

Colombia Telecomunicaciones S.A. E.S.P. and Subsidiaries As of September 30, 2019

(Figures in billions of pesos or when indicated otherwise)

Colombia Telecomunicaciones S.A. E.S.P. informs that on 14 November 2019, it transmitted to the Financial Superintendence of Colombia the **Consolidated and Separate Financial Statements** with a cut-off dates of 30 September 2019, and 31 December 2018, and for the period of nine months ended on 30 September 2019, and 2018, and quarters ended 30 September 2019 and 2018. The Consolidated Financial Statements as of 30 September 2019, reflect **the adoption of IFRS 16 accounting regulations** as of 1 January 2019 (results from January to September 2018 are reported under the previous IAS-17 regulations.)

The Telefónica Colombia Group continues to present strong commercial results in the high-value segment, mainly in the contract segment (sixth consecutive quarter with positive net gain) and in FTTH. OIBDA slightly grows + 2.7% year-on-year) thanks to the growth in value, efficiency measures, and benefits from the sale of towers that compensate for the impact of lower fixed revenues on traditional services and higher commercial expenses. We are present in 284 municipalities with fixed broadband, 957 with mobile telephony, and in 776, we offer 4G LTE technology and **we continue to grow!**

I. Relevant Issues during Q3 / 19

- (a) In developing the asset optimization strategy, the Company formalized the sale of towers for the sum of \$ 153.3 MM in September. This operation is part of the efficient resource allocation program that, through the divestment of non-strategic assets, will allow the Company to achieve greater financial flexibility.
- (b) Contract Award - The National Apprenticeship Service (*SENA*) awarded Colombia Telecomunicaciones S.A. E.S.P. a contract of more than \$ 695 MM to provide technology to all the headquarters of that institution in the country in the next 32 months. Among the new technologies that Telefónica will implement in *SENA* is the provision of communications networks services, Internet, videoconferencing, data center, storage and cloud services, among others.

II. Operating Results

Retail broadband accesses are reduced by 6% by ADSL, although their quality is improved by FTTH (+ 154% year-on-year) thanks to network deployment (1.5 M of UUII passed in September; 60% with FTTH). In pay T.V., IPTV accesses rise to 48 k in September after the recent launch of the service in Q1 19, which partly compensates for the fall in DTH due to the lower focus on the service.

II. Consolidated Financial Results

1. Consolidated Statement of Income

Operating income of \$ 4,180 MM grew 3.7% year-on-year (\$ 4,030 MM in Q318), mainly leveraged in mobile service revenues of \$ 2,306 MM with growth of + 1.3% year-on-year, especially in connectivity services and added value services. On the other hand, the integrated offer boosts the revenues of terminals, the ARPU and the reduction of churn. The client terminal renewal program offers very positive results in revenue generation in this line of business. **As for revenues from the fixed business** of \$ 1,542 MM, they grew slightly + 0.9% year-on-year, affected by the decrease in voice and DTH but partially offset by revenues from broadband, television and new services. **Other operating income** amounted to \$ 330 MM with a 46.2% growth year-on-year, because of the benefit in the sale of non-strategic fixed assets and other non-operating benefits.

Costs and expenses for operations for \$ 2,777 MM increase 4.2% year-on-year largely due to higher commercial expenses associated with intense commercial activity including the sale of mobile terminals, higher content expenses, interconnection due to traffic growth and the impact of the depreciation of the peso against the US\$, mostly on the expenses of networks and information technology.

We closed at Q3 of 2019 with an **EBITDA** of \$ 1,403 MM, growing 2.7% year-on-year, positively impacted by the changes derived from the adoption of IFRS 16 and the profit on the sale of fixed assets. The **EBITDA margin** stands at 34% (34% at the end of Q318). The increase in **depreciation and amortization expense** of 6.7% year-on-year is primarily due to the amortization of the rights to use assets generated in the adoption of IFRS 16. As for the **net financial expense**, it decreases 10, 2% year-on-year, mainly due to the advance payment of financial obligations with local entities despite the impact of the adoption of IFRS 16.

As of September 2019, it closes with a positive result before taxes of \$ 94.3 MM (\$ 101.3 MM at Q3 / 18) and a net loss of \$ -15.7 MM, which includes income tax expense of \$ -110 MM. (Q3 / 18 net income of \$ 30 MM)

CapEx¹ totals \$ 538 MM at the end of Q319, it increases by 33.8% compared to Q318 and represents 13% of revenues at the end of the period. **Operating cash flow** (EBITDA-CapEx) decreases - 10.3% year-on-year.

2. Consolidated Statements of Financial Situation

Total consolidated assets of the Group amount to \$ 13.6 Bn at the end of the third quarter of 2019, presenting an increase compared to the end of 2018 of 7.5%, and whose most relevant impact corresponds to the recognition of the effects of the application of IFRS 16 and the update at the fair value of the land and buildings. Current assets increased 43.9% and non-current assets 1.1%. The main variations of the **short-term asset** are summarized below:

¹ CapEx - Capital Expenditure

- i. Cash and cash equivalents** increase at the end of Q319 compared to Q318 in \$ 248 MM as a result of the flows generated in the sale of fixed assets. On the other hand, **financial assets at fair value** increase by 33% when compared to the end of 2018 due to the positive effects on the hedging financial instruments motivated by the devaluation of the exchange rate that, when compared with the end of 2018, generates a positive effect.
- ii. Debtors and other accounts receivable** grew by 6.3% when compared to the end of 2018, this was due to commercial activity, interconnection charges, and charges for contractual agreements. In contrast, **expenses paid in advance** grew \$ 80 MM compared to the end of 2018 due to the costs of fulfilling contracts with customers and cost of the equipment installed for \$ 48 MM, and for other items, \$ 32 MM related to radio spectrum, licenses and maintenance.
- iii.** At the end of June 2019, the Company entered a framework agreement on the property of the Administrative Headquarters, which regulates, among other aspects, the terms and conditions that will be applicable to (i) the transfer of the property for sale and (ii) the signing of a lease on a portion of the property. Reason for which the value of the said property for \$ 135 MM is presented in the **Assets held for sale** line.
- iv. Taxes and public administrations** grew \$ 232 MM principally due to self-withholdings and recognition of the tax discount for VAT on the purchase of fixed assets and 50% of the Industry and Commerce Tax (ICA) during 2019. The balance in favor of the 2018 taxable income tax is in the process of compensation with the balance to be paid for VAT, national consumption tax, and withholding tax. (See Relevant Matters during Q319 and Subsequent Events).

The **long-term asset** presents the following behavior compared to the end of December 2018 as follows:

- v. Assets for use rights** - With the enforcement of the International Financial Reporting Standard IFRS 16 (Leases) as of 1 January 2019, the assets derived from all the lease contracts that the Group possesses, are recognized in the statement of financial position considering some exceptions. Based on the above, the Group records in its non-current assets, and assets for use rights for \$ 617 M at the end of Q319.
- vi. Intangible** assets decrease \$ 287 MM because of the net effect of recurring amortizations for the period of \$ 393 MM, and the registration of computer applications for \$ 94 MM, and transfers of \$ 12 MM
- vii. Deferred tax assets** decrease \$ 157 MM mostly due to the use of tax credits during the period, an effect that is reflected in the income statement.

Total consolidated liabilities amount to \$ 6,976 MM and present a net increase of \$ 879 MM equivalent to 14.4% when compared to the end of 2018. Current and non-current liabilities increase by 10.4% and 16.8%, respectively. The main variations are summarized below:

- i. Total financial debt** increased by \$ 946 MM compared to the end of December 2018 and includes the net effect of; (a) the financial lease liability arising from the entry into force of IFRS 16 for + \$ 776 MM.

(b) The issuance of the local bond for +\$ 500 MM, (c) the net between payment of financial liabilities with banking entities and new debt - \$ 447 MM y, and (d) the effect of the exchange rate on the senior bond primarily for + \$ 167. Financial liabilities are without the consideration of the effect of the application of IFRS 16, and financial obligations increased by 4.9% compared to the end of December 2018.

ii. Suppliers and accounts payable decrease \$ 210 MM compared to the end of 2018 (-12.3%), because of the payment of obligations and commitments with third parties related mainly to commercial and network activity.

viii. Taxes and public administrations increase \$ 143 MM compared to the end of 2018, largely due to the VAT period, consumption tax, and withholding tax presented in 2019 that will be compensated with the balance in favor of Income of the taxable year 2018. (See Relevant Matters during Q319, and Subsequent Events).

iii. The deferred tax shows an increase of \$ 22 MM generated by the recognition of the tax for the valuation of the derivative hedging instruments.

The **equity, net consolidated** at the end of the third quarter of 2019, amounts to \$ 6,616 MM with a net increase of \$ 64 MM (+ 1.0%) compared to the end of 2018.

III. Financial Results - Separated

1. Comprehensive Income Statements

Operating income at the end of September 2019 shows an increase of 4.4% compared to the same period the previous year, driven by mobile service revenues, sales of terminals, and the sale of movable and immovable property. Revenue from the mobile service amounts to \$ 2,307 MM with a 1.3% year-on-year increase in connectivity, sales of terminals, and interconnection services. On the other hand, revenues from the fixed business amount to \$ 1,428 MM, with a year-on-year growth of 3.2% driven by revenues from broadband, satellite television, and project management for the corporate segment. In other operating income, a growth of 44.5% (+ \$ 98 MM) is generated year-on-year chiefly due to the benefit in the sale of non-strategic fixed assets and other non-operating income.

Operating costs and expenses grew 5.3% year-on-year due to higher expenses associated with intense commercial activity, including the sale of mobile terminals, higher interconnection expenses because of intense traffic growth and the impact of the depreciation of the peso against the US\$ on mainly the expenses of content, networks, and information technology.

We closed in September 2019 with an **EBITDA** of \$ 1,357 MM, growing 2.8% year-on-year impacted positively as a result of the changes derived from the adoption of IFRS 16 and the profit on the sale of assets. The **EBITDA margin** stands at 33.2% (-0.5 p.p. year-on-year).

The increase in **expenses due to depreciation and amortization** of 7.5% year-on-year is mainly due to the amortization of the usage rights that financial statements recognized as of 1 January. **Net financial expenses** decreased 9.7% year-on-year, because of the anticipated payment of financial obligations with local entities, generating lower interest expenses despite the entry into force of IFRS 16.

As of 30 September 2019, a net loss of \$ 0.7 MM (Q318 - profit \$ 51 MM) was generated, which includes income tax expense of \$ -113 MM.

CapEx totals \$ 537 MM at the end of September 2019 and increases 38% year-on-year. **Operating Cash Flow** (EBITDA-CapEx) decreased -11.9% year-on-year.

IV. Subsequent events

- (a) On 7 October, the Company received from the risk-rating agency Fitch Ratings an improvement in the risk rating of foreign currency and local currency debt, which went from BB+ to BBB- with a stable outlook. Additionally, the agency increased the rating of the 2022 Senior Bond from BB+ to BBB- and that of the Hybrid Bond from BB- to BB, both with a stable outlook.
- (b) On 9 October 2019, the General Assembly of Bondholders Issued by Colombia Telecomunicaciones S.A. E.S.P. - Issue 2019 was held, in which the merger operation between Colombia Telecomunicaciones S.A. E.S.P. (Absorbing Company) and the Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. - Telebucaramanga and Metropolitana de Telecomunicaciones S.A. E.S.P.-Metrotel (Absorbed Companies) was approved. The Company is awaiting the necessary approvals by the control bodies to materialize the legal merger of the entities mentioned above.
- (c) The National Tax and Customs Administration - *DIAN* authorized through Resolution 1848 of 2 October 2019, compensation for Colombia Telecomunicaciones S.A. E.S.P. for \$ 171 MM with the balance payable on VAT, national consumption tax and withholding tax at source and the return in *TIDIS* (National Tax Refund Titles) of \$ 1 MM of the balance in favor of the income tax of the taxable year 2018 for a total value of \$ 172 MM.

.....

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

.....

Colombia Telecomunicaciones S. A. E.S.P. y sus subsidiarias
Estados financieros intermedios condensados consolidados

A septiembre 30 de 2019 y por el período de nueve meses finalizado en septiembre 30 de 2019 con informe de revisor fiscal

**COLOMBIA TELECOMUNICACIONES S.A. E.S.P. Y SUS SUBSIDIARIAS
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

Content

Fiscal Report Review.....	1
Certification of the Legal Representative and Public Accountant.....	3
Consolidated Condensed Intermediate Financial Statements:	
Consolidated Condensed Interim Financial Statement.....	4
Consolidated Condensed Interim Comprehensive Income Statement.....	5
Statement of Changes in Consolidated Condensed Intermediate Equity.....	6
Consolidated Condensed Intermediate Cash Flow Statement.....	7
Notes for the Consolidated Condensed Interim Financial Statements.....	8

Certification of the legal representative and public accountant

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

13 November 2019

The undersigned Legal Representative and Public Accountant of Colombia Telecomunicaciones S. A. E.S.P. (hereinafter “the Company”) we certify that for the issuance of the Consolidated Condensed Interim Financial Status as of 30 September 2019, and the Consolidated Condensed Interim Income Statement, Statement of Changes in Consolidated Condensed Intermediate Equity and the Statement of Cash Flows Consolidated Intermediate Cash for the period ended on that date, which according to the regulations are made available to shareholders and third parties, have previously verified the statements contained therein and have been figures taken faithfully from the books of Colombia Telecomunicaciones SA - ESP and its subsidiaries. These statements explained and implied are the following:

1. All assets and liabilities, included in the consolidated financial statements of the Company and its subsidiaries as of 30 September 2019, exist and that all transactions included in said consolidated financial statements have been made during the year-end date as stated above.
2. All economic events carried out by the Company and its subsidiaries, during the year ended 30 September 2019, have been recognized in the consolidated financial statements.
3. The assets represent probable future economic benefits (rights), and the liabilities represent likely future economic sacrifices (obligations), obtained or in charge of the Company and its subsidiaries as of 30 September 2019.
4. All elements have been recognized for their appropriate values in accordance to the Accounting and Financial Information Standards accepted in Colombia - (NCIF).
5. All economic events affecting the Company and its subsidiaries have been correctly classified, described and disclosed in the consolidated condensed interim financial statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public accountant
Professional Card 61851 – T

