

Colombia Telecomunicaciones S.A. E.S.P. and

Subsidiaries¹

As of June 30, 2020

(Figures in billions of pesos or when indicated otherwise)

Colombia Telecomunicaciones S.A. ESP informs that today, August 14, 2020, the **Consolidated and Separate Condensed Intermediate Financial Statements** were transmitted to the Financial Superintendence of Colombia with a cut-off date of June 30, 2020, and December 31, 2019, and for the period of three and six months ended on June 30, 2020, and 2019.

I. Relevant Issues during 1S / 20

1. Impacts of the Economic and Health Emergency caused by Covid-19.

In view of the declaration of a health emergency in Colombian territory by the National Government to contain the effects of Covid-19, Colombia Telecomunicaciones S.A. ESP has adopted measures to guarantee the continuity of operations, the provision of services and adequate attention to customers, suppliers and collaborators. In accordance with the National Government's provisions, telecommunication services are declared as essential public services. For this reason, the provision of such services may not be suspended, nor may the installation, maintenance, and adaptation of the network. Likewise, the National Government and the control agencies have issued certain decrees and measures with specific scope for the companies in the ICT sector.

The Company continues to carry out the activities inherent to its corporate purpose, within the framework of the provisions issued by the National Government and local authorities. On the other hand, the financial situation and liquidity are evaluated daily by the Administration in order to take all the appropriate measures to minimize the negative impacts that could arise from this situation during the year 2020. The effects of the adoption of Covid-19 measures are summarized in the notes to the financial statements.

2. Other Relevant Issues during 1S/20

Colombia Telecomunicaciones S.A. E.S.P. carried out a series of significant transactions during the semester ended June 30, 2020, reported as relevant facts and disclosed in the notes of the financial statements.

II. Operating Results

The health and economic emergency caused by Covid-19 has an impact on the financial and operational

¹ Subsidiaria Subsidiary as of June 30, 2020: Empresa Operaciones Tecnológicas y Comerciales S. A. S - "Optecom". As of December 31, 2019, they include; Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. - "Telebucaramanga", Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - "Metrotel" and Empresa Operaciones Tecnológicas y Comerciales S. A. S - "Optecom".

performance of the quarter, partially mitigated by the significant efficiency measures and savings in costs and expenses carried out. With a challenging environment resulting from the pandemic, positive net gains in contract and broadband customers were maintained at the end of 1S 2020.

Colombia Telecomunicaciones S.A. E.S.P.'s total customers at the end of June 30, 2020, amounted to 18.8M and are composed as follows: mobile business customers of 15.6M, which decreased year-on-year by -2.6% after registering negative net adds of -472k customers, accumulated at the end of 2Q 2020. Contract customers grew by 5.7% year-on-year after registering a cumulative net gain of +77.4k at the end of 2Q 2020. In prepaid, customers declined -5.3% year-over-year with a net gain of -550k, which is affected by the pandemic, considering it is a face-to-face sales product. On the other hand, the refill base is reaching the average number of customers that were present before the pandemic, and the offering continues to focus on convergence with fixed and mobile products. In postpaid, the offering is the most challenging in the market with unlimited data plus Netflix included, benefits in portability, and sale to equipment quotas, among others.

The fixed business customers reached 3.2M and decreased by -0.6% year-on-year, registering net adds of 26.6k customers at the end of 1S 2020. Baseline customers totaled 1.5M and declined -1.8% year-on-year, with net adds of 4.8k in 1S 2020; broadband had 1.2M customers and grew 1.1% year-on-year with net adds of 20.2k in 1S 2020; fiber reached 271.8K customers with net adds of 63.5K, and television has 529.7k customers with -0.7% year-on-year change, and 1.6k net adds, IPTV product reached 137.6K customers, a 6.8 times year-on-year growth, mainly due to the fiber deployment that has shielded the current plant and improved the customer experience.

III. Consolidated Financial Results

1. Consolidated Statements of Income

Total operating revenues for the first half of 2020 amounted to \$ 2,595MM with a 6.1% decrease compared to the same period of the previous year, an impact generated mainly by lower activity in real estate sales in 2020. Revenues from contracts with clients amounted to \$ 2,531MM which showed a slight decrease of 1% year-on-year (\$ 2,557MM in 1S 2019), mainly due to lower sales of mobile and prepaid terminals as a result of the health and economic emergency caused by Covid-19, an effect that was partially offset by the increase in data traffic, the provision of integrated solutions to corporate clients, digital services, and computer platforms. The line of other operating revenues of \$ 63MM shows a 69.2% fall due to lower activity in real estate sales in the half of 2020 compared to the same period in 2019.

Operating costs and expenses of \$ 1,874MM increased by 1.7% (\$ 31MM) year-over-year, mainly due to the execution of new integrated solutions contracts for corporate clients. There was an increase in access charges due to an increase in minute traffic and a slight impact from Covid-19 on the deterioration of accounts receivable from corporate clients and national interconnection, among others, all of which were partially offset by lower costs of mobile terminal equipment and commercial expenses.

EBITDA - an indicator that measures performance and operating results before depreciation and amortization - amounted to \$ 721MM in the first half of 2020, a decrease of 21.7% compared to the same period in 2019, when it totaled \$ 921MM.

Depreciation and amortization expense decreased 2.4% (\$ 18MM) year-over-year, mainly due to the termination of the useful life of assets associated with property, plant and equipment, and intangibles, despite the additions presented in 1S 2020. Financial expenses showed a net decrease of 1.0% (\$ 1MM) year-over-year, mainly due to the positive effect on the valuation of hedging instruments. The first half of 2020 closed with a pre-tax result of -\$ 135MM (+\$ 17MM in 1S 2019) and a net result of -\$ 186MM, which includes income tax expense of \$ 51MM (a net result of -\$ 79MM in 1S 2019).

2. Condensed Consolidated Interim Statements of Financial Position

The total consolidated assets of Colombia Telecomunicaciones S.A. ESP and its subsidiary amount to \$ 13,143MM. Current assets total \$ 2.521MM and non-current assets total \$ 10.621MM. The main variations in short-term assets are summarized below:

- i) Cash and cash equivalents increased by 17.1% (\$ 70MM) at the end of 1S 2020 compared to the end of 2019, mainly due to cash generation during 2Q 2020 with the sale of the portfolio of equipment at installments and the collection of the portfolio of the Subsidiary Telefónica Venezolana C.A.
- ii) Financial assets grow 1.6% (\$ 2MM) compared to the end of 2019. This net increase corresponds mainly to the valuation and liquidation of operations with hedging instruments, which is part of the Company's strategy for managing exchange and interest rate risk.
- iii) Prepaid expenses grew 4.6% (\$ 16MM) compared to the end of 2019, mainly due to the renewal of support and maintenance contracts in 2020 due to the growth in demand for services for clients in the corporate segment and renewal of insurance policies.
- iv) Inventories decreased by 22.9% (\$ 45MM) compared to the end of 2019, mainly due to the rationalization of mobile terminal purchases during the second quarter of 2020 as a result of the Covid-19 health emergency.
- v) Taxes and public administrations grew by 39.6% (\$ 153MM) mainly due to the recognition of the VAT tax discount on purchases of fixed assets and self-claiming income during the first half of 2020.
- vi) During 1Q 2020, the sale of non-current assets held for sale related to the Administrative Headquarters and on which a lease contract was signed for a portion of the property.

Long-term assets of Colombia Telecomunicaciones S.A. E.S.P. and its Subsidiary show a decrease of 2.2% and the main variations are summarized below:

- i) Debtors and other long-term accounts receivable decrease net by 21.6% (\$ 29MM), generated by the payment of the portfolio of the subsidiary Telefónica Venezolana C.A. and on the other hand, the long-term portion from the sale of real estate is included.

- ii) Assets from rights of use grew by 10.1% (\$ 63MM) compared to the end of 2019 due to new leasing agreements for real estate, construction, and technical installations.
- iii) Intangible assets decrease by 6.6% (\$ 117MM) mainly due to amortization during 1S 2020 and lower additions during the period.

Total consolidated liabilities amount to \$ 8,432MM and show a net increase of 26.5% (\$ 1,769MM) compared to the closing of 2019. Current liabilities amount to \$ 2,232MM and decrease 13.0% and non-current liabilities to \$ 6,201MM presenting a 51.3% increase. The main variations are summarized below:

- i) Total financial debt presents a net increase of 53.7% (\$ 2,173MM) with respect to the closing of 2019 and includes mainly financial debt of \$ 1,783MM for the payment of the Hybrid Bond for USD\$ 500 million which was recognized in Equity, the increase of \$ 359MM due to the devaluation of the peso against the dollar in 1S 2020 (without considering the valuation and liquidation of hedges) and the recognition of new real estate and infrastructure leases for \$ 114MM and other financial operations.
- ii) Suppliers and total accounts payable show a net decrease of 25.1% (\$ 483MM) as compared to the end of 2019, mainly due to credits and payments on account of third parties, related to the acquisition of Capex at the end of 2019 and the execution of corporate projects.
- iii) Taxes and public administrations increase by 90.3% (\$ 107MM) mainly due to VAT for the first and second two-month period of 2020 and the withholding tax returns that will be offset in the coming months with the balance in favor of income and complementary taxes for the taxable year 2019.
- iv) Total pension provisions and liabilities decrease by 4.8% (\$ 20MM), mainly due to the payment of employee benefits and taxes and duties used during 1S 2020.

Consolidated net equity at the end of the first half of 2020 amounts to \$ 4,710MM with a net decrease of 28.8% (\$ 1,903MM) mainly due to: a) the transfer of the Hybrid Bond to the financial obligations item resulting from the announcement of the redemption of \$ 1,744MM at its fair value, b) the result of the first half of 2020 and c) the benefit in hedge valuation of \$ 23MM and other equity transactions during 1S 2020.

IV. Financial Results – Separated ²

1. Comprehensive Intermediate Outcome Statement Separate Condensate

Operating revenues for the first half of 2020 were \$ 2,586MM, which includes service revenues of \$ 2,531MM with a 2.2% year-on-year growth (\$ 2,476 1S of 2019), mainly due to lower sales of mobile and prepaid terminals as a result of the health and economic emergency caused by the Covid-19, an

² By virtue of the merger by absorption process carried out on May 27, 2020, between Colombia Telecomunicaciones S. A. E.S.P. as the absorber of the companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Telecomunicaciones S. A. E.S.P., the Company's management prepared the statement of comprehensive income as of June 30, 2020, absorbing the results of the six-month period ended on June 30, 2020, of the absorbed companies.

effect that is partially offset by the increase in data traffic, the provision of integrated solutions to corporate clients, digital services and computer platforms. The line of other operating revenues of \$ 63MM shows a 69.2% fall due to lower activity in the sale of real estate in the half of 2020 compared to the same period in 2019.

Operating costs and expenses of \$ 1,867MM increased 4.2% (\$ 76MM) year-over-year mainly due to the execution of new integral solutions contracts with corporate clients, an increase in mobile-mobile access charges due to an increase in minute traffic, greater deterioration of accounts receivable from corporate clients and national interconnection with a slight impact generated by Covid-19 and, on the other hand, a decrease in the cost of equipment and commercial expenses.

EBITDA - the indicator that measures performance and operating results before depreciation and amortization - closed the first half of 2020 at \$ 719MM, down 19.2% year-on-year, impacted by higher commercial costs and the decrease in other operating revenues.

Depreciation and amortization expenses increased by 2.7% (\$ 19MM) year-over-year, mainly due to new construction and technical site rental agreements on rights-of-use assets. On the other hand, financial expense increased 7.4% (\$ 10MM) year-over-year, mainly generated by financial expenses incorporated in the merger process for the six-month period ended June 30, 2020.

EI The first half of 2020 closes with a pre-tax result of -\$ 136MM (+\$ 61MM in 1S 2019) and a net result of -\$ 187MM, which includes income tax expense of \$ 51MM (a net result of -\$ 96MM in 1S 2019).

V. Subsequent Events

Information relating to subsequent events is disclosed in the notes to the financial statements.

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The information contained in this release should be read in conjunction with the published **Condensed Interim Financial Statements and Notes** to the Financial Statements. The financial indicators are included in those statements.

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Colombia Telecomunicaciones S. A. E.S.P. y su Subsidiaria
Condensed Consolidated Interim Financial Statements

As of June 30, 2020, and for the six-month period ending June 30, 2020, with a report from the statutory auditor

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Legal Representative and Public Accountant Certification

To the Shareholders of
Colombia Telecomunicaciones S. A. E.S.P.

August 12, 2020

The undersigned Legal Representative and Public Accountant of Colombia Telecomunicaciones S. A. E.S.P. (hereinafter "the Company") certify that for the issuance of the Condensed Consolidated Interim Statement of Financial Position as of June 30, 2020, and the Condensed Consolidated Statement of Comprehensive Income, Statement of Changes in Condensed Consolidated Equity and the Condensed Consolidated Statement of Cash Flows for the period then ended, we have received the following information that in accordance with the regulations are made available to the shareholders and third parties, the statements contained therein have been previously verified, and the figures have been faithfully taken from the books of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiary. These explicit and implicit statements are as follows:

1. All assets and liabilities included in the condensed consolidated interim financial statements of the Company and its subsidiary as of June 30, 2020, exist, and all transactions included in such condensed consolidated interim financial statements have been completed during the period then ended.
2. All economic events in the six months ended June 30, 2020, for the Company and its subsidiary, have been recognized in the condensed consolidated interim financial statements.
3. Assets represent the potential to produce economic benefits (rights) and liabilities represent the obligation to transfer the economic resource (obligations), obtained or payable by the Company and its subsidiary as of June 30, 2020.
4. All elements have been recognized at their appropriate values, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia - (NCIF).
5. All economic events affecting the Company and its subsidiaries have been properly classified, described, and disclosed in the condensed consolidated interim financial statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card No. 61851-T

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
AS OF JUNE 31, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	As of June 30,		As of December 31	
		2020		2019	
		(in thousands of US\$)(a)	(in thousands of COP\$)	(in thousands of US\$)(a)	(in thousands of COP\$)
Assets					
Current assets:					
Cash and cash equivalents	6	128.158	481.396.084	109.439	411.083.341
Financial Assets	7	11.673	43.847.313	19.251	72.311.618
Debtors and other receivables, net	8	277.812	1.043.540.741	267.676	1.005.467.603
Prepaid expenses	9	61.766	232.008.644	47.817	179.613.852
Contractual assets		7.153	26.868.774	6.747	25.345.441
Inventories	10	40.478	152.046.117	52.480	197.129.274
Taxes and Public Administration	11	144.157	541.495.626	103.279	387.944.894
Non-current assets held for sale		-	-	35.824	134.566.415
Total current assets		671.197	2.521.203.299	642.513	2.413.462.438
Non-current assets:					
Financial Assets	7	16.269	61.111.341	8.259	31.022.891
Debtors and other receivables, net	8	27.734	104.177.491	35.381	132.901.742
Prepaid expenses	9	35.286	132.545.119	44.939	168.804.209
Contractual assets		9	31.992	23	84.986
Right of use assets	12	181.746	682.688.828	165.036	619.920.941
Property, plant and equipment	13	1.322.264	4.966.793.825	1.354.671	5.088.524.608
Investment properties		2.008	7.542.910	2.008	7.542.910
Intangibles	14	437.944	1.645.040.654	469.061	1.761.923.054
Goodwill		365.335	1.372.301.565	365.335	1.372.301.565
Deferred taxes	11	439.020	1.649.081.218	447.361	1.680.411.370
Total non-current assets		2.827.615	10.621.314.943	2.892.074	10.863.438.276
Total assets		3.498.812	13.142.518.242	3.534.587	13.276.900.714
Liabilities					
Current liabilities:					
Financial obligations	15	120.416	452.316.578	109.163	410.047.634
Suppliers and accounts payable	16	352.984	1.325.906.109	474.258	1.781.446.479
Contractual liabilities	17	21.927	82.362.450	22.363	84.001.127
Taxes and Public Administration	11	59.840	224.776.746	31.453	118.144.838
Deferred liabilities		977	3.669.761	1.038	3.898.693
Provisions and pension liabilities	18	38.049	142.924.520	44.358	166.619.657
Total current liabilities		594.193	2.231.956.164	682.633	2.564.158.428
Non-current liabilities:					
Financial obligations	15	1.535.136	5.766.401.706	967.985	3.636.024.497
Suppliers and accounts payable	16	31.908	119.853.928	39.326	147.718.687
Contractual liabilities	17	11.554	43.401.234	12.629	47.439.744
Deferred liabilities		3.004	11.283.523	3.213	12.068.444
Provisions and pension liabilities	18	69.110	259.596.425	68.205	256.198.214
Total non-current liabilities		1.650.712	6.200.536.816	1.091.358	4.099.449.586
Total liabilities		2.244.905	8.432.492.980	1.773.991	6.663.608.014
Total equity, attributable to controlling interests	19	1.253.907	4.710.025.262	1.760.596	6.613.291.997
Equity attributable to non-controlling interests		-	-	-	703
Total liabilities and shareholders' equity		3.498.812	13.142.518.242	3.534.587	13.276.900.714

(a) Solely for the convenience of the reader, Colombian pesos amounts at June 30, 2020 and December 31, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on June 30, 2020 of COP\$3.756,28 to US\$1,00.

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
AS OF JUNE 31, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Six-month period ended June 30,		Three-month period ended June 30,	
		2020 (in thousands of US\$)(a)	2019 (in thousands of US\$)(a)	2020 (in thousands of US\$)(a)	2019 (in thousands of US\$)(a)
Operating income:					
Income from contracts with customers	20	673.857	680.843	330.542	340.925
Other operating income	21	16.876	54.793	8.059	37.391
		690.733	735.636	338.601	378.316
Operating costs and expenses	22	-498.771	(490.396)	(237.588)	(254.831)
Operating profit before depreciation and amortization		191.962	245.240	241.163	123.485
Depreciation and amortization	23	-190.123	(194.809)	(97.438)	(97.578)
Operational result		1.839	50.431	143.725	25.907
Interest expense, net	24	-37.913	(38.297)	(8.197)	(20.191)
Profit before taxes		(36.074)	12.134	135.528	5.716
Income and supplementary taxes	11	-13.503	(24.767)	(16.312)	(15.759)
Net profit for the period		(49.577)	(12.633)	119.216	(10.043)
Net income per share for the period		(0,015)	(0,004)	(0,006)	(0,003)
Results attributable to:					
Controlling interests		(49.576)	(12.190)	(20.934)	(9.662)
Non-controlling interests		-	(442)	0	(381)
Net profit for the period		(49.576)	(12.632)	(20.934)	(10.043)
Other comprehensive income:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11	6.092	7.607	(39.943)	7.112
		6.092	7.607	(39.943)	7.112
Items that are not reclassified to the income statement					
Revaluation of real estate		-	47.901	-	47.901
Actuarial earnings		-	2.241	-	2.241
Other comprehensive income		6.092	57.749	(39.943)	57.254
Comprehensive income for the period		(43.485)	45.116	79.273	47.211
Comprehensive income attributable to:					
Controlling interests		(43.483)	45.198	(60.877)	47.104
Non-controlling interests		-	(81)	-	108
Comprehensive income for the period		(43.483)	45.117	(60.877)	47.212
Net comprehensive income per share for the dollar period.		0,013	0,013	(0,018)	0,014

(a) Solely for the convenience of the reader, Colombian pesos amounts at June 30, 2020 and June 30, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on June 30, 2020 of COP\$3.756,28 to US\$1,00.

