

Colombia Telecomunicaciones S.A. E.S.P. and its Subsidiary¹
As of March 31, 2021 and for the three-month period ended March 31, 2021

(Figures in billions of pesos or when indicated otherwise)

Colombia Telecomunicaciones S.A. E.S.P. In view informs that today, March 13, 2021, it transmitted to the Financial Superintendence of Colombia **the Condensed Consolidated and Separate Intermediate Financial Statements** with cut-off March 31, 2021 and for the period of 3 months ended March 31, 2020.

I. Relevant Issues as of March 31, 2021

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

The Company continues to carry out the activities inherent to its corporate purpose, within the framework of the provisions issued by the National Government and local authorities. Adopting measures to guarantee the continuity in the operation, the provision of services and adequate attention to customers, suppliers and collaborators. In accordance with the provisions, telecommunications services are declared essential public services, therefore, their provision, nor to the installation, maintenance and adaptation of the network may not be suspended. On the other hand, the financial situation and liquidity is evaluated recurrently by the Administration to take all the appropriate measures that allow minimizing the negative impacts that could derive from this situation and includes not only the measurement of assets and liabilities, accounting estimates and appropriate disclosures. , but also, the Company's ability to continue as a going concern.

The measures adopted by the Company to mitigate the impact of Covid-19 and the summary of the effects on the Financial Statement lines are disclosed in the notes to the Financial Statements attached to this press release.

2. Other Relevant Issues as of March 31, 2021

Colombia Telecomunicaciones S.A. E.S.P. BIC includes in the notes to the financial statements other relevant matters that arose during the first quarter of 2021, among which the following stand out:

2.1 At an ordinary meeting held on March 16, 2020, the General Assembly of Shareholders of Colombia Telecomunicaciones S. A. E.S.P. BIC approved: (i) the adoption of Colombia Telecomunicaciones S. A. E.S.P. of the legal status of Collective Benefit and Interest Company (BIC) and (ii) modify articles one and four of the Bylaws to add the expression "Collective Benefit and Interest" or the acronym "BIC" to the company name and include in the corporate purpose the activities associated with the adoption of the legal status of BIC and the import, commercialization, installation and leasing of equipment for surveillance and private security

On March 8, 2021, through public deed No. 0749 of Notary 11 of Bogotá circle, statutory reform consisting of modification of articles one and four of the Bylaws was formalized and on March 12, 2021 registered in the Mercantile Registry of the Bogotá Chamber of Commerce.

2.2 Prepayment of a portion of the Syndicated Loan (Club Deal) for USD100 million

¹ Subsidiary as of March 31, 2021: Empresa Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom".

Operational Results

At the end of the first quarter of 2021, **Company** returned to commercial growth in all the main services with a differential offer (in fiber, Movistar is the operator that offers the highest speed both in high plans and in entry plans). The good performance of income of business segment, together with the growth of mobile income and generation of efficiencies, allows to improve the growth of income and OIBDA

The Company's total number of customers at the end of March 31, 2021 reached 19.9 million which is made up of the following: **Mobile business customers** 16.7 million which grew 5.0% year-on-year after registering a net profit of 412k accumulated customers at the end of the first quarter of 2021. **Postpaid customers** grew 9.2% year-on-year after registering a cumulative net gain of + 157k at the end of the Q1 2021, as a result of the good evolution of the commercial activity and the management of the customer base. On **prepaid**, customers grew 3.5% year-on-year with a net profit of 254k in the first quarter of 2021.

In **the fixed business**, the transformation towards fiber continues. **Broadband** has 1.2 million customers at the end of Q1 2021, of which fiber reached 366k with a year-on-year growth of 51.6% and a positive net gain of 37k customers thanks to the offer and the increase in connection speed. Fiber deployment boosted pay TV through IPTV, achieving a plant of 217k customers with year-on-year growth of 96.6% and positive net profit of 30k clients in the quarter, reaching a total television customer of 527k.

II. Consolidated Condensed Interim Financial Results

1. Consolidated Statement of Comprehensive Income

Total operating revenues at the end of the first quarter of 2021 amounted to \$ 1,439 million with an increase of 8.8% compared to the same period of 2020. **Revenues from customers** amounted to \$ 1,414 million which showed a year-on-year growth of 9.6 % (\$ 1,290 thousands of million 1Q-2020) generated mainly by integrated plans, unlimited offer, connectivity services, equipment installation and integrated solutions with corporate clients. **Revenues from terminals** show an increase of 29.6% due to greater commercial activity of smartphones when compared to the same quarter of 2020.