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notas	At of September 30 of 2019	At of December 31 of 2018
		(COP\$000)	
Assets			
Current assets:			
Cash and cash equivalents		372.071.352	123.696.866
Financial assets measured at fair value	5	254.983.571	191.691.761
Debtors and other accounts receivable, net	6	1.071.778.865	1.008.569.401
Prepaid expenses	7	191.799.021	111.648.316
Contractual asset	8	25.189.519	31.480.035
Inventories	9	200.050.954	189.869.531
Taxes and public administrations	10	456.259.120	224.298.047
Assets held for sale	11	134.566.415	-
Total current assets		2.706.698.817	1.881.253.957
Non-current assets:			
Financial assets measured at fair value	5	55.050.085	11.031.991
Debtors and other accounts receivable, net	6	155.515.813	158.261.570
Prepaid expenses	7	160.976.285	151.621.057
Contractual asset	8	91.407	167.739
Properties, plant and equipment	12	617.651.281	-
Investment properties	13	4.878.247.046	4.984.366.349
Investment properties		7.542.910	6.886.439
Intangibles	14	1.848.019.425	2.135.779.889
Goodwill	2	1.372.301.565	1.372.301.565
Deferred taxes	15	1.790.003.557	1.947.342.233
Total non-current assets		10.885.399.374	10.767.758.832
Total assets		13.592.098.191	12.649.012.789
Liabilities			
Current liabilities:			
Financial obligations	16	647.595.214	347.175.021
Suppliers and accounts payable	17	1.345.886.403	1.535.253.213
Contractual liability	8	84.569.976	80.343.993
Taxes and public administrations	10	248.700.913	105.306.962
Deferred liabilities	18	40.059.217	37.133.703
Provisions and pension liabilities	19	175.398.755	197.555.544
Total current liabilities		2.542.210.478	2.302.768.436
Non-current liabilities:			
Financial obligations	16	3.866.335.467	3.220.864.936
Suppliers and accounts payable	17	151.427.426	172.388.215
Contractual liability	8	49.434.381	55.325.402
Deferred liabilities	18	13.085.533	14.871.074
Provisions and pension liabilities	19	249.049.139	249.038.239
Deferred taxes	15	104.006.873	81.618.268
Total non-current liabilities		4.433.338.819	3.794.106.134
Total liabilities		6.975.549.297	6.096.874.570
Total equity, attributable to the parent company	20	6.615.296.869	6.544.232.913
Equity attributable to minority interests		1.252.025	7.905.306
Total liabilities and shareholders' equity		13.592.098.191	12.649.012.789

Notes 1 to 30 are an integral part of the Consolidated Condensed Interim Financial Statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card 61851-T

Javier Mauricio Enciso Rincón
Financial Reviewer
Professional Card 80661-T
Appointed by PwC Accountants and Auditors Ltd
(See my report of 13 November 2019)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notas	Nine-months period ended as of September 30,		Quarter ended as of September 30,	
		2019	2018	2019	2018
(COP\$000)					
Operating income:	21	4.179.837.451	4.030.286.168	1.416.579.470	1.437.889.621
Costs and operating expenses	22	(2.777.165.947)	(2.664.544.989)	(935.102.023)	(912.072.378)
Operating result before depreciation and amortization		1.402.671.504	1.365.741.179	481.477.447	525.817.243
Depreciation and amortization	23	(1.092.804.384)	(1.024.408.415)	(361.046.508)	(343.273.905)
Operational result		309.867.120	341.332.764	120.430.939	182.543.338
Financial expense, net	24	(215.530.368)	(239.998.440)	(71.675.729)	(83.201.051)
Income before taxes		94.336.752	101.334.324	48.755.210	99.342.287
Income tax and complementary	25	(110.044.781)	(71.194.189)	(17.015.620)	(37.632.568)
Net profit of the year		(15.708.029)	30.140.135	31.739.590	61.709.719
Profit attributable to:					
Controlling participations		(14.048.346)	32.279.503	32.974.788	62.644.456
Minority shareholders		(1.659.683)	(2.139.368)	(1.235.198)	(934.737)
Net profit of the year		(15.708.029)	30.140.135	31.739.590	61.709.719
Items that are classified to the income statement:					
Valuation of hedging derivative instruments		47.979.191	(85.467.994)	18.856.128	(7.517.362)
		47.979.191	(85.467.994)	18.856.128	(7.517.362)
Items that are not reclassified to the income statement:					
Revaluation of real estate, net of taxes		179.929.542	-	-	-
Actuarial results		8.418.706	(5.265.189)	-	-
(Loss) benefit in other comprehensive income		236.327.439	(90.733.183)	18.856.128	(7.517.362)
Comprehensive income of the year		220.619.410	(60.593.048)	50.595.718	54.192.357
(Loss) profit in other comprehensive income attributable to:					
Controlling participations		227.272.691	(58.960.289)	51.533.645	55.127.094
Minority shareholders		(6.653.281)	(1.632.759)	(937.927)	(934.737)
(Loss) profit in other comprehensive income of the year		220.619.410	(60.593.048)	50.595.718	54.192.357

Notes 1 to 30 are an integral part of the Consolidated Condensed Interim Financial Statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card 61851-T

Javier Mauricio Enciso Rincón
Financial Reviewer
Professional Card 80661-T
Appointed by PwC Accountants and Auditors Ltd
(See my report of 13 November 2019)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid capital	Issue premium	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	Actuarial results in obligations for post-employment benefits	Accumulated results	Total	Share of minority shareholders	Total equity
(COP\$000)										
Balances as of December 31, 2017	3.410.059	9.822.380.645	50.787.793	1.263.049.667	599.612.227	1.972.731	(5.345.891.707)	6.395.321.415	9.331.568	6.404.652.983
Adjustment for the adoption of IFRS 9 and IFRS 15	-	-	-	-	-	-	(58.989.495)	(58.989.495)	233.511	(58.755.984)
Balances as of January 1, 2018	3.410.059	9.822.380.645	50.787.793	1.263.049.667	599.612.227	1.972.731	(5.404.881.202)	6.336.331.920	9.565.079	6.345.896.999
Coupon of perpetual equity instruments (Note 20)	-	-	-	-	-	-	(122.604.425)	(122.604.425)	-	(122.604.425)
Transfers	-	-	-	-	(18.896.198)	-	18.896.198	-	-	-
Consolidation effect	-	-	(20.263.378)	-	-	-	-	(20.263.378)	-	(20.263.378)
Impacts assignment in business combination (Note 3)	-	-	-	-	-	-	1.200.723	1.200.723	-	1.200.723
Net income of the year	-	-	-	-	-	-	32.279.503	32.279.503	(2.139.368)	30.140.135
Minority shareholders	-	-	-	-	-	-	-	-	3.061.257	3.061.257
Other comprehensive income	-	-	-	-	(85.974.603)	(5.265.189)	-	(91.239.792)	506.609	(90.733.183)
Balances as of September 30, 2018	3.410.059	9.822.380.645	30.524.415	1.263.049.667	494.741.426	(3.292.458)	(5.475.109.203)	6.135.704.551	10.993.577	6.146.698.128
Balances as of December 31, 2018	3.410.059	9.822.380.645	25.325.208	1.263.049.667	451.647.002	(12.522.435)	(5.009.057.233)	6.544.232.913	7.905.306	6.552.138.219
Coupon of perpetual equity instruments (Note 20)	-	-	-	-	-	-	(140.816.313)	(140.816.313)	-	(140.816.313)
Transfers (Note 2)	-	-	-	-	(28.717.810)	-	28.717.810	-	-	-
Consolidation effect	-	-	(15.392.422)	-	-	-	-	(15.392.422)	-	15.392.422
Net income of the year	-	-	-	-	-	-	(14.048.346)	(14.048.346)	(1.659.683)	(15.708.029)
Other comprehensive income	-	-	-	-	241.321.037	-	-	241.321.037	(4.993.598)	236.327.439
Balances as of September 30, 2019	3.410.059	9.822.380.645	9.932.786	1.263.049.667	664.250.229	(12.522.435)	(5.135.204.082)	6.615.296.869	1.252.025	6.616.548.894

Notes 1 to 30 are an integral part of the Consolidated Condensed Interim Financial Statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card 61851-T

Javier Mauricio Enciso Rincón
Financial Reviewer
Professional Card 80661-T
Appointed by PwC Accountants and Auditors Ltd
(See my report of 13 November 2019)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notas	Nine-months period ended as of	
		September 30,	
		2019	2018
		(COP\$000)	
Net cash flows from operating activities			
Cash received from customers		4.308.337.776	4.411.706.489
Cash paid to suppliers and other accounts payable		(3.365.756.621)	(3.055.763.080)
Net interest paid and other financial expenses		(207.547.771)	(302.268.309)
Direct taxes paid		(275.813.695)	(283.038.303)
Interest paid for financial leases		(15.040.826)	-
Net cash provided by operating activities		444.178.863	770.636.797
Net cash flows used in investment activities			
Collections for the sale of movable and immovable property		486.158.853	158.969.949
Payments for investment in companies	1.3	(14.973.984)	-
Payments for investments in plant and equipment and intangibles		(569.155.613)	(709.467.731)
		(97.970.744)	(550.497.782)
Net cash flows (used in) provided in financing activities			
New financial debt		328.672.804	204.930.841
Collections for exchange rate hedging		120.102.220	(39.032.563)
Payment financial debt		(776.032.676)	(480.152.257)
Bonds emission	1.5	500.000.000	-
Payment coupon perpetual equity instruments	20	(140.816.313)	(122.604.425)
Financial lease payments		(129.759.668)	-
Net cash (used in) provided by financing activities		(97.833.633)	(436.858.404)
Net increase (decrease) of cash and cash equivalents		248.374.486	(216.719.389)
Cash and cash equivalents as of January 1		123.696.866	316.372.212
Cash and cash equivalents as of December 31		372.071.352	99.652.823
Cash and cash equivalents as of January 1			
		123.696.866	316.372.212
Cash, cash and banks		95.291.295	214.421.755
Temporary investments		28.405.571	101.950.457
Cash and cash equivalents as of December 31		372.071.352	99.652.823
Cash, cash desk and banks		236.052.854	65.106.894
Temporary investments		136.018.498	34.545.929

Notes 1 to 30 are an integral part of the Consolidated Condensed Interim Financial Statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card 61851-T

Javier Mauricio Enciso Rincón
Financial Reviewer
Professional Card 80661-T
Appointed by PwC Accountants and Auditors Ltd
(See my report of 13 November 2019)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(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 constituted as a public limited company by shares in Colombia through Public Deed No. 1331 of 18 June 2003, with a duration until 31 December 2092 and with principal domicile in Bogotá D.C. located on Transversal 60 No. 114 A - 55. The Company whose capital belongs mostly to individuals is subject to the legal regime provided for in Law 1341 of 2009 and other applicable regulations, thus being classified as a utility company (E.S.P.).

The Company's main corporate purpose is the organization, operation, provision, exploitation of telecommunications activities, networks and services, such as local basic public switched telephone, extended local and national and international long distance, mobile services, cellular mobile phone services in any territorial, national or international order, carriers, teleservices, telematics, value-added, satellite services in their different modalities, television services in all its 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 systems operations, provision and / or content and application generation services, information services and any other activity ad, product or service qualified as telecommunications, and / or information and communications technologies (ICT) such as resources, tools, equipment, software, applications, networks and media, which allow 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 goods, assets and own rights or exercising the use and enjoyment of assets, assets and rights of third parties. Likewise, the Company may develop the commercial activities that have been defined in its bylaws.

1.2. The Nation's decision to dispose of the shares owned by Colombia Telecomunicaciones S.A. E.S.P.

At the ordinary meeting of the General Assembly of Shareholders held on 22 March 2018, the Nation - Ministry of Finance and Public Credit, informed the shareholders of the intention to dispose of their shareholding in national and international markets and, it was approved: (i) the permanent registration of Colombia Telecomunicaciones S.A. E.S.P. and its shares in the National Registry of Securities and Issuers and in the Colombian Stock Exchange, as well as, (ii) the dematerialization of the shares' shares.

On 20 April 2018, an extraordinary meeting of the General Assembly of Shareholders was held in which the amendment of the Company's bylaws was approved to reflect the dematerialization of the shares' titles and incorporate some provisions of the Country Code (the government recommendations aimed to raise corporate standards and practices).

On 30 April 2018, the Company requested the permanent inscription of Colombia Telecomunicaciones S.A. to the Financial Superintendence of Colombia - SFC ESP and its actions in the National Registry of Securities and Issuers - RNVE which was authorized by resolution on 10 May 2018.

On 23 May 2018, the Company requested the registration of its shares in the Colombian Stock Exchange -BVC- subject to two suspensive conditions consisting of: (i) the publication of the offer notice to the recipients of the special conditions of the Law 226 of 1995 by the Nation, and (ii) the issuance by the BVC of a pronouncement confirming that the publication of the first notice of public offer to the solidarity sector by the Nation - Ministry of Finance and Public Credit constitutes the definitive fulfillment of the requirements established in numerals 1 and 2 of article 1.3.3.2 of the General Regulations of the BVC regarding the percentage of shares held by persons other than those that make up the same beneficial owner and the minimum number of shareholders. The request was approved by the BVC, on the same date, through written communication.

On the occasion of the registration of the Company in the National Registry of Securities and Issuers - RNVE, as of 23 May 2018, the Company is subject to the control of the Financial Superintendence of Colombia and therefore, must comply with the provisions In the Fourth Title Articles 5.2.4.1.1 and following of the Single Decree 2555 of 2010 of the Financial Superintendence of Colombia. Likewise, it is required to present separate and consolidated financial statements that include the interests in subsidiary companies.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

On 2 August 2018, the Nation - Ministry of Finance and Public Credit, as a shareholder of Colombia Telecomunicaciones S.A. E.S.P., published a notice of public offer of the shares owned by the Company to the solidarity sector, in accordance under Law 226 of 1995.

With the publication of the said notice of the public offer and the pronouncement of the BVC dated 23 May 2018, the previously determined suspensive conditions for the registration of the ordinary shares of Colombia Telecomunicaciones S.A. were met. ESP, which are, therefore, registered in the BVC as of 2 August 2018, registration that produces all the legal effects that derive from this circumstance.

In accordance under Decree 1215 of July 2018, the first stage of the alienation program of ordinary shares that the Nation - Ministry of Finance and Public Credit directly has in Colombia Telecomunicaciones SAESP, equivalent to 32.5% of the total subscribed shares. In the first stage, a public offer was made of all the shares to the recipients of special conditions referred to in articles 3 of Law 226 of 1995 and 16 of Law 789 of 2002. This stage was declared void in the bulletin of BVC No. 242 on 3 October 2018.

The validity of the National Alienation Program was one year as of 13 July 2018. The Nation could extend the term for up to one additional year, suspend it, or terminate it in advance. The Nation did not extend the validity of the Alienation Program.

1.3. Common stock disposal program that the Barranquilla Metropolitan Area owns in Metrotel S.A. ESP.

Through the Metropolitan Agreement No. 005-18 of 19 September 2018, the Metropolitan Board authorized the Director of the Barranquilla Metropolitan Area to sell 512,098,849 shares that it owns in the company Metropolitana de Telecomunicaciones S.A. ESP - Metrotel, equivalent to 10.20% of the subscribed and paid capital of the said company.

In development of the Metrotel Stock Disposal Program and accordance with its regulations, through Resolution No. 116-19 of 30 April 2019, 1,041,371 ordinary shares of Metrotel were awarded to recipients of special conditions during the first phase and through Resolution No. 172 of 28 June 2019, during the second stage of the alienation program, 511,057,478 ordinary shares of Metrotel were awarded to Colombia Telecomunicaciones SAESP for a value of \$ 14,973,984, which were paid by the Companies in accordance The provisions of the alienation regulations, that is, a first payment on 14 June 2019 for the amount of \$ 7,875,449 and a second payment on 27 June 2019 for the amount of \$ 7,098,535 for the remaining shares. The inscription in the Stock Registry Book and the issuance of the share title in favor of Colombia Telecomunicaciones S.A. ESP was held on 15 July 2019.