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
AS OF JUNE 31, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Six-month period ended June 30,		Three-month period ended June 30,	
		2020	2019	2020	2019
		(in thousands of COP\$)			
Operating income:					
Income from contracts with customers	20	2.531.197.086	2.557.438.453	1.241.609.136	1.280.610.505
Other operating income	21	63.392.268	205.819.528	30.272.275	140.450.587
		2.594.589.354	2.763.257.981	1.271.881.411	1.421.061.092
Operating costs and expenses	22	(1.873.521.799)	(1.842.063.924)	(892.446.298)	(957.216.290)
Operating profit before depreciation and amortization		721.067.555	921.194.057	379.435.113	463.844.802
Depreciation and amortization	23	(714.153.867)	(731.757.876)	(366.003.912)	(366.528.998)
Operational result		6.913.688	189.436.181	13.431.201	97.315.804
Interest expense, net	24	(142.411.330)	(143.854.639)	(30.789.021)	(75.844.441)
Profit before taxes		(135.497.642)	45.581.542	(17.357.820)	21.471.363
Income and supplementary taxes	11	(50.722.110)	(93.032.658)	(61.273.505)	(59.195.216)
Net profit for the period		(186.219.752)	(47.451.116)	(78.631.325)	(37.723.853)
Net income per share for the period		(54,61)	(13,92)	(23,06)	(11,06)
Results attributable to:					
Controlling interests		(186.219.752)	(45.789.419)	(78.632.864)	(36.292.908)
Non-controlling interests		-	(1.661.697)	1.539	(1.430.945)
Net profit for the period		(186.219.752)	(47.451.116)	(78.631.325)	(37.723.853)
Other comprehensive income:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11	22.884.297	28.573.748	(150.037.762)	26.715.748
		22.884.297	28.573.748	(150.037.762)	26.715.748
Items that are not reclassified to the income statement					
Revaluation of real estate		-	179.929.542	-	179.929.542
Actuarial earnings		-	8.418.706	-	8.418.706
Other comprehensive income		22.884.297	216.921.996	(150.037.762)	215.063.996
Comprehensive income for the period		(163.335.455)	169.470.880	(228.669.087)	177.340.143
Comprehensive income attributable to:					
Controlling interests		(163.335.455)	169.776.176	(228.670.626)	176.934.248
Non-controlling interests		-	(305.296)	1.539	405.895
Comprehensive income for the period		(163.335.455)	169.470.880	(228.669.087)	177.340.143
Net comprehensive income per share for the dollar		47,90	49,70	(67,06)	52,01

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF JUNE 30, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	results of post- employment benefit obligations	Accumulated results	Total	Non-controlling interests	Total equity
(in thousands of US\$)(a)										
Balances as of December 31, 2018	908	2.614.922	9.612	336.250	120.238	-3.334	(1.336.385)	1.742.211	2.105	1.744.316
Coupon for perpetual assets (Note 19)	-	-	-	-	-	-	(18.052)	(18.052)	-	(18.052)
Net profit for the period	-	-	-	-	-	-	(12.190)	(12.190)	(442)	(12.632)
Transactions with non-controlling interests and others	-	-	-	-	-	-	(87)	(87)	-	(87)
Transfers (Note 19)	-	-	-	-	(3.876)	-	3.876	-	-	-
Other comprehensive income for the period	-	-	-	-	57.388	-	-	57.388	361	57.749
Balances as of June 30, 2019	908	2.614.922	9.612	336.250	173.750	(3.334)	(1.362.838)	1.769.270	2.024	1.771.294
Balances as of December 31, 2019	908	2.614.922	9.612	336.250	140.882	(3.297)	(1.338.681)	1.760.596	-	1.760.596
Issuance of shares (Note 1.2)	-	-	-	-	-	-	-	-	-	-
Coupon on Perpetual Equity Instruments (Note 19)	-	-	-	-	-	-	(14.652)	(14.652)	-	(14.652)
Net profit for the period	-	-	-	-	-	-	(49.576)	(49.576)	-	(49.576)
Payment of Perpetual Asset Instruments (Note 19)	-	-	-	(336.250)	-	-	(113.435)	(449.685)	-	(449.685)
Constitution of occasional reserves (Note 19)	-	-	9.298	-	-	-	(9.298)	-	-	-
Transactions with non-controlling interests and others	-	-	-	-	-	-	1.132	1.132	-	1.132
Transfers (Note 19)	-	-	-	-	(24.628)	-	24.628	-	-	-
Other comprehensive income for the period	-	-	-	-	6.092	-	-	6.092	-	6.092
Balances as of June 30, 2020	908	2.614.922	18.910	-	122.346	(3.297)	(1.499.882)	1.253.907	-	1.253.907

(b) Solely for the convenience of the reader, Colombian pesos amounts at June 30, 2020 and June 30, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on June 30, 2020 of COP\$3.756,28 to US\$1,00.

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF JUNE 30, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	results of post- employment benefit obligations	Accumulated results	Total	Non-controlling interests	Total equity
	(in thousands of COP\$)									
Balances as of December 31, 2018	3.410.059	9.822.380.645	36.105.611	1.263.049.667	451.647.002	(12.522.435)	(5.019.837.636)	6.544.232.913	7.905.306	6.552.138.219
Coupon for perpetual assets (Note 19)	-	-	-	-	-	-	(67.807.475)	(67.807.475)	-	(67.807.475)
Net profit for the period	-	-	-	-	-	-	(45.789.419)	(45.789.419)	(1.661.697)	(47.451.116)
Transactions with non-controlling interests and others	-	-	-	-	-	-	(328.384)	(328.384)	-	(328.384)
Transfers (Note 19)	-	-	-	-	(14.560.885)	-	14.560.885	-	-	-
Other comprehensive income for the period	-	-	-	-	215.565.595	-	-	215.565.595	1.356.401	216.921.996
Balances as of June 30, 2019	3.410.059	9.822.380.645	36.105.611	1.263.049.667	652.651.712	(12.522.435)	(5.119.202.029)	6.645.873.230	7.600.010	6.653.473.240
Balances as of December 31, 2019	3.410.059	9.822.380.645	36.105.611	1.263.049.667	529.191.883	(12.386.002)	(5.028.459.866)	6.613.291.997	703	6.613.292.700
Issuance of shares (Note 1.2)	16	-	-	-	-	-	-	16	-	16
Coupon on Perpetual Equity Instruments (Note 19)	-	-	-	-	-	-	(55.037.974)	(55.037.974)	-	(55.037.974)
Net profit for the period	-	-	-	-	-	-	(186.219.752)	(186.219.752)	-	(186.219.752)
Payment of Perpetual Asset Instruments (Note 19)	-	-	-	(1.263.049.667)	-	-	(426.095.333)	(1.689.145.000)	-	(1.689.145.000)
Constitution of occasional reserves (Note 19)	-	-	34.925.054	-	-	-	(34.925.054)	-	-	-
Transactions with non-controlling interests and others	-	-	-	-	-	-	4.251.678	4.251.678	(703)	4.250.975
Transfers (Note 19)	-	-	-	-	(92.509.970)	-	92.509.970	-	-	-
Other comprehensive income for the period	-	-	-	-	22.884.297	-	-	22.884.297	-	22.884.297
Balances as of June 30, 2020	3.410.075	9.822.380.645	71.030.665	-	459.566.210	(12.386.002)	(5.633.976.331)	4.710.025.262	-	4.710.025.262

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS
AS OF JUNE 30, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Six-month period ended June 30,			
		2020		2019	
		(in thousands of US\$)(a)	(in thousands of COP\$)	(in thousands of US\$)(a)	(in thousands of COP\$)
Net cash flows from operating activities					
Cash received from customers		716.119	2.689.942.681	767.230	2.881.931.707
Cash paid to suppliers and other accounts payable		(521.937)	(1.960.539.785)	(623.257)	(2.341.126.766)
Net interest paid and other financial expenses		(32.619)	(122.525.561)	(33.514)	(125.888.690)
Direct taxes paid		(43.617)	(163.838.142)	(24.388)	(91.608.508)
Self-withholding on income tax		(19.036)	(71.502.933)	(6.209)	(23.320.915)
Interest paid on finance leases	15	(4.553)	(17.103.553)	(2.300)	(8.639.556)
Net cash provided by operating activities		94.357	354.432.707	77.562	291.347.272
Net cash flows used in investing activities					
Collections for the sale of movable and immovable property		40.363	151.614.858	45.371	170.426.594
Advance made for acquisition of shares		-	-	(3.986)	(14.973.984)
Payments for investments in plant and equipment and intangibles		(210.656)	(791.284.211)	(107.085)	(402.242.790)
Net cash used in investing activities		(170.293)	(639.669.353)	(65.700)	(246.790.180)
Flujos de efectivo neto usado en actividades de financiación					
New financial debt		846.235	3.178.695.620	87.500	328.672.804
Receipts from exchange rate hedges		180.784	679.075.530	19.154	71.947.791
Payment of financial debt		(35.417)	(133.034.532)	(203.642)	(764.935.039)
Local bond issuance		-	-	133.110	500.000.000
Senior bonus payment		(313.060)	(1.175.939.200)	-	-
Payment of Perpetual Debt Instruments		(531.887)	(1.997.915.000)	-	-
Payment of coupon on perpetual assets instruments		(22.605)	(84.911.387)	(18.052)	(67.807.475)
Lease payments	15	(29.397)	(110.421.642)	(22.523)	(84.603.644)
Net cash provided by financing activities		94.653	355.549.389	(4.453)	(16.725.563)
Net (decrease) increase in cash and cash equivalents		18.719	70.312.743	7.409	27.831.529
Cash and cash equivalents as of January 1		109.439	411.083.341	32.931	123.696.866
Cash and cash equivalents at 30 June	6	128.158	481.396.084	40.340	151.528.395
Cash and cash equivalents as of 1 January					
		109.439	411.083.341	32.931	123.696.866
Cash, accessible Cash and Banks		95.890	360.188.831	26.620	99.993.521
Temporary investments		13.549	50.894.510	6.310	23.703.345
Cash and cash equivalents at 30 June		128.158	481.396.084	40.340	151.528.395
Cash, accessible Cash and Banks		86.251	323.981.193	27.655	103.881.117
Temporary investments		41.907	157.414.891	12.685	47.647.278

(c) Solely for the convenience of the reader, Colombian pesos amounts at June 30, 2020 and June 30, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on June 30, 2020 of COP\$3.756,28 to US\$1,00.

Notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. Y SU SUBSIDIARIA
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2020, AND FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

1. GENERAL INFORMATION

1.1. Economic entity

Colombia Telecomunicaciones S. A. E.S.P. (hereinafter "the Company"), was incorporated as a stock corporation in Colombia by means of public deed No. 1331 of June 16, 2003, with duration until December 31, 2092, and with the main domicile in Bogotá D.C. located at transversal 60 No.114 A - 55. The Company, whose capital is mainly owned by private individuals, is subject to the legal regime provided for in Law 1341 of 2009 and other applicable regulations and is thus classified as a public service company (P.S.C.).

The Company's main corporate purpose is the organization, operation, provision, supply and operation of telecommunications activities, networks and services, such as basic local, extended local and long distance national and international switched public telephony, mobile services, cellular mobile telephone services in any territorial order, national or international, carriers, teleservices, telematics, value added services, satellite services in their different modalities, television services in all their modalities including cable television, broadcasting services, wireless technologies, video, computer application hosting services, data center services, private and public telecommunications network operation services and total information system operations, services for the provision and/or generation of content and applications, information services and any other activity, product or service qualified as telecommunications and/or information and communication technologies (ICT), such as resources, tools, equipment, software, applications, networks and media, which enable compilation, processing, storage, transmission of information such as voice, data, text, video and images, including their complementary and supplementary activities, within the national territory and abroad and in connection with the outside, using their own property, assets and rights or exercising the use and enjoyment of property, assets and rights of third parties. Likewise, the Company may carry out the commercial activities that have been defined in its articles of association.

On September 27, 2017, the Company acquired the majority shareholding in Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P., equivalent to 99.99% and 99.97%, respectively. As a result, Telefónica S. A. acquired control of these companies through Colombia Telecomunicaciones S. A. E.S.P. and on November 9 and 8, 2017, the aforementioned control situation was registered with the Bucaramanga and Barranquilla Chamber of Commerce, respectively. On April 9, 2018, the Company registered the status of the Company's Business Group, Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E. S. P. with the controlling company Telefónica S. A.

The companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P. own 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom". The situation of control over Optecom is predicated on Telefónica S. A., which registered it with the Barranquilla Chamber of Commerce on November 8, 2018.

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. – “Telebucaramanga”

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - "Telebucaramanga" (formerly Empresas Públicas de Bucaramanga S. A. E.S.P.), was established on November 21, 1972, by Agreement 51 of the Bucaramanga Council. In accordance with public deed number 1435 dated May 23, 1997, it is a mixed public service provider, structured under the scheme of a joint-stock company regulated under the terms established in Law 142 of 1994 and other rules governing these services. The term of the company is indefinite. The address registered as domicile and main office is Calle 36 No 14 -71 (Bucaramanga - Colombia).

The corporate purpose of "Telebucaramanga" is the provision of public home telecommunications services, telematics and other complementary, value-added activities derived and/or related to such services, to make strategic alliances, shared partnerships, to enter into administrative agreements and contracts, to market services provided by third parties, to carry out administration, marketing and operation of property and real estate and to participate in public tenders.

Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - “Metrotel”

La Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - "Metrotel," was established in accordance with Colombian law on May 9, 1994, as a corporation, through Public Deed No. 1.586 of Notary 5 of Barranquilla. The term of the company expires on January 12, 2028. The address registered as domicile and main office is Calle 74 No. 57-35 (Barranquilla - Colombia).

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Metrotel's main corporate purpose is the provision and operation of all types of telecommunications services, authorizations, and concessions, including the study, design, construction, assembly, installation, improvement, maintenance, lease, administration, and operation of telecommunications services and networks.

Empresa Operaciones Tecnológicas y Comerciales S. A. S – “Optecom”

The Company Operaciones Tecnológicas y Comerciales S. A. S - "Optecom" was incorporated under Colombian law on October 22, 2013, as a simplified stock company (S. A. S.). The term of the company is indefinite, the address registered as domicile and main office is Via 40 No. 73-290 Office 409 (Barranquilla - Colombia)

The main corporate purpose is to carry out one or more of the activities provided for in Law 1341 of 2009, for providers of information and communications technology networks and services and other activities that are specific to and complementary to the information and communications technology sector.

1.2. Integration of Subsidiaries and Merger Process

With the advance payment of the operation contract with Parapat in 2017 and the transfer to the Company of the shares it had in Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - the Subsidiaries, since the fourth quarter of 2017, Colombia Telecomunicaciones has achieved with the Subsidiaries: (i) operational integration without affecting the service; (ii) integral process management, (iii) brand and offer unification, and (iv) important synergies.

The activities carried out for legal integration are as follows:

- a) In the Board of Directors No. 128 of June 12, 2019, the Company's Management proposed to carry out a merger by absorption through which Colombia Telecomunicaciones S. A. E.S.P. will absorb Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and the Board of Directors decided:
 - To propose to the Company's General Shareholders' Meeting for its consideration and subsequent approval, the merger by which the Company will absorb Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P., prior completion of the independent valuation and special purpose financial statement preparation processes, as well as compliance with applicable legal and corporate provisions.
 - Order the management to perform all acts required to carry out the meeting of the Shareholders' Meeting, as well as all those acts aimed at perfecting the merger.
- b) At extraordinary meetings held on August 28, 29 and 30, 2019, respectively, the General Shareholders' Meetings of Colombia Telecomunicaciones S. A. E.S.P., Metropolitana de Telecomunicaciones S. A. E.S.P. (Metrotel) and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. (Telebucaramanga), approved the Merger Commitment by absorption, by virtue of which Colombia Telecomunicaciones S. A. E.S.P. as the absorbing company, will absorb (i) Metrotel and (ii) Telebucaramanga, as absorbed companies, as stated in Act No. 66 of Colombia Telecomunicaciones S. A. E.S.P., Act No. 046 of Metrotel and Act No. 52 of Telebucaramanga.
- c) On October 9, 2019, the General Assembly of Holders of Ordinary Bonds of the Company was held, in which the merger operation between Colombia Telecomunicaciones S. A. E.S.P. and the companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Telecomunicaciones S. A. E.S.P. was approved, in compliance with the special majorities established in articles 6.4.1.1.22 and 6.4.1.1.42 of Decree 2555 of 2010. According to the approvals granted by the General Shareholders Meetings of the Absorbing Company and the Absorbed Companies, as well as with the Meeting of Holders of Ordinary Bonds of the issue made by Colombia Telecomunicaciones S. A. E.S.P. in May 2019, the Company filed on October 9, 2019, with the Superintendence of Finance of Colombia, the request for authorization to carry out the merger by absorption of Colombia Telecomunicaciones S. A. E.S.P. and the Absorbed Companies.
- d) Through Resolution No. 0468 of May 13, 2020, notified on May 15, 2020, the Financial Superintendence of Colombia authorized Colombia Telecomunicaciones S.A. E.S.P. to solemnize the statutory reform of the merger by absorption, acting as the absorbing company of Metrotel and Telebucaramanga, in accordance with the merger commitment approved by the shareholders of the intervening companies.
- e) On May 27, 2020, through Public Deed No. 769 granted in the Notary's Office Sixteen (16) of the Circle of Bogotá D.C., the merger's statutory reform was solemnized, by virtue of which Colombia Telecomunicaciones S.A. E.S.P.

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absorbed Metrotel and Telebucaramanga. The aforementioned public deed was registered at the Commercial Registry of the Bogotá D.C. Chamber of Commerce on May 28, 2020.

To date, the Company is carrying out the necessary procedures at the Centralized Deposit of Securities (Deceval), to perfect the book-entry of Metrotel and Telebucaramanga shareholders who acquired shares in the Company as a result of the merger process.

- f) In the merger commitment approved by the General Shareholders' Meetings of Colombia Telecomunicaciones S.A. E.S.P., Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - "Metrotel" and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - "Telebucaramanga," the equity value of the Companies was determined and with these valuations the exchange or proportionality between a share of the Absorbing Company and a share of the Absorbed Companies was obtained.

In accordance with the above, Colombia Telecomunicaciones S.A. E.S.P. issued 16,497 ordinary shares as consideration to the shareholders of the Absorbed Companies. Consequently, the Absorbing Company increased its capital stock by the amount of Ch\$16,497 pesos to have a subscribed and paid-in capital of Ch\$3,410,075,788, divided into 3,410,075,788 ordinary shares with a nominal value of one peso (\$1) each, fully subscribed and paid-in.

1.3. Sale of property - Administrative Headquarters

In February 2020, as part of the strategy to optimize non-strategic assets and as part of the program to allocate resources efficiently, the property of the Administrative Headquarters located in Bogotá D.C. was sold.

1.4. Changes between the same beneficial owner in the shareholding composition of Colombia Telecomunicaciones S. A. E.S.P. and Update of Control Situation.

