |

Below is the difference between the calculation of defined benefit plans and pension commutations, under the methodology described in Decree 2131 of 2016 and the methodology applicable to comply with the technical regulatory framework applicable in Colombia, as of 31 December 2019:

| | Assumptions Decree 1625 of 2016 (Decree 2131 of 2016) | Assumptions Employee Benefits (IAS 19) | Difference |
|---|--|--|------------|
| Present value of defined benefit plan obligations at 31 December 2019 | 2,733 | 3,105 | 372 |
| Present value of defined benefit plan obligations at 31 December 2018 | 2,523 | 2,769 | 246 |

NOTE 22: PROVISIONS.

As of 31 December 2019, provisions include a balance for \$103 (2018 \$482) with the National Tax and Customs Administration DIAN for a 2016 magnetic media process. Likewise, they include \$219 (2018 \$219), corresponding to the obligations of Industrias Metalúrgicas Apolo S.A. in liquidation. The recognition of the latter was made taking into account the 76.62% ownership interests in said company.

NOTE 23: TRADE LIABILITIES AND OTHER PAYABLES.

Trade liabilities and other payables at 31 December comprise:

| | 2019 | 2018 |
|---|---------------|---------------|
| Dividends payable | 59,629 | 55,687 |
| Payables to related parties (Note 38) | 22,498 | 22,261 |
| National suppliers | 7,533 | 7,316 |
| Other payables | 3,535 | 3,449 |
| Overseas suppliers | 569 | 1,838 |
| Total trade liabilities and other payables | 93,764 | 90,551 |
| Current | 93,764 | 90,551 |
| Total trade liabilities and other payables | 93,764 | 90,551 |

The Company has implemented financial risk management policies to ensure that all payables are paid in accordance with pre-agreed credit terms.

NOTE 24: BONDS AND COMPOUND FINANCIAL INSTRUMENTS.

| | 2019 | 2018 |
|--|------------------|----------------|
| Bonds and commercial papers in circulation (1) | 1,099,288 | 763,845 |
| Preferential shares classified as compound financial instruments (2) | 14,193 | 13,363 |
| Total bonds and compound financial instruments | 1,113,481 | 777,208 |
| Current | 8,274 | 121,691 |
| Non-current | 1,105,207 | 655,517 |
| Total bonds and compound financial instruments | 1,113,481 | 777,208 |

(1) On 28 August 2019 the Company issued \$450,000 in ordinary bonds. On 10 September 2014 the Company issued \$1 trillion in ordinary bonds (2019 issuance balance \$644,422).

The nominal amounts of the outstanding series with different maturities and amounts are shown below:

| Issuer | Placement date | Term | Rate | Issues standing at: | |
|------------------|----------------|----------|-------------|---------------------|---------|
| | | | | 2019 | 2018 |
| Bonds | | | | | |
| Grupo Argos S.A. | 10/09/2014 | 15 years | CPI + 4.24% | 390,104 | 390,104 |
| Grupo Argos S.A. | 10/09/2014 | 10 years | CPI + 3.95% | 254,318 | 254,318 |
| Grupo Argos S.A. | 10/09/2014 | 5 years | CPI + 3.10% | - | 114,963 |
| Grupo Argos S.A. | 28/08/2019 | 3 years | FTD+ 5.78% | 123,500 | - |
| Grupo Argos S.A. | 28/08/2019 | 15 years | CPI + 3.20% | 168,535 | - |
| Grupo Argos S.A. | 28/08/2019 | 6 years | CPI + 2.44% | 157,965 | - |

During 2019 the Company paid \$114,963 corresponding to the second series of CPI-indexed bonds.

Details of the conditions are included in the Prospectus for the Issuance and Placement of Ordinary Bonds and Commercial Papers for September 2014 and August 2019.

(2) The Company's preferential shares confer on their holders the right to receive a preferential dividend of \$4 (four Colombian pesos) per share, which will be paid in preference to the ordinary shares, provided that a dividend has been declared from the funds legally available for this purpose. In no case may the preferential dividend be accumulated for subsequent years. In each case, the first dividend payment will correspond to those decreed by the Company after the shares have been subscribed.

For subsequent recognition and measurement, the Company identified the debt and equity components by evaluating the contractual terms of the instrument and the obligations as issuer. Given the contractual obligation of the issuer to pay the minimum annual dividend to the holders of the shares, the issuance incorporates a financial liability component. Once this liability is measured, the difference between the value received and the value of the obligation constitutes an equity component. The financial liability component must be measured at least in each interim period and its effects Recognized in profit or loss for the period. The equity component is not subject to subsequent measurement.