1.4. Subsidiaries Integration

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

The next step is estimated to be legal integration. For this, the following activities have been advanced:

(i) On the Board of Directors No. 128 of 12 June 2019, the Company's Management proposed to carry out a merger by absorption through which Colombia Telecomunicaciones S.A. ESP absorbs the Empresa Metropolitana de Telecomunicaciones S. A. ESP, and the Empresa de Telecomunicaciones de Bucaramanga S. A. ESP and the Board of Directors decided:

- Propose to the General Assembly of Shareholders of the Company for its consideration and subsequent approval, the merger through which the Company absorbs the Empresa Metropolitana de Telecomunicaciones S.A. ESP and the Empresa de Telecomunicaciones de Bucaramanga S.A. ESP, after completion of the processes of independent valuation and preparation of specific purpose financial statements, as well as compliance with the legal and corporate provisions that may take place.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

- To order the administration to carry out the acts required to carry out the meeting of the Shareholders' Meeting, as well as all those acts aimed at perfecting the merger.

(ii) In extraordinary meetings held on 28, 29 and 30 August 2019, respectively, the General Assemblies of Shareholders of Colombia Telecomunicaciones S.A. ESP, Metropolitana de Telecomunicaciones S.A. ESP (Metrotel) and Empresa de Telecomunicaciones de Bucaramanga S.A. ESP (Telebucaramanga), approved the Merger Commitment for absorption, under which Colombia Telecomunicaciones S.A. ESP, as Sociedad Absorbente, absorbs (i) Metrotel and (ii) Telebucaramanga, as Absorbed Companies, as recorded in minutes No. 66 of Colombia Telecomunicaciones S.A. ESP, Act No. 046 of Metrotel and Act No. 52 of Telebucaramanga.

1.5. Issuance of Ordinary Bonds.

The Shareholders' Meetings of 1 and 28 March 2019, authorized the issuance of Ordinary Bonds for up to five hundred billion Pesos (COP \$ 500,000,000,000) and delegated the approval of the Issuance Regulations to the Board of Directors of the Company and placement.

The Board of Directors of Colombia Telecomunicaciones, in a meeting on 5 April 2019, approved the regulations for issuing and placing bonds and registering the issue in the National Registry of Securities and Issuers and the Colombian Stock Exchange.

As authorized, on 29 May 2019, the Company issued an ordinary bond issue in the local capital market, managing to allocate 100% of the total value of the issue, COP \$ 500 billion in two series, at five years in rate fixed and 10 years indexed to CPI, with a proportion of 70% and 30% respectively. With the result of the issuance, the objectives of extending the average life of the debt, achieving competitive financing rates, and lower than the debt subject to replacement, diversifying the sources of financing and starting to build a long-term relationship with the market was achieved of local capital.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES AND PRACTICES

2.1. Applied Professional Accounting Standards

2.1.1. Basis of Presentation of the Consolidated Financial Statements

The Group prepares its Consolidated Condensed Intermediate Financial Statements in accordance with the Accounting and Financial Information Standards accepted in Colombia (hereinafter NCIF), established in Law 1314 of 2009, regulated by Sole Decree 2420 of 2015 modified by Decree 2496 of 2015, 2131 of 2016, 2170 of 2017 and compiled by Decree 2483 of 2018. These accounting and financial information standards are based on the International Financial Reporting Standards (IFRS) officially translated and authorized by the Board of Directors. International Accounting Standards (IASB) up until 31 December 2015, and in other legal provisions defined by the monitoring entities that may differ in some aspects from those established by other State control agencies.

The comparison of the Consolidated Condensed Intermediate Financial Statements refers to the nine-month period that ended 30 September 2019 and 2018, except the Consolidated Condensed Interim Financial Statement that compares that of 30 September 2019 with 31 December 2018. The statement of comprehensive income for the quarter ended 30 September 2019 and 2018 is also presented.

These financial statements are presented in Colombian pesos, and all values have been rounded to the nearest thousand units (COP \$ 000) unless otherwise indicated.

2.1.2. Consolidated Financial Statements

The Group prepares its Consolidated Condensed Intermediate Financial Statements that include the information of the Group as a single company through the global integration methodology, adding assets, liabilities, and the operations carried out during the period excluding those operations carried out between the Company and its subordinates. By statutes, the Group cuts accounts and prepares Consolidated Financial Statements annually. The Group prepared Consolidated Financial Statements as of the end of 2017.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

By virtue of the foregoing, the consolidation of the subsidiaries is carried out and considers the percentages of direct and indirect participation as indicated below of Colombia Telecomunicaciones S.A. E.S.P. as majority shareholder as of 30 September 2019:

Company	Country / City	% shareholding
Empresa de Telecomunicaciones de Bucaramanga S.A. ESP	Colombia / Bucaramanga	99,99
Metropolitana de Telecomunicaciones S.A. ESP	Colombia / Barranquilla	99,97
Operaciones Tecnológicas y Comerciales S.A.S.	Colombia / Barranquilla	99,98

These Companies consolidated as of the date on which Colombia Telecomunicaciones S.A. E.S.P. obtains control, and continues to be consolidated until the date on which such control ceases and/or becomes available. For each of them, preparation of financial information for the same period of information as that of Colombia Telecomunicaciones S.A. E.S.P. applies uniform accounting policies. All unrealized balances, transactions, gains, and losses arising from the transactions between the Group entities are eliminated.

The financial information of each entity is presented below:

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

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	(COP\$000)	
Total assets	398.116.709	404.219.741
Total liabilities	265.969.340	291.326.125
Total equity	132.147.369	112.893.616
Result of the period	(818.097)	(26.321.102)

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

	<u>As of 30 September of</u> <u>2019</u>	<u>Al 31 de diciembre de</u> <u>2018</u>
	(COP\$000)	
Total assets	287.723.025	295.647.361
Total liabilities	270.769.001	277.369.599
Total equity	16.954.024	18.277.762
Result of the period	(12.166.239)	(19.556.471)

Operaciones Tecnológicas y Comerciales S.A.S.

	<u>As of 30 September of</u> <u>2019</u>	<u>Al 31 de diciembre de</u> <u>2018</u>
	(COP\$000)	
Total assets	17.648.003	14.677.197
Total liabilities	16.177.981	12.966.457
Total equity	1.470.022	1.710.740
Result of the period	(240.717)	90.763

2.2. Basis of Measurement

The condensed interim consolidated financial statements as of 30 September and for the nine months ended 30 September 2019 are prepared according to IAS 34 Interim Financial Information. They do not include all the information required by a complete set of financial statements under NCIF. Therefore it must be read in conjunction with the Group's latest consolidated annual financial statements as of 31 December 2018. Notwithstanding the foregoing notes and comparative

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

information selected for a better understanding of the changes in the financial position and the performance of the Group since the last financial report.

In preparing these condensed interim consolidated financial statements, the significant judgments in applying the accounting policies were the same as those applied to the financial statements for the year ended 31 December 2018. The exception is indicated in Note 4 - Changes Accountants for the adoption of new standards of these condensed interim consolidated financial statements. The preparation of the condensed interim consolidated financial statements based on the historical cost model except for land and buildings and derivative financial instruments are measured at fair value. The carrying amounts of assets and liabilities recognized and designated as hedged items in fair value hedging relationships, which would otherwise have been accounted for at amortized cost, have been adjusted to record changes in fair values attributable to risks. These cover the respective effective hedging relationships.

2.3. Functional and Presentation Currency

The items included in the Consolidated Condensed Interim Financial Statements express in the currency where the Group operates (the functional currency). The Financial Statements are in Colombian pesos, which is the functional and presentation currency of the Group's financial information.

2.4. Classification of Items as Current and Non-Current

The Group presents the assets and liabilities in the statement of financial position classified as current and non-current. The classification of an asset as current is when the entity operates the following: expects to realize the asset or intends to sell or consume it in its normal operating cycle; it holds the asset primarily for trading purposes; and finally it expects to fulfill the asset within the following 12 months after the reporting period; or the asset is a cash or cash equivalent, unless it is restricted for a minimum period of 12 months after the close of the reporting period. Furthermore, all other assets are classified as non-current. A liability is classified as current when the entity expects to settle the liability in its normal operating cycle or maintains it primarily for trading purposes.

2.5 Estimates, Significant Accounting Judgements and Assumptions

The preparation of Financial Statements in accordance with the NCIF requires the use of precise critical accounting estimates. Based on the foregoing, the Administration makes estimates and assumptions that could affect the values of income, costs, expenses, assets, and liabilities reported at the date of the Financial Statements, including the respective disclosures. Although they may differ from their final effect, the Administration considers that the estimates and assumptions used were adequate in each of the circumstances.

The estimates and judgments are evaluated continuously. They are based on historical experience and other factors, including the expectation of occurrence of future events that are considered reasonable according to the circumstances.

The following is a summary of the primary accounting estimates and judgments made by the Group in preparation of the financial statements:

• Impairment of Non-Monetary Assets

The Group evaluates annually if its properties, plant and equipment, intangible assets and goodwill, have suffered impairment in accordance with the policy indicated in Note 2.10.8. The Group has not identified events or changes in economic circumstances that indicate that the Book value of assets is not recoverable.

• Useful Lives of Property, Plant and Equipment and Intangibles

The determination of the useful economic life of the property, plant and equipment and intangibles is subject to the estimation of the Group's management regarding the level of use of the assets, as well as the expected technological evolution. At the end of each fiscal year, the Group reviews its depreciation rates to take into account any changes regarding the level of use, technological framework, and its future development, which are hard events to foresee, and if appropriate they are adjusted prospectively.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

• **Provisions**

The Group estimates the amounts to be settled in the future, including the corresponding contractual obligations, pending litigation, or other liabilities. These estimates are subject to interpretations of current events and circumstances, future projections, and estimates of the economic effects of said events.

• **Taxes**

The Group is subject to Colombian tax regulations. Significant judgments are required in determining the provisions for taxes. There are transactions and calculations for which the tax determination is uncertain during the ordinary course of operations. The Group evaluates the recognition of liabilities for discrepancies that may arise with the tax authorities based on additional tax estimates that must be paid back. The administration estimates the amounts provisioned for the payment of income tax based on its interpretation of the current tax regulations.

The Group evaluates the recoverability of deferred tax assets based on estimates of future tax results and the ability to generate satisfactory results during the periods in which the said deferred taxes are deductible. Deferred tax liabilities recorded in accordance with estimates are made up of net assets that, in the future, are not tax-deductible.

2.6. Fluctuations in the Exchange Rate

The currency published in these financial statements are in the Colombian peso (COP \$), a portion of our assets, liabilities, income, and expenses are denominated in different currencies. Therefore, the exposure to fluctuations in the value of such currencies against the Colombian peso is evident. In this sense, exchange rate fluctuations have and can continue to have an important material impact on our financial conditions, results, and cash flows. However, the Group carries out adequate monitoring to mitigate such impacts.

2.7. Financial Risk Management

The Group actively manages the risks through the use of derivative financial instruments (mainly exchange rate and interest rate). In addition, net balance positions are considered to take advantage of natural hedges, which are directly offset by the avoidance of incurring margin costs on hedging operations.

The main objectives and policies of the Group for the management of financial risks as of 30 September 2019, are consistent with those published in the financial statements dated 31 December 2018.

2.8. Condensed Interim Condensed Cash Flow Statement

The preparation of the Consolidated Condensed Intermediate Cash Flow Statement is in accordance with the direct method. The direct method presents the main categories of collections and payments in gross terms separately.

2.9. Relative Importance or Materiality

The information is material or is to be of relative importance if it can, individually or as a whole, influence the economic decisions made by users based on the financial statements. Materiality is dependent on the magnitude and nature of the error or inaccuracy, prosecuted based on the particular circumstances in which they occurred. The magnitude or nature of the scenario or a combination of both could be the determining factor.

2.10. Main Accounting Policies

The principal accounting policies used in the preparation of these Financial Statements are the following:

2.10.1. Cash and cash equivalents

Cash in cash, as well as bank deposits, are in the view given to free availability and are considered valid.

Short-term investments of high liquidity and free availability are considered equivalent to cash, which, without prior notice or relevant cost, can easily be converted into a certain amount of known cash with a high degree of certainty at the time

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

of taxation. These are also subject to a little significant risk of changes in its value, with maturities of up to three months, after the date of the respective impositions, and whose main destination is not that of investment or similar, but that of cancellation of short-term commitments. Advances in bank current accounts are loans that accrue interest, payable on demand, and are part of the Group's treasury management, and is therefore also assimilated into cash equivalents.

For the Financial Statements, cash and cash equivalents are presented net of bank overdrafts, if any.

2.10.2. Property, Plant and Equipment

The elements of property, plant, and equipment are valued at their acquisition cost and decreased by accumulated depreciation and losses due to deterioration of their value if they exist, except for land and buildings recognized at revalued cost. There is no depreciation to the land.

The acquisition cost includes external costs plus internal costs formed by consumption of warehouse materials, direct labor costs employed in the installation, and an allocation of indirect costs necessary to carry out the investment. The acquisition cost includes the estimation of the costs associated with the dismantling or removal of the element and the rehabilitation of its location, only when they constitute contractual obligations incurred as a result of the construction or acquisition of the element.

The costs of expansion, modernization, or improvement, which represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the goods, are capitalized as a higher cost when they meet the recognition requirements. It is when they are likely to generate future economic benefits for the Group and the cost of these assets, that they can be reasonably measured.

The cost of property, plant, and equipment includes the transfer from the Other Comprehensive Income of any gain or loss arising from the cash flow hedges used for purchases in foreign currency.

The results from the sale of assets correspond differently between the transaction income and the book value thereof. These income and expense differences are included in the Income Statement.

For significant periodical replacement of components of property, plant, and equipment, the Group records the removal of the replaced component. It then recognizes the new component with its corresponding useful lifespan and depreciation. Similarly, when inspections are carried out, the inspection cost is recognized as the replacement, to the extent that requirements for recognition, as an asset, are met. All other routine repair and maintenance costs are recognized as an expense in the Income Statement as they are incurred.

The Group depreciates its property, plant, and equipment from the moment they are in conditions of use, linearly distributing the cost of the assets between the years of useful life, and according to the following detail:

Description	Minimum Useful Life (Years)	Maximum Useful Life (Years)
Constructions	10	40
Technical facilities, machinery and others	2	20
Furniture	10	10
Information processing equipment	4	5
Transportation equipment	7	7

A review of the amortization methods and periods applied occurs at the end of each fiscal year and, if appropriate, are adjusted prospectively.

2.10.3. Contractual Assets and Liabilities

IFRS 15 establishes a global framework to determine when to recognize revenue from ordinary activities and their amount. In this determination, impacts are generated that give rise to a contractual asset or liability.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

The Group presents the client contract in the statement of financial position as a contractual asset or as contractual liability, depending on the relationship between the transfer of the Group's goods/services and the payment of the client. If the Group carries out the transfer of goods and/or services to the client before the client pays the consideration or before payment is required, the Group presents the contract with the client as a contractual asset, excluding from this item the amounts presented as accounts receivable.

A contractual asset is the Group's right to consideration in exchange for the goods or services that the Group has transferred to the customer. The Group will evaluate a contractual asset for impairment under IFRS 9. An impairment of the value of a contractual asset shall be measured, presented, and disclosed in the same manner as a financial asset that is within the scope of IFRS 9.