Colombia Telecomunicaciones S. A. E.S.P. was informed by Telefónica S. A. that after a corporate reorganization process carried out in Spain, Telefónica S. A. (hereinafter TEF) and Telefónica Latinoamérica Holding S.L. (hereinafter TLH) entered into a purchase agreement to transfer, respectively, 269,339,586 and 1,756,837,597 shares of the Company to Latin America Cellular Holdings S.L. ("LACH"), a company also belonging to the Telefónica Group, which already held 8.082% of the Company's share capital. The aforementioned companies have accredited their status as the same beneficial owner to the Colombian Financial Superintendency.

On May 7, 2020, the transfer of the shares subject to the aforementioned purchase and sale was perfected. As a result, Latin America Cellular Holdings S.L. became the Telefónica Group company that consolidated all the shares of Colombia Telecomunicaciones S. A. E.S.P., owned by the same beneficial owner and which continues to represent 67.5% of the Company's share capital. This reorganization does not imply any variation in the total number of shares in respect of which the Telefónica Group is the beneficial owner.

On July 1, 2020, on the occasion of the aforementioned transfer of shares of TEF and TLH to LACH, the update of the control situation of Colombia Telecomunicaciones S.A E.S.P. was registered at the Bogotá Chamber of Commerce to indicate that Telefónica S.A. indirectly exercises control over Colombia Telecomunicaciones S.A E.S.P. through Latin America Cellular Holdings S.L.

1.5. Redemption of the Hybrid Bond and Acquisition of New Debt

On February 18, 2020, Colombia Telecomunicaciones S. A. E.S.P. gave notice of the irrevocable redemption of the Hybrid Notes (subordinated perpetual notes) issued on March 30, 2015, in the amount of USD 500 million. The notification was made to the Bank of New York Mellon, in its capacity as Trustee. On March 27, 2020, a payment of USD 500 million was made to the Bank of NY Mellon for the early redemption of the Hybrid Notes issue.

To meet the Hybrid Bond payment, the Group acquired debt with local banks for a value of \$ 900,000 million and with foreign banks for a value of USD 235 million.

1.6. Early partial prepayment of the Senior Bond due 2022 and contracting of Club Deal (syndicated credit)

On March 18, 2020, a syndicated loan was signed in favor of Colombia Telecomunicaciones S.A. E.S.P., whose managing agent is Banco Santander S.A., for USD 320 million with a 5-year term and repayment at maturity.

On May 12, 2020, the Company sent notification of the irrevocable partial redemption of up to USD320 million of the Senior Unsecured Notes issued on September 27, 2012, with a face value of USD 750 million; on June 12, the partial payment of the notes was made.

2. OPERATIONS

2.1. Impact of the Economic and Health Emergency caused by Covid-19.

The Group's companies, faced with the declaration of a health emergency in the Colombian territory by the National Government to contain the effects of Covid-19, have adopted the necessary measures to guarantee the continuity of their operations, the provision of services, and adequate attention to their customers, suppliers, and collaborators.

The Group companies continue to carry out the activities inherent to their corporate purpose, within the framework of the provisions issued by the National Government and local authorities. For its part, the Administration of the Companies evaluates daily all the appropriate measures that allow minimizing the negative impacts that could arise from this situation during the financial year 2020. The economic impacts generated by this situation to date are disclosed in Note 29 to the financial statements.

2.2. Regulatory aspects and issuance of standards in the context of the economic and health emergency caused by Covid-19.

Within the framework of the economic and health emergency, the National Government and the control agencies have issued certain decrees with specific scope for companies in the ICT sector, which are also summarized in Note 29 to the financial statements.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Applied Professional Accounting Standards

3.1.1. Basis of Presentation

The condensed consolidated interim financial statements for the six and three month periods ended June 30, 2020, and June 30, 2019, and for the annual period ended December 31, 2019, have been prepared in accordance with IAS 34-Interim Financial Reporting and do not include all the information required by a complete set of financial statements under NIF and, therefore, should be read in conjunction with the Group's latest annual consolidated financial statements as at December 31, 2019. However, the above includes selected notes, comparative information, and analytical information to understand better the changes in the Group's financial position and performance since the last financial report.

The Group companies prepare their financial statements based on the accounting and financial reporting principles and standards accepted in Colombia (NCIF), regulated by the Single Regulatory Decree 2420 of 2015, modified by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018. These standards are based on International Financial Reporting Standards - IFRS and their interpretations issued by the International Accounting Standards Board (IASB) and other legal provisions applicable to entities controlled and/or supervised by the Superintendence of Finance of Colombia that may differ in some aspects from those established by other State control agencies. The Administration approved the Consolidated Condensed Interim Financial Statements.

These condensed consolidated interim financial statements comprise the statements of financial position as of June 30, 2020, and December 31, 2019, the statements of comprehensive income for the six and three month periods ended June 30, 2020, and June 30, 2019, and the statements of cash flows and changes in equity for the six month periods ended June 30, 2020, and June 30, 2019.

3.1.2. Basis of Consolidation

The Group prepares its Consolidated Condensed Interim Financial Statements which include the information of the Group as a single company by means of the full integration methodology, adding up assets, liabilities and the operations carried out in the period excluding those operations carried out between the Company and its subordinate. There were no changes in the basis of consolidation used in the preparation of the financial statements on December 31, 2019.

The subsidiaries are consolidated from the date on which Colombia Telecomunicaciones S. A. E.S.P. obtained control and will continue to be consolidated until the date on which such control ceases, is disposed of or the merger takes place. Until the date of the merger with Metrotel and Telebucaramanga, each subsidiary prepared an individual financial statement for the same reporting period as that of Colombia Telecomunicaciones S. A. E.S.P., applying uniform accounting policies. All unrealized balances, transactions, gains, and losses arising from transactions between Group entities are eliminated.

Investments in subsidiary companies in which the Group has control through direct or indirect ownership of more than 50% of the capital stock are accounted for by the equity method. Under this method, investments are initially recorded at cost and are subsequently adjusted, with a credit or charge to income as appropriate, to recognize the participation in the profits

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(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

or losses of the subsidiaries, after eliminating unrealized intercompany profits. The cash distribution of these companies' earnings is recorded as a reduction in the value of the investment.

On May 27, 2020, the statutory reform of the merger by absorption of the companies Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. and Metropolitana de Telecomunicaciones S.A. E.S.P. was solemnized, so at the end of June 2020, the financial statements of these companies were incorporated.

Below are the percentages of participation of Colombia Telecomunicaciones S. A. E.S.P. at the end of each reporting period:

Company	Country/City	Shareholding as of June 30, 2020	Shareholding as of December 31, 2019
Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P.	Colombia / Bucaramanga	-	99,99%
Metropolitana de Telecomunicaciones S.A. E.S.P.	Colombia / Barranquilla	-	99,97%
Operaciones Tecnológicas y Comerciales S.A.S.	Colombia / Barranquilla	100,00%	99,98%

The main figures of the financial statements of the subsidiaries consolidated by Colombia Telecomunicaciones S. A. E.S.P. are as follows:

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P.

The financial information is presented below:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Total assets	-	-	100.807	378.658.127
Total liabilities	-	-	71.317	267.887.647
Total equity	-	-	29.489	110.770.480
Results for the period	-	-	(1.666)	(6.256.191)

Metropolitana de Telecomunicaciones S. A. E.S.P.

The financial information is presented below:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Total assets	-	-	72.360	271.804.891
Total liabilities	-	-	71.983	270.388.772
Total equity	-	-	377	1.416.119
Results for the period	-	-	(5.070)	(19.046.097)

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Operaciones Tecnológicas y Comerciales S. A. S.

The financial information is presented below:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Total assets	3.672	13.792.230	3.600	13.522.776
Total liabilities	3.344	12.562.001	3.079	11.564.781
Total equity	328	1.230.229	521	1.957.995
Results for the period	(194)	(727.767)	66	247.255

3.1.3. Significant Accounting Estimates and Judgments

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues, expenses, and commitments, and the ultimate outcome may differ from those estimates.

The significant judgments made by management during the course of 2020 in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described and used in the last annual financial statements on December 31, 2019.

3.2. Accounting Policies

The Group's significant accounting policies are described in the accounting policies section of the annual report as of December 31, 2019, and have been applied consistently for the period covered by these interim condensed consolidated financial statements.

4. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS INCORPORATED TO THE ACCEPTED ACCOUNTING FRAMEWORK IN COLOMBIA

Decree 2270 of 2019 compiled and updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, which had been incorporated by Decrees 2420 of 2015, 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018, including a new interpretation issued by the International Accounting Standards Board (IASB), to make them applicable as of January 1, 2020, although their application could be made earlier.

New standard issued by the International Accounting Standards Board (IASB) that has not yet been incorporated into the accepted accounting framework in Colombia

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts issued with discretionary participation components. The objective is to ensure that entities provide relevant information in a form that faithfully represents those contracts to assess the effect that contracts within the scope of IFRS 17 have on an entity's financial position, financial performance, and cash flows.

IFRS 17 shall be applied for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

The Group does not expect impacts from this standard, taking into account that it has not identified that it develops insurance contracts; in any case, detailed analyses are being carried out.

5. ACCOUNTING CHANGES DUE TO THE ADOPTION OF NEW STANDARDS

5.1. Accounting changes due to the adoption of new rules effective January 1, 2020.

From January 1, 2020, the Group adopted the following standards for the preparation of the financial statements:

IFRIC 23 Uncertainty in Income Tax Treatment

IFRIC 23 was issued in May 2017. This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatments. In this circumstance, an entity recognizes and measures its current or deferred tax asset or liability by applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying this Interpretation.

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On June 30, 2020, there are no uncertainties in the determination of the Group's income tax as disclosed in the condensed interim financial statements, given that the extraordinary transactions that have been declared in the income tax and supplementary tax are supported by the tax regulations in force.

Amendments to IFRS 16 Leases - Rent reductions related to Covid-19

In response to the Covid-19 pandemic, the International Accounting Standards Board developed an amendment to IFRS 16 Leases to allow lessees not to account for lease awards as lease modifications if they are a direct consequence of Covid-19 and meet certain conditions. This is a practical response to the existing conditions. Lease concessions may take various forms, including one-time rent reductions, rent waivers, or deferral of lease payments.

In accordance with IFRS 16, rental concessions generally meet the definition of a lease modification, unless they were provided for in the original lease. In relation to lessors, the Board agreed not to provide any exemption and that rental concessions should continue to be assessed as lease modifications and accounted for accordingly. On May 28, the Council agreed to approve the proposed amendments, updating it in respect of the following aspects:

- Extension of the cut-off date to include rent concessions that reduce the amounts originally due on or before June 30, 2021.
- Requirement for lessees applying for the exemption also to disclose changes in lease payments recognized in profit or loss.
- Specification that the disclosure requirements in paragraph 28(f)1 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are not included in the initial application of the amendments.

These details and requirements in the application of the exemption that has been established require analysis for each concession and to know and evaluate its possible accounting impact in the case of an entity that has received this type of concession to the leases.

For its part, the Technical Council of Public Accounting - CTCP as the only body of technical standardization of accounting standards, financial reporting, and assurance of information in Colombia, sent on June 29, 2020, to the Ministry of Commerce, Industry and Tourism and the Ministry of Finance and Public Credit, the supporting document of the proposal - on the application of amendments issued in the year 2020, by the IASB, related to the amendment of IFRS 16 - Rent reductions related to Covid-19" recommended the issuance of a Regulatory Decree amending IFRS 16 contained in annex 1 of DUR 2420 of 2015. It also recommended that the amendment to IFRS 16 be applied from the date of issue of the decree, allowing early application. As of the date of the issue of these financial statements, the decree authorizing the amendment to IFRS 16 has not been issued and therefore, cannot be applied in the financial statements issued to date.

Based on previous reviews, we do not anticipate significant impacts on the financial statements from the application of this regulatory change.

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6. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of June 30		As of December 31	
	2020	2020	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Cash	14	51.673	1	5.044
Banks in national and foreign currency	86.237	323.929.520	95.139	357.367.050
Temporary investments (1)	41.907	157.414.891	13.549	50.894.510
Special funds	-	-	750	2.816.737
	128.158	481.396.084	109.439	411.083.341

At the end of the period, the Company increased its cash surpluses in sight investments.

Cash and equivalents include foreign currency balances on June 30, 2020 of USD 30,444 thousand (\$ 114,356,188) and on December 31, 2019 of USD 5,411 thousand (\$ 17,732,605). As of June 30, 2020, and December 31, 2019, restricted securities in banks are \$ 5,606,572 and \$ 6,308,246, respectively.

(1) Includes investments in mutual funds whose average rates for the six months ended June 30, 2020, are between 2.87% and 5.13% (2019 between 3.78% and 4.98%). They correspond to: i) Time Deposit constituted by USD 5,000 thousand equivalent as of June 30, 2020, to \$ 18,781,400 (2019 - \$ 16,385,700) and demand investments. Investment returns recognized during the semesters ended June 30, 2020, and 2019 were for \$3,135,001 and \$372,269, respectively (Note 24)

7. FINANCIAL ASSETS

The balance of financial assets on 30 June 2020 is as follows:

	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
	(in thousands of US\$)				
Current financial assets					
Hedging instruments (1)	6.373	5.269	11.643	-	11.643
Deposits and bonds (2)	-	-	-	31	31
	6.373	5.269	11.643	31	11.674
Non-current financial assets:					
Deposits and bonds (2)	188	12.821	13.009	-	13.013
Hedging instruments (1)	-	-	-	3.243	3.243
Other holdings	-	-	-	16	16
	188	12.821	13.009	3.259	16.272
	6.561	18.090	24.652	3.290	27.946

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	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
(in thousands of COP\$)					
Current financial assets					
Hedging instruments (1)	23.937.953	19.791.416	43.729.369	-	43.729.369
Deposits and bonds (2)	-	-	-	117.944	117.944
	23.937.953	19.791.416	43.729.369	117.944	43.847.313
Non-current financial assets:					
Deposits and bonds (2)	707.365	48.161.089	48.868.454	-	48.868.454
Hedging instruments (1)	-	-	-	12.182.887	12.182.887
Other holdings	-	-	-	60.000	60.000
	707.365	48.161.089	48.868.454	12.242.887	61.111.341
	24.645.318	67.952.505	92.597.823	12.360.831	104.958.654

The balance of financial assets on 31 December 2019 is as follows:

	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
(in thousands of US\$)					
Current financial assets					
Hedging instruments (1)	11.913	7.202	19.118	-	19.118
Deposits and bonds (2)	-	-	-	135	135
	11.913	7.202	19.118	135	19.253
Non-current financial assets:					
Deposits and bonds (2)	-	5.294	5.296	-	5.296
Hedging instruments (1)	-	-	-	2.949	2.949
Other holdings	-	-	-	16	16
	-	5.294	5.296	2.965	8.261
	11.913	12.496	24.414	3.100	27.514

	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
(in thousands of COP\$)					
Current financial assets					
Hedging instruments (1)	44.749.554	27.054.571	71.804.125	-	71.804.125
Deposits and bonds (2)	-	-	-	507.493	507.493
	44.749.554	27.054.571	71.804.125	507.493	72.311.618
Non-current financial assets:					
Deposits and bonds (2)	-	19.886.960	19.886.960	-	19.886.960
Hedging instruments (1)	-	-	-	11.075.931	11.075.931
Other holdings	-	-	-	60.000	60.000
	-	19.886.960	19.886.960	11.135.931	31.022.891
	44.749.554	46.941.531	91.691.085	11.643.424	103.334.509

- 1) The net change in current and non-current assets of 1.6% compared to the end of December 2019 corresponds mainly to the settlement of the swaps that covered the interest rate fluctuations associated with the senior bond, devaluation of the peso against the dollar (14.62%) and the new interest Rate Swap agreements entered to hedge the new local debt taken out to pay the hybrid bond in March 2020.
- 2) Corresponds to deposits constituted by court order and maturing until their resolution.

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8. DEBTORS AND OTHER RECEIVABLES, NET

The balance of debtors and other receivables is as follows:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
Customers for sales and services (1)	300.417	1.128.451.999	269.377	1.011.856.252
Other debtors (2)	38.464	144.482.085	48.527	182.280.588
Portfolio with national operators	27.019	101.491.350	25.180	94.582.003
Related parties (Note 26)	17.496	65.720.635	14.409	54.124.732
Portfolio for equipment sold at installments	7.060	26.519.403	3.488	13.102.607
Commercial agents and distribution channels	2.048	7.692.337	5.613	21.085.243
Impairment of portfolio (4)	(114.692)	(430.817.068)	(98.918)	(371.563.822)
	277.812	1.043.540.741	267.676	1.005.467.603
Non current:				
Portfolio with national operators (4)	35.836	134.610.499	35.836	134.610.499
Sales and service customers	20.697	77.743.974	24.706	92.803.745
Subsidy and Contribution Portfolio (5)	10.146	38.111.870	10.146	38.111.870
Other Debtors (2)	6.769	25.426.680	-	-
Related Parties (6) (Note 26)	96	360.284	10.591	39.781.586
Portfolio impairment	(45.810)	(172.075.816)	(45.898)	(172.405.958)
	27.734	104.177.491	35.381	132.901.742
	305.546	1.147.718.232	303.057	1.138.369.345

The main variations and movements in the accounts receivable and other accounts receivable, net are discussed below:

- (1) Includes residential, business, corporate, government, and wholesale customers. The main variation corresponds to an increase with corporate clients of \$ 115,530,092, mainly due to an increase in integral solution services.
- (2) Includes mainly portfolio balances from property sales, commercial support, roaming, and international operators. In the long term, it corresponds to the balance of the portfolio for the sale of the Administrative Headquarters' property.
- (3) The net increase is presented by: i) portfolio impairment with financial impact of \$ 7,563,104; ii) reclassification from long term by corporate client of \$330,142; iii) impairment by contractual asset of \$ 121,801 and, iv) portfolio write-off of -\$ 8,486,405.

For the semester ended June 30, 2020, and 2019, impairment of accounts receivable was \$ 59,846,914 and \$ 41,036,497, respectively (Note 22), given the higher impairment of corporate clients, domestic interconnection accounts receivable and the effect of Covid-19 (Note 29).

- (4) Corresponds to the balance receivable for access charges with Empresa de Teléfonos de Bogotá (ETB), for which the administration is advancing the legal procedures that allow its recovery. This portfolio is provisioned.
- (5) Includes a portfolio with the National Government for the concept of subsidies and contributions, for which provision has been made.
- (6) Telefónica Venezolana C.A. made a payment to the Company for the amount of \$ 39,421,302.

Debtors and other accounts receivable include balances in foreign currency as of June 30, 2020, for USD 240,807 thousand (\$ 904,538,518), and as of December 31, 2019, for USD 87,931 thousand (\$ 288,162,197).