The Company determined the liability component by discounting the cash flows corresponding to the minimum preferential dividend, which were calculated in perpetuity. Considering the difficulty of identifying in the market a financial instrument with the same characteristics of the issuance, the discount rate of the financial liability was determined with reference to the average cost of the Company's debt.

At the end of each reporting period, the Company has 211,827,180 preferential shares outstanding (2018 - 211,827,180 shares).

NOTE 25: OTHER NON-FINANCIAL LIABILITIES.

The balance of other liabilities at 31 December comprises:

| | 2019 | 2018 |
|--|---------------|---------------|
| Income received in advance (1) | 37,139 | 17,655 |
| Other prepayments and advances received (2) | 14,300 | 6,534 |
| Industry and commerce tax | 947 | 72 |
| Deduction at source | 714 | 887 |
| Sales tax | 84 | 116 |
| Sales tax withheld | 148 | 155 |
| Total other non-financial liabilities | 53,332 | 25,419 |

- (1) During 2019 and 2018 corresponds to the income related to the costs of urban development pending execution on the lots sold.
- (2) The increase corresponds to advance payments received from clients for the sale of lots, mainly associated with the proyecto Alameda del Río.

Outstanding performance obligations

The Company's contracts are primarily for the delivery of goods and services within the next 12 months, for which the practical solution in paragraph 121(a) of IFRS 15 Revenue from Contracts with Customers applies.

Revenue to be recognized in future periods on development contracts and lot sales, when the remaining performance obligations are satisfied, is Recognized as follows:

| | 2019 | 2018 |
|-------------------|--------|--------|
| Within a year | 51,565 | 24,189 |
| Later than a year | - | - |

Contractual balances from contracts with customers

The balance of receivables, contract assets and contract liabilities from contracts with customer as at 31 December comprises:

| | 2019 | 2018 |
|----------------------|---------|--------|
| Trade receivables | 121,861 | 69,034 |
| Contract liabilities | 51,565 | 24,189 |

NOTE 26: SHARE CAPITAL.

The balance of the share capital issued at 31 December comprises:

| | 2019 | 2018 |
|--|--------|--------|
| Authorized capital: | | |
| 1,200,000,000 ordinary shares with a nominal value of \$62.5 | 75,000 | 75,000 |
| subscribed and paid capital | | |
| 651,102,432 ordinary shares with a nominal value of \$62.5 | 40,694 | 40,694 |

| | | |
|--|---------------|---------------|
| 211,827,180 Preferential shares with a nominal value of \$62.5 (2018 211,827,180 shares) | 13,239 | 13,239 |
| Total | 53,933 | 53,933 |

Preferential shares confer the following rights on the holders:

- 1) To receive a preferential dividend of \$4 (four pesos) per share, which will be paid in preference to that corresponding to the ordinary shares, provided that a dividend has been declared from the funds legally available for this purpose. In no case may the dividend received by the holders of ordinary shares be greater than that declared in favor of the preferential shares.

In no case may preferential dividend be accumulated for subsequent years. In each case, the first payment of dividends will correspond to those that the Company decrees after the shares are subscribed.

- 2) To participate jointly with the holders of ordinary shares in the distributable profits, in proportion to their participation in the subscribed capital of the Company, after payment of the preferential dividend and the ordinary dividend that is equal to the preferential dividend.
- 3) Have priority in the reimbursement of contributions in the liquidation process, provided that the Company's external liabilities have been fully covered.
- 4) Be called to Shareholders Meetings in the same manner and within the same time limits as the holders of ordinary shares.
- 5) To participate in Shareholders Meetings and to vote thereat only in the following situations:
 - a) When it is a matter of approving modifications that may deteriorate the conditions or rights established for the preferential shares. In this case, the favorable vote of 70% of the shares into which the subscribed capital is divided will be required, including in said percentage and in the same proportion the favorable vote of the preferential shares.
 - b) When voting on the conversion of preferential shares into ordinary shares, unless the respective regulations specifically regulate the possibility of conversion and the terms on which it is to be carried out. In the event that it is decided to approve a conversion different from that approved in the regulations or that the regulations have not contemplated this option, the same majority indicated in the preceding paragraph will be applied.
 - c) If at the end of a corporate year the company does not generate distributable profits that allow it to cancel the preferential dividend, and the Superintendence of Finance of Colombia, ex-officio or at the request of holders of preferential shares that represent at least 10% of these shares, establishes that benefits that reduce distributable profits have been hidden or distracted, may determine that the owners of these shares participate with voice and vote in the meetings of the shareholders' meeting, until it is verified that the irregularities that gave rise to this measure have disappeared, in accordance with the provisions of Article 64 of Law 222 of 1995.
 - d) Exercise the right of inspection in the same cases, terms and conditions as the holders of ordinary shares.