If a customer pays a consideration, or the Group has an unconditional right to receive an amount as consideration (i.e., an account receivable), before the Group transfers a good or provides a service to the customer, the Group will then present the contract with the customer as a contractual liability, when the payment is made, or is due (whichever comes first).

Contractual liability is the obligation of the Group to transfer goods or services to a customer when the Group has already received consideration (or that consideration is already payable from the customer).

2.10.4. Assets for Use Rights

IFRS 16 establishes a global and methodological framework for the recognition of assets for use rights registered by the Group. The rights to use rights correspond to assets that represent the right for a lessee to use an underlying asset during the time of the lease. They are valued at cost, reduced by accumulated amortization and losses due to impairment of their value if they exist, and adjusted for any new measurement of the lease liability, made to reflect new measurements or modifications of this.

The cost of the right-of-use asset corresponds to the value of the initial measurement of the lease liability determined as the net present value of future lease payments committed within the minimum non-cancellable term at the date of initial recognition.

The Group amortizes the assets for use rights by applying the straight-line method according to the minimum non-cancelable period of each current contract, according to the following detail:

Description	Minimum term (Years)	Maximum term (Years)
Assets for rights of use of land and buildings	1	10
Assets for rights of use of technical facilities	1	10
Assets for rights of use of transportation equipment	1	2

2.10.5. Real Estate Revaluation

From the convergence to Financial Information Accounting Standards (NCIF), the Group has carried out the subsequent measurement under the revalued cost policy for the land and buildings, taking as fair value the revalued value less the accumulated depreciation and the accumulated amount of impairment losses.

The revaluation surplus of land and buildings included in equity may be transferred directly to accumulated results when the asset is written off. At the end of each period, the Group transfers from the surplus reserve to accumulated results to the extent of the use of revalued assets said, the transfer is systematic with the recognized depreciation of revalued assets.

Any increase in revaluation is recognized in the Other Consolidated Comprehensive Income and accumulates inequity in the reserve for revaluation of assets, unless said increase reverts to a revaluation decrease of the same asset previously recognized in the Consolidated Income Statement, except if said decrease compensates for an increase in revaluation of the same asset previously recognized in reserve for revaluation of assets.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

The fair value of the land and buildings are valued using the methodology of the IVS (International Valuation Standards). Therefore, the Group made the last assessment as of 30 June 2019, prepared by different appraisers registered in the Lonja de Real Estate.

The revaluation frequency depends on changes experienced by the fair values of the land and buildings revalued. When the fair value of the revalued asset differs significantly from its carrying amount, a new revaluation is necessary, and in any case, this is performed least every three years.

During the end of each period, depreciation is applied to said value based on the rest of the useful life that corresponds to each asset included in the technical appraisal. In addition, the value decreases due to losses from claims, obsolescence, and other factors inherent in operating assets.

The Group has carried out the subsequent measurement under the revalued cost policy for land and buildings, taking as fair value the revalued value less accumulated depreciation and the accumulated amount of impairment losses.

The reserve generated by revaluation of real estate is restricted for distribution to shareholders.

2.10.6. Assets Available for Sale

Non-current assets held for sale correspond to land that the Group has in its current conditions for immediate sale, based on a highly probable sales plan. The minor is taken into account between the net book value, and its fair value is less the costs to sell.

2.10.7. Business and Goodwill Combination

Colombia Telecomunicaciones S. A. E.S.P. recognized in its Statement of Opening Financial Position under IFRS 1 the remedy of goodwill, from the moment of the acquisition of Compañía Celular de Colombia S.A. - COCELCO SA, based on IFRS 3. In September 2017, the Company acquired control of Subsidiaries Telecommunications Company of Bucaramanga S. A. E.S.P. and Metropolitana de Telecomunicaciones S. A. E.S.P., recognizing new goodwill for acquiring control of these subsidiaries.

Goodwill is measured at cost initially, represented by the excess of the sum of the consideration transferred and the amount recognized for the uncontrolled share, concerning the net of identifiable assets acquired and the liabilities assumed. If the consideration is less than the fair value of the net assets acquired, the difference is recognized as profit at the date of acquisition. After initial acceptance, goodwill is measured at cost less any accumulated loss due to impairment, if any.

2.10.8. Impairment of Non-Current Assets

At the end of each reporting period, the presence or absence of impairment indicators assessed on non-current assets, including *goodwill*, intangibles and property, plant, and equipment. If such indicators exist or in the case of assets whose nature requires an analysis of annual impairment, the Group estimates the recoverable value of the asset, which is the highest among the fair value deducted the disposal costs, and its value in use. Said value in use is determined by the discount of estimated future cash flows, applying a discount rate before taxes that reflect the value of money over time and considers the specific risks associated with the asset.

When the recoverable value or financial valuation of an asset is below its net book value, impairment is considered to exist. In this case, the book value is adjusted to the recoverable value, recording the loss in the Income Statement. Depreciation charges for future periods are adjusted to the new book value during the remaining useful lifespan.

To determine impairment calculations, the Group uses the strategic plan and financial projections of its only cash-generating unit. Said strategic plan generally covers three years. For higher periods, from the third year onwards, projections based on these strategic plans are used, applying a constant growth rate. This rate considers each item evaluated separately, and the growth included is a reflection of its trend in recent years.

When new events take place, or changes in existing circumstances, which show that an impairment loss recorded in a previous period could have disappeared or been reduced, a new estimate of the recoverable value of the corresponding

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

asset is made. Previously recorded impairment losses are reversed if the assumptions used in the calculation of the recoverable value have changed since the most recent impairment loss was recognized. In this case, the book value of the asset increases to its new recoverable value, with the limit of the netbook value that said asset would have had, had it not recorded impairment losses in previous periods.

The reversal recorded in the Income Statement and the amortization charges for future periods are adjusted to the new book value unless the asset is accounted for at its revalued value, in which case the reversal is treated similarly to an increase in revaluation. Goodwill impairment losses are not subject to reversal in subsequent periods.

2.10.9. Impairment of the Value of Financial Assets

At the close of each reporting period and following IFRS 9, the Group establishes a model of expected credit losses for the recognition of the deterioration of financial assets. The expected credit loss model applies to financial assets that are debt instruments, measured at amortized cost, fair value with changes in other comprehensive income, or fair value with changes in the results. These include accounts receivable, contractual assets within the scope of IFRS 15 Contracts with clients, clients pending invoicing, and other debtors.

The estimate of expected losses of financial assets based on the simplified model is supported by an "estimated bad debt rate" approach to determine the expected credit loss for the life of the asset.

The application of the simplified model developed through provisions matrices, that are constructed from historical default rates throughout the expected life of trade accounts receivable and by i) appropriate groupings of business accounts on the basis of shared credit risk characteristics, ii) history of representative collection crops and iii) time horizon according to the collection management policy for each type of account.

For accounts receivable in installments to customers, such as sales to installments of terminals or other types of equipment, the policy is based using historical rates that are deemed uncollectable to predict customer behavior throughout the entire life of the contract. That is to say, at the expiration of each of the monthly terms, it allows the approximate estimation of the percentage of debt that will be pending payment (expected loss), for its registration at the initial juncture.

The carrying amount of the asset is reduced through the recognition of the provision for loss of impairment and in the result of the period as a gain or loss for impairment of value of the amount of expected credit losses (or reversal) in which it is required to adjust the value correction for losses on the date of presentation.

2.10.10. Liabilities for Financial Leasing

As defined in IFRS 16, the lease liability initially is measured based on the present value of the lease payments to be made over the term of the contract. On the start date, the lease payments included in the measurement of the lease liability include the following payments for the right to use the underlying asset during the lease term that is not paid on the start date.

- Fixed payments, including essentially fixed payments, less any lease incentive receivable;
- Variable lease payments, which depend on an index or a rate, initially measured using the index or rate on the start date;
- Amounts that the lessee expects to pay as residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably sure in exercising that option; and,
- Penalty payments for terminating the lease, if the lease term reflects that the lessee will exercise an option to terminate the lease.

Lease payments will be discounted using the interest rate implicit in the lease.

The lessee's incremental borrowing rate is the interest rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of a similar value to the right of use asset, for a similar term. The incremental debt rate based on the interest curves is available in the Telefónica Group by calculating the implicit rate of the lease conditions.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

2.10.11. Taxes

The expense for income tax and corresponding period includes the current and deferred income tax. The tax recognized in the Income Statement is an exception in the case of items that are recognized directly in equity, in which case, the tax is recognized in equity.

2.10.11.1. Current and Deferred Income Tax

The income tax expense for the period includes current and deferred income tax. The tax recognized in the Income Statement is an exception in the case of items that are recognized directly in equity, in which case, tax is also recognized in equity.

The income tax expense for each fiscal year includes both current and deferred taxes, if applicable.

2.10.11.2. Current Income Tax

The assets and liabilities of the current income tax are calculated based on the tax laws promulgated or substantially promulgated as of the date of the Statement of Financial Position. The Administration periodically evaluates the positions assumed in the tax returns filed concerning situations in which the tax laws are subject to interpretation. When applicable, provisions are created on the amounts expected for payment to the tax authorities.

The book value of the assets and liabilities relating to the current tax for the current period and previous periods represents the value that is estimated to be recovered from, or paid to, the tax authorities. The tax rates and regulations to calculate the amounts are the rates that are in effect at the closing date, including the income tax rate and the surcharge.

2.10.11.3. Deferred Income Tax

The amount of the deferred tax obtained from the analysis of the Statement of Financial Position considers the temporary differences. These taxes are reversed over time between the tax values of assets and liabilities and their respective accounting values.

Recognized deferred tax assets are, to an extent, temporary differences that are likely to be recovered in the future. The carrying amount of unused tax credits and unused tax losses can be used, except if the deferred tax liability arises from the initial recognition of goodwill or an asset or a liability arising from a transaction that is not a business combination and, at the time of the transaction, it did not affect the accounting gain or the fiscal gain (loss).

Deferred tax liabilities are recognized in all cases of temporary taxable differences associated with investments in subsidiaries, branches, and associates, or with participation in joint agreements unless the following two conditions are jointly met:

- The parent, investor, participant in a joint venture or joint operator can control the timing of the reversal of the temporary difference; and
- The temporary difference is not likely to reverse in the foreseeable future.

Deferred tax assets and liabilities are used if there is an enforceable right to offset current tax assets and liabilities. Deferred tax assets and liabilities are derived from income taxes corresponding to the same tax authority and fall on the same entity or taxpayer, or in different entities or taxpayers. However, the Group intends to liquidate current tax assets and liabilities for their net amount, or, simultaneously, realize their tax assets and liabilities.

The principal temporary differences arise from differences between the economic and accounting values of property, plant, and equipment, intangible assets, estimated liabilities and provisions, portfolio impairment, deferred income, valuation of hedges, as well as differences between the fair values of the assets. The acquisition of net assets is from an entity and its tax values.

Deferred tax assets and liabilities are not discounted at their current value and are classified as non-current, regardless of the reversal date. At each closing, the accounting value of the recorded deferred tax assets is analyzed, and the necessary

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

adjustments made to the extent that there are doubts about their future recoverability. Likewise, at each closing, the deferred tax assets not registered in the Statement of Financial Position are evaluated, and these are subject to recognition to the extent that their recovery with future tax benefits becomes probable.

The deferred income tax is determined using tax rates that have promulgated as of the date of the Statement of Financial Position. These are expected to be applicable when the deferred income tax asset is realized or that the tax on the deferred income tax is paid.

Current and deferred taxes are recorded directly against equity if the tax refers to items charged or paid directly against equity.

2.10.12. Revenue Recognition

Revenues recorded in the Income Statement are based on the causation criteria. This is when the actual receipt or delivery of the goods and provision of services occur, and the identifying compliance obligations are met "at a time given," plus those that are satisfied "in time," are dependent on when the control of goods or services passes to the customer — in addition, the allocation of the price for a transaction in the different compliance obligations identified in the contract is regardless of when the receipt or monetary delivery takes place.

IFRS 15 Revenue from ordinary activities from contracts with customers establishes the criteria for the recognition of revenue from contracts with customers. Also, the new standard allows the adoption of specific practical solutions to reduce the complexity in the application of the new criteria. The leading practical solutions applied by the Group are:

- **Contracts completed:** the Group does not apply the new criteria retrospectively to those contracts that were completed before 1 January 2018.
- **Contract grouping:** the Group applies the requirements of the standard to groups of contracts with similar characteristics (mass client, where a standard offer is marketed), for contracts with corporate clients all those obligations transferred and agreed through the non-standard offer.

Revenue from Government Grants

Government grants are recognized when there is reasonable assurance that they are received and that all conditions attached to them are satisfactory. When subsidy relates as an item of expenditure, it is recognized as income on a systematic basis throughout the periods where the Group recognizes the costs that the subsidy intends to compensate. When the subsidy relates to an asset, it is accounted for as a deferred income. It is recognized in results on a systematic basis throughout the estimated useful life of the corresponding asset.

3. NEW RULES, MODIFICATIONS, AND INTERPRETATIONS INCORPORATED TO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA WHOSE APPLICATION MUST BE EVALUATED BEYOND 1 JANUARY 2020 OR THAT IN SOME CASES COULD BE APPLIED ANTICIPATEDLY

Decree 2483 of 2018 compiled and updated the technical frameworks of the Accounting and Financial Information Standards Accepted in Colombia. This decree was subsequently incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, and 2170 of 2017. However, the following new standard and interpretation issued by the International Accounting Standards Board (IASB), to make its application beyond 31 December 2019, have not yet been incorporated into the accounting framework accepted in Colombia, although its application could be carried out in advance.

The impact assessment of these new standards and interpretation by the Company appears below:

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 apply to reinsurance contracts held and investment contracts issued with optional participation components. The objective is to ensure that entities provide relevant information

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

in a way that faithfully represents those contracts to assess the effect that contracts within the scope of IFRS 17 have on the financial situation, financial performance, and cash flows of an entity.

IFRS 17 will apply to annual periods beginning on 1 January 2021. Early application is allowed.

IFRS 17 repeals IFRS 4 Insurance Contracts, which was a provisional rule that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. Some previous insurance accounting practices allowed under IFRS 4 did not adequately reflect the real underlying financial situations or financial performance of insurance contracts.

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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 issued in May 2017; this Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatments. In this circumstance, an entity will recognize and measure its deferred or current tax assets or liabilities by applying the requirements of IAS 12 based on financial gain (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying this Interpretation.

Given the application of IFRIC 23, it is essential to state that the Group has carried out the analysis of the different operations incorporated in the income statement and considers that there is no uncertainty in determining the Group's income tax. It does not have an uncertain tax effect as the particular operations that were declared are duly supported in accordance with the current fiscal norm. The Group also has the concepts of external advisors with similar operations, as well as applicable jurisprudence and doctrine. Additionally, the results issued by the annual audits carried out on the Group by the tax authority have not generated any controversy based on differences in criteria between the Group and the tax authority.

Under the foregoing, the Group has proceeded to determine the corresponding corporate tax provision and calculate the respective deferred taxes, both for temporary differences and tax credits generated by surplus negative tax bases, without any uncertainty.

Except as described below, the accounting policies and estimates applied in these consolidated condensed interim financial statements are the same as those used in the Group's financial statements at and for the year ended 31 December 2018. Changes to the accounting policies will be reflected in the consolidated condensed interim financial statements of the Group for the year ending 31 December 2019.