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9. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
Cost of equipment in customer's home (1)	23.780	89.324.594	26.794	100.644.364
Cost of compliance with customer contracts (2)	17.513	65.785.382	14.419	54.161.214
Support and maintenance (3)	7.953	29.872.499	3.240	12.171.158
Radio spectrum (4)	6.391	24.005.898	0	-
Insurance policies (5)	3.138	11.785.769	1.160	4.358.528
Irrevocable rights of use - capacity	1.841	6.916.285	1.841	6.916.285
Others (6)	917	3.443.739	69	259.186
Leases	233	874.478	294	1.103.117
	61.766	232.008.644	47.817	179.613.852
Non Current:				
Cost of equipment in customer's home	15.761	59.203.252	24.947	93.708.954
Cost of compliance with customer contracts (2)	12.166	45.700.755	12.598	47.323.089
Irrevocable rights of use - capacity	4.308	16.182.449	5.311	19.950.528
Support and maintenance (3)	2.503	9.402.077	1.452	5.453.183
Insurance policies	548	2.056.586	631	2.368.455
	35.286	132.545.119	44.939	168.804.209
	97.052	364.553.763	92.756	348.418.061

The main variations and movements in prepaid expenses are discussed below:

- 1) During the semesters ended June 30, 2020, and 2019, the amounts of \$ 48,745,324 and \$ 31,091,781, respectively, were recognized in income as equipment costs through amortization.
- 2) For the semesters ended June 30, 2020, and 2019, amortization was recognized as cost of compliance with contracts for \$ 32,087,425 and \$ 20,732,896 respectively (Note 22).
- 3) Includes mainly support for customer equipment and platforms and connectivity equipment. During the first half of 2020, new contracts were recognized corresponding to: i) support, maintenance, and licenses for projects with clients of the corporate segment for \$ 9,856,506, ii) licensing of computer applications and platform support for \$ 17,477,319 and iii) support to transmission equipment for \$ 2,751,813.
- 4) Corresponds to the consideration for the use of radio frequencies for fixed point-to-point links, which will be amortized on a straight-line basis during the year 2020.
- 5) During the second quarter of 2020, all-risk policies were renewed - material damage, effective 2020 - 2021.
- 6) Includes mainly property tax in 2020 and prepaid shares of Telefónica S. A. for the employee share plan launched in 2019.

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10. INVENTORIES

The balance of inventories net of provision is as follows:

	As of June 30		As of December 31	
	2020	2020	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Mobile phones and accessories (1)	19.739	74.145.272	32.763	123.068.612
Materials and equipment (2)	17.735	66.618.608	15.826	59.447.192
Equipment in transit	3.663	13.758.302	4.490	16.867.483
IT equipment	1.327	4.986.074	883	3.316.894
	42.464	159.508.256	53.962	202.700.181
Provision for obsolescence (3)	(1.987)	(7.462.139)	(1.483)	(5.570.907)
	40.477	152.046.117	52.479	197.129.274

The main variations and movements in the inventory heading are commented on below:

- (1) The decrease is due to the rationalization of purchases agreed with terminal manufacturers for the second quarter of 2020 as a result of the Covid-19 health emergency.
- (2) Includes modems, equipment for corporate services, location equipment, and equipment for attending customer facilities (broadband, basic line, and television), among others.
- (3) During the semesters ended June 30, 2020, and 2019, a provision net of recoveries was recognized for \$ 1,804,035 and \$ 16,221, respectively (Note 22).

Consumption of inventories carried at the cost of sales for the semesters ended June 30, 2020, and 2019 was \$ 319,104,071 and \$ 359,134,610, respectively (Note 22).

11. TAXES AND PUBLIC ADMINISTRATIONS

The balance of tax and general government assets is presented below:

	As of June 30		As of December 31	
	2020	2020	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Tax discount (1)	60.409	226.911.596	42.849	160.952.716
Balance in favor (2)	55.189	207.305.314	-	-
Rental Self-Retenations (3)	25.715	96.592.842	55.086	206.919.307
Advances, deductions and self-withholdings from ICA	2.762	10.375.797	5.299	19.902.848
Sales tax withholdings	83	310.077	45	170.023
	144.158	541.495.626	103.279	387.944.894

The main variations and movements in the tax and general government heading are presented below:

- (1) The increase is due to the recognition of tax discounts for sales tax - VAT on the purchase of productive fixed assets and ACI effectively paid during 2020.
- (2) Corresponds to the favorable balance generated by the presentation of the tax return and complementary returns for the taxable year 2019.
- (3) The self-withholdings of 2019 were used in the tax and supplementary returns of the taxable year 2019, filed during the month of June 2020.

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The balance of liabilities for taxes and general government is presented below:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Withholdings and self-withholdings	40.346	151.549.085	17.319	65.056.530
Sales tax - VAT	16.884	63.420.993	9.371	35.200.934
National consumption tax	1.838	6.905.309	929	3.491.153
Municipal taxes	569	2.138.796	2.488	9.345.084
Import taxes	203	762.563	1.345	5.051.137
	59.840	224.776.746	31.452	118.144.838

The balance of liabilities includes the VAT payable for the first and second two months of 2020 and the withholding tax returns for the periods from February to May 2020, which will be offset in the coming months with the balance in favor of income tax and its complementary taxes for the taxable year 2019.

Deferred Tax Assets and Liabilities

The deferred tax asset on temporary differences and tax losses is supported by the Group's strategic plan (2020 - 2022) and projected results (2023 - 2029).

Deferred tax on temporary differences is measured at the tax rates expected to apply in the periods in which the differences will reverse; deferred tax on tax losses is measured at the tax rate applicable when the tax losses are expected to be carried forward.

The unrecognized deferred tax asset for temporary deductible differences as of June 30, 2020, amounts to \$ 312,545,023.

The balance of the deferred tax asset and liability is presented below:

	As of June 30		As of December 31	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Deferred tax asset				
Intangibles, plant and equipment properties	50.318	189.009.257	59.029	221.729.021
Employee Benefits	2.147	8.063.080	2.128	7.994.409
Other assets	1.129	4.239.527	5.970	22.423.125
Deferred tax asset on deductible temporary differences	53.594	201.311.864	67.127	252.146.555
Deferred tax assets from tax losses	432.332	1.623.958.958	434.510	1.632.140.822
Total deferred tax assets	485.926	1.825.270.822	501.637	1.884.287.377
Deferred tax liability:				
Revaluation of real estate	27.358	102.763.723	29.880	112.236.955
Valuation of hedge instrument with effects on other comprehensive results	11.863	44.560.133	4.765	17.897.900
Temporary differences with effect on results	7.685	28.865.748	18.792	70.588.347
Revaluation of real estate	-	-	839	3.152.805
Total deferred tax liability	46.906	176.189.604	54.276	203.876.007
Total net deferred tax	439.020	1.649.081.218	447.361	1.680.411.370

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The balance of deferred tax recognized in Other Comprehensive Income is presented below

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Valuation of Hedge Instruments	9.012	33.852.144	13.353	50.159.030
Deferred tax hedge valuation	-2.920	(10.967.847)	-5.746	(21.585.282)
Hedge valuation results, net of tax	6.092	22.884.297	7.607	28.573.748
Real estate revaluation	-	-	58.924	221.334.326
Deferred real estate tax	-	-	-11.023	(41.404.784)
Surplus from revaluation of land and buildings, net of tax	-	-	47.901	179.929.542
Actuarial Gains	-	-	2.241	8.418.706
	6.092	22.884.297	57.749	216.921.996

Income and supplementary tax expense for the period is presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current income tax	(5.121)	(19.236.412)	(1)	(5.197)
Occasional income tax	(92)	(346.306)	-	-
Current income and supplementary taxes	(5.213)	(19.582.718)	(1)	(5.197)
Deferred tax:				
Deductible temporary differences (1)	(9.786)	(36.760.413)	(3.313)	(12.442.838)
Tax Credits (2)	(2.178)	(8.181.863)	(18.440)	(69.266.422)
Taxable temporary differences	3.675	13.802.884	(3.013)	(11.318.201)
Deferred income tax	(8.289)	(31.139.392)	(24.766)	(93.027.461)
Income and supplementary taxes	(13.502)	(50.722.110)	(24.767)	(93.032.658)

- For the six-month period ended June 30, 2020, a higher expense is generated due to the decrease in deferred tax assets mainly for the concepts of useful lives in intangibles and property, plant, and equipment for the use corresponding to the depreciation of fixed assets for the period.
- Concerning the use of tax credits, for the semester ended June 30, 2020, there was a lower tax loss generated by the deduction of the difference made by the payment of the hybrid and senior bond, generating a lower current tax expense and use of tax losses compared to the same period in 2019.

Tax Losses

Income tax returns from 2010 to 2016 may be reviewed by the tax authorities within five years from the date of filing or correction, considering that the returns presented tax losses or compensation for tax losses; income tax returns from the taxable year 2017 may be reviewed for a term of 12 years after their filing date as established in Law 1819 of 2016.

The term of the finality of tax returns settled as from 2020 will be three years according to Law 2010 of 2019; however, those returns that determine or compensate tax losses or are subject to Transfer Pricing will be five years.

Management estimates that there are no significant differences that imply the modification of the tax liquidated, nor the imposition of sanctions that imply the recognition of contingencies in the Financial Statements.

In accordance with the tax legislation in force, losses generated in income and supplementary taxes and/or income tax for equity - CREE before 2017, shall be compensated with the liquid income obtained in 2017 and subsequent periods, taking into account the formula established in paragraph 5, Article 290 of Law 1819 of 2016. The tax losses determined may not be adjusted for tax purposes.

The balance of the tax losses after the presentation of the income tax and its complementary returns for the taxable year 2019:

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Tax	Year of origin	Adjusted Losses (1)	Compensation losses	Balance losses	Expiration date
(in thousands of US\$)					
Income	2009	49.240	(31.406)	17.834	Unlimited
	2010	68.756	-	68.756	Unlimited
	2011	102.483	-	102.483	Unlimited
	2012	39.200	-	39.200	Unlimited
	2013	40.310	-	40.310	Unlimited
	2015	39.616	-	39.616	Unlimited
	2017	1.039.068	-	1.039.068	Year 2030
	2018	3	-	3	Year 2031
	2019	1	-	1	Year 2032
		1.378.677	(31.406)	1.347.271	
CREE	2015	99.580	-	99.580	
		1.478.257	(31.406)	1.446.851	
Tax	Year of origin	Adjusted Losses (1)	Compensation losses	Balance losses	Expiration date
(in thousands of COP\$)					
Income	2009	184.959.730	(117.969.755)	66.989.975	Unlimited
	2010	258.268.380	-	258.268.380	Unlimited
	2011	384.954.956	-	384.954.956	Unlimited
	2012	147.246.036	-	147.246.036	Unlimited
	2013	151.413.822	-	151.413.822	Unlimited
	2015	148.807.022	-	148.807.022	Unlimited
	2017	3.903.032.003	-	3.903.032.003	Year 2030
	2018	12.342	-	12.342	Year 2031
	2019	2.075	-	2.075	Year 2032
		5.060.726.611	(117.969.755)	5.060.726.611	
CREE	2015	374.052.069	-	374.052.069	
		5.434.778.680	(117.969.755)	5.434.778.680	

12. ASSETS FOR RIGHTS OF USE

The cost of the assets for rights of use and their corresponding accumulated depreciation is presented below:

Concept	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
(in thousands of US\$)						
Land and buildings	161.673	(54.850)	106.823	131.208	(33.414)	97.794
Technical installations	94.969	(21.345)	73.624	78.949	(13.878)	65.071
Transport equipment	3.697	(2.397)	1.299	3.794	(1.623)	2.170
	260.339	(78.592)	181.746	213.951	(48.915)	165.035

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Concept	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	(in thousands of COP\$)					
Land and buildings	607.288.355	(206.031.667)	401.256.688	492.853.207	(125.511.590)	367.341.617
Technical installations	356.731.326	(80.178.672)	276.552.654	296.555.853	(52.129.164)	244.426.689
Transport equipment	13.885.154	(9.005.668)	4.879.486	14.250.142	(6.097.507)	8.152.635
	977.904.835	(295.216.007)	682.688.828	803.659.202	(183.738.261)	619.920.941

The increase, net during the semester ended June 30, 2020, corresponds to new land and construction leases, mainly for the Sede Administrativa de Colombia Telecomunicaciones S. A. E.S.P., in Bogotá D.C., and for technical facilities in several areas of the country, and to the termination of transport equipment contracts during the second quarter of 2020.

For the semesters ended on June 30, 2020 and 2019 depreciation expense was \$ 111,752,388 and \$ 83,553,359 respectively (Note 23).

13. PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment and its corresponding accumulated depreciation is presented below:

Concept	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	(in thousands of US\$)					
Land and buildings (1)	823.132	-442.083	381.049	779.294	-427.606	351.689
Switches, access and transmission	2.296.618	-1.486.588	810.030	2.234.196	-1.437.545	796.651
Assets under construction	56.016	0	56.016	168.810	0	168.810
Subsidized projects (2)	(2.446)	0	-2.446	-2.438	0	-2.438
Furniture, information and transport equipment	138.537	-60.922	77.615	104.509	-64.551	39.959
	3.311.857	(1.989.593)	1.322.264	3.284.371	(1.929.702)	1.354.671

Concept	As of June 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	(in thousands of COP\$)					
Land and buildings (1)	3.091.914.966	(1.660.588.502)	1.431.326.464	2.927.247.837	(1.606.206.278)	1.321.041.559
Switches, access and transmission	8.626.741.727	(5.584.041.203)	3.042.700.524	8.392.266.076	(5.399.820.145)	2.992.445.931
Assets under construction	210.412.201	-	210.412.201	634.097.738	-	634.097.738
Subsidized projects (2)	(9.189.087)	-	(9.189.087)	(9.156.908)	-	(9.156.908)
Furniture, information and transport equipment	520.383.100	(228.839.377)	291.543.723	392.566.523	(242.470.235)	150.096.288
	12.440.262.907	(7.473.469.082)	4.966.793.825	12.337.021.266	(7.248.496.658)	5.088.524.608

For the semesters ended June 30, 2020 and 2019, depreciation expense was \$ 341,916,499 and \$ 381,206,152, respectively (Note 23).

- (1) The provision for decommissioning sites as of June 30, 2020, was \$ 55,629,671 and December 31, 2019 was \$ 53,982,184 (Note 18)
- (2) Subsidized projects belong to resources associated with the spectrum allocation payment (15Mhz granted in 2011) and that have the target to deploy technical sites to bring connectivity to locations and educational institutions in sites requested by MinTic.

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14. INTANGIBLES

The cost and accumulated amortization of intangible assets are presented below:

Concept	As of June 30 2020			As of December 31 2019		
	Cost	Accumulated depreciation	Net book value	Cost	Amortización acumulada	Net book value
	(in thousands of US\$)					
Qualifying titles	611.290	(304.619)	306.671	618.276	(264.875)	353.400
Software for network and office equip	237.154	(122.006)	115.148	202.099	(96.793)	105.307
Rights (1)	16.832	(5.077)	11.755	9.181	(4.640)	4.541
Client list	12.275	(7.904)	4.370	12.275	(6.462)	5.813
	877.551	(439.606)	437.944	841.831	(372.770)	469.061

Concept	As of June 30 2020			As of December 31 2019		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
	(in thousands of COP\$)					
Qualifying titles	2.296.177.444	(1.144.233.525)	1.151.943.919	2.322.417.046	(994.946.134)	1.327.470.912
Software for network and office equip	890.815.239	(458.288.476)	432.526.763	759.141.464	(363.580.411)	395.561.053
Rights (1)	63.225.311	(19.071.997)	44.153.314	34.486.520	(17.430.483)	17.056.037
Client list	46.107.000	(29.690.342)	16.416.658	46.107.000	(24.271.948)	21.835.052
	3.296.324.994	(1.651.284.340)	1.645.040.654	3.162.152.030	(1.400.228.976)	1.761.923.054

For the semesters ended June 30, 2020 and 2019 amortization expense was \$ 260,484,980 and \$ 266,998,365 respectively (Note 23).

(1) Includes mainly Irrevocable Right of Use - IRU's of fiber optic sections and rings.

15. FINANCIAL OBLIGATIONS

The balance of financial obligations is presented below:

	As of June 30,		As of December 31,	
	2020	2019	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
Financial leasing (1)	64.633	242.777.985	54.126	203.312.650
Financial obligations	37.669	141.495.311	35.221	132.298.878
Interest payable	9.989	37.519.629	10.026	37.661.309
Hedging instruments	8.126	30.523.653	9.790	36.774.797
	120.417	452.316.578	109.163	410.047.634
Non Current:				
Financial obligations	771.301	2.897.221.583	-	-
Senior Bond	429.629	1.613.807.223	653.547	2.454.906.101
Financial leasing (1)	201.374	756.416.624	181.648	682.319.662
Local bond	132.796	498.820.755	132.764	498.698.319
Hedging instruments	36	135.521	27	100.415
	1.535.136	5.766.401.706	967.986	3.636.024.497
	1.655.553	6.218.718.284	1.077.149	4.046.072.131

The Group sent the irrevocable redemption notice of the Hybrid Notes (Subordinated Perpetual Notes) issued on March 30, 2015, in the amount of USD 500 million, which were recognized in the Statement of Changes in Equity under Other Equity Instruments. To meet its payment obligations, the Group entered into credit agreements with local and international

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banks for the amount of approximately \$ 1.8 billion pesos. The payment of the hybrid bond was made at the end of March 2020.

On March 18, 2020, a syndicated loan was signed in favor of the Group, whose managing agent is Banco Santander S.A., for USD 320 million, with a 5-year term and repayment at maturity. These funds were disbursed on May 12, 2020, and were used to prepay on June 12, 2020, USD 320 million of the Senior Notes due 2022 with a face value of USD 750 million.

These financial obligations and bonds generated interest expense for the semesters ended June 30, 2020, and 2019 of \$ 139,976,875 and \$ 99,538,562, respectively (Note 24). On the other hand, the valuation of hedging instruments with changes in results is presented at net value and is disclosed in Note 25.

- (1) The increase corresponds to new land and construction lease agreements mainly associated to the lease of the Sede Administrativa de Colombia Telecomunicaciones S. A. E.S.P. in Bogotá D.C., and technical facilities.

The variation in finance lease liabilities for the six months ended June 30, 2020 is shown below:

	As of December 31, 2019	Altas	Payments	Transfers	As of June 30, 2020
			<i>(in thousands of US\$)</i>		
Short-term:					
Financial leasing	53.904	4.366	(33.827)	39.952	64.395
Financial liabilities - renting	223	-	(123)	138	237
	54.127	4.366	(33.950)	40.090	64.632
Long-term					
Financial leasing	181.282	59.816	-	(39.952)	201.146
Financial liabilities - renting	366	-	-	(138)	228
	181.648	59.816	-	(40.090)	201.374
	235.775	64.182	(33.950)	-	266.006
	As of December 31, 2019		Payments	Transfers	As of June 30, 2020
		Registration			
			<i>(in thousands of COP\$)</i>		
Short-term:					
Financial leasing	202.476.741	16.400.409	(127.062.693)	150.071.886	241.886.343
Financial liabilities - renting	835.909	-	(462.502)	518.235	891.642
	203.312.650	16.400.409	(127.525.195)	150.590.121	242.777.985
Long-term					
Financial leasing	680.945.789	224.687.083	-	(150.071.886)	755.560.986
Financial liabilities - renting	1.373.873	-	-	(518.235)	855.638
	682.319.662	224.687.083	-	(150.590.121)	756.416.624
	885.632.312	241.087.492	(127.525.195)	-	999.194.609

The following are the maturities of the financial obligations as of June 30, 2020:

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Due	Current			Non Current			T total non-current	T total
	2020	2021	2022	2023	2024	Next years		
(in thousands of US\$)								
Financial Obligations (1)	37.669	-	-	-	-	771.301	771.301	808.970
Senior Bond (2)	-	-	429.629	-	-	-	429.629	429.629
Financial leasing	64.633	22.739	25.188	24.249	23.447	105.751	201.374	266.006
Local bond (3)	-	-	-	-	92.317	40.479	132.796	132.796
Interest	9.989	-	-	-	-	-	-	9.989
Hedging instruments	8.126	36	-	-	-	-	36	8.162
	120.417	22.775	454.817	24.249	115.764	917.531	1.535.136	1.655.552

Due	Current			Non Current			T total non-current	T total
	2020	2021	2022	2023	2024	Next years		
(in thousands of COP\$)								
Financial Obligations (1)	141.495.311	-	-	-	-	2.897.221.582	2.897.221.582	3.038.716.893
Senior Bond (2)	-	-	1.613.807.223	-	-	-	1.613.807.223	1.613.807.223
Financial leasing	242.777.985	85.413.363	94.612.426	91.086.002	88.073.505	397.231.328	756.416.624	999.194.609
Local bond (3)	-	-	-	-	346.770.213	152.050.543	498.820.756	498.820.756
Interest	37.519.629	-	-	-	-	-	-	37.519.629
Hedging instruments	30.523.653	135.521	-	-	-	-	135.521	30.659.174
	452.316.578	85.548.884	1.708.419.649	91.086.002	434.843.718	3.446.503.453	5.766.401.706	6.218.718.284

(1) As of June 30, 2020, the nominal value of financial obligations amounted to \$ 3,051,105 million, and transaction costs amounted to \$ 12,388 million. As of December 31, 2019, the face value of the obligations was \$ 132,299 million (with no transaction costs).