Own shares reacquired are 5,702,432 (2018 - 5,702,432 shares). The ordinary shares held by associates and joint ventures are: 229,295,179 (2018 - 229,295,179). At 31 December 2019, the ordinary shares outstanding were 645,400,000 (2018 - 645,400,000).

At 31 December 2019, the ordinary shares are 651,102,432 (2018 - 651,102,432).

Reconciliation of ordinary shares

| | Number of shares | Share capital | additional paid-in capital |
|---------------------------------|------------------|---------------|----------------------------|
| Balance at 31 December 2018 (*) | 651,102,432 | 40,694 | 553 |
| Balance at 31 December 2019 (*) | 651,102,432 | 40,694 | 553 |

(*) Includes 5,702,432 repurchased own shares (2018 - 5,702,432 shares).

Reconciliation of preferential shares

| | Number of shares | Share capital | additional paid-in capital |
|---|--------------------|---------------|----------------------------|
| Balance at 31 December 2018 | 211,827,180 | 13,239 | 1,354,206 |
| Issuance of preferential shares | - | - | - |
| Balance at 31 December 2019 | 211,827,180 | 13,239 | 1,354,206 |
| Total ordinary and preferential shares at 31 December 2018 | 862,929,612 | 53,933 | 1,354,759 |
| Total ordinary and preferential shares at 31 December 2019 | 862,929,612 | 53,933 | 1,354,759 |

There were no issues or repurchase of shares during the reporting period.

NOTE 27: RESERVES AND OTHER COMPREHENSIVE INCOME.

27.1 Reserves

The balance of reserves at 31 December comprises:

| | 2019 | 2018 |
|---------------------------|------------------|------------------|
| Legal reserves | 29,665 | 29,665 |
| Mandatory reserves | 5,988 | 5,988 |
| Other occasional reserves | 3,477,508 | 2,965,862 |
| Total reserves | 3,513,161 | 3,001,515 |

Legal reserves

The Company is required to appropriate 10% of its net annual profits as a legal reserve until the balance of this reserve reaches 50% of the subscribed capital. The reserve is not distributable prior to the liquidation of the Company but must be used to absorb or reduce annual net losses. Appropriations made in excess of the aforementioned 50% are freely available to the shareholders at the General Shareholders Meeting.

Mandatory reserves comprise the reserve for the repurchase of shares of \$5,988 (2018 \$5,988).

As of 2019, the reserve for reacquisition of shares has been used for the acquisition of 5,702,432 own shares.

Other occasional reserves

The balance of the other reserves comprises:

| | 2019 | 2018 |
|---------------------------------|-----------|-----------|
| Reserves for future investments | 3,307,581 | 2,802,435 |
| Reserves for future expansion | 163,427 | 163,427 |

| | | |
|---|------------------|------------------|
| Reserves for social responsibility activities | 6,500 | - |
| Subtotal reserves investments, future expansions and social responsibility | 3,477,508 | 2,965,862 |

The other occasional reserves are freely available to shareholders.

The Shareholders Meeting, in its ordinary meeting held on 28 March 2019, appropriated the profits and as reserves for future investments \$505,146 (2018 - \$171,671) and \$6,500 to be used for social responsibility activities.

27.2 Other comprehensive income (OCI)

| | 2019 | 2018 |
|---|------------------|------------------|
| Gains and losses on equity investments | 610,886 | 508,745 |
| New measures of defined benefit obligations | (27,491) | (15,480) |
| Cash flow hedges | (39,189) | (37,081) |
| Revaluation of property, plant and equipment | 3,714 | 4,308 |
| Exchange differences on translation of foreign operations | 1,217,549 | 1,232,162 |
| Total other comprehensive income (OCI) | 1,765,469 | 1,692,654 |

During 2019, the Company made reclassifications from other comprehensive income to profit or loss for the period, decreasing interest expense by \$60, due to the settlement of CPI swap on ordinary bonds.