4. ACCOUNTING CHANGES BY ADOPTION OF NEW RULES

IFRS 16 Leases

IFRS 16 establishes that companies that act as lessees must recognize in the statement of financial position the assets and liabilities derived from all lease contracts (except for short-term lease agreements and those intended for low assets) value).

The standard allows two transition methods: one, retroactively for each comparative period presented, and another, also retroactively, with the cumulative effect of the initial application of the standard, which is recognized on the date of the first application. The Telefónica Group adopted this second transition method.

The Group has a large number of lease agreements as lessee of various assets, mainly: towers, circuits, office buildings and stores, and land where their towers are sited. The new regulations include these contracts, registering the corresponding payments linearly throughout the term of the contract.

The Telephone Group opted for the practical solution that allows it not to reassess whether a contract is, or contains, a lease on the date of the initial adoption of IFRS 16, but directly apply the new requirements to all those contracts that under the previous rule they were identified as a lease. On the other hand, the new standard allows opting for specific practical solutions at the time of the first application, related to the valuation of the asset, discount rate, deterioration, leases that

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

end within the twelve months following the first application, initial direct costs, and duration of the lease. In this regard, the Group has chosen to apply the following practical solutions in the transition to the new criteria:

Pre-treatment: The treatment given to contracts before the entry into IFRS 16 (service or lease) prevails as a definition. This discards previous cataloged as a service from the scope of the standard.

Low value: Identification of contracts classified as a low value according to the definition of the Telephone Group and treated as operating leases.

Variable income: In the case of leases with variable income, the separation between a fixed component and variable component was necessary to determine which portion of the income would be treated as an operating lease and which portion as a financial lease.

Renewals: Under the Group's policy, renewals are considered if they are under the exclusive power of Telefónica. The aforementioned is taking into account that the Telefónica Group has concluded that specific reasonable additional rental periods of more than three years cannot be considered when the Group acts as a tenant.

Short Term: According to the previous definitions and the period of validity established in each contract, the minimum duration for each contract (non-cancelable period) is defined. Those with a contract period of fewer than 12 months, the classification is as a short term, and accordingly, are treated as an operating lease.

Financial subletting: A transaction for which an underlying asset is re-leased by a lessee (intermediate lessor) to a third-party. The lease (lease by the owner) between the lessor that is the owner and the lessee remains in force.

Intangible assets are excluded from the scope of these regulations.

The capacity, last mile, and rental of intangible contracts are discarded from the scope of IFRS 16, since in its analysis, an asset is not identified whose use is assigned exclusively to Telefónica, considering them as services.

The rights for use rights as a result of the implementation of IFRS 16 are recognized at the net present value of the lease fees committed within the minimum non-cancellable term, decreased by the accumulated amortization and the possible losses due to impairment of their value in a case to exist

The financial liability resulting from each contract is recognized at the net present value of future payments discounted to the IRR estimated by the terms of each contract and according to the Group's discount rate.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

The impact of the application is shown below:

	Impacts first application due to accounting changes IFRS 16 to January 1, 2019
	<u>(COP\$000)</u>
Assets	
Assets for right to use of:	
Land and buildings	373.692.244
Technical facilities	237.218.831
Transport equipment	7.930.713
	<u>618.841.788</u>
Transportation equipment transfer (1)	3.532.392
	<u>622.374.180</u>
Expenses paid in advance (2)	<u>(4.200.232)</u>
	<u>618.173.948</u>
Liabilities	
Short term financial lease	170.096.774
Long term financial leasing	448.077.174
	<u>618.173.948</u>

(1) Corresponds to the transfer of expenses paid in advance from leases recognized before 1 January 2019, to assets for use rights.

(2) Corresponds to the transfer of prepaid lease expenses recognized before 1 January 2019, to assets for use rights.

The Group has evaluated the lease agreements and has established the contracts on which IFRS 16 does not apply and have been recognized during the period in the Consolidated Comprehensive Income Statement:

Short-term contracts for \$ 26,232,913 corresponding to contracts with a period of validity of less than one year and low-value contracts for \$ 419,070 corresponds to office services, which are recognized in the Statement of Consolidated Comprehensive Income as Costs and operating expenses.

The Group has recognized during the period ended 30 September 2019, the effect generated from those contracts signed and related to sale with subsequent lease corresponding to towers and real estate, these are included as assets for use rights. The effect of this operation was recognized in the Consolidated Comprehensive Income Statement (Note 21).

Additionally, during the same period, the Group recognized as interest expenses originated in liabilities for financial leasing the sum of \$ 15,056,667 (Note 24).

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

5. FINANCIAL ASSETS MEASURED AT REASONABLE VALUE

The balance of financial assets measured at fair value is as follows:

	<u>At of September 30 of</u>	<u>At of December 31 of</u>
	<u>2019</u>	<u>2018</u>
	<i>(COP\$000)</i>	
Current financial assets:		
Hedge instruments (1)	254.181.998	191.375.229
Short-term credits, remaining	789.963	316.532
Deposits and bonds	11.610	-
	<u>254.983.571</u>	<u>191.691.761</u>
Non-current financial assets:		
Hedge instruments (1)	44.979.865	2.319.563
Deposits and guarantees (2)	10.010.220	8.652.428
Other participations	60.000	60.000
	<u>55.050.085</u>	<u>11.031.991</u>
	<u>310.033.656</u>	<u>202.723.752</u>

- (1) Corresponds to the valuation for hedging derivatives, using the NDF-Non Delivery Forward (CC) and CCS - Cross Currency Swap (market) curves at the end of the period, including the adjustment Net due to own credit risk and the counterpart Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).
- (2) Corresponds to deposits constituted by court order in the process of resolution.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

6. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

The balance of debtors and other accounts receivable is as follows:

	<u>As of 30 September of</u>	<u>As of 31 December of</u>
	<u>2019</u>	<u>2018</u>
	<i>(COP\$000)</i>	
Current		
Customers for sale and provision of services (1)	1.297.691.362	1.202.156.362
Portfolio for financed teams	244.377.468	88.499.018
Commercial agents and distribution channels	144.287.103	149.720.698
Other debtors (2)	143.487.757	250.686.271
Portfolio with national operators	85.667.688	72.820.340
Related parties (Note 27)	45.978.202	74.235.975
Portfolio impairment	<u>(889.710.715)</u>	<u>(829.549.263)</u>
	<u>1.071.778.865</u>	<u>1.008.569.401</u>
Not current		
Portfolio with national operators (3)	134.610.499	134.610.499
Customers for sales and service provision (4)	103.765.825	111.974.993
Related parties (Note 27)	42.208.396	39.449.359
Portfolio of subsidies and contributions (5)	38.111.870	38.111.870
Portfolio for financed teams	8.895.039	6.190.665
Portfolio impairment	<u>(172.075.816)</u>	<u>(172.075.816)</u>
	<u>155.515.813</u>	<u>158.261.570</u>
	<u>1.227.294.678</u>	<u>1.166.830.971</u>

- (1) Corresponds to residential customers, companies, corporations, officials (includes National Academic Network - RENATA) and wholesalers.
- (2) Includes portfolio balances for sale of real estate, compensation for transaction agreements, commercial support, roaming, and international operators.
- (3) Corresponds to the balance receivable for access charges with Bogotá Telephone Company (ETB), for which the administration is advancing the legal procedures that allow its recovery. This portfolio is 100% provisioned.
- (4) Corresponds to the portfolio with the National Academic Network Corporation - RENATA for the sale of equipment for MPLS (dedicated channels) and connectivity.
- (5) Corresponds to portfolio with the Government for subsidies and contributions.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

7. PREPAID EXPENSES

The balance of expenses paid in advance are as follows:

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	<i>(COP\$000)</i>	
Current		
Cost of equipment and compliance with contracts (1)	133.813.732	85.643.885
Support and maintenance	27.010.025	11.526.808
Radio spectrum (2)	12.161.113	-
Insurance policies	7.072.440	4.213.024
Irrevocable use rights - capacity	6.916.285	6.916.285
Others (3)	3.546.060	2.079.791
Leases	1.279.366	1.268.523
	<u>191.799.021</u>	<u>111.648.316</u>
Not current		
Cost of equipment and compliance with contracts	133.323.043	117.943.685
Irrevocable use rights - capacity	21.798.511	27.220.481
Support and maintenance (2)	3.644.302	4.605.271
Insurance policies	2.210.429	1.851.620
	<u>160.976.285</u>	<u>151.621.057</u>
	<u>352.775.306</u>	<u>263.269.373</u>

- (1) Corresponds to the costs of client home equipment and contract compliance costs mainly for installation services.
- (2) Corresponds to the payment for the use of the radio space of point-to-point links until December 2019.
- (3) Includes, contribution to the Communications Regulation Commission - CRC, Financial Superintendence of Colombia and property taxes.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

8. ASSETS AND CONTRACTUAL LIABILITIES

The movement for the period ended 30 September 2019 of the contractual asset and liability is as follows:

	Balance as of December 31, 2018	Additions	Substraction s	Transfers	Balance as of September 30, 2019
Current contractual assets					
Contractual assets	32.120.909	31.284.644	(38.597.224)	1.040.599	25.848.928
Corrections for impairment	(640.874)	(304.903)	286.368	-	(659.409)
	31.480.035	30.979.741	(38.310.856)	1.040.599	25.189.519
Non-current contractual assets					
Contractual assets	167.739	964.267	-	(1.040.599)	91.407
	31.647.774	31.944.008	(38.310.856)	-	25.280.926
Current contractual liabilities	80.343.993	446.078.955	(442.024.105)	171.133	84.569.976
Non-current contractual liabilities	55.325.402	909.361	(6.629.249)	(171.133)	49.434.381
	135.669.395	446.988.316	(448.653.354)	-	134.004.357

9. INVENTORIES

The balance of the inventory is as follows:

	As of 30 September of 2019	As of 31 December of 2018
	(COP\$000)	
Mobile phones and accessories	107.110.789	96.293.517
Other inventories (1)	70.117.507	46.398.856
Equipment in transit	27.707.808	50.426.072
Computer equipment	1.503.518	2.375.274
	206.439.622	195.493.719
Provision for obsolescence	(6.388.668)	(5.624.188)
	200.050.954	189.869.531

(1) It mainly includes modems, equipment for corporate clients, location equipment and home television, broadband, and basic line client equipment.

The consumption of inventories carried at the cost of sales during the periods ended 30 September 2019, and 2018 was \$ 532,737,477 and \$ 418,279,522, respectively (Note 22).

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

10. TAXES AND PUBLIC ADMINISTRATIONS

The balance of the assets for taxes and public administrations is presented below:

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	(COP\$000)	
Balance in favor (1) (Note 29)	185.159.373	16.439.147
Self-retention for income tax	152.878.484	182.569.577
Tax discount (2)	101.973.106	8.224.000
Advances, retentions and self-retentions of ICA	15.994.773	16.544.839
Withholding tax on sales	253.384	520.484
	<u>456.259.120</u>	<u>224.298.047</u>

(1) Balance in favor of the income tax of the taxable year 2018, in the process of return and compensation with the declarations of VAT, National Consumption Tax, and Withholding Tax at the Source. (See point 3).

(2) Tax discounts associated with industry and commerce tax, notices and boards, and sales tax - VAT on the purchase of fixed assets in accordance with the provisions of article 76 of Law 1943 of 28 December 2018.

The balance of the tax liability and public administrations is presented below:

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	(COP\$000)	
Withholdings and self-retentions (3)	152.181.181	38.858.445
Sales tax - VAT (3)	84.869.079	53.435.924
National consumption tax (3)	6.146.289	4.770.330
Other current taxes	5.504.364	8.242.263
	<u>248.700.913</u>	<u>105.306.962</u>

(3) The balance of the liability includes \$ 174,313,538 for withholding at source of \$ 114,042,918, sales tax - VAT of \$ 56,252,224 and national consumption tax of \$ 4,018,396, in the process of compensation with the balance in favor of the income tax of the taxable year 2018 (Note 29).

11. ASSETS MAINTAINED FOR SALE

In accordance with the approval of the Board of Directors of Colombia Telecomunicaciones S.A. ESP., The Company at the end of June 2019, celebrated with the company Prabyc Ingenieros S.A.S. a framework agreement on the property of the administrative headquarters, which regulates, among other aspects, the terms and conditions that will be applicable to (i) the transfer of the property for sale and (ii) the signing of a lease agreement on a portion of the property.

To date, the effect on the condensed interim consolidated Financial Statements for the signing of the Framework Agreement is the reclassification of Property, Plant, and Equipment (Group - Land and Buildings) to the account of assets held for sale for the amount of \$ 134,566,415.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

12. ASSETS FOR USE RIGHTS

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

Concept	As of September 30 of 2019		
	Cost	Acumulate Depreciation	Net value in Books
	(COP\$000)		
Land and buildings	475.888.401	(91.417.325)	384.471.076
Technical facilities	262.278.544	(37.082.883)	225.195.661
Transport equipment	13.149.814	(5.165.270)	7.984.544
	751.316.759	(133.665.478)	617.651.281

The movements for the period ended 30 September 2019 of the items that integrate the cost and amortization of the use rights, are the following:

Concept	First application impact due to accounting changes IFRS 16 to January 1, 2019				As of September 30 of 2019
	Additions	Substractions	Transfers		
	(COP\$000)				
Cost					
Land and buildings	373.692.244	102.301.882	(105.725)	-	475.888.401
Technical facilities	237.218.831	25.405.685	(345.972)	-	262.278.544
Transport equipment	7.930.713	449.645	(8.651.939)	13.421.395	13.149.814
	618.841.788	128.157.212	(9.103.636)	13.421.395	751.316.759
Concept	First application impact due to accounting changes IFRS 16 to January 1, 2019				As of September 30 of 2019
	Additions	Substractions	Transfers		
	(COP\$000)				
Accumulated depreciation:					
Land and buildings	-	(91.439.811)	22.486	-	(91.417.325)
Technical facilities	-	(37.112.322)	29.439	-	(37.082.883)
Transport equipment	-	(3.928.199)	8.651.932	(9.889.003)	(5.165.270)
	-	(132.480.332)	8.703.857	(9.889.003)	(133.665.478)
	618.841.788	(4.323.120)	(399.779)	3.532.392	617.651.281

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

13. PROPERTIES, PLANT AND EQUIPMENT

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

Concept	As of September 30 of 2019			As of December 31 of 2018		
	Cost	Acumulate Depreciation	Net value in Books	Cost	Acumulate Depreciation	Net value in Books
	(COP\$000)					
Land and buildings	3.229.511.019	(1.735.267.612)	1.494.243.407	3.293.796.465	(1.789.533.515)	1.504.262.950
Technical facilities, machinery and other assets	9.440.961.788	(6.486.706.967)	2.954.254.821	9.761.019.324	(6.712.384.013)	3.048.635.311
Assets under construction	290.098.804	-	290.098.804	259.975.720	-	259.975.720
Furniture, information and transport equipment	798.047.807	(658.397.793)	139.650.014	796.764.129	(625.271.761)	171.492.368
	13.758.619.418	(8.880.372.372)	4.878.247.046	14.111.555.638	(9.127.189.289)	4.984.366.349

The movements of cost and accumulated depreciation for the period ended 30 September 2019 are as follows:

Concept	As of December 31 of 2018	Additions	Substractions	Transfers	Revaluation	As of September 30 of 2019
	(COP\$000)					
Cost						
Land and buildings	3.293.796.465	11.597.645	(282.800.656)	14.038.836	192.878.729	3.229.511.019
Technical facilities, machinery and other assets	9.761.019.324	250.592.941	(687.980.925)	117.330.448	-	9.440.961.788
Assets under construction	259.975.720	181.909.212	(166.692)	(151.619.436)	-	290.098.804
Furniture, information and transport equipment	796.764.129	10.216.027	(17.409.545)	8.477.196	-	798.047.807
	14.111.555.638	454.315.825	(988.357.818)	(11.772.956)	192.878.729	13.758.619.418
Accumulated depreciation:						
Buildings	(1.789.533.515)	(50.449.095)	113.931.587	(474.989)	(8.741.600)	(1.735.267.612)
Technical facilities, machinery and other assets	(6.712.384.013)	(459.173.793)	684.375.103	475.736	-	(6.486.706.967)
Furniture, information and transport equipment	(625.271.761)	(46.892.567)	13.766.535	-	-	(658.397.793)
	(9.127.189.289)	(556.515.455)	812.073.225	747	(8.741.600)	(8.880.372.372)
	4.984.366.349	(102.199.630)	(176.284.593)	(11.772.209)	184.137.129	4.878.247.046

(a) Includes the depreciation of revalued construction assets for \$ (10,166,462) and losses of \$ 1,424,862.