(2) Senior Bond: As of June 30, 2020, and December 31, 2019, the face value of the bond outstanding was USD 430 million and USD 750 million, equivalent to \$ 1,615,200 million and \$ 2,457.855 million, respectively, and transaction costs were \$ 1,393 million and \$ 2,949 million, respectively.

The characteristics of the issue are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of issue	Total amount issued	Max. redemption term	Date of issue	Expiry date	Rate/Payment	Use of resources
(in thousands of US\$)									
R144/RegS	USD\$000	Cero	430.000	750.000	10 Years	27-sep-12	27-sep-22	5,375% biannual	Replacement of financial liabilities

As of June 30, 2020, and December 31, 2019, interest payable on the bonds amounted to \$ 22,668,889 and \$ 34,495,312, respectively. The decrease in interest caused corresponds to the partial prepayment of the senior bond that was made on June 12, 2020, for an amount of USD 320 million. Interest expense is presented in Note 24).

(3) Local bond: As of June 30, 2020, and December 31, 2019, it had a face value of \$ 500 million and associated transaction costs of \$ 1,179 million and \$ 1,302 million, respectively.

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The characteristics of the emission are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of issue	Total amount issued	Max. redemption term	Date of issue	Expiry date	Rate/Payment	Use of resources
(in thousands of COP\$)									
C10	COP\$000	Cero	152.410.000	152.410.000	10 años	29-may-19	29-may-29	IPC + 3,39% Trimestre	Prepayment of local debt
A5	COP\$000	Cero	347.590.000	347.590.000	5 años	29-may-19	29-may-24	6,65% Trimestre	
			500.000.000	500.000.000					

As of June 30, 2020, and December 31, 2019, interest payable on the bond amounted to \$ 2,982,044 and \$3,028,981 respectively.

The following is a breakdown and composition of the main financing transactions outstanding in each period:

	As of June 30, 2020			As of December 31, 2019		
	2020		Fee	2019		Fee
	Value	USD		Value	USD	
Short-term:						
Financials in local currency						
Loans	-			34.331	IBR 3M	1,28%
	-			34.331		
Financials in foreign currency						
Loans	17.300	LIBOR3M	0,70%	-		
Loans	20.369	LIBOR3M	1,00%	890	LIBOR6M	0,21%
	37.669			890		
Other short-term obligations						
Financial leasing	64.633			54.126		
Interest payable	9.989			10.026		
Derivative instruments	8.126			9.790		
	82.748			73.942		
	120.417			109.163		
Long-term:						
Financials in local currency						
Loans	239.324	IBR3M	2.5% - 2.63%	-		
	239.324			-		
Financials in foreign currency						
Loans	531.977	Libor6M	1.6% - 1.95%	-		
	531.977			-		
Other long-term obligations						
Senior Bond	429.629	FIJA 5,375%		653.547	FIXED 5,375%	
Financial leasing	201.374			181.648		
Local bond	132.796	FIJA 6,65% - IPC+3,39%		132.764	FIXED 6,65% - IPC+3,39%	
Derivative instruments	36			27		
	763.835			967.986		
	1.535.136			967.986		
	1.655.553			1.077.149		

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	As of June 30, 2020			As of December 31, 2019		
	2020			2019		
	Value	Fee		Value	Fee	
Short-term:	COP	Base	Spread	COP	Base	Spread
Financials in local currency						
Loans	-			128.956.962	IBR 3M	1,28%
	-			128.956.962		
Financials in foreign currency						
Loans	64.983.644	LIBOR3M	0,70%	-		
Loans	76.511.667	LIBOR3M	1,00%	3.341.916	LIBOR6M	0,21%
	141.495.311			3.341.916		
Other short-term obligations						
Financial leasing	242.777.985			203.312.650		
Interest payable	37.519.629			37.661.309		
Derivative instruments	30.523.653			36.774.797		
	310.821.267			277.748.756		
	452.316.578			410.047.634		
Long-term:						
Financials in local currency						
Loans	898.966.364	IBR3M	2.5% - 2.63%	-		
	898.966.364			-		
Financials in foreign currency						
Loans	1.998.255.219	Libor6M	1.6% - 1.95%	-		
	1.998.255.219			-		
Other long-term obligations						
Senior Bond	1.613.807.223	FIJA 5,375%		2.454.906.101	FIXED 5,375%	
Financial leasing	756.416.624			682.319.662		
Local bond	498.820.755	FIJA 6,65% - IPC+3,39%		498.698.319	FIXED 6,65% - IPC+3,39%	
Derivative instruments	135.521			100.415		
	2.869.180.123			3.636.024.497		
	5.766.401.706			3.636.024.497		
	6.218.718.284			4.046.072.131		

(1) Net issuance cost figures

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16. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
Creditors and suppliers (1)	242.846	912.198.835	251.716	945.514.132
Related parties (Note 25)	63.332	237.891.317	39.876	149.783.763
Immobilized providers	37.204	139.746.956	171.462	644.059.766
Work remuneration payable	7.952	29.870.686	9.778	36.728.228
Para-fiscal contributions	1.650	6.198.315	1.427	5.360.590
	352.984	1.325.906.109	474.259	1.781.446.479
Non Current:				
Creditors and Suppliers - Spectrum Licenses (2)	21.415	80.441.993	29.617	111.251.160
Government Grants (3)	8.620	32.380.822	8.505	31.945.769
Related Parties (Note 25)	1.872	7.031.113	1.204	4.521.758
	31.907	119.853.928	39.326	147.718.687
	384.891	1.445.760.037	513.585	1.929.165.166

The variation in the suppliers and accounts payable heading is mainly due to payments and credits on account during the first half of 2020, especially from suppliers of fixed assets for the acquisition of Capex at the end of 2019 and for corporate execution projects.

- (1) The balance of creditors and suppliers mainly includes commitments acquired with terminal suppliers, equipment maintenance, content, interconnection, advertising, insurance, technical service, public services, storage and security, legal and tax consultancy, invoicing, collection, and collection services, among others.
- (2) Includes balances of obligations to be made for the 15 MHz extension in 2011 for mobile telephony and spectrum renewal for the provision of mobile telephony service.
- (3) Corresponds to the balance of the agreement - Biannual Plan III. The resources of the agreement are managed through a Trust Fund and are presented in the financial statement as rights in trust.

Suppliers and accounts payable include balances in foreign currency as of June 30, 2020 and December 31, 2019 for USD 122,710 thousand (\$ 460,933,119) and USD 162,054 thousand (\$ 531,073,646) respectively.

17. CONTRACTUAL LIABILITY

The balance of the contractual liability is as follows:

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
Revenue received in advance of services (1)	19.711	74.040.016	20.146	75.675.331
Irrevocable Rights of Use (2)	2.133	8.012.002	2.099	7.885.658
Benefits to deliver to the customer on standard offer	83	310.432	117	440.138
	21.927	82.362.450	22.362	84.001.127
Non Current:				
Irrevocable Rights of Use (2)	11.554	43.401.234	12.629	47.439.744
	11.554	43.401.234	12.629	47.439.744
	33.481	125.763.684	34.991	131.440.871

- (1) Corresponds mainly to services invoiced in advance to customers.
- (2) Corresponds to revenues received in advance for irrevocable rights of use of capacity delivered to third parties.

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18. PENSION PROVISIONS AND LIABILITIES

The balance of provisions and pension liabilities is as follows:

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current:				
For Taxes and Remuneration (1)	23.163	87.007.867	26.170	98.302.465
For employee benefits (2)	7.373	27.695.561	8.450	31.739.747
Pension liabilities (3)	4.935	18.538.941	4.935	18.538.941
For voluntary retirement (4)	2.227	8.364.616	3.035	11.400.475
For third-party and labor claims (Note 27)	351	1.317.535	1.767	6.638.029
	38.049	142.924.520	44.357	166.619.657
Non Current:				
Pension liabilities (2)	51.477	193.361.188	52.050	195.513.261
For decommissioning (5)	14.810	55.629.671	14.371	53.982.184
For third-party and labor claims (Note 26)	2.823	10.605.566	1.659	6.229.936
For responsibilities with subsidiaries	-	-	126	472.833
	69.110	259.596.425	68.206	256.198.214
	107.159	402.520.945	112.563	422.817.871

- 1) Includes the provision of the industry and commerce tax (ICA), considerations to the Ministry of Information Technology and Communications of Colombia - MinTIC and the VAT not collected, it is expected to settle most of this value in the next period to meet tax obligations and considerations.
- 2) Includes the incentive to employees for compliance and performance.
- 3) The Group recognizes post-employment benefits corresponding to retirement pensions, which include pension and health allowance. The actuarial calculation includes retired personnel totally in charge of the Group, with a pension shared with the ISS and expected to be shared with the ISS, as well as life substitutes totally in charge of the Group, life substitutes shared with the ISS and temporary substitutes totally in charge of the Group. During the six months ended June 30, 2020, there were no significant variations in the variables used in the actuarial calculation. Based on the current economic and health emergency conditions, the Group's Management will be attentive to changes in the environment that could have a material effect on the actuarial calculation and, therefore, on the Company's results.
- 4) Corresponds to the provision for voluntary retirement, which corresponds to a formal plan, in which functions, the approximate number of employees, disbursements to be carried out, and estimated dates of the plan during 2020 have been identified.
- 5) Corresponds to the estimate of the costs associated with dismantling or removing the property, plant, and equipment when this has been contractually agreed. There is no expected schedule for the outflow of resources since there is no schedule for the delivery of technical sites.

19. EQUITY, NET

The authorized, subscribed and paid-in capital is presented below:

Share Capital

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Authorized capital	387.317	1.454.870.740	387.317	1.454.870.740
Subscribed and paid-in capital	908	3.410.076	908	3.410.059
Nominal value (in pesos)	-	1	-	1

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The equity participation is presented below:

Shareholders	As of June 30, 2020		As of December 31, 2019	
	Number of Shares	Participation	Number of Shares	Participation
Telefónica Latinoamérica Holding.	2.301.779.819	67,49937427%	1.756.837.596	51,51926832%
La Nación-Ministerio de Hacienda y	1.108.269.271	32,49984282%	1.108.269.271	32,50000004%
Radio Televisión Nacional de	10.000	0,00029325%	10.000	0,00029325%
Shirley Puentes Mercado (2)	9.950	0,00029178%	-	-
Adriana Cepeda Rodríguez (2)	2.488	0,00007296%	-	-
Patricia Cepeda Rodríguez (2)	1.493	0,00004378%	-	-
Darío Cárdenas Navas (2)	885	0,00002595%	-	-
Eduardo Cárdenas Caballero (2)	826	0,00002422%	-	-
Jhon Jairo Gutiérrez Torres (2)	498	0,00001460%	-	-
Kira Torrente Albor (2)	349	0,00001023%	-	-
Canal Regional de Televisión Ltda.- Área Metropolitana de	200	0,00000586%	200	0,00000587%
Instituto de Vivienda de Interés Social y Reforma Urbana del	2	0,00000006%	-	-
Caja de Previsión Social Municipal	2	0,00000006%	-	-
Cooperativa de Empleados de las Empresas Públicas de	2	0,00000006%	-	-
Central de Inversiones S.A.- CISA	1	0,00000003%	1	0,00000003%
Latín América Celular Holdings	-	-	275.602.636	8,08204821%
Telefónica S.A.	-	-	269.339.586	7,89838425%
Terra Networks Colombia S.A.S. -	-	-	1	0,00000003%
	3.410.075.788	100,00000000%	3.410.059.291	100,00000000%

(1) As of July 26, 2020, its name was changed to Telefónica Hispanoamerica, S.L.

(2) Colombia Telecomunicaciones S.A. E.S.P. issued 16,497 ordinary shares as consideration to the shareholders of the absorbed companies (Metrotel and Telebucaramanga). As a result, the Company increased its capital stock by \$ 16,497 pesos to a subscribed and paid-in capital of \$ 3,410,075,788 (Note 1.2)

Reserves

a) For tax purposes: The Company, in accordance with tax regulations, when it requests depreciation allowances in its income tax return that exceed the value of the allowances recorded in the accounts, constitutes a non-distributable reserve equivalent to 70% of the highest value requested as a deduction.

When the depreciation claimed for tax purposes is less than that recorded in the accounts, the Company may release from this reserve an amount equal to 70% of the difference between the claimed value and the recorded value; the profits released from the reserve may be distributed as non-income income. As of June 30, 2020, and December 31, 2019, the reserves were \$ 26,298,376.

With the issuance of Law 1819 of 2016 (Tax Reform), the regulation that established this reserve was repealed, so that, as from the year 2017, it will not be mandatory to constitute said reserve.

b) Legal Reserve: The reserve constituted by the Company as of June 30, 2020, and December 31, 2019, is \$ 6,045,751.

c) For future expansions: The reserve established by the Company for future expansions, which is not distributable, as of June 30, 2020, and December 31, 2019, is \$ 3,730,162.

d) For repurchase of shares: d) For share repurchase: A reserve established by the Company for future share repurchases, which is not distributable and whose balance on June 30, 2020, and December 31, 2019, is \$ 31,322.

e) Occasional reserve: The stockholders' meeting by means of minutes No. 068 of March 16, 2020, constituted a reserve for \$ 34,925,054 corresponding to profits obtained during 2019 of Colombia Telecomunicaciones S. A. E.S.P.

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Other Perpetual Equity Instruments

On March 27, 2020, the Company paid the perpetual subordinated equity instrument issued on March 30, 2015, in a total amount of USD 500 million with an equity impact of \$ 1,689,145,000. The features of the issue are presented below:

Format	Currency of issue	Premiums and discounts	Total amount of issue	Total amount issued	Minimum redemption term	Date of issue	Fee /Payment	Use of Resources
R 144A/ Reg S	USD	Zero	500 million	500 million	Perpetual NC 5	March 30, 2015	8.5% / Half-yearly	Local debt prepayment

Yields payable semiannually in arrears.

The Statement of Changes in Condensed Consolidated Shareholders' Equity under the caption of Accumulated Results for the semesters ended June 30, 2020, and 2019 includes financial income (coupon payment) for \$ 55,037,974 and \$ 67,807,475, respectively.

Other Integral Result

The Group recognized net income in Other Comprehensive Consolidated Income for the semesters ended June 30, 2020, and 2019 of \$ 22,884,297 and \$ 216,921,996, respectively.

Net Tax Revaluation Surplus

For the semesters ended June 30, 2020, and 2019, the write-offs and the value of the depreciation made to the revalued assets, net of deferred taxes of \$ 92,509,970, and \$ 14,560,885 respectively, were transferred to retained earnings.

20. OPERATING INCOME

Revenues from customer contracts are presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Mobile services				
Data services	195.399	733.974.664	180.944	679.677.868
Voice services	75.765	284.594.987	92.597	347.820.836
Value-added services (1)	25.289	94.991.925	25.995	97.645.659
	296.453	1.113.561.576	299.536	1.125.144.363
Fixed services				
Internet services	87.821	329.879.936	86.220	323.866.914
Data and IT	51.755	194.406.512	47.714	179.226.199
Fixed voice services	49.282	185.115.442	59.406	223.144.251
Revenues TV	36.897	138.596.616	35.421	133.051.972
	225.755	847.998.506	228.761	859.289.336
Sale of terminal equipment	54.256	203.801.802	69.229	260.042.954
Digital services	50.536	189.827.837	36.351	136.546.190
Interconnection	36.927	138.708.911	35.569	133.608.982
Other data (O.M.V.)	6.422	24.121.231	8.956	33.642.944
STB Terminals (2)	2.247	8.440.893	114	429.605
Roaming revenue	1.238	4.651.843	2.314	8.692.765
Lease investment properties	22	84.487	11	41.314
	151.648	569.637.004	152.544	573.004.754
	673.856	2.531.197.086	680.841	2.557.438.453

As of the semester ended, June 30, 2020, and 2019 include income with related parties of \$ 30,226,727 and \$ 21,589,836, respectively (Note 26).

- 1) Includes application downloads, text messages, reconnection fees, preferred subscription, and space in the communication channels for advertisers.
- 2) During the first half of 2020, the increase is mainly due to the sale of Wi-Fi repeaters.

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The impact of the economic and health emergency caused by Covid-19 on operating income is shown in Note 29.

21. OTHER OPERATING INCOME

The Group's other operating income is presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Work carried out for fixed assets (1)	8.754	32.881.616	14.392	54.058.884
Other operating income (2)	8.123	30.510.652	6.813	25.592.186
Sale of movable and immovable property (3)	-	-	33.589	126.168.458
	16.877	63.392.268	54.794	205.819.528

As of the semester ended, June 30, 2020, and 2019 include income with related parties of \$ 10.216.808 and \$ 10.178.901, respectively (Note 26).

- 1) Includes mainly: support from suppliers, professional services and fees with group companies, leasing of physical space, compensation for breach of contract, and government subsidies.
- 2) Corresponds to work carried out by Group personnel, which, due to its characteristics, is directly related to the development and implementation of fixed assets.
- 3) Corresponds to the profit generated on the sale of real estate.

22. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Cost of equipment (Note 10)	84.952	319.104.071	95.609	359.134.610
Labor costs	57.618	216.428.243	56.216	211.164.540
Networking and roaming	39.181	147.176.516	35.026	131.569.325
Other operating costs and expenses (1)	37.239	139.879.762	40.585	152.447.671
Equipment maintenance	35.154	132.047.034	38.266	143.739.344
Commission on sales	33.963	127.574.294	34.830	130.832.070
Tributes and considerations	32.062	120.434.435	32.493	122.051.852
Rental of media and other network infrastructure	30.005	112.707.026	32.379	121.625.350
Renting and third party activities to customers	29.381	110.363.539	12.300	46.201.641
Content providers	26.654	100.119.622	26.838	100.810.339
Energy	21.917	82.327.921	22.213	83.440.055
IT services	20.433	76.753.524	21.423	80.469.745
Portfolio deterioration	15.932	59.846.914	10.925	41.036.497
Advertising expenses	14.637	54.979.293	15.132	56.839.970
Cost of compliance with contracts (Note 9)	8.542	32.087.425	5.520	20.732.896
Services - customer service	8.357	31.391.650	8.860	33.280.171
Other and non-recurring costs and expenses (2)	2.262	8.496.495	1.776	6.671.627
Provision for inventories (Note 10)	480	1.804.035	4	16.221
	498.769	1.873.521.799	490.395	1.842.063.924

The variation presented between the semesters ended June 30, 2020, and 2019 corresponds mainly to i) decrease in the cost of sales of mobile smartphone equipment due to the decrease in sales caused by the temporary closure of experience centers in the last week of March and during April 2020 as a result of the health emergency; ii) increase due to the execution of new integral solutions contracts with corporate customers; iii) increase in mobile-mobile access charges due to the increase in minute traffic; iv) greater impairment of national interconnection and corporate customer accounts receivable, and v) higher cost of customer premises equipment due to the amortization of the deferred cost associated with new subscribers (Note 9).

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During the semesters ended June 30, 2020, and 2019, expenses with related parties are included for \$ 152,877,476 and \$ 112,422,800, respectively (Note 26).

- (1) Includes mainly operating costs and expenses for banking services, document printing and distribution charges, logistics services, leasing, legal, tax and labor advice, transportation, security, insurance, and travel expenses.
- (2) Includes legal contingencies and cable replacement costs.

The impact of the economic and health emergency caused by Covid-19 on operating costs and expenses is shown in (Note 29).

23. DEPRECIATIONS AND AMORTIZATIONS

Depreciations and amortizations are presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)(a)	(in thousands of COP\$)	(in thousands of US\$)(a)	(in thousands of COP\$)
Depreciation of property, plant and equipment (Note 13)	91.025	341.916.499	101.485	381.206.152
Amortization of intangible assets (Note 14)	69.347	260.484.980	71.081	266.998.365
Depreciation of assets for rights of use (Note 12)	29.751	111.752.388	22.244	83.553.359
	190.123	714.153.867	194.810	731.757.876

24. FINANCIAL EXPENSES, NET

Financial income (expense), net is presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Income:				
Interest hedging transactions, net (1)	8.797	33.044.694	-	-
Interest in arrears	3.213	12.069.550	3.967	14.902.060
Return on temporary and bank investments (Note 6)	835	3.135.001	99	372.269
	12.845	48.249.245	4.066	15.274.329
Expenditure:				
Interest on loans, debentures and bonds (1) (Note 15)	(37.265)	(139.976.875)	(26.499)	(99.538.562)
Other financial expenses (2)	(4.450)	(16.717.052)	(1.416)	(5.318.030)
Financial expenses for leasing	(4.311)	(16.191.545)	(2.213)	(8.313.747)
Financial Update of Liabilities (4)	(2.332)	(8.760.434)	(2.256)	(8.475.137)
Levy on financial transactions	(546)	(2.052.200)	(698)	(2.621.650)
Interest hedging transactions, net (1)	-	-	(9.985)	(37.505.327)
	(48.904)	(183.698.106)	(43.067)	(161.772.453)
(Loss) gain per difference in exchange, net	(1.854)	(6.962.469)	704	2.643.485
	(50.758)	(190.660.575)	(42.363)	(159.128.968)
	(37.913)	(142.411.330)	(38.297)	(143.854.639)

The main variations and movements in net financial expenses are as follows:

- 1) For the period ended June 30, 2020, the valuation of interest rate hedges generates income from the early termination of the Interest Rate Swap (IRS). Cross Current Interest Rate Swap (CCIRS) contracts are associated with the prepaid portion of the Senior 2022 Bond in May 2020. For the same period in 2019, the result of the financial expense corresponds to the coverage costs.
- 2) Includes i) interest on the senior bond accumulated to the first half of 2020 for \$ 71,975,430 and on the local bond for \$ 16,480,040 and, ii) interest on the hybrid bond from its recognition as a financial obligation until the payment date for \$ 19,112,870. As of the first semester of 2019, the interests of the senior bond amounted to \$ 64,306,903, and the interests of the local bond to \$ 2,857,548.
- 3) The change is mainly due to the higher value paid to investors in the early repurchase of the Senior 2022 Bond for USD 320 million.

- 4) Corresponds to financial updating of liabilities for spectrum licenses, obligations to make, dismantling of assets, and pension liabilities.

25. FINANCIAL RISK MANAGEMENT

25.1. Risk Management Policy

The Group could be exposed to various financial market risks as a result of i) the normal course of its business and ii) the financial debt contracted to finance its business. The main risks are the exchange rate, interest rate, liquidity, and credit risks.

Exchange Rate Risk

It arises mainly from the obligations and rights that the Group has in currencies other than the Colombian peso.

Interest Rate Risk

It arises mainly from changes in interest rates that affect (i) the financial costs of floating rate debt and/or short-term fixed-rate debt negotiations and (ii) long-term fixed-rate liabilities.

Liquidity Risks

The Group is exposed to liquidity risk, mainly due to imbalances between fund requirements and fund sources.

Credit risks

Credit risk arises from cash and cash equivalents (deposits in banks and financial institutions) and credit exposure to wholesale and retail customers, which includes outstanding balances of accounts receivable and committed transactions. With respect to banks and financial institutions, only institutions with an independent risk rating of at least 'A' are accepted. Independent ratings of wholesale customers are used to the extent available. If there are no independent risk ratings, the portfolio rating assesses the client's credit quality, taking into consideration its financial position, past experience, and other factors. Individual credit limits are established in accordance with the limits set by the board of directors based on internal or external ratings. The use of credit limits is monitored regularly. Sales to customers in the retail segment are made primarily on a cash basis. Credit limits were not exceeded during the reporting year, and management does not expect the Group to incur any losses from the performance of its counterparts.

Price Risks

The Group is exposed to the price risk of the goods and services it acquires for its operations, for which it conducts purchasing negotiations with small and large suppliers (including global suppliers) to ensure a continuous supply. This model, through which important savings are achieved in local and regional negotiations, makes it possible to avoid a high risk of concentration and dependence. This could lead in the medium and long term to a dependence that would be difficult to solve due to the lack of alternative suppliers who could manage pressure levers that would prevent non-compliance with product quality, delivery times, non-agreed increases in prices or margins of maneuver that could not be solved by having a single supplier in some of the layers of the network.

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Country Risk

The evolution of the pandemic appears to be less severe than in other countries in the Latin American region. However, the health system's response capacity remains the greatest concern as the peak of infection approaches, and the occupation level of ICUs is close to 80% of their capacity. On the economic front, Colombia is experiencing an additional shock from falling oil prices directly affecting the country's exports (18% of national income). According to this, this second quarter is the worst performance of an economic activity in decades, to later return to normal during the second half of the year leading to a total growth of 7.8% at the end of 2020 (+4% by 2021), which could imply an unemployment rate of two digits close to 17%. The contraction in domestic demand will help reduce inflationary pressure due to the devaluation of the peso against the dollar. The annual CPI at the end of June stood at 2.19%. Hence, the monetary authorities had room for further stimulus leading to reductions in the monetary policy intervention rate by 200 bps during the year to 2.5% at the end of June.

The national government has announced fiscal stimulus packages amounting to \$5 billion (1.5% of GDP) and a total fund worth \$15 billion (4.5% of GDP) that can be used if economic conditions require it. The fiscal account deficit is expected to expand sharply due to its high dependence on oil prices and new pressures from lower tax collections as a result of the economic slowdown and increased public spending to address the state of emergency associated with the pandemic. In addition, the current account balance is expected to deteriorate further as a result of lower oil prices, lower exports, and remittances, reaching levels of 4.8% by year-end. All of the above increases the probability of negative actions to the country's risk rating in the next 6 to 18 months by the risk rating agencies.

Risk Management

The Group actively manages the risks through the use of derivative financial instruments, on exchange rates, and interest rates, likewise the net balance positions are taken into account in order to take advantage of natural hedges that are directly offset, avoiding incurring overhead costs of the bid-offer spread in hedging operations.

At the end of June 2020, the Group had the following portfolio of financial derivatives on exchange rates and interest rates expressed in their currency of origin:

Figures in millions

Underlying	NDF		IRS Libor	IRS IBR	IRS IPC	CCIRS (margen)	Opciones
	USD	EUR	USD	COP	IPC	USD	USD
Senior Bonus	430	-	430	-	-	430	-
Debt in USD\$/COP	573	-	-	900.000	152.410	-	-
Trading accounts	34	0,3	-	-	-	-	-
Future cash flows	46	-	-	-	-	-	68
	1.083	-	430	900.000	152.410	430	68

NDF: Non delivery forwards

IRS: Interest rate swap

CCIRS: Cross currency interest rate swap

In line with the Group's risk management policy, IBR-indexed IRS were contracted for the second quarter of 2020 for \$ 900,000 million and designated as long-term local currency debt hedging instruments.

In addition, during June, IRS and CIRS were prepaid for USD 320 million associated with the prepaid portion of the Senior 2022 Bond.

Exchange Rate Risk

The fundamental objective of the exchange rate risk management policy is to protect the value of asset and liability records denominated in dollars and euros against changes in the Colombian peso exchange rate against these currencies.

On June 30, 2020, the Group's debt, in US dollars, including the senior bond maturing in 2022, was equivalent to USD 1,003 million (December 31, 2019, - USD 751 million). Additionally, considering the ordinary flow of the Group's business, hedges were made for commercial accounts, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency that were recorded in the Separate Condensed Interim Statement of Financial

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Position. Finally, highly probable future cash flow hedges were contracted through NDF (Non-Delivery Forwards) and term options up to one year to cover a portion of the OPEX and CAPEX in foreign currency of the current year's budget.

The following is the detail of assets and liabilities held and expressed in thousands of dollars:

	<u>As of June 30,</u> 2020	<u>As of December 31,</u> 2019
	(in thousands of USD)	
Assets		
Debtors and other accounts receivable	235.161	57.932
Cash and cash equivalents	30.444	4.721
Related parties	5.646	18.783
Total assets	271.251	81.436
Liabilities		
Financial obligations	1.011.595	664.421
Suppliers and accounts payable	93.456	126.448
Related parties	29.254	14.934
Total liabilities	1.134.305	805.803
Liability position, net	(863.054)	(724.367)

The following is the detail of assets and liabilities held in US dollars and expressed in thousands of Colombian pesos:

	<u>As of June 30,</u> 2020	<u>As of December 31,</u> 2019
	(in thousands of COP\$)	
Assets		
Debtors and other accounts receivable	883.330.561	217.608.650
Cash and cash equivalents	114.356.188	17.732.605
Related parties	21.207.957	70.553.547
Total assets	1.018.894.706	305.894.802
Liabilities		
Financial obligations	3.799.834.067	2.495.751.847
Suppliers and accounts payable	351.046.904	474.975.563
Related parties	109.886.215	56.098.083
Total liabilities	4.260.767.186	3.026.825.493
Liability position, net	(3.241.872.480)	(2.720.930.691)

Interest Rate Risk

After hedging, exposure to floating rate is 72.90% of total debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of Banco de la República in the medium term.

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At the end of the first half of 2020, the fixed and variable rate debt was as follows:

Fixed-rate obligations	Financial Obligations		
	Value (1)	Participation	Index
	(in thousands of USD)		
Debt in COP	373	27,11%	Fixed rate
	373	27,11%	
Variable-rate obligations			
Senior Bonus(2)	430	31,25%	Libor 3M
Debt in USD	573	41,64%	Libor 3M y 6M
	1.003	72,89%	
	1.376	100,00%	
	Financial Obligations		
Fixed-rate obligations	Value (1)	Participation	Index
	(in thousands of COP\$)		
Debt in COP	1.400.000	27,10%	Fixed rate
	1.400.000	27,10%	
Variable-rate obligations			
Senior Bonus(2)	1.615.200	31,26%	Libor 3M
Debt in USD	2.151.105	41,64%	Libor 3M y 6M
	3.766.305	72,90%	
	5.166.305	100,00%	

(1) Does not include financial leases

(2) Interest rate exposure after hedging.

Sensitivity of debt and derivatives to interest rate changes:

For derivatives, a positive and negative movement in the valuation curve of 100 bps was sensitized; for periods in which the rates were less than 1%, sensitivity was not considered in order to avoid negative rates; for the calculation of sensitivity in equity, only cash flow hedging transactions were considered, taking into account that they are the only transactions whose effect of the interest rate is recorded in equity; similarly, for sensitivity in results, only fair value hedging transactions were considered, taking into account that they are the only transactions whose effect of the valuation interest rate is recorded in results.

For the debt, the variable-rate portion was sensitized for the second half of 2020.

The sensitivity result was as follows:

	Sensitivity			
	Impact on results		Impact on heritage	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
+ 100 pb	(1.410)	(5.297.821)	4.059	15.246.108
- 100 pb	1.410	5.297.854	(5.030)	(18.892.449)

(1) Does not include financial leases

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Derivative Financial Instruments and Risk Management Policy

The breakdown of the Group's derivatives on June 30, 2020, and their fair value at that date and the expected maturity schedule by notional amount and type of hedge is as follows:

Derived	Fair Value (1)	Notional Value - Maturities			
		<i>(Figures in millions of USD)</i>			
		2020	2021	Subsequent	Total
Interest rate hedges					
<i>Cash flow coverage</i>	24	-	-	860	860
Exchange rate hedges					
<i>Cash flow coverage</i>	1	819	295	2	1.116
<i>Fair value hedges</i>	0	34	-	-	34
	1	853	295	2	1.150
Interest rate and exchange rate hedges					
<i>Cash flow coverage</i>	(9)	-	-	280	280
	16	853	295	1.142	2.290

Derived	Fair Value (1)	Notional Value - Maturities			
		<i>(Figures in millions of pesos)</i>			
		2020	2021	Subsequent	Total
Interest rate hedges					
<i>Cash flow coverage</i>	89.965	-	-	3.230.401	3.230.401
Exchange rate hedges					
<i>Cash flow coverage</i>	4.852	3.076.716	1.109.645	8.847	4.195.208
<i>Fair value hedges</i>	(402)	127.717	-	-	127.717
	4.450	3.204.433	1.109.645	8.847	4.322.925
Interest rate and exchange rate hedges					
<i>Cash flow coverage</i>	(32.476)	-	-	1.052.410	1.052.410
	61.939	3.204.433	1.109.645	4.291.658	8.605.736

(1) It is presented net of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

25.2. Other Risks and Uncertainties facing the Group.

The Group's business is conditioned by intrinsic factors exclusive to the Group and certain exogenous factors common to any company in its sector, the most significant of which are as follows:

Legal Regulation Risk

MINTIC is the authority that exercises State intervention in the information and communications technology sector in Colombia, adopts policies, plans, programs and projects in the sector, establishes the general conditions for the operation and marketing of networks and services, grants permits for the use of the radio spectrum and exercises control and surveillance functions in the information and communications technology sector, among other functions.

For its part, the CRC is the body responsible for promoting and regulating free competition, preventing unfair conduct and restrictive business practices, by means of general regulations or specific measures, and may propose differential rules of conduct depending on the position of the suppliers, once the existence of market failure has been determined.

Risks Inherent to the Activity Sector in which the Group Operates

The provision of services is carried out under the authorizations, as well as under the permits for spectrum use.

Other Risks and Uncertainties facing the Group

Markets Subject to Continuous Technological Evolution

The success of the Group is directly related to its adaptability to technological evolution or to critical situations that arise, in the times that the market demands, anticipating, and adapting to technological changes and market demands. Technological evolution is permanent, competing in the market with new products, services, and technologies, which oblige us to maintain a permanent update on them.

Technology, in general, evolves at high speed, and therefore companies in TELCO's segment must be prepared to develop at the speed that the market demands.

Risks Associated with Unexpected Network Interruptions

Network problems or interruptions are situations inherent to the operation of any element that constitutes it. They affect the normal functioning of the service, causing user dissatisfaction due to the impossibility of communication, as well as a no lesser risk of possible administrative actions or requirements from the control bodies that could result in sanctions of high economic impact for the Group.

Given the current situation, due to the effect of the pandemic and new consumption habits, user profiles have changed, leading to an increase in traffic demand and saturation of capacity in residential urban areas in the main cities, as well as a greater impact on medium and small municipalities and rural areas. This, combined with insufficient capacity on obsolete radio links, mostly concentrated in areas where there is no possibility of migration to fiber optic services, causes a perception of service degradation. On the other hand, when considering the current public health situation, the execution times for network deployment requirements are increased due to the impact generated by restrictions on mobility, access to some areas and, in general, the stoppage of work activities due to the Covid-19 pandemic on the supply and distribution chains for goods and services needed to extend and expand the network.

Therefore, it is necessary to continue with the implementation of new operating models that allow the normal deployment of networks in full compliance with biosecurity protocols that guarantee the health of our employees and our customers in the face of this new challenge.

26. RELATED PARTIES

As of April 2020, Telefónica S.A., following a corporate reorganization process carried out in Spain, entered into a purchase agreement to transfer the shares to Latin America Cellular Holdings S.L. (Note 1.5). Therefore, balances on June 30, 2020, and the six months ended June 30, 2020, are presented in the related party group.

26.1. Accounts Receivable

The balances of accounts receivable between the Group and its shareholders, economic partners, and associates are as follows:

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Current

a) Shareholders

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
From outside				
Telefónica S.A.	-	-	2.459	9.237.407
	-	-	2.459	9.237.407

b) Economic links

Nacional

Tiws Colombia II S.A.S.	8.986	33.753.047	5.385	20.228.121
Telxius Cable Colombia S.A.	773	2.903.937	300	1.127.060
Wayra Colombia S.A.S.	11	40.255	14	51.450
	9.770	36.697.239	5.699	21.406.631

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
From outside				
Telefónica S.A.	2.401	9.019.735	-	-
TIWS II	2.086	7.835.695	977	3.671.244
Pegaso Pcs. S.A. de C.V.	907	3.407.795	789	2.965.062
Telefónica Digital España S.A.	833	3.128.070	2.840	10.667.721
Telefónica Móviles España S.A.	428	1.609.066	406	1.524.277
Otecel S.A.	404	1.518.596	341	1.280.465
Telefónica Móviles Argentina S.A.	209	783.733	186	698.652
Telefónica Móviles El Salvador S.A.	202	758.282	272	1.023.150
Telefónica del Perú S.A.	80	299.982	130	488.135
Telefonica Germany GMBH & CO C	67	250.851	116	435.466
Telefónica USA Inc.	51	192.216	43	161.381
Terra Networks Mexico S.A. de CV	31	115.576	-	-
Telefónica Compras Electrónicas	23	84.585	38	142.680
Telefónica Brasil S.A	2	9.023	45	168.248
Telefónica Móviles de Chile	2	7.340	52	195.983
Telefónica Móviles Uruguay S.A.	1	2.149	-	-
Telefónica de Costa Rica	-	702	1	3.468
Telefonica Factoring Mexico S.A.	-	-	4	14.968
	7.727	29.023.396	6.240	23.440.900
Total economic links	17.497	65.720.635	11.939	44.847.531

c) Associated Companies

Nacional

Telefónica Factoring Colombia S.A.	-	-	11	39.794
Total related parties	17.497	65.720.635	14.409	54.124.732

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Non-current

Economic Link

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Telefónica Venezolana C.A. (a)	96	360.284	10.591	39.781.586
Total related parts	96	360.284	10.591	39.781.586

- a) During the six months ended June 30, 2020, the corresponding procedures were carried out for the cancellation of bills by Telefónica Venezolana C.A. to Colombia Telecomunicaciones S. A. E.S.P.