During 2019, the Company made transfers from other comprehensive income to retained earnings for changes in the equity method of subsidiaries for \$9,103 in the following items: Sale of Omya and Carton de Colombia investments for \$9,382, revaluation of property, plant and equipment for \$144, new profit measurements for (\$262), reciclaje Fondo Progresia for \$190 and for the disposal of 6,495,205 shares of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P.) for (\$351).

NOTA 28: OTHER COMPONENTS OF EQUITY.

When the proportion of equity held by non-controlling interests in subsidiaries changes, the Company shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Company shall recognize directly in equity the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attributed to the owners of the controlling company.

Accordingly, the balances of other components of equity correspond to the equity method for other changes in equity of subsidiaries 2019 \$301,188 (2018 \$374,968).

NOTE 29: DIVIDENDS.

The General Shareholders Meeting of the parent company, held on 28 March 2019, declared cash dividends on the ordinary shares of \$350 pesos per share per year (2018 \$328), payable in four quarterly installments of \$87.50 (2018 - \$82) pesos per share beginning in April 2019 for a total value of \$225,890 (April 2018 \$211,691) million pesos.

In addition, preferent cash dividends were declared on 211,827,180 preferential shares (April 2018 211,827,180) at \$350 per share (2018 \$328), quarterly starting April 2019, for a total value of \$74,139 (April 2018 \$69,479) million pesos.

| Dividends declared | Shares | \$ per share per year | 2019 |
|--------------------|-------------|-----------------------|---------|
| Ordinary Dividends | 645,400,000 | 350 | 225,890 |

| | | | |
|-----------------------|--------------------|-----|----------------|
| Preferential Dividend | 211,827,180 | 350 | 74,140 |
| Total | 857,227,180 | | 300,030 |

| Dividends declared | Shares | \$ per share per year | 2018 |
|------------------------|--------------------|-----------------------|----------------|
| Ordinary Dividends (*) | 645,400,000 | 328 | 211,691 |
| Preferential Dividend | 211,827,180 | 328 | 69,479 |
| Total | 857,227,180 | | 281,170 |

(*) The General Shareholders' Meeting at which these dividends were declared was held on 16 April 2018.

NOTE 30: REVENUE.

The following is an analysis of the Company's revenue:

| | 2019 | 2018 |
|---|----------------|------------------|
| Equity method (1) | 433,901 | 436,069 |
| Financial activity (2) | 222,023 | 751,463 |
| Real estate (3) | 130,195 | 82,608 |
| Income from investment property valuation (4) | 32,482 | 76,743 |
| Income from valuation of private equity funds (5) | 27,008 | 32,820 |
| Total revenue | 845,609 | 1,379,703 |

(1) As of 31 December 2019, \$433,901 (2018 \$436,069) corresponds to equity method in the following subsidiaries:

| | 2019 | 2018 |
|---|----------------|----------------|
| Celsia S.A. (formerly Celsia S.A. E.S.P.) | 250,634 | 120,598 |
| Odinsa S.A. | 125,115 | 110,299 |
| Cementos Argos S.A. | 60,738 | 88,579 |
| Opain S.A. | 3,224 | 26,263 |
| Valle Cement Investments Ltd. | 1,803 | 3,119 |
| Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. – EPSA S.A. E.S.P.) | 810 | 7,884 |
| P.A. Ganadería Río Grande. | 11 | 162 |
| Fucol S.A. in liquidation. | (7) | (3) |
| Summa - Servicios Corporativos Integrales S.A.S. | (53) | 8 |
| Sator S.A.S. | (8,374) | 79,160 |
| Total equity method | 433,901 | 436,069 |

(2) In 2019, the financial activity mainly corresponds to:

- a. Sale in 2019 for \$122,792 of 6,495,205 shares of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P.) to Celsia S.A. (formerly Celsia S.A. E.S.P.).
- b. Dividends of 99,231 (2018 \$92,976), which were declared by:
 - Grupo de Inversiones Suramericana S.A. \$71,347 (2018 \$67,196)
 - Grupo Nutresa S.A. \$27,689 (2018 \$25,626)
 - Compañía Colombiana de Empaques Bates S.A. \$158 (2018 \$106)
 - Fondo Regional de Garantías del Caribe Colombiano S.A. \$37 (2018 \$30)
 - Triple A Barranquilla S.A. \$0 (2018 \$18)

(3) Revenue from the real estate business as of December 2019 corresponds mainly to:

- Sale of lot Block C1 of the Institutional Cluster, Block 24 of Alejandría stage1, Block 1 Pajonal San José, EDS and concession of Santa Isabel, 2A Calablanca Barú for \$66,674 (2018, sale of urbanized lots correspond to the projects Villa Carolina VIII, Lago Alto, Miramar III and Pactia for \$25,874). Recognition of income on land

in the city of Barranquilla (projects Portal Empresarial Norte 4, Miramar IV, Palmas del Rio, CIC, Portal Genovés, Portal Empresarial Norte, Villa Carolina VIII, Lago Alto, Alejandria Etapa1, Pajonal San José, and Barú) for \$16,745 (2018 Projects Portal Empresarial Norte 4, Miramar IV, Palmas del Rio, CIC, Porta Genovés, Portal Empresarial Norte and Lago alto for \$14,695).