The movements for the period ended 30 September 2019 of the land and buildings recognized under the cost method, would be the following:

Concepto	As of December 31 of 2018	Additions	Substractions	Transfers	As of September 30 of 2019
	(COP\$000)				
Cost					
Land and buildings	2.669.371.937	11.597.645	(192.626.957)	14.038.836	2.502.381.461
Accumulated depreciation:					
Buildings	(1.757.397.319)	(50.369.215)	113.900.996	(474.989)	(1.694.340.527)
	911.974.618	(38.771.570)	(78.725.961)	13.563.847	808.040.934

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Next, the balances and movements of the revaluation item as of 30 September 2019:

	As of December 31 of 2018	Additions	Subtractions	As of September 30 of 2019
Cost				
Land	372.302.081	121.130.738	(15.921.363)	477.511.456
Buildings	245.771.625	99.547.117	(12.534.234)	332.784.508
Investment properties	-	656.471	-	656.471
	618.073.706	221.334.326	(28.455.597)	810.952.435
Accumulated depreciation				
Constructions	(32.003.064)	(10.197.053)	1.455.453	(40.744.664)
	586.070.642	211.137.273	(27.000.144)	770.207.771
Deferred Income Tax (Note 13)	(102.852.123)	(41.404.784)	8.479.386	(135.777.521)
Net deferred tax revaluation	483.218.519	169.732.489	(18.520.758)	634.430.250

14. INTANGIBLE GOODS

The cost and accumulated amortization of intangibles are presented below:

Concept	As of September 30 of 2019			As of December 31 of 2018		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	(COP\$000)					
Operating permits	2.337.806.459	(930.886.191)	1.406.920.268	2.337.806.459	(692.538.126)	1.645.268.333
Computer applications	1.433.134.228	(1.071.273.238)	361.860.990	1.963.934.650	(1.555.125.090)	408.809.560
Other intangibles	85.208.766	(38.593.183)	46.615.583	85.208.766	(36.129.354)	49.079.412
Customers list	188.568.000	(155.945.416)	32.622.584	667.662.372	(635.039.788)	32.622.584
	4.044.717.453	(2.196.698.028)	1.848.019.425	5.054.612.247	(2.918.832.358)	2.135.779.889

The movements of the intangibles for the period ended September 30, 2019 are presented below:

Concepto	As of December 31			As of September 30	
	of 2018	Additions	Subtractions	Transfers	of 2019
	(COP\$000)				
Cost					
Operating permits (1)	2.337.806.459	-	-	-	2.337.806.459
Computer applications	1.963.934.650	94.253.279	(636.826.657)	11.772.956	1.433.134.228
Other intangibles(2)	85.208.766	-	-	-	85.208.766
Customers list (3)	667.662.372	-	(479.094.372)	-	188.568.000
	5.054.612.247	94.253.279	(1.115.921.029)	11.772.956	4.044.717.453
Accumulated depreciation:					
Operating permits (1)	(692.538.126)	(238.348.065)	-	-	(930.886.191)
Computer applications	(1.555.125.090)	(152.830.241)	636.682.840	(747)	(1.071.273.238)
Other intangibles(2)	(36.129.354)	(2.463.829)	-	-	(38.593.183)
Customers list (3)	(635.039.788)	-	479.094.372	-	(155.945.416)
	(2.918.832.358)	(393.642.135)	1.115.777.212	(747)	(2.196.698.028)
	2.135.779.889	(299.388.856)	(143.817)	11.772.209	1.848.019.425

(1) Includes financial compensation for the reversion of assets, established in the arbitration award, and incorporated into the spectrum license of the current mobile operation.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

- (2) It primarily includes Irrevocable Rights of Use - IRUs of sections and fiber optic rings.
- (3) Corresponds to the balance to be withdrawn from the list of fully amortized customers in the process of being withdrawn.

15. DEFERRED TAXES

The balance of deferred tax assets and liabilities is presented below:

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	(COP\$000)	
Deferred tax:		
Intangibles and properties, plant and equipment	287.831.772	311.213.114
Accounts receivable	17.035.002	16.865.617
Benefits to employees	7.526.784	7.526.783
Other assets	5.138.290	5.492.542
Estimated liabilities and provisions	-	1.405.816
Deferred tax assets on temporary differences	317.531.848	342.503.872
Assets for deferred tax due to tax losses	1.603.400.619	1.704.262.943
Subtotal deferred tax asset	1.920.932.467	2.046.766.815
Revaluation of real estate (Note 13)	(130.928.910)	(99.424.582)
Total deferred tax assets	1.790.003.557	1.947.342.233
Deferred tax liability:		
Temporal differences with effect on income	99.158.262	78.190.727
Real estate revaluation with effect on others comprehensive income (Note 13)	4.848.611	3.427.541
Total deferred tax liability	104.006.873	81.618.268

The deferred tax movement recognized in the Other Comprehensive Income is presented below:

	<u>Nine-months period ended as of September 30,</u>	
	<u>2019</u>	<u>2018</u>
	(COP\$000)	
Valuation of hedging instruments	78.184.339	(85.467.994)
Deferred tax hedges valuation	(30.205.148)	-
Result in valuation of hedges, net of taxes	47.979.191	(85.467.994)
Real Estate Revaluation	221.334.326	(32.215.144)
Deferred Real Estate Tax	(41.404.784)	13.318.946
Revaluation of real estate, net of taxes	179.929.542	(18.896.198)
Actuarial earnings	8.418.706	(5.265.189)
	236.327.439	(109.629.381)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

16. FINANCIAL OBLIGATIONS

The balance of financial obligations is presented below:

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
	(COP\$000)	
Current:		
Financial obligations	406.744.353	290.402.886
Financial leasing (1)	204.697.630	898.249
Hedging instruments	26.494.646	16.712.403
Interests	9.658.585	39.161.483
	<u>647.595.214</u>	<u>347.175.021</u>
Non-current:		
Senior bonus (2)	2.604.879.132	2.437.312.500
Financial leasing (1)	571.428.614	2.274.982
Local bond (3)	498.674.644	-
Financial Obligations	191.353.077	728.814.159
Hedging instruments	-	52.463.295
	<u>3.866.335.467</u>	<u>3.220.864.936</u>
	<u>4.513.930.681</u>	<u>3.568.039.957</u>

(1) The following is the movement of the financial lease liability for the period ended 30 September 2019:

	Impacts first application due to accounting changes IFRS 16 to January 1, 2019	Additions	Payments	Transfers	Subtractions	As of September 30 of 2019
Short-term						
Financial lease	169.198.525	30.881.722	(144.079.908)	147.908.628	(142.040)	203.766.927
Financial liability - Renting (a)	898.249	-	(720.586)	753.040	-	930.703
	<u>170.096.774</u>	<u>30.881.722</u>	<u>(144.800.494)</u>	<u>148.661.668</u>	<u>(142.040)</u>	<u>204.697.630</u>
Long term						
Financial lease	445.802.194	272.013.108	-	(147.908.628)	-	569.906.674
Financial liability - Renting (a)	2.274.980	-	-	(753.040)	-	1.521.940
	<u>448.077.174</u>	<u>272.013.108</u>	<u>-</u>	<u>(148.661.668)</u>	<u>-</u>	<u>571.428.614</u>
	<u>618.173.948</u>	<u>302.894.830</u>	<u>(144.800.494)</u>	<u>-</u>	<u>(142.040)</u>	<u>776.126.244</u>

(a) Corresponds to the financial liability for transport fleet renting that as of the date of adoption of IFRS 16 was already recognized by the Group, associated with financial leasing contracts.

- (2) As of 30 September 2019, the nominal value of the outstanding bonds was USD \$ 750 million equivalent to \$ 2,608,088 million, net of transaction costs of \$ 3,208 million measured at amortized cost (as of 31 December 2018 \$ 2,437 .313 million and the transaction cost of \$ 3,987 million measured at amortized cost).
- (3) As of 30 September 2019, it had a nominal value of \$ 500,000 million net of transaction costs for \$ 1,325 million measured at amortized cost.

At the end of September 2019, interest payable on the local and senior bond amounted to \$ 4,578 million, furthermore; \$ 3,020 million and \$ 1,558 million respectively (as of 31 December 2018 - \$ 34,207 million of the senior bond).

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

17. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of the suppliers and accounts payable is as follows:

	<u>As of 30 September of</u>	<u>As of 31 December of</u>
	<u>2019</u>	<u>2018</u>
	(COP\$000)	
Current:		
Creditors and suppliers (1)	921.578.767	1.015.236.003
Suppliers of fixed assets	220.611.269	270.331.063
Related parties (Note 27)	170.907.387	195.658.990
Labor remuneration payable	23.614.009	41.477.716
Parafiscal contributions	5.310.690	5.492.424
other debts	3.864.281	4.273.107
Payments based on shares (4) (Note 27)	-	2.783.910
	<u>1.345.886.403</u>	<u>1.535.253.213</u>
Not current:		
Creditors and suppliers - licenses of spectrum and concessions (2)	115.722.066	139.103.177
Government Grants (3)	31.842.114	31.340.192
Payments based on shares (4) (Note 27)	3.863.246	1.907.435
Deposits received from customers	-	37.411
	<u>151.427.426</u>	<u>172.388.215</u>
	<u>1.497.313.829</u>	<u>1.707.641.428</u>

- (1) It mainly includes providers of mobile terminals, equipment maintenance, customer services, technical assistance, logistics, general, and storage services, among others.
- (2) Includes the balances of obligations made for the 15 MHz extension in 2011 for cellular telephony, for spectrum renewal for the provision of the service for 10 years from March 2014 and the right to grant for operation and operation of the satellite television service for 10 years as of February 2017.
- (3) In 2010, Colombia Telecomunicaciones S.A. E.S.P. signed an agreement with the National Government, known as the Biannual Plan III, which aims to develop transportation infrastructure necessary to provide fixed broadband services in social strata 1, 2 and SMEs, in rural and urban areas to capture high-speed Internet demand in coverage areas specified in the plan and the replacement of obsolete wireless systems. The resources of the Biannual Plan III are administered through a Trust and presented as rights in trust.
- (4) Remuneration for executives that has a five-year term, where the right to receive a certain number of shares of Telefónica S.A. is granted, subject to fulfillment of certain conditions related to the behavior of the action during the period, and the permanence in the employment.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

18. DEFERRED LIABILITIES

The balance of deferred liabilities is presented below:

	<u>As of 30 September of</u> 2019	<u>As of 31 December of</u> 2018
	<i>(COP\$000)</i>	
Current:		
Income received advance		
Deferred income (1)	38.092.069	35.166.555
Governments Grants (2)	1.967.148	1.967.148
	<u>40.059.217</u>	<u>37.133.703</u>
Non-current		
Income received in advance		
Governments Grants (2)	9.104.936	10.492.417
Deferred income (1)	3.980.597	4.378.657
	<u>13.085.533</u>	<u>14.871.074</u>
	<u>53.144.750</u>	<u>52.004.777</u>

(1) It principally includes billing to clients on behalf of third parties and leases received.

(2) Includes income received by government grants (small schools, locations, and educational institutions).

19. PROVISIONS AND PENSIONAL LIABILITIES

The balance of provisions and pension liabilities is as follows:

	<u>As of 30 September of</u> 2019	<u>As of 31 December of</u> 2018
	<i>(COP\$000)</i>	
Current:		
Tax responsibilities and considerations (1)	109.729.310	113.293.180
Labor responsibilities (3)	37.273.126	35.661.342
Post-employment plans of defined benefit (2)	17.102.371	17.786.725
For contingencies (Note 26)	7.618.837	15.162.844
Voluntary retirement (4)	3.675.111	15.651.453
	<u>175.398.755</u>	<u>197.555.544</u>
Non-current:		
Post-employment plans of defined benefit (2)	189.770.739	199.336.233
For dismantling	46.127.309	36.005.613
For contingencies (Note 26)	13.151.091	13.696.393
	<u>249.049.139</u>	<u>249.038.239</u>
	<u>424.447.894</u>	<u>446.593.783</u>

(1) Includes provision of occasional income tax, industry and commerce tax (ICA), consideration to the Ministry of ICT, and VAT not collected.

(2) The Group recognizes post-employment benefits corresponding to retirement pensions, which include pension and health allowance.

(3) It mainly includes the incentive to employees for compliance and performance.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

- (4) Includes provision for voluntary retirement. This provision corresponds to a formal plan, identifying functions, approximate number of employees, disbursements to be carried out, and estimated dates of the plan.

20. NET WORTH

The authorized capital, subscribed and paid as of 30 September 2019 and 31 December 2018 is presented below:

Social capital

	<u>(COP\$000)</u>
Authorized capital	1.454.870.740
Subscribed and paid-in capital	3.410.059
Par value (in pesos)	1

The equity participation at the end of the period is presented below:

Shareholders	As of September 30 of 2019		As of December 31 of 2018	
	Number of shares	Percentage	Number of shares	Percentage
Telefónica Latinoamérica Holding. S.L.	1.756.837.597	51,51926835%	1.756.837.596	51,51926832%
La Nación-Ministerio de Hacienda y Crédito Público	1.108.269.271	32,50000004%	1.108.269.271	32,50000004%
Latín América Celular Holdings S.L.	275.602.636	8,08204821%	275.602.636	8,08204821%
Telefónica S.A.	269.339.586	7,89838425%	269.339.586	7,89838425%
Radio Televisión Nacional de Colombia-RTVC	10.000	0,00029325%	10.000	0,00029325%
Canal Regional de Televisión Ltda.- TEVEANDINA	200	0,00000587%	200	0,00000587%
Central de Inversiones S.A.- CISA	1	0,00000003%	1	0,00000003%
Terra Networks Colombia S.A.S. - Liquidada (1)	-	0,00000000%	1	0,00000003%
	<u>3.410.059.291</u>	<u>100,00000000%</u>	<u>3.410.059.291</u>	<u>100,00000000%</u>

- (1) By means of an additional award of assets from Terra Networks Colombia S.A.S. Liquidated, on 11 January 2019, it was determined to award a share held by Terra Networks Colombia S.A.S. Liquidated as a shareholder of the Company as a remainder and as an award after liquidation of the Company in the legal terms of Telefónica Latin America Holding. S.L.