Balances in foreign currency of accounts receivable as of June 30, 2020, and December 31, 2019 are USD 5,646 thousand (\$21,207,957) and USD 21,529 thousand (\$ 70,553,547) respectively.

26.2. Accounts Payable

The balances of liabilities between the Group and its shareholders and economic partners are as follows:

Current

a) Shareholders

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
From outside				
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - Telefónica S.A.)	68	256.318	93	347.494
	-	-	3.372	12.666.965
	68	256.318	3.465	13.014.459

b) Economic links

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Nacional				
Telxius Cable Colombia S.A.	13.029	48.939.878	4.248	15.958.471
Tiws Colombia II S.A.S.	9.928	37.292.032	5.628	21.139.257
Telefónica Ingeniería de Seguridad	209	786.367	257	964.167
Telefónica Learning Services Colombia	-	-	51	193.422
	23.166	87.018.277	10.184	38.255.317

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	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
From outside				
TIWS II SL	16.093	60.450.123	10.769	40.451.578
Telefónica S.A.	6.160	23.140.309	-	-
Telefónica Global Technology	5.732	21.531.592	5.558	20.877.265
Media Network Latin América	3.241	12.173.930	1.877	7.049.603
Telefónica USA Inc.	2.170	8.149.769	2.419	9.085.333
Telefónica Compras Electrónicas	1.722	6.469.995	479	1.799.238
Telefónica Móviles Argentina S.A.	1.016	3.814.577	1.022	3.838.691
Telefónica Digital España S.A.	698	2.620.600	808	3.036.649
Telefónica Móviles España S.A.	653	2.452.556	390	1.464.557
Pegaso Pcs. S.A. de C.V.	499	1.875.545	416	1.561.241
Telefónica de Argentina S.A.	456	1.713.000	456	1.713.000
Otecel S.A.	378	1.419.369	374	1.403.559
Telefónica del Perú S.A.	201	753.546	191	718.811
Terra Networks Mexico S.A. de CV	156	586.307	138	519.785
Telefonica de Contenidos SAU	149	561.393	-	-
Telefónica Brasil S.A	118	444.773	125	469.749
Telefónica Global Roaming	116	434.792	147	551.850
Telefónica Ingeniería de Seguridad	105	393.851	19	72.005
Telefónica Servicios Audiovisuales	91	340.060	60	225.919
Telefónica de España S.A.U.	88	331.249	202	757.315
Telefónica Empresas Chile S.A	69	258.552	-	-
O2 T. UK Limited	63	237.384	58	218.324
Telefónica Venezolana C.A.	62	232.842	613	2.301.622
Telefónica Móviles de Chile	36	134.236	37	138.846
Telefónica Broadcast Services S.L.U	11	40.562	12	44.368
Telefónica Móviles Uruguay S.A.	8	31.459	8	29.447
Telefónica Móviles El Salvador S.A.	3	12.613	5	17.790
Telefónica de Costa Rica	3	11.733	2	7.766
E-Plus Mobilfunk GMBH & CO	-	5	36	135.906
Telefonica Educacion Digital	-	-	5	18.015
TGestiona Logistica Sociedad Anonima	-	-	2	5.755
	40.097	150.616.722	26.228	98.513.987
Total economic linked	63.263	237.634.999	36.412	136.769.304
Total related parts	63.331	237.891.317	39.877	149.783.763

Non-current

Shareholders

	As of June 30,		As of December 31,	
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Share-based payments				
Telefónica S.A. (1)	1.872	7.031.113	1.204	4.521.758
Total related parts	1.872	7.031.113	1.204	4.521.758

- (1) Corresponds to the remuneration of executives with a five-year tenure, where the right to receive a certain number of shares of Telefónica S. A. is granted subject to the fulfillment of certain conditions related to the performance of the share during the period and the tenure.

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Balances in foreign currency of accounts payable as of June 30, 2020 and December 31, 2019 are USD 29,254 thousand (\$ 109,886,215) and USD 17,118 thousand (\$ 56,098,083) respectively.

26.3. Income, Costs and Expenses with Related Parties

The Group carries out transactions with its related parties under the same market conditions and with mutual independence. The following is a summary of the Group's income, costs, and expenses from January 1 to June 30, 2020, and 2019 with shareholders, economic partners, and associates.

a) Shareholders

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of US\$)			
From outside				
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	30	-	-	25
Telefónica S.A.	-	1.099	-	61
	30	1.099	-	86

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
From outside				
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	112.288	-	-	92.395
Telefónica S.A.	-	4.128.286	-	230.484
	112.288	4.128.286	-	322.879

b) Economic Links

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
National				
Tiws Colombia II S.A.S.	11.226.006	9.551.984	15.174.386	4.470.331
Telxius Cable Colombia S.A.	1.550.801	1.158.393	31.579.540	29.543.051
Wayra Colombia S.A.S.	207.365	220.557	-	-
Telefónica Learning Services Colombia	193.422	-	-	82.259
Telefonica Ingenieria de Seguridad	-	-	1.094.534	277.989
	13.177.594	10.930.934	47.848.460	34.373.630

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of US\$)			
Nacional				
Tiws Colombia II S.A.S.	2.989	2.543	4.040	1.190
Telxius Cable Colombia S.A.	413	308	8.407	7.865
Wayra Colombia S.A.S.	55	59	-	-
Telefónica Learning Services Colombia	51	-	-	22
Telefonica Ingenieria de Seguridad	-	-	291	74
	3.508	2.910	12.738	9.151

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of US\$)			
From outside				
TIWS II	3.883	2.593	7.086	7.257
Telefónica S.A.	1.777	-	6.348	-
Telefónica Digital España S.A.	745	1.318	544	421
Telefónica USA Inc.	256	9	-	224
Telefónica Móviles El Salvador S.A.	169	2	1	3
Telefónica Móviles España S.A.	91	108	298	198
Telefónica Móviles de Chile	49	32	11	13
Telefónica del Perú S.A.	47	60	8	247
Telefónica Móviles Argentina S.A.	32	46	11	11
Telefónica Brasil S.A	31	78	9	16
Terra Networks Mexico S.A. de CV	28	-	181	122
O2 T. UK Limited	25	58	4	12
Telefónica Compras Electrónicas	20	20	1.691	566
Otecel S.A.	13	19	18	14
Telefónica de Costa Rica	4	10	3	7
Telefónica Móviles Uruguay S.A.	3	6	1	2
Pegaso Pcs. S.A. de C.V.	3	7	24	38
Telefónica Germany GMBH & CO OHG	2	2	12	-
E-Plus Mobilfunk GMBH & CO	1	-	-	6
Telefónica Venezolana C.A.	-	-	8	18
Telefónica Móviles Panamá S.A.	-	37	-	23
Telefónica Celular De Nicaragua S.A	-	3	-	-
Telefónica Global Technology	-	-	5.630	4.718
Media Network Latin América	-	-	4.390	5.280
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	765	765
Telxius Cable España S.L.U	-	-	263	263
Telefónica Empresas Chile S.A.	-	-	132	-
Telefónica Ingeniería de Seguridad	-	-	86	42
Telefónica de España S.A.U.	-	-	99	97
Telefónica de Contenidos SAU	-	-	135	190
Telefónica Global Roaming	-	-	103	94
Telefónica Servicios Audiovisuales	-	-	100	45
	7.179	4.408	27.961	20.692
Total economic links	10.687	7.318	40.699	29.843

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of COP\$)			
From outside				
TIWS II	14.584.661	9.739.197	26.617.184	27.259.684
Telefónica S.A.	6.674.413	-	23.843.438	-
Telefónica Digital España S.A.	2.799.047	4.950.467	2.042.789	1.582.454
Telefónica USA Inc.	961.479	32.941	-	842.292
Telefónica Móviles El Salvador S.A.	633.922	8.634	4.295	12.258
Telefónica Móviles España S.A.	340.701	405.498	1.118.900	745.123
Telefónica Móviles de Chile	183.700	119.631	42.569	49.263
Telefónica del Perú S.A.	177.656	224.708	31.254	929.261
Telefónica Móviles Argentina S.A.	120.520	172.864	39.521	41.322
Telefónica Brasil S.A	116.298	294.349	34.011	59.485
Terra Networks Mexico S.A. de CV	106.082	-	679.039	456.909
O2 T. UK Limited	94.783	215.999	14.111	46.190
Telefónica Compras Electrónicas	74.096	74.395	6.353.463	2.126.335
Otecel S.A.	48045	73136	68.460	52.753
Telefónica de Costa Rica	15.459	35.800	10.315	24.498
Telefónica Móviles Uruguay S.A.	11.388	21.147	5.361	7.541
Pegaso Pcs. S.A. de C.V.	9.875	27.246	91.544	141.864
Telefónica Germany GMBH & CO OHG	5.643	7.213	46.023	-
E-Plus Mobilfunk GMBH & CO	2043	-	83	21.618
Telefónica Venezolana C.A.	-	-	30.977	67.249
Telefónica Móviles Panamá S.A.	-	139.700	-	86.977
Telefónica Celular De Nicaragua S.A	-	9.826	-	-
Telefónica Global Technology	-	-	21.147.101	17.722.365
Media Network Latin América	-	-	16.490.732	19.831.954
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	2.873.236	2.873.236
Telxius Cable España S.L.U	-	-	987.119	987.119
Telefónica Empresas Chile S.A.	-	-	494.646	-
Telefónica Ingeniería de Seguridad	-	-	321.846	158.230
Telefónica de España S.A.U.	-	-	371.292	364.861
Telefonica de Contenidos SAU	-	-	508.746	713.030
Telefónica Global Roaming	-	-	386.455	353.369
Telefónica Servicios Audiovisuales	-	-	374.506	169.051
	26.959.811	16.552.751	105.029.016	77.726.291
Total economic links	40.137.405	27.483.685	152.877.476	112.099.921

c) Associated Companies

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of US\$)			
Nacional				
Telefónica Factoring Colombia S.A.	52	42	-	-
	52	42	-	-
Total related parties	10.769	8.459	40.699	29.929

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(in thousands of COP\$)			
Nacional				
Telefónica Factoring Colombia S.A.	193.842	156.766	-	-
	193.842	156.766	-	-
Total related parties	40.443.535	31.768.737	152.877.476	112.422.800

The Group has not given or received any guarantees or pledges to its economic relations.

The summary of income, cost and expense transactions that occurred during the period with related parties, depending on the nature of the goods or service provided between the parties, is as follows:

Ingresos:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Mobile services				
Value-added services	34	126.388	26	97.028
data services	3	10.547	3	13.042
Voice services	2	7.728	3	12.009
	39	144.664	32	122.079
Fixed services				
Data and IT	2.426	9.112.497	2.063	7.750.203
Fixed voice services	1.740	6.535.090	757	2.843.603
Internet services	297	1.116.980	101	377.676
	4.463	16.764.567	2.921	10.971.482
Interconnection	2.201	8.269.400	1.849	6.944.592
Digital services	907	3.408.022	487	1.827.890
Roaming revenue	437	1.640.063	458	1.720.673
Sale of terminal equipment	-	10	1	3.119
	3.545	13.317.496	2.794	10.496.275
	8.047	30.226.727	5.747	21.589.836

(1) Includes mainly cloud and security services

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Other operating income (1)	2.720	10.216.808	2.710	10.178.901
	10.767	40.443.535	8.457	31.768.737

(1) Includes mainly consultancies, fees with related parties, assignment of space, and administrative services.

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Costs and expenses:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Rental of media	15.735	59.105.863	15.308	57.501.828
Other and non-recurring costs and expenses (1)	6.243	23.450.739	4.849	18.213.220
Advertising expenses	6.082	22.845.588	-	-
Networking and roaming	4.901	18.409.276	3.822	14.355.691
Renting and third party activities to customers	2.708	10.171.600	2.375	8.919.867
Other operating costs and expenses (2)	2.476	9.300.560	1.451	5.451.478
Content providers	1.371	5.149.678	1.446	5.432.148
Equipment maintenance	684	2.568.210	619	2.326.817
Commission on sales	402	1.510.280	25	92.395
Labor costs	97	365.682	34	129.356
	40.699	152.877.476	29.929	112.422.800

(1) Includes mainly computer applications, consulting and project integration, equipment rental, and costs, among others.

(2) Includes mainly licenses and computer applications.

d) Information on Remuneration of Key Management Personnel

The remuneration received by the Group's key employees according to their hierarchies is presented below:

	Six-month period ended June 30,			
	2020		2019	
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Wages, salaries and other benefits	2.356	8.849.048	2.696	10.127.282
Institutional plans	1.085	4.074.697	969	3.641.017
Remuneration plan for managers (shares and annual bonus)	840	3.155.005	1.245	4.678.090
Other	134	503.369	40	151.175
Voluntary retirement bonus	-	-	244	915.925
	4.415	16.582.119	5.194	19.513.489

27. CONTINGENCIES

The Group rates contingencies according to the probability of loss, with high probability, low probability, and remote, determining on this basis the value of the claims to be provisioned, supported by the reports and evaluations of the Group's legal advisors.

By June 30, 2020, there were 2,160 processes in progress, of which 133 corresponded to probable contingencies, 681 were classified as possible, and 1,346 were classified as remote.

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27.1. Processes with high probability

The following is a detail of the processes classified as high probability (Note 18)

	As of June 30		As of December 31	
	2020		2019	
	Quantity	Value	Quantity	Value
	(in thousands of US\$)			
Currents:				
User Management Investigations (1)	24	351	28	464
Administrative, regulatory and regulatory investigations competency	-	-	3	1.001
Work processes	-	-	20	303
	24	351	51	1.768
Non Currents:				
Court Proceedings (2)	50	1.902	49	878
Work processes	53	822	40	633
Administrative, regulatory and regulatory investigations competency	5	55	4	64
Tax processes	1	44	5	84
	109	2.823	98	1.659
	133	3.174	149	3.427

	As of June 30		As of December 31	
	2020		2019	
	Quantity	Value	Quantity	Value
	(in thousands of COP\$)			
Currents:				
User Management Investigations (1)	24	1.317.535	28	1.742.448
Administrative, regulatory and regulatory investigations competency	-	-	3	3.758.855
Work processes	-	-	20	1.136.726
	24	1.317.535	51	6.638.029
Non Currents:				
Court Proceedings (2)	50	7.144.618	49	3.297.655
Work processes	53	3.088.086	40	2.377.287
Administrative, regulatory and regulatory investigations competency	5	208.210	4	240.270
Tax processes	1	164.652	5	314.724
	109	10.605.566	98	6.229.936
	133	11.923.101	149	12.867.965

(1) Includes requests, complaints, and claims from customers through the Superintendence of Industry and Commerce.

(2) Includes mainly requests for civil and administrative proceedings with different third parties.

27.2. Possible contingencies

The Group is party to litigation qualified as possible, which is currently in progress before judicial, administrative, and arbitral bodies.

Considering the Group's legal advisors' reports in these proceedings, it is reasonable to appreciate that these litigations will not significantly affect the economic and financial situation or the Group's solvency.

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Judicial Processes

Proceedings to obtain a decision by the judicial authority called upon to resolve the disputed issue. They include processes of the civil, contentious-administrative, criminal, and constitutional jurisdictions, among others. There are 115 open processes qualified as possible in the amount of \$ 64,742,248.

a. Work Processes

Labor lawsuits seeking payment of labor rights derived from the relations that the plaintiffs have or have had directly with the Group or with a third party, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S.A. E.S.P. There are 458 open lawsuits classified as possible in the amount of \$ 33,448,626.

b. Administrative Investigations

Administrative authorities initiated these processes through filing charges, ex officio, or through complaints from third parties, aimed at determining the responsibility of the investigated party in the violation of rules.

Contingencies for administrative investigations are classified as follows:

i) Taxes: Processes under discussion for taxes with different municipalities in the country correspond to claims, such as industry and commerce tax (ICA), public lighting tax, among others. There are 36 administrative and judicial processes underway with possible qualifications, valued at \$ 7,182,088.

ii) Petitions, Complaints and Claims Administrative proceedings initiated by the Superintendence of Industry and Commerce - SIC, for positive administrative silences, habeas data, or noncompliance with resolutions. Forty-nine possible proceedings are reported for \$ 4,498,993.

iii) Regulatory: Administrative proceedings initiated by surveillance and control authorities for alleged failures in compliance with telecommunications regulatory standards. There are 23 possible proceedings for \$ 28,842,118.

28. FINANCIAL INDICATORS NOT DEFINED IN THE ACCOUNTING AND FINANCIAL REPORTING STANDARDS ACCEPTED IN COLOMBIA

Group management uses a series of measures for decision-making, in addition to those expressly defined in IFRSs, as it considers that they provide additional information useful for assessing the Group's performance, solvency, and liquidity. These measures should not be evaluated separately, nor should they be considered a substitute for the figures presented in accordance with IFRSs.

The following are the financial indicators calculated by the Group and which form an integral part of the financial analysis performed:

1. EBITDA

EBITDA is an indicator that measures performance and operating profit before depreciation and amortization. It is used to monitor the evolution of the business and establish operational and strategic objectives in the Company. EBITDA is a commonly reported and widely used measure among analysts, investors, and other stakeholders in the telecommunications industry. However, it is not an explicit indicator defined as such in IFRS and may not be comparable to similar indicators used by other companies.

	Six-month period ended June 30,			
	2020	2020	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Net profit for the period	(49.576)	(186.219.752)	(12.632)	(47.451.116)
More:				
Depreciation and amortization (Note 23)	190.123	714.153.867	194.809	731.757.876
Interest expense, net	37.913	142.411.330	38.297	143.854.639
Income and supplementary taxes	13.503	50.722.110	24.767	93.032.658
EBITDA	191.963	721.067.555	245.241	921.194.057

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EBITDA margin

	Six-month period ended June 30,	
	2020	2019
Margin EBITDA ⁽⁷⁾	27,8%	33,3%

(a) Represents EBITDA divided by operating income.

2. Leverage ratio: Debt / EBITDA

	As of June 30,	As of June 30,	As of December 31,	As of December 31,
	2020	2020	2019	2019
	(in thousands of US\$)	(in thousands of COP\$)	(in thousands of US\$)	(in thousands of COP\$)
Current financial obligations (Note 15)	120.416	452.316.578	109.163	410.047.634
Less:				
Interest payable (Note 15)	(9.989)	(37.519.629)	(10.026)	(37.661.309)
Hedge derivative instruments (Note 15)	(8.126)	(30.523.653)	(9.790)	(36.774.797)
Current financial obligations, net (a)	102.301	384.273.296	89.347	335.611.528
Long-term financial obligations (Note 15)	976.009	3.666.161.945	181.674	682.420.077
Derivative instruments on liabilities (Note 15)	(36)	(135.521)	(27)	(100.415)
Local bond (Note 15) (b)	133.110	500.000.000	133.110	500.000.000
Senior bond (Note 15) (b)	430.000	1.615.200.400	654.332	2.457.855.000
Instrumentos de patrimonio perpetuo (Nota 18) ©	-	-	340.343	1.278.425.000
Long-term financial obligations, net	1.539.083	5.781.226.824	1.309.432	4.918.599.662
Total financial debt	1.641.384	6.165.500.120	1.398.779	5.254.211.190
Valuation of exchange rate derivatives (d)	8.069	30.308.925	(17.256)	(64.816.932)
Cash and cash equivalents (Note 6)	(128.158)	(481.396.084)	(109.439)	(411.083.341)
Total net debt	1.521.295	5.714.412.961	1.272.084	4.778.310.917
EBITDA 12 months	456.485	1.714.684.685	509.763	1.914.811.187
Leverage ratio Debt/EBITDA	3,33 times	3,33 times	2,5 times	2,5 times

(a) The balance of short-term obligations excludes interest payable and hedge accounting.