- Income from easements \$52 (2018 \$724).
 - Income from the option to purchase \$600 from lots A and B of Insignares.
 - Income from leases and related activities for \$3,207 (2018 \$5,058).
 - Dividends from Pactia Private Equity Fund \$8,677 (2018 \$14,016), Proyecto Alameda del Rio \$10,944 (2018 \$10,231) and Pactia S.A.S. \$5,186 (2018 \$4,223), PA. Tata \$284.
 - Profit sharing of Consorcio Constructor Nuevo Dorado for \$17,797 (2018 \$7,006) and Consorcio Mantenimiento Opain \$29 (2018 \$781).
- (4) Corresponds to the net income from the adjustment of the fair value of the investment property, mainly the Pavas, Barú, Pajonal and Insignares lands
- (5) Corresponds to the fair value adjustment of the associated investment in F.C.P. Pactia Inmobiliario for \$27,008 (2018 \$32,820).

NOTE 31: COST OF REVENUE.

Selling costs at December 31 comprises:

| | 2019 | 2018 |
|--------------------------------------|---------------|----------------|
| Cost of financial activity (1) | 58,454 | 295,155 |
| Cost of the real estate business (2) | 41,026 | 13,242 |
| Total cost of revenue | 99,480 | 308,397 |

- (1) The cost of the financial activity in 2019 corresponds to the selling costs of 6,495 shares of Celsia Colombia S.A. E.S.P. (formerly Empresa de Energía del Pacífico S.A. E.S.P. - EPSA S.A. E.S.P.) sold to Celsia S.A. (formerly Celsia S.A. E.S.P.) (2018 selling cost of 34,635 shares of EPSA S.A. E.S.P. sold to Celsia S.A. E.S.P. and selling cost of shares of Contreebute for \$346).
- (2) Cost of the real estate business at the end of 2019 corresponds to the actual costs executed of the deferred income from the Pen, Miramar IV, Pen 4, Palmas del Rio, Lago Alto, Villa Carolina VIII, Portal Genovés, CIC lots and the sale of the Block C1 lot of the Institutional Cluster, Alejandria stage 1, Pajonal San José, Santa Isabel, Barú (2018 corresponds to the actual costs executed of the deferred income of the lots Portal Empresarial, Miramar IV, Palmas del Rio, CIC A2 and A3, and the negotiations of the lots Lago Alto and Villa Carolina VIII).

NOTE 32: ADMINISTRATIVE EXPENSES.

Administrative expenses as of 31 December include:

| | 2019 | 2018 |
|--|------|------|
|--|------|------|

| | | |
|--------------------------------------|----------------|----------------|
| Staff expenses | 44,838 | 36,641 |
| Taxes (1) | 30,892 | 25,795 |
| Services (2) | 18,299 | 16,296 |
| Depreciation and amortization (3) | 16,391 | 22,103 |
| Fees (4) | 9,030 | 13,858 |
| Travel expenses | 6,958 | 8,259 |
| Maintenance and repairs (5) | 5,291 | 3,379 |
| Others | 5,145 | 4,224 |
| Miscellaneous | 3,753 | 5,540 |
| Leases (6) | 1,164 | 3,655 |
| Total administrative expenses | 141,761 | 139,750 |

- (1) Corresponds mainly to the payment of property tax related to lots in the real estate business.
- (2) The increase corresponds to expenses for technical assistance services and surveillance services.
- (3) It is mainly due to the amortization of the intangible right on contracts, arising from the excess value paid in the purchase of Opain. Additionally, in 2019, an amortization for \$538 is recognized on the investment in Consorcio Constructor Nuevo Dorado.
- (4) The decrease in fee expense is due to the reduction of financial and legal advisory services.
- (5) The increase corresponds mainly to the maintenance of land and lodging of the wardens.
- (6) The decrease in lease expenses is mainly presented in construction and building leases, fleet and transportation equipment which were recognized in 2019 as Right-of-use Assets (IFRS16 Leases).