Other Perpetual Assets Instruments

During the nine-month period ended 30 September 2019 and 2018, interest coupon was paid for a total net amount of \$ 140,816,313 and \$ 122,604,425, respectively. These values are recognized in the Statement of Changes in Equity in the heading of accumulated results.

Other Comprehensive Result

The Group recognized net gain (loss) in Other Comprehensive Income (ORI) for the periods ended 30 September 2019 and 2018 for \$ 236,327,439 and \$ (90,733,183), respectively.

Revaluation surplus

Corresponds to the update of the fair value of the land and buildings, registered in property, plant and equipment which are measured by the revalued cost method generating a net positive tax effect of \$ 179,929,542.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

21. OPERATING INCOME

Revenue from contracts from customers and other services are presented below:

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Telecommunication services – mobile operation		
Services and data transmission - connectivity	1.049.951.066	995.213.146
Monthly fees and time on air	500.156.200	621.860.219
Sale of mobile equipment and accessories	399.604.791	339.046.030
Interconnection and roaming	144.405.973	128.817.038
Added-value services (1)	164.333.483	136.811.214
Carrier services (2)	47.674.527	53.827.709
	2.306.126.040	2.275.575.356
Telecommunication services – fixed operation		
Data transmission services	671.207.258	657.929.689
Local telephony and long distance	367.341.885	417.552.416
Satellite television	281.955.158	246.951.067
Other operating revenues (3)	221.812.273	204.985.151
Sale of equipment	632.361	1.114.111
	1.542.948.935	1.528.532.434
Total Operating income	3.849.074.975	3.804.107.790
Sale of movable and immovable assets (4)	186.170.707	125.531.157
Other operating income (5)	96.437.708	61.086.367
Works done for own fixed assets (6)	47.966.591	39.560.854
Lease Investment Properties	187.470	-
Other operating income	330.762.476	226.178.378
Total operating income	4.179.837.451	4.030.286.168

- 1) Includes application downloads, text messages, collection of reconnections, subscription of preferred, and spaces in the communication channels for advertisers.
- 2) Includes services provided to the Virgin Mobile Virtual Mobile Operator.
- 3) Includes, consulting project development services, application management, communication equipment and infrastructure, and security management.
- 4) Includes income from the sale of personal property for \$ 179,123,815 (2018 - \$ 113,887,125) and real estate for \$ 7,046,892 (2018 - \$ 11,644,032).
- 5) Includes support from suppliers, reimbursement of expenses and fees with Group Companies, leasing of physical spaces, collection of compensation for breach of contracts, and government grants.
- 6) Correspond to the work carried out by Group personnel, which due to their characteristics are directly related to the development and implementation of fixed assets.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

22. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Inventories cost (Note 9)	532.737.477	418.279.522
Labor cost	315.787.533	309.219.285
Other costs and operating expenses (1)	229.280.899	245.912.521
Maintenance of equipments	219.554.576	203.240.119
Interconnection and roaming	201.512.346	168.012.728
Sales commissions	195.289.309	198.929.360
Tributes and considerations	182.760.448	214.333.823
Media rental and other network infrastructures	182.394.210	281.351.466
Content suppliers	151.480.746	133.223.378
Energy	126.442.717	124.411.404
Computer services	123.656.543	105.824.261
Renting and third parties' activities	101.767.500	100.184.816
Advertising expenses	91.169.079	79.943.266
Impairment (2)	63.979.140	14.085.156
Customer service	51.681.442	53.003.836
Other non-recurring costs and operating expenses (3)	7.671.982	14.590.048
	2.777.165.947	2.664.544.989

- (1) Includes costs and operating expenses for banking services, logistics services, rental of premises, legal, tax and labor advice, transportation, surveillance, insurance, and mainly travel expenses.
- (2) For the periods ended 30 September 2019 and 2018, it includes: (i) Impairment due to doubtful collection of \$ 63,361,912 and \$ 13,292,716 respectively, (ii) recovery of portfolio punished in 2019 from previous periods for \$ (165,787) and provision expense for contractual assets of \$ 18,535 in 2019 and (iii) provision of inventories for \$ 764,480 and \$ 792,440, respectively.
- (3) It includes judicial contingencies and cable replacement costs. For the period ended 30 September 2019, includes recovery of provisions.

23. DEPRECIATIONS AND AMORTIZATIONS

Depreciation and amortization are presented below:

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Depreciation of properties, plant and equipment (Note 13)	(566.681.917)	(599.341.936)
Amortization of intangible assets (Note 14)	(393.642.135)	(425.066.479)
Amortization of assets for rights of use (Note 12)	(132.480.332)	-
	(1.092.804.384)	(1.024.408.415)

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

24. FINANCIAL EXPENSES, NET

Net financial income (expenses) are presented below:

- (1) It chiefly includes financial expenses in portfolio sales.
- (2) Corresponds to the financial update of liabilities for obligations to make, dismantling of assets, and pension update.

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Income:		
Customers' default interests	22.878.445	12.539.698
Investment returns and bank accounts	414.477	793.626
	23.292.922	13.333.324
Expenses:		
Interests on loans, obligations and bonds	(148.550.654)	(167.683.891)
Interest coverage transactions, net	(48.977.482)	(54.459.456)
Financial expenses for leases (Note 4)	(15.056.667)	-
Other financial expenses (1)	(7.150.612)	(17.833.686)
Updating of financial liabilities (2)	(12.761.205)	(12.559.031)
Tribute to financial transactions	(2.729.548)	(1.199.363)
	(235.226.168)	(253.735.427)
(Lost) or Gain for difference in exchange, net	(3.597.122)	403.663
	(238.823.290)	(253.331.764)
Financial expense, net	(215.530.368)	(239.998.440)

25. INCOME TAX AND COMPLEMENTARY

The income tax and complementary expenses are presented below:

	Nine-months period ended as of September of	
	2019	2018
	(COP\$000)	
Current tax:		
Income tax	7.795	30.064
	7.795	30.064
Deferred tax:		
Tax credits (1)	103.207.597	97.424.386
Deductible temporary differences	16.575.814	(5.240.939)
Taxable temporary differences	(9.746.425)	(21.019.322)
	110.036.986	71.164.125
	110.044.781	71.194.189

- (1) Corresponds to the use of tax credits for the tax profits generated for the periods ended 30 September 2019 and 2018.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

26. CONTINGENCIES

The Group rates the contingencies according to the probability of loss in high, low, and remote probability, based on it determining the value of the claims that must be provisioned and supported with the reports and evaluations of the Group's legal advisors.

Since 30 September 2019, 1,847 processes are in progress, 164 of which are classified as high probability, 929 classified as low probability and 754 classified as remote.

1. Processes with high probability

The following is the detail of the processes classified as high probability (Note 19).

	As of 30 September of		As of 31 December of	
	2019		2018	
	(COP\$000)			
	Cantidad	Valor	Cantidad	Valor
Current:				
Third Party Claims	37	2.610.955	77	9.522.239
Regulatory and competition administrative enquiries	7	3.966.533	8	3.981.796
Labor proceedings	19	1.041.349	14	1.658.809
	63	7.618.837	99	15.162.844
Non-current:				
Legal proceedings	51	3.732.254	52	8.516.942
Labor proceedings	39	2.043.770	38	2.164.888
Regulatory and competition administrative enquiries	6	7.060.344	11	2.852.494
Tax proceedings	5	314.723	5	162.069
	101	13.151.091	106	13.696.393
	164	20.769.928	205	28.859.237

2. Processes with low probability

The Group is a party to qualified disputes with a low probability which are currently being processed before judicial, administrative and arbitral bodies.

Taking into account the reports of the Group's legal advisors in these procedures, it is reasonable to appreciate that these disputes will not significantly affect the economic-financial situation or the solvency of the Group.

a. Judicial proceedings

These are processes aimed at obtaining a decision from the jurisdictional authority called to resolve the controversial issue. They include processes of civil jurisdictions, administrative litigation, criminal, and constitutional, among others. There are 125 open processes worth \$ 64,765,960.

b. Labor Processes

Labor demands by means of which the payment of the labor rights derived from the relations that the plaintiffs have or have had directly with the Group or with a third party is intended, in the latter case, claiming the solidarity of Colombia Telecomunicaciones S.A. E.S.P. There are 444 open processes worth \$ 27,059,707.

c. Administrative Investigations

The processes initiated by administrative authorities through the formulation of charges, ex officio or by complaints of third parties, aimed at determining the responsibility of the investigated in the violation of norms.

The contingencies for administrative investigations are classified as:

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

- i) Fiscal: Processes under discussion for taxes with different municipalities in the country, which correspond to claims, such as: industry and commerce tax (ICA) and public lighting tax, among others. 279 administrative and judicial proceedings valued at \$ 16,397,699 are ongoing.
- ii) Petitions, Complaints, and Claims: Administrative procedures initiated by the Superintendence of Industry and Commerce - SIC, for positive administrative silences, habeas data, or for breach of resolutions. 64 processes are reported worth \$ 4,259,338.
- iii) Regulatory: Administrative procedures initiated by surveillance and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 17 processes valued at \$ 10,454,207.

27. RELATED PARTIES

27.1. Accounts Receivable

The balances of accounts receivable between the Group and its shareholders, economic associates and associated companies are the following:

Current:

a) Shareholders

	<u>As of 30 September of</u> 2019	<u>As of 31 December of</u> 2018
	<i>(COP\$000)</i>	
Foreign		
Telefónica S.A.	6.841.608	6.703.998
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional TISA) S.A.U. -	529.548	529.548
	<u>7.371.156</u>	<u>7.233.546</u>

b) Economic linked

Domestic

Tiws Colombia II S.A.S.	15.601.904	30.810.277
Telxius Cable Colombia S.A.	1.576.279	3.196.970
Wayra Colombia S.A.S.	59.062	100.600
	<u>17.237.245</u>	<u>34.107.847</u>

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	<u>As of 30 September of</u> 2019	<u>As of 31 December of</u> 2018
	(COP\$000)	
Foreign		
Telefónica Digital España S.A	7.820.517	11.668.452
TIWS II	5.745.833	10.171.127
Pegaso PCS, S.A. de C.V.	3.133.178	2.960.537
Telefónica Mviles Espana S.A.	1.744.512	1.985.482
Otecel S.A.	1.318.302	1.232.187
Telefónica Mviles Argentina S.A.	421.219	655.551
O2 Germany GMBH & CO.OHG	367.495	1.322.220
Telefónica del Perú S.A.	298.750	681.978
Telefónica Móviles de Chile S.A.	213.365	888.601
Telefónica USA, INC	143.587	84.742
Telefónica Compras Electrónicas	110.506	160.474
Telefónica de Costa Rica	22.924	79.870
Telefónica Factoring Mexico S.A.	15.883	12.493
Telefónica Mviles el Salvador S.A.	13.730	14.873
E-plus Mobilfunk GMBH & CO	-	281.488
Telefónica Brasil S.A	-	241.119
Telefónica Mviles Panama S.A.	-	167.475
Telefónica Celular de Nicaragua S.A	-	104.082
Pegaso Recursos Humanos S.A. de C.V.	-	56.341
Telefónica Móviles Guatemala S.A.	-	26.983
Telefónica Mviles Uruguay S.A.	-	16.085
O2 UK Limited	-	2.794
	21.369.801	32.814.954
	38.607.046	66.922.801
c) Associated companies		
Domestic		
Telefónica Factoring Colombia S.A.	-	79.628
	-	79.628
	45.978.202	74.235.975

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Not current:

a) Economic Linked

	As of 31 December of	
	2018	2017
	<i>(COP\$000)</i>	
Telefónica Venezolana C.A. (1)	42.208.396	39.449.359
	42.208.396	39.449.359

(1) Telefónica Venezolana C.A.: It is awaiting liquidation by the regulatory body of foreign currency in Venezuela (CENCOEX), whose amounts were duly requested before said agency, and as of 30 September 2019 it is not taken by the same, denial of liquidation on invoices and their respective requested amounts owed to Colombia Telecomunicaciones S.A. E.S.P.

27.2. Debts to pay

Current:

a) Shareholders

	As of 31 December of	
	2018	2017
	<i>(COP\$000)</i>	
Foreign		
Telefónica S.A.	12.853.928	3.449.077
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	136.540	131.993
	12.990.468	3.581.070
Stock-based payments		
Telefónica S.A.	-	2.783.910
	-	2.783.910

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

b) Economic linked

	As of 30 September of	As of 31 December of
	2019	2018
	(COP\$000)	
Domestic		
Telxius Cable Colombia S.A.	34.845.506	36.796.394
Tiws Colombia II S.A.S.	18.749.478	37.835.130
Telefónica Ingeniería de Seguridad	293.694	-
Telefónica Learning Services Colombia	245.555	399.885
	54.134.233	75.031.409
Foreign		
TIWS II	39.683.565	34.897.021
Telefónica Global Technology	22.087.688	28.908.492
Media Network Latin América	13.113.913	15.282.992
Telefónica USA Inc.	5.866.817	9.579.064
Telefónica Digital España S.A.	3.846.453	1.471.797
Telefónica Móviles Argentina S.A.	3.737.871	3.926.213
Telefónica Venezolana C.A.	2.425.270	2.183.284
Telefónica Compras Electrónicas	2.382.677	5.211.046
Telefónica de Argentina S.A.	1.713.000	1.713.000
Telefónica del Perú S.A.	1.542.509	746.187
Pegaso Pcs. S.A. de C.V.	1.465.964	1.181.183
Otecel S.A.	1.400.722	1.681.593
Telefónica Brasil S.A	1.112.945	2.492.813
Terra Networks Mexico S.A. de CV	649.492	783.946
Telefónica Global Roaming	610.292	670.931
Telefónica de España S.A.U.	587.616	740.523
Telefónica Móviles España S.A.	463.584	1.165.440
Telefónica Ingeniería de Seguridad	339.354	503.736
Telefónica Servicios Audiovisuales	234.172	237.564
E-Plus Mobilfunk GMBH & CO	143.411	12.903
O2 T. UK Limited	132.712	98.826
Telefónica Móviles de Chile	91.458	2.215.661
Telefónica Móviles Uruguay S.A.	22.594	47.763
Telefónica de Costa Rica	22.528	93.000
Telefónica Móviles El Salvador S.A.	17.551	16.436
TGestiona Logística Sociedad Anonima	5.202	37.802
Telefónica de Contenidos SAU	-	897.653
Telefónica Móviles Panamá S.A.	-	140.725
Telefónica Germany GMBH & CO OHG	-	59.249
Telefónica Móviles Guatemala S.A.	-	29.242
Telefónica Celular De Nicaragua S.A	-	20.426
	103.699.360	117.046.511
	157.833.593	192.077.920

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

c) Associated Companies

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
Domestic		
Telefónica Factoring Colombia S.A.	83.326	-
	<u>83.326</u>	<u>-</u>
	<u>170.907.387</u>	<u>198.442.900</u>