(b) Corresponds to the nominal value of the issue of the senior bond and local bond, the senior bond is valued at the closing exchange rate of each period, not including the value of transaction costs.

(c) Corresponds to the nominal value of the issue of the perpetual equity instrument, valued at the exchange rate on the date of issue, does not include the value of the transaction costs. This instrument, under the issuance prospectus of the principal debt, is considered as replacement debt; therefore, it is included as financial debt. However, its recognition was in the Condensed Consolidated Interim Financial Statements is in equity. On March 27, 2020, the perpetual equity instrument was paid and replaced with local financial debt.

(d) Includes only the valuation of foreign exchange hedges.

3. Financial Indicators

3.1. Debt ratios

This indicator measures the extent to which and how short-term and long-term creditors participate in the Group's financing.

	As of June 30,	As of December 31,
	2019	2019
(a) Total debt level (1)	64,162%	50,189%
(b) Level of short-term debt (2)	26,469%	38,480%

(1) The total debt level increases mainly due to the replacement of the Hybrid Bond classified as a perpetual equity instrument by local financial debt and the impact of the devaluation of the peso against the dollar in the first half of 2020 of the foreign currency debt.

(2) The level of short-term debt decreases mainly due to a decrease in obligations with suppliers and contractors.

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3.2. Solvency rates

The solvency ratio indicates how many resources are held in assets compared to liabilities.

	<u>As of June 30,</u> <u>2020</u>	<u>As of December 31,</u> <u>2019</u>
Solvency index (1)	1,559 times	1,992 times

- (1) This indicator decreases mainly due to the replacement of the Hybrid Bond classified as a perpetual equity instrument by local financial debt and the impact of the devaluation of the peso against the dollar in the first half of 2020 of the foreign currency debt.

3.3. Liquidity rates

It indicates short-term availability to meet short-term commitments.

- (1) The improvement in these indicators as of June 30, 2020, corresponds mainly to i) an increase in assets to be liquidated in the short term and a decrease in obligations mainly with suppliers and contractors.

4. Operational Information

4.1. Access

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>jun-30</u>	<u>mar-31</u>	<u>dic-31</u>	<u>sep-30</u>	<u>dic-31</u>	<u>sep-30</u>
	<i>(Unidades 000)</i>					
End Customer Access	18.815	19.097	19.259	19.241	18.567	18.173
Basic Line (1)	1.493	1.483	1.488	1.497	1.301	1.313
Internet and Data	1.183	1.168	1.163	1.161	1.002	1.006
Television	530	532	528	523	548	564
Mobile Services	15.609	15.914	16.080	16.060	15.716	15.290
Prepaid	11.454	11.773	12.003	12.065	11.881	11.469
Postpaid	4.155	4.141	4.077	3.995	3.835	3.821

- (1) Includes "fixed Wireless" and voice over IP access.

4.2. Average login per user - ARPU (Average Revenues per User)

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>jun-31</u>	<u>mar-31</u>	<u>dic-31</u>	<u>sep-30</u>	<u>dic-31</u>	<u>sep-30</u>
	<i>(USD)</i>					
LB-BA-TV (1)	9	9	9	9	9	9
Total Mobile (2)	3	3	3	3	4	4
Prepaid	1	1	1	1	1	1
Postpaid	11	11	11	11	12	12

	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>jun-31</u>	<u>mar-31</u>	<u>dic-31</u>	<u>sep-30</u>	<u>dic-31</u>	<u>sep-30</u>
	<i>(COP\$)</i>					
LB-BA-TV (1)	33.451	33.653	32.458	32.421	31.996	34.482
Total Mobile (2)	12.751	12.479	12.800	12.633	13.416	13.315
Prepaid	2.967	2.876	3.462	2.917	3.542	3.245
Postpaid	40.853	39.844	40.360	41.932	43.811	43.584

- (1) Includes fixed monthly fees and excludes data and rental income.

- (2) Excludes revenue from Mobile Virtual Network Operators - MVNOs.

29. IMPACT ON THE FINANCIAL STATEMENTS OF COVID-19

29.1. Impact on the condensed consolidated interim financial statements on June 30, 2020

As part of the verification of the impacts on the financial statements and in compliance with the accounting and financial reporting standards accepted in Colombia, the Group has analyzed the implications of COVID-19, including not only the measurement of assets and liabilities, accounting estimates and appropriate disclosures but also the Group's ability to continue as a going concern.

However, this situation could have material adverse effects on the Group's results of operations, financial position, and liquidity if this contingency were to continue, and management is assessing these aspects daily to take all necessary and appropriate measures to minimize the impact during 2020.

Below is a description of the main impacts observed on the financial situation and operations of the Group's companies on June 30, 2020:

1. Impairment of Financial Instruments - Accounts Receivable

At the end of the second quarter of 2020, the financial instruments that are within the scope of the expected credit loss (ECP) model of IFRS 9 (including trade and other accounts receivable, debt instruments not measured at fair value through profit and loss, contractual assets and lease receivables), have been evaluated considering the impacts of COVID-19 on the ECP. At the end of June 2020, the impact of portfolio impairment (default risk) amounted to \$7,964 million due to the effects of COVID-19.

Since the declaration of the health emergency in mid-March 2020, the Group has carried out detailed monitoring of collection, and its daily behavior, as well as implemented action, and plans to improve collection levels. It is expected that starting in July, the trend in collections will improve positively, given the opening of some productive lines in the economy.

In addition to the above, it can also be identified that, although there has been a decrease in the collection in this period, it is also observed that there is a temporary displacement or transfer of the collection which would be reflected in subsequent months if the current conditions of confinement with the progressive opening of the economy are maintained.

On the other hand, the Group has developed internal strategies to favor customers and maintain collection levels for both the B2C and B2B segments, among them:

- Incentive campaigns for payment on the due date of invoice or geo-referral for payment in person,
- No charge for reconnection or interest on arrears, the latter in accordance with current regulations,
- Offers for normalization of delinquent balances,
- Granting of additional payment terms to those contractually agreed for clients who have requested them,
- Negotiation of payment agreements in installments and according to the needs of each client who has requested it, Renegotiation of contracts and fees.

2. Recognition of Income, Costs and Expenses

Accounting estimates have been revised in terms of recognition of income, costs, and expenses as they have occurred. Due to the impact of COVID-19 on commercial activity and in accordance with our projections and budgets, prepaid and postpaid revenues fell at the end of the second quarter of 2020 by \$ 12,354 million and \$ 11,534 million, respectively. Revenues from fixed and data products fell by \$ 17,444 million and from roaming and IT by \$ 9,503 million. In relation to revenues from mobile handsets, these decreased by \$ 65,687 million, and other non-recurring revenues that include the sale of real estate fell by \$ 43,045 million versus the budgeted amounts.

In line with this, direct costs, which include the cost of mobile terminals, fell by \$ 61,017 million, card recharging costs fell by \$ 1,327 million and roaming costs by \$ 2,650 million. Commercial, network and IT costs, customer support and attention and other non-recurrent expenses decreased by \$ 9.366 million net and personnel expenses on their part fell by \$ 4.803 million as a result of the application of the relief included in Decree 558 of the Presidency of the Republic that allows for the months of April and May to contribute to the General Pension System a percentage of 2.5% corresponding to the percentage charged to the employer and not 12% as defined. Inventories present an impairment of \$ 1,391 million.

The effect valued in the condensed consolidated statement of comprehensive income, including the portfolio impairment indicated above for \$ 7,964 million, is a decrease in budgeted EBITDA of \$ 85,333 million.

3. Valuation of Accounting Estimates

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Accounting estimates have been reviewed and evaluated for impairment of assets, expected cash flows, the net realizable value of inventories and the measurement value of financial instruments has been adjusted so that the impacts are reflected in the financial statement figures once they are confirmed in conjunction with a qualitative assessment of all the Group's activities.

4. Recoverability of Assets

The associated impacts of COVID-19 were considered by the Group when determining whether there is any indication of impairment of assets. To evaluate these indications, all possible evidence from both internal and external information sources was identified and is available to us, always with a criterion of prudence, considering the temporary nature of this pandemic, the macroeconomic environment, and the telecommunications industry.

In the validation of the external sources, no significant changes were identified that would have an adverse effect on the entity, in aspects related to the legal, economic, technological or market environment in which it operates, in the present or immediate future.

In the validation of internal sources, significant changes in the extent or manner in which the Group's assets are used or expected to be used and which could adversely affect the entity were assessed. The validation did not identify any plans to discontinue or restructure the operation of the assets, including plans to sell or reconsider the useful life of an asset as being finite rather than indefinite.

Considering the existence of Goodwill in the Consolidated Condensed Interim Financial Statements, the awareness of WACC was carried out with a step of +/- 1% using the current strategic plan and the other variables used at the end of the 2019 fiscal year. Additionally, long-term assets subject to impairment testing were sensitized by +/- 5%. Based on the previous year and the aforementioned conditions, it was not necessary to anticipate and/or recognize an impact of impairment on the recoverability of the assets. During the second half of 2020 and at the end of the accounting period, we will monitor significant variables, including the strategic plan and/or budgetary deviation that could trigger an update of the analysis of asset recoverability.

In relation to the deferred tax asset for tax losses, the Group has estimated to carry out a recoverability analysis for the end of 3Q 2020 based on the current Strategic Plan and the forecast for the end of the period, where the effects derived from the COVID-19 pandemic and the significant macroeconomic variables are made aware, which could generate an update in the tax recognized to date and the corresponding effects in the financial statements.

5. Liquidity Situation

To mitigate the impact of the current situation and maintain the Group's liquidity and strength, the following levers implemented at the start of the pandemic are maintained, such as:

- Review of the execution of the CAPEX, taking into account the projects in progress and commercial activity. Future projects will be assessed in detail.
- To minimize impacts on collections, proactive management campaigns have been implemented, such as refinancing and renegotiating payment terms with customers in the B2B segment.
- Optimization of certain items in the financial statements such as commissions to third parties for less commercial activity, freezing of staff, advertising, travel, sponsorships, rental and preventive maintenance, and public services, among others.
- Structural plan for optimizing OPEX and post-confinement CAPEX resources.
- Delay and rescheduling orders and arrival plans for mobile terminals and home-customer equipment and, in some cases, an extension of payment terms.
- The Group has credit lines available with local and international banks if required.

29.2. Regulatory Aspects and Issuance of Standards in the Framework of the Economic and Health Emergency Caused by the COVID-19.

In accordance with the provisions issued by the National Government within the health emergency framework, telecommunication services are declared essential public services. For this reason, their provision and the installation, maintenance, and adaptation of the network cannot be suspended. In that sense, some decrees are summarized that allow the business continuity with certain restrictions, as well as some regulatory considerations:

Decree 417 of 2020

With the issuance of Decrees 520 and 540 of 2020, the following was established:

1. Extension of the deadlines for filing and paying the income tax and supplementary tax returns.

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2. VAT exemption for voice and mobile internet connection and access services, for the post-paid and prepaid modality whose value does not exceed two Tax Value Units - UVT (\$ 71,000 pesos), this measure applies from April 13 to August 13, 2020.
3. Modification of the tax calendar for the presentation of territorial taxes, especially in the city of Bogota D.C. for the Industry and Commerce Tax - ICA, its retention at the source, property tax, and vehicles.

Decree Law 420 of 2020 and Decree 457 of 2020

Despite the limitations on traffic, it is possible that the Group's personnel and their respective vehicles may circulate to guarantee the functioning of the call centers, as well as the installation, operation, and maintenance personnel who guarantee the provision of the telecommunications service.

Decree 464 of 2020

- All telecommunications services are declared to be essential; the National Government may take specific measures to ensure their provision under special conditions. The continuous provision of the service must be guaranteed during the economic, social, and ecological emergency.
- Rules on mobile services:
 - a) On post-paid services in plans not exceeding 2 UVT (UVT=\$ 35,607 pesos):
 - If you are late with your payment, you must allow an additional 30 days to pay.
 - During this term, plans with a data capacity of more than one gigabyte must be given a capacity of 0.5Gb per month.
 - If the user does not pay, the service will be suspended, but maintaining the option of recharging as in prepaid, allowing the sending and receiving of 200 free SMS and navigation in 20 URLs defined by MINTIC (health, emergencies, government, education)
 - b) For prepaid, once the balance is finished, the sending and receiving of 200 SMS without any restriction must be guaranteed for 30 days.

In both cases, for customers who are more than two months old and active, and implementation work must be done within ten days.

- Rules for traffic management:
 - Traffic management may be carried out to prioritize government pages (health, education, fundamental rights).
 - All obligations related to payment of fees are suspended from the date of issue of the Decree until May 30, pending a new payment schedule to be defined by MINTIC.
 - A mandate is given to the regulator and the monitoring and control bodies to relax regulatory burdens, quality indicators, and other obligations in order to focus resources and efforts on the continuity of service provision.

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Decree 540 of 2020

Special procedure for the licenses of construction, installation, modification, and operation of equipment for the provision of telecommunication services must be attended by the authority within ten days after its presentation; after this period without an answer; it is understood that the license is granted in favor of the petitioner.

The services of connection and access to voice and mobile internet for up to two Tax Value Units - UVT will be exempt from VAT, for the following four months. For clients with more than two months of service and active clients. The exemption must be detailed on the invoice.

MINTIC Resolution 595 of 2020

It establishes the payment schedule with new deadlines for the payment of periodic economic considerations.

- Self-assessment and/or payment of the economic consideration for the annual payments for spectrum use permits. Deadline for payment June 16, 2020.
- Self-assessment and/or payment of the periodic consideration for the first quarter of 2020, for general qualification. Deadline for payment June 30, 2020.

Decree 555 of 2020

- Special rules for the provision of mobile services:
 - a) On post-paid services in plans not exceeding 2 UVT (UVT \$ 35,607 pesos):
 - If you are late in paying, you must allow an additional 30 days to pay.
 - During this term, plans with a data capacity of more than one gigabyte must be given a capacity of 0.5Gb per month.
 - If the user does not pay, the service will be suspended, but maintaining the option of recharging as in prepaid, allowing the sending and receiving of 200 free SMS and navigation in 20 URLs defined by MINTIC (health, emergencies, government, education).
 - b) For pre-payment, once the balance is finished, the sending and receiving of 200 SMS without any restriction must be guaranteed for 30 days.
 - c) Free navigation (zero-rating) to Min Educación's portal domain for voice and data services not exceeding 2UVT. Once the state of emergency has ended, the user will have 30 calendar days to pay for the periods in arrears.
- Suspension of obligations related to the provision of the service:

A mandate is given for the regulator and the monitoring and control bodies to relax regulatory burdens, quality indicators, and other obligations in order to focus resources and efforts on the continuity of service provision.

The Communications Regulation Commission - CRC on May 29, 2020, issued Resolution 5991 of 2020, which extends the validity of most of the temporary measures taken on the occasion of the COVID- 19, until August 31, 2020, in this sense it extends the validity of resolutions CRC 5941, 5952, 5955 and 5956 of 2020, as well as the validity of some of the measures adopted in Resolution CRC 5969 of 2020.

By virtue of the above, they are maintained until 31 August:

- The suspension of the obligations related to attention in physical offices and reception of PQR in the same,
- The publication and reporting of customer service indicators in physical offices and telephone lines.
- Hours of operation from 8 am to 6 pm, except for (1). Report of theft and/or loss of mobile terminal equipment; (2). Recharge activations; and (3). Failures in the provision of service, this service will be available 24 hours a day, seven days a week.
- Suspension of the effects of the measures associated with the blocking of mobile terminal equipment with IMEI typologies, as set forth in Resolution CRC 5941 of 2020, in order to guarantee access to communication services during the emergency.
- The suspension of measurement, calculation, and reporting of quality indicators of mobile services for 3G technology and the respective reports and suspended by Resolution 5952. However, the CRC has already requested certain information related to the operation of the service, which it will soon define.
- Suspension of the initial report and the extended report for events affecting the service.
- Extension of the measure prohibiting the charging of interest on arrears.

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Likewise, given the suspension of field measurements for mobile internet quality indicators, the regulator issued Circular 129 of June 5, 2020, which establishes the format for reporting 3G mobile internet quality indicators from the user's experience.

Two indicators must be reported, measured from the technological tool that the operator has, which allows obtaining user experience data: (1). Average download speed per user [kbps]. (2). Access time to Internet servers [ms]. The report must be made from July with information from June until September 2020.

Decree 558 of 2020

It is established that during the months of April and May 2020 the contribution to the General Pension System will not be 16% (4% paid by the worker and the remaining 12% by the employer) but 3%, 75% of which corresponds to the employer and the remaining 25% to the worker.

30. EVENTS AFTER THE DATE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Between July 1, 2020, and the date of issuance of these Consolidated Condensed Interim Financial Statements, we are aware of the following significant financial event:

1. International Internet Transit Contract

On July 6, 2020, the Board of Directors of Colombia Telecomunicaciones S.A. ESP authorized the execution of a contract with Telxius Cable América S.A. for the provision of international Internet transit services, from January 1, 2020, to December 31, 2025, for an amount of up to USD 68.2 million.

2. International Bond Issue

On July 8, 2020, Colombia Telecomunicaciones S.A. E.S.P. issued a USD 500 million 10-year bond, with a rate of 4.95%, under Rule 144 A and Regulation S, in the international markets. On July 17, 2020, the proceeds of the issue were received and will be used for: (i) pay the Senior Unsecured Notes issued on September 27, 2012, which amount in the market is USD 430 million after the Group prepaid in June 2020 the sum of USD 320 million with a syndicated credit, and (ii) USD 70 million to replace part of the Group's current debt.

3. Decree 558 of 2020 Declared unconstitutional

Following the extraordinary events presented by COVID19 on the occasion of the health emergency, it was learned on July 23, 2020, that the Constitutional Court declared unconstitutional with retroactive effect Decree 558 of April 15, 2020, issued by the Ministry of Labor, which granted relief to companies for the months of April and May 2020 by reducing pension contributions from 12% to 2.25%. The estimated effect on the Condensed Consolidated Statement of Comprehensive Income is \$ 5,149,842.

To date, there is no information on the text of the ruling or on how the National Government will establish the mechanisms and time for the reinstatement of the contributions.

4. Change in the name of the shareholder Latin America Cellular Holdings, S.L.

Colombia Telecomunicaciones S.A. E.S.P. has been informed that by means of public deed No. 2320, granted in Madrid (Spain) on July 6, 2020, before the Notary Public Don. Ángel Almoguera Gómez, registered in the Madrid Mercantile Registry on July 26, 2020, the company Latin America Cellular Holdings, S.L. changed its name to Telefónica Hispanoamerica, S.L., which is a shareholder of the Company with 2,301,779,819 shares and a stake of 67.49937427% in the share capital.