NOTE 33: SELLING EXPENSES.

Selling expenses at 31 December include:

| | 2019 | 2018 |
|--------------------------------|--------------|--------------|
| Staff costs | 509 | 443 |
| Legal (1) | 307 | 175 |
| Taxes (2) | 196 | 774 |
| Travel expenses (3) | 76 | 65 |
| Fees | 63 | 61 |
| Miscellaneous (4) | 45 | 36 |
| Contributions and affiliations | 13 | 17 |
| Services | 19 | 4 |
| Insurance | 6 | 6 |
| Total selling expenses | 1,234 | 1,581 |

- (1) The increase is given by the notary expenses and systematization pro-development stamp lot 2A Calablanca.
- (2) The decrease in the pro-hospital stamp tax is due to the repeal of the rule.
- (3) The increase is mainly due to travel expenses for the real estate business.
- (4) The increase corresponds to the commission for the management of the Fiduciary of lot C1 Palmas del Río.

NOTE 34: EMPLOYEE BENEFITS EXPENSES.

The balance of employee benefit expenses generated during the periods presented by each significant category is as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| Wages and salaries | 20,249 | 20,393 |
| Social security contributions | 2,351 | 2,264 |
| Other short-term employee benefits | 13,946 | 10,351 |
| Total short-term employee benefit expenses | 36,546 | 33,008 |
| Post-employment benefit expenses, defined contribution plans | 1,541 | 1,602 |
| Post-employment benefit expense, defined benefit plans | 4,796 | 839 |
| Total post-employment employee benefit expense | 6,337 | 2,441 |
| Other staff costs | 2,330 | 1,607 |
| Total other employee benefit expenses | 2,330 | 1,607 |
| Total selling and administrative employee benefits | 45,213 | 37,056 |
| Other post-employment and defined benefit plan expenses | 6 | 22 |
| Total employee benefit expense | 45,219 | 37,078 |

The increase corresponds to personnel expenses mainly due to salary increases, actuarial updates of post-employment benefits and personnel assistance.

NOTE 35: OTHER (EXPENSES) INCOME, NET.

At 31 December, comprise:

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Gain on disposal of investment property (1) | 5,433 | 42,369 |
| Gain on recovery of impairment of inventories, investments, receivables | 1,110 | 300 |
| Other earnings | 479 | - |
| Total other income | 7,022 | 42,669 |
| Taxes (2) | (4,756) | (5,815) |
| Donations (3) | (4,241) | (5,290) |
| Other net gains (loss) | (1,481) | (3,135) |
| Net loss arising from retirements of other assets | (1,025) | - |
| Loss on disposal of property, plant and equipment | - | (679) |
| Total other expenses | (11,503) | (14,919) |
| Total other (expenses) income, net | (4,481) | 27,750 |

- (1) Corresponds to the sale of the land: Insignares, La Playita Triangular, Matarredonda, Pajonal and Puerto Colombia Lot B. In 2018 corresponds to the sale of the land Pajonal (portion), Pajonal K Lot D, Lot Corregimiento de Pance (Minas Lili) and the total sale of the land Finca La Esperanza Mina Cial, Lot 1 Isla Barú and El Volador Oriental.
- (2) Composed of a financial movement tax for \$3,712 (2018 \$2,877) and other taxes for \$1,044 (2018 \$2,938).
- (3) Corresponds mainly to donations made to Fundación Grupo Argos.

NOTE 36: FINANCE EXPENSES, NET.

At 31 December, comprise:

| | 2019 | 2018 |
|--|------|------|
|--|------|------|

| | | |
|---|------------------|------------------|
| Other financial income | 277 | - |
| Gains (losses) from valuation of financial assets at fair value | 17 | (493) |
| Total financial income | 294 | (493) |
| Other financial expenses | (698) | (901) |
| Valuation loss or amortized cost | (834) | - |
| Exchange rate differences (1) | (2,468) | 440 |
| Interest (2) | (98,947) | (110,096) |
| Total financial expenses | (102,947) | (110,557) |
| Total financial expenses, net | (102,653) | (111,050) |

(1) During the year the Company had a net foreign exchange expense of \$2,468 (2018 net income of \$440) which is explained:

- Exchange rate difference on synthetic credits: expense of \$2,621 corresponding to the devaluation assumed on the derivatives used to cover the credits. This difference in exchange corresponds to a higher cost of debt.
- Exchange rate difference in other commercial operations: income of \$153 that corresponds to the impact of the variation in the exchange rate on payables and the clearing account.