Not current:

a) Shareholders

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
Stock-based payments		
Telefónica S.A.	3.863.246	1.907.435
	<u>3.863.246</u>	<u>1.907.435</u>
	<u>174.770.633</u>	<u>200.350.335</u>

27.3. Income, Costs and Expenses with Related Parties

The Group carries out transactions with its related parties in the same conditions of market and mutual independence. The following is the summary of the Group's income, costs and expenses with related parties:

a) Shareholders

	<u>Nine-months period ended as of September 30 of</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>Income</u>		<u>Costs and Expenses</u>	
	<i>(COP\$000)</i>			
Foreign				
Telefónica S.A.	6.127.829	4.624.640	20.796.753	3.429.896
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	-	913.979	138.593	121.038
	<u>6.127.829</u>	<u>5.538.619</u>	<u>20.935.346</u>	<u>3.550.934</u>

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

b) Economic linked

	Nine-months period ended as of September 30 of			
	2019	2018	2019	2018
	Income		Costs and Expenses	
	(COP\$000)			
Domestic				
Tiws Colombia II S.A.S.	14.962.874	12.939.250	10.274.735	22.454.147
Telxius Cable Colombia S.A.	1.793.173	1.093.269	45.156.973	38.941.592
Wayra Colombia S.A.S.	327.122	358.627	-	12.046
Telefónica Global Technology Colombia Sucursal	-	79.727	-	-
Telefónica Ingeniería de Seguridad	-	-	229.069	-
Telefónica Learning Services Colombia	-	-	120.663	288.148
	17.083.169	14.470.873	55.781.440	61.695.933
Foreign				
TIWS II	15.114.464	17.595.942	42.575.139	23.773.556
Telefónica Digital España S.A.	7.213.272	6.962.605	3.653.627	772.300
Telefónica Móviles de Chile	1.153.991	-	77.356	122.236
Telefónica Móviles España S.A.	557.868	216.282	824.514	793.866
Telefónica Brasil S.A.	486.449	597.894	104.124	98.912
Telefónica del Perú S.A.	303.840	120.768	987.160	456.678
Telefónica Móviles Argentina S.A.	279.671	-	79.233	214.367
O2 T. UK Limited	268.629	91.139	110.582	58.841
Telefónica Móviles Panamá S.A.	226.404	140.332	138.316	119.787
Otecel S.A.	158.263	160.352	131.681	291.428
Telefónica Compras Electrónicas	105.096	95.608	3.429.583	3.564.838
Pegaso Pcs. S.A. de C.V.	96.132	128.283	305.762	290.335
Telefónica de Costa Rica	69.727	25.322	38.842	36.426
Telefónica USA Inc.	49.346	1.008.743	1.254.630	-
Telefónica Móviles Uruguay S.A.	24.969	10.984	13.549	4.221
Telefónica Móviles El Salvador S.A.	20.204	17.798	23.059	14.888
Telefónica Celular De Nicaragua S.A.	9.826	4.938	-	4.709
Telefónica Venezolana C.A.	174	400	80.073	1.737.086
E-Plus Mobilfunk GMBH & CO	-	70.209	20.547	-
Pegaso Recursos Humanos S.A. de C.V.	-	25.651	-	-
Telefónica Móviles Guatemala S.A.	-	11.322	-	23.027
Terra Networks Mexico S.A. de CV	-	7.775	825.382	610.746
Telefónica de Argentina S.A.	-	790	-	-
Media Network Latin América	-	-	29.544.312	23.818.006
Telefónica Global Technology	-	-	28.256.318	24.493.290
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	4.309.854	4.309.854
Telxius Cable España S.L.U	-	-	1.480.679	1.480.679
Telefónica de Contenidos SAU	-	-	990.094	836.635
Telefónica Ingeniería de Seguridad	-	-	598.514	352.296
Telefónica de España S.A.U.	-	-	587.616	513.202
Telefónica Global Roaming	-	-	552.201	528.319
Telefónica Servicios Audiovisuales	-	-	370.179	419.215
Telefónica Empresas Chile S.A.	-	-	-	63.365
	26.138.325	27.293.137	121.362.926	89.803.108
	43.221.494	41.764.010	177.144.366	151.499.041

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Affiliates

	Nine-months period ended as of September 30 of			
	2019	2018	2019	2018
	Income		Costs and Expenses	
	(COP\$000)			
Domestic				
Telefónica Factoring Colombia S.A.	239.279	235.278	-	-
	239.279	235.278	-	-
	49.588.602	47.537.907	198.079.712	155.049.975

The Group has not granted, nor received guarantees or garments to its economic associates.

The following is the summary of the transactions for income, costs and expenses provided during the period with related parties, depending on the nature of the good or service provided between the parties, as follows:

Income:

v	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Local telephony	15.117.124	17.788.513
Other income (1)	15.035.034	14.585.887
Data transmission service	12.218.668	12.469.819
Interconnection and roaming	4.197.838	1.764.229
Other IT (2)	2.533.818	671.394
Sale of equipment	210.242	9.193
Added value services	182.820	205.645
Virtual private networks	50.691	1.422
Monthly fees and time on air	22.588	28.367
Data transmission services - connectivity	19.779	13.438
	49.588.602	47.537.907

(1) Mostly includes fee services, assignment of spaces, and administrative services, among others.

(2) It mainly includes cloud and security services.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Costs and expenses:

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Media rental	88.481.888	81.493.361
Other costs and non-recurring expenses	29.005.013	24.512.156
Other costs and operating expenses (1)	28.811.734	5.300.480
Interconnection and roaming	23.752.661	20.283.266
Renting and third parties' activities to customers	14.520.306	9.520.582
Content suppliers	9.356.181	6.019.649
Maintenance	3.718.419	3.227.715
Labor and staff expenses	219.219	3.613.375
Sales commissions	138.593	121.038
Cost of terminals	75.698	958.353
	198.079.712	155.049.975

(1) It primarily includes computer applications, consulting and integration of projects, rental, and equipment costs among others.

28. FINANCIAL INDICATORS - NOT DEFINED IN THE FINANCIAL ACCOUNTING AND INFORMATION RULES ACCEPTED IN COLOMBIA

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

1) EBITDA (1)

	Nine-months period ended as of September 30 of	
	2019	2018
	(COP\$000)	
Net profit of the year	(15.708.029)	30.140.135
Más:		
Depreciation and amortization (Note 23)	1.092.804.384	1.024.408.415
Financial expense, net	215.530.368	239.998.440
Income before taxes	110.044.781	71.194.189
EBITDA	1.402.671.504	1.365.741.179

(1) EBITDA: corresponds to the result before depreciation and amortization, financial expense, participation method, and income taxes and complementary.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

2) **EBITDA margin**

	Nine-months period ended as of September 30 of	
	2019	2018
EBITDA Margin ^(1 y 2)	33,56%	33,89%

- (1) Represents the divided EBITDA on operating income.
- (2) It indicates a slight decrease due to the greater increase in operating costs and expenses versus revenues, this is mainly due to the impact of the depreciation of the peso against the dollar during 2019.

3) **Leverage ratio: Net debt / EBITDA**

	As of 30 September of	
	2019	2018
	(COP\$000)	
Current financial obligations (1)		
Financial institutions (Note 16)	406.744.353	404.282.213
Financial leasing (Note 16)	204.697.630	1.468.393
	611.441.983	405.750.606
Long-term financial obligations		
Senior bond (2)	2.608.087.500	2.198.100.000
Cop Bond (2)	500.000.000	-
Financial institutions	191.353.077	1.205.671.478
Financial leasing	571.428.614	2.679.748
	3.870.869.191	3.406.451.226
Perpetual equity instruments (3)	1.278.425.000	1.278.425.000
Total financial debt	5.760.736.174	5.090.626.832
Valuation of derivatives of exchange rate (4)	(237.129.647)	(81.038.964)
Cash and cash equivalents	(372.071.352)	(95.653.723)
Total net debt	5.151.535.175	4.913.934.145
EBITDA last twelve months	1.870.801.573	1.636.779.646
Covenants Debt / EBITDA	2,75 Times	3 Times

- (1) The balance of short-term financial obligations excludes interest payable.
- (2) Corresponds to the nominal value of the issuance of the local bond and the senior bond, valued at the closing exchange rate of each period: Does not include the value of transaction costs.
- (3) Corresponds to the nominal value of the issuance of the perpetual equity instrument, valued at the exchange rate of the issue date. It does not include the value of transaction costs. This instrument under the prospectus for issuing the principal debt is considered as replacement debt, which is why it is included as financial debt. However, its recognition in the Consolidated Financial Statements is presented in equity.
- (4) Includes only valuation of exchange rate hedges.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

4) OPERATIONAL INFORMATION

4.1) Accesses

	2019			2018		
	sep-30	jun-30	mar-31	dic-31	sep-30	jun-30
	(Unidades 000)					
Final customers access	19.241	19.255	19.175	19.050	18.711	18.499
Basic line (1)	1.497	1.522	1.561	1.582	1.626	1.636
Internet and Data	1.161	1.171	1.190	1.204	1.231	1.229
Television	523	533	540	548	564	564
Mobile service	16.060	16.029	15.884	15.716	15.290	15.070
<i>Prepaid</i>	<i>12.065</i>	<i>12.098</i>	<i>12.015</i>	<i>11.881</i>	<i>11.469</i>	<i>11.298</i>
<i>Postpaid</i>	<i>3.995</i>	<i>3.931</i>	<i>3.869</i>	<i>3.835</i>	<i>3.821</i>	<i>3.772</i>

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

4.2) Average Revenues Per User – ARPU (Average Revenues per User)

	2019			2018		
	sep-30	jun-30	mar-31	dic-31	sep-30	jun-30
	(COP\$)					
BL - I&D - TV (1)	32.421	33.558	31.633	31.265	33.412	32.645
Mobile service (2)	12.663	12.351	12.406	13.416	13.315	13.080
<i>Prepaid</i>	<i>2.917</i>	<i>2.896</i>	<i>3.003</i>	<i>3.542</i>	<i>3.245</i>	<i>3.201</i>
<i>Postpaid</i>	<i>41.932</i>	<i>41.558</i>	<i>41.609</i>	<i>43.811</i>	<i>43.584</i>	<i>42.639</i>

(1) Includes monthly fixed rates and excludes data income and rent.

(2) Excludes revenues from Virtual Mobile Operators - VMO and terminal sales.

5) Financial Indicators

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

5.1) Indebtedness rates

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

	As of 30 September of	As of 31 December of
	2019	2018
a) Total debt level (1)	51,32%	48,20%
b) Short term debt level (2)	36,44%	37,77%

(1) The level of total indebtedness mainly increases due to the financial lease liability derived from the entry into force of IFRS 16 as of 1 January 2019, which impacts its comparability and the effect of the depreciation of the peso against the dollar during 2019.

(2) The level of short-term indebtedness presents an improvement by: (i) prepayment of short-term obligations in local financial entities and (ii) increase in the financial lease liability arising from the entry into force of IFRS 16.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

5.2) Solvency rates

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

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
Solvency ratio	1,95 v	2,07 v

5.3) Profitability rate

Profitability is an index that measures the relationship between profits or benefits, and the investment or the resources that were used to obtain them.

	<u>Nine-months period ended as of September of</u>	
	<u>2019</u>	<u>2018</u>
Operational Margin (1)	7,41%	8,47%

- (1) It presents a slight decrease due to the greater increase in operating costs and expenses versus income, mainly due to the impact of the depreciation of the peso against the dollar during 2019.

5.4) Liquidity rates

Indicates short-term availability to meet your short-term commitments.

	<u>As of 30 September of</u> <u>2019</u>	<u>As of 31 December of</u> <u>2018</u>
a) Net working capital	164.488.339	(421.514.479)
b) Current ratio (1)	1,06 v	0,82 v
c) Acid ratio (1)	0,99 v	0,73 v

The improvement of these indicators as of 30 September 2019 corresponds mainly to: (i) advance payment of short-term obligations in local financial institutions; (ii) increase in cash and cash equivalents resulting from the flows generated in the sale of non-strategic fixed assets; and (iii) classification of property in current assets - available for sale.

5.5) Profitability of equity

This indicator measures the return on capital invested by shareholders; profitability on their own resources.

	<u>Nine-months period terminado el 30 de September de</u>	
	<u>2019</u>	<u>2018</u>
Rentabilidad del patrimonio (1)	4,68%	5,55%

- (1) The decrease in this indicator is mostly due to the slight decrease in the inter-annual operating result and the increase in equity mainly generated by: (i) the results at the end of 2018 and (ii) due to updating of the fair value of the land and buildings.

5.6) Return on assets

This indicator allows measuring the capacity of the assets that the Group has to generate returns.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARIES
 NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
 30 SEPTEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
 (Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Nine-months period ended as of September of	
	2019	2018
Assets profitability (1)	2,28%	2,74%

- (1) The variation of this indicator is due to the slight decrease in the annual operating result and the increase in total assets mainly due to: (i) usage rights due to the entry into force of IFRS 16; (ii) self-withholdings during the period of 2019; (iii) collection rights for commercial activity, interconnection charges, and contractual agreements.

5.7) Interest coverage

It allows measuring the Group's ability to meet its obligations associated with financial interests.

	Nine-months period ended as of September of	
	2019	2018
Interest hedging	1,89 v	2,04 v

- (1) The slight net decrease in this indicator is mainly due to: decrease in the inter-annual operating result and decrease in interest expense due to the anticipated payment of financial debt with local entities.

29. FACTS AFTER THE DATE OF THE FINANCIAL STATUS

- On 4 October, the risk rating agency Fitch Ratings announced an improvement in the local and foreign currency debt rating of Colombia Telecomunicaciones S.A. E.S.P. progressing from 'BB +' to 'BBB-' and with a stable outlook. This rating puts the Company in an investment grade.
- The National Tax and Customs Administration - DIAN authorized by means of Resolution 1848 of October 2, 2019, compensation for Colombia Telecomunicaciones S.A. ESP for \$ 170,421,687 with the balance payable for VAT, national consumption tax and withholding tax at the source and the return in TIDIS of \$ 1,102,524 of the balance in favor of the income tax of the taxable year 2018 for total value of \$ 171,524,211.
- The Financing Law (Law 1943 of 2018) saw a review of constitutionality in October of this year. The Constitutional Court declared such regulations unenforceable with suspensive effects until 31 December 2019, asserting that there were procedural defects within the legislative process. The National Government filed a bill in which the text of Law 1943 of 2018 was repeated, with which we believe that there are no significant changes that may affect the reasonableness of the tax calculations presented at the end of September 2019 in Financial statements.
- On 9 October 2019, the General Assembly of ordinary bondholders of the Company met, in which the merger operation between Colombia Telecomunicaciones S.A. was approved. ESP and the companies Empresa de Telecomunicaciones de Bucaramanga S.A. ESP and Metropolitana de Telecomunicaciones S.A. ESP, with the fulfillment of 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 of the Assembly of ordinary bondholders of the issuance made by the Company in May 2019, the Company presented on 9 October 2019 before the Financial Superintendence 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.

30. APPROVAL OF FINANCIAL STATEMENTS

The consolidated condensed interim financial statements of Colombia Telecomunicaciones S.A. E.S.P. and the accompanying notes were certified and approved by Legal Representative and Public Accountant as of 13 November 2019.