(2) The Company did not capitalize any borrowing costs.

NOTE 37: EARNINGS PER SHARE.

| | 2019 | 2018 |
|---|-----------------|-----------------|
| | Pesos per share | Pesos per share |
| Basic earnings per share: | | |
| From continuing operations | 563 | 947 |
| Total basic earnings per share | 563 | 947 |
| Diluted earnings per share: | | |
| From continuing operations | 563 | 947 |
| Total diluted earnings per share | 563 | 947 |

37.1 Basic earnings per ordinary share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2019 | 2018 |
|---|-------------|-------------|
| Profit for the year attributable to controllers of the company | 482,739 | 811,676 |
| Earnings used in the calculation of basic earnings per share | 482,739 | 811,676 |
| Earnings used in the calculation of basic earnings per share from continuing operations | 482,739 | 811,676 |
| Weighted average number of ordinary shares for basic earnings per share purposes | 857,227,180 | 857,227,180 |

37.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

| | 2019 | 2018 |
|--|---------|---------|
| Earnings used in the calculation of total basic earnings per share | 482,739 | 811,676 |
| Earnings used in the calculation of diluted earnings per share | 482,739 | 811,676 |

| | | |
|---|---------|---------|
| Earnings used in the calculation of diluted earnings per share from continuing operations | 482,739 | 811,676 |
|---|---------|---------|

The weighted average number of ordinary shares for diluted earnings per share purposes is reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 2019 | 2018 |
|--|-------------|-------------|
| Weighted average number of ordinary shares used in calculation of basic earnings per share | 857,227,180 | 857,227,180 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 857,227,180 | 857,227,180 |

NOTE 38: INFORMATION ON RELATED PARTIES.

| Transactions with related parties - Income and Expenses | Entities with significant influence on the Company | | Investments in associates | | Investments in joint ventures | | Investments in subsidiaries | | Member of the Board of Directors | | Other related parties | | Key Management Personnel | | Grand total | |
|---|--|---------------|---------------------------|---------------|-------------------------------|---------------|-----------------------------|----------------|----------------------------------|------------|-----------------------|----------|--------------------------|---------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Dividend income | 71,347 | 67,196 | 8,677 | 14,016 | 23,012 | 11,513 | - | - | - | - | - | - | - | - | 103,036 | 92,725 |
| Leases as lessor | - | - | - | - | - | - | 2,820 | 4,081 | - | - | - | - | - | - | 2,820 | 4,081 |
| Income from the sale of goods and services | - | - | 92 | 157 | - | - | 122,792 | 654,602 | - | - | - | - | - | - | 122,884 | 654,759 |
| Transfers according to financial agreements to the entity | - | - | - | - | - | - | 5,668 | 2,057 | - | - | - | - | 373 | 316 | 6,041 | 2,373 |
| Total income | 71,347 | 67,196 | 8,769 | 14,173 | 23,012 | 11,513 | 131,280 | 660,740 | - | - | - | - | 373 | 316 | 234,781 | 753,938 |
| Services received and remuneration | 999 | 1,345 | 4,088 | 2,081 | - | - | 184 | 305 | 801 | 770 | - | - | 40,857 | 26,643 | 46,929 | 31,144 |
| Leases as a lessee | - | - | 1,364 | 4,531 | - | - | - | - | - | - | - | - | - | - | 1,364 | 4,531 |
| Transfers according to financial agreements from the entity | - | - | 667 | - | - | - | - | - | - | - | - | - | - | - | 667 | - |
| Settlement of the entity's liabilities by a related party | - | - | - | 1,128 | - | - | - | 16 | - | - | - | - | - | - | - | 1,144 |
| Total expenses | 999 | 1,345 | 6,119 | 7,740 | - | - | 184 | 321 | 801 | 770 | - | - | 40,857 | 26,643 | 48,960 | 36,819 |

| Transactions with related parties - Receivables and Payables | Entities with significant influence on the Company | | Investments in associates | | Investments in joint ventures | | Investments in subsidiaries | | Other related parties | | Key Management Personnel | | Grand total | |
|--|--|---------------|---------------------------|------------|-------------------------------|----------|-----------------------------|----------------|-----------------------|----------|--------------------------|--------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Business Current Accounts | - | - | 7 | - | - | - | 86,770 | 98,342 | - | - | - | - | 86,777 | 98,342 |
| Loans | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Associated receivables and joint control | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends and/or shares receivable | 17,837 | 16,799 | - | - | - | - | 66,451 | 63,008 | - | - | - | - | 84,288 | 79,807 |
| Receivables from management employees | - | - | - | - | - | - | - | - | - | - | 6,151 | 5,399 | 6,151 | 5,399 |
| Total receivables | 17,837 | 16,799 | 7 | - | - | - | 153,221 | 161,350 | - | - | 6,151 | 5,399 | 177,216 | 183,548 |
| Suppliers associates | - | 747 | 250 | 111 | - | - | 2,230 | 143 | - | - | - | - | 2,480 | 1,001 |
| Payables to associates | - | - | - | 324 | - | - | - | 2,134 | - | - | - | - | - | 2,458 |
| Dividends payable | 20,018 | 18,802 | - | - | - | - | - | - | - | - | - | - | 20,018 | 18,802 |
| Total payables | 20,018 | 19,549 | 250 | 435 | - | - | 2,230 | 2,277 | - | - | - | - | 22,498 | 22,261 |
| Right-of-use assets | - | - | 9,333 | - | - | - | - | - | - | - | - | - | 9,333 | - |
| Right-of-use liabilities | - | - | 9,620 | - | - | - | - | - | - | - | - | - | 9,620 | - |

The outstanding amounts are not guaranteed and will be settled in cash. No collaterals have been pledged or received. These amounts are measured at amortized cost since they have an agreed remuneration condition. The rate for these receivables is the cost of the Company's short-term debt plus an additional two hundred basic points. For payables it is the cost of the Company's debt.

In 2019, impairment is recognized on receivables from Industrias Metalurgica Apolo S.A. for \$325 due to the fact that it entered into the liquidation process.

The Company has granted loans to key management personnel at preferential interest rates but subsequently values the instrument at comparable market rates.

Transactions between the reporting company and its related parties are realized on terms equivalent to those of transactions between independent party.

The average term of receivables from related parties with respect to the sale of goods is 30 days, except for companies in liquidation which is 12 months.

At the end of 2019, receivables from related parties include \$86,391 (2018 \$97,242) from the sale of 9,704,318 shares of Odinsa S.A. to the subsidiary Sator S.A.S. and include interest.

Payables to key personnel have an average term of 60 days. The average term of the loans for 2019 is 7 years, agreed at a rate of 5.6% EAR, (in 2018 the loans had a term of 2 years at a rate of 7.01%)

Remuneration to key management personnel

The remuneration awarded to key management personnel during the year was as follows:

| | 2019 | 2018 |
|---|---------------|---------------|
| Short-term benefits | 40,677 | 25,246 |
| Post-Employment Benefits | 573 | 2,167 |
| Termination benefits | 408 | - |
| Total compensation awarded to key management personnel | 41,658 | 27,413 |

Values detailed in the table correspond to the values recognized as expenses during the period.

NOTE 39: CONTINGENT ASSETS AND LIABILITIES

The most significant contingencies that were not recognized as provisions in the financial statements are indicated below:

39.1 Contingent assets

At 31 December 2019, the Company has contingent assets for \$2,900 with the Special Industrial and Port District of Barranquilla for processes with pro-hospital stamps, of which \$2,294 correspond to the plaintiff Grupo Argos S.A. and \$606 correspond to Situm S.A.S. (company absorbed by Grupo Argos).

39.2 Contingent liabilities

The Company does not present contingent liabilities subject to disclosure.

NOTE 40: EMISSIONS. REPURCHASES AND REIMBURSEMENT OF DEBT OR CAPITAL.

In June 2019, the Board of Directors authorized the legal representatives to take the necessary steps to increase the global quota of the issuance and placement program of ordinary bonds and commercial papers of Grupo Argos S.A. for an additional \$850,000, of which \$450,000 were issued in August 2019, distributed in 3 series: 3 years \$123,500 at a fixed rate, 6 years \$157,965 and 15 years \$168,535 indexed to the CPI. In addition, in September the third series of bonds, issued in 2014 for \$114,963, matured.

In 2018, commercial papers were repurchased for \$259,039, which matured in full in the same period. In addition, the Company received a five-year loan of \$460,000 which was used to finance the purchase of shares of Cementos Argos S.A. and to replace liabilities maturing in 2020 for \$160,000.

NOTE 41: EVENTS AFTER THE REPORTING PERIOD.

Between 31 December 2019 and the issuance date of the Company's separated financial statements, no subsequent events occurred that might significantly affect the financial position reflected in the financial statements.