The line of **other operating revenues** for \$ 25 thousands of million shows a 24.2% drop, mainly due to the decrease in fees per session of physical spaces.

Operating costs and expenses amount to \$ 1,039 million in the first quarter of 2021, presenting an increase of 5.9% (\$ 58 million) compared to the same period of 2020, mainly due to the execution of new comprehensive solutions contracts with corporate clients, the increase in mobile-mobile access charges due to increased traffic, higher cost of equipment at customer's homes associated with new subscribers and the increase in the cost of sales of equipment due to the increase in the commercial activity of smartphones.

EBITDA –an indicator that measures performance and operating income before depreciation and amortization and taxes amounted to \$ 399 thousands of million at the end of the first quarter of 2021, an increase of 16.9% compared to the same quarter of 2020 when it totaled \$ 342 thousands of million. EBITDA growth during the first quarter of 2021 corresponds mainly to the good performance of connectivity services, especially with the corporate and business segment, and to the increase in sales of smartphone equipment compared to the same quarter of 2020.

Depreciation and amortization expense in the first quarter of 2021 amounts to \$ 357 thousands of million with an increase of 2.5% (\$ 9 thousands of million) compared to the same period of 2020, mainly due to additions in the 2021 period in the category of assets for rights of use. Financial expense showed a net decrease of 2.9% (\$ 3 thousands of million) compared to the same period of 2020, mainly due to the new debt structure during 2020. As of the first quarter of 2021, it closed with a net result of the quarter of - \$ 101 thousands of million, which includes income tax expense of \$ 35 thousands of million (net result of - \$ 108 thousands of million as of 1Q-2020).

2. Condensed Consolidated Interim Statements of Financial Position

The **total consolidated assets** of **Colombia Telecomunicaciones S.A. E.S.P. BIC** and its **Subsidiary** at the end of March 2021 amount to \$ 12,881 thousands of million. Current assets total \$ 2,098 thousands of million and non-current assets \$ 10,782 thousands of million. The main short-term asset variations compared to the end of December 2020 are summarized below:

- i) **Cash and cash equivalents** decrease due to the making of payments of financial liabilities for USD100 million associated to the Syndicated Loan and interest on bonds, as well as due to the payment to suppliers and contractors of capex and corporate projects, which represents a reduction in the 70.8% as of March 31, 2021
- ii) **Financial assets** increase by \$ 21 thousands of million, mainly due to the effect of the exchange rate valuation at the end of March 31, 2021 of forward contracts
- iii) **Debtors and other accounts receivable** increased 17.3% (\$ 160 thousands of million), in part due to increased commercial activity, especially in the sale of terminals, billing of special projects of the corporate segment and SMEs and the strategic alliance with third parties to the execution of fiber deployment projects.
- iv) **Prepaid expenses** increased 21.9% (\$ 43 thousands of million), mainly due to the recognition of the consideration to the Communications Fund, which will be amortized during the year 2021 and due to the activation of the commission costs generated in obtaining of contracts with clients
- v) **Contractual asset** decreases 25.4% (\$ 6 thousands of million) due to the amortization of the quarter based on the benefits delivered to customers.
- vi) **Inventories** increased 12.2% (\$ 17 thousands of million) mainly due to the purchase of equipment and elements in the process of nationalization to serve the facilities at the customer's home.
- vii) **Taxes and public administrations** increased 14.5% (\$ 44 thousands of million), mainly due to the recognition of the self-withholdings of corporate tax for the first quarter of 2021.

The main variations of the **long-term assets** of **Colombia Telecomunicaciones S.A. E.S.P. BIC** and its Subsidiary at the end of March 2021 compared to the end of December 2020, are presented below:

- i) **Financial assets** increased 10.6% mainly due to the effect of the exchange rate valuation at the end of March 31, 2021 of forward contracts.
- ii) **Prepaid expenses** show an increase of 19.5% (\$ 27 thousands of million) mainly due to the activation of obtaining contracts, cost of equipment at clients' homes and the cost of fulfilling contracts with clients based on the higher Comercial activity.
- iii) **Intangible assets** decreased 5.0% (\$ 73 thousands of million) mainly due to lower increases in Capex net of amortization and termination of useful lives of assets.
- iv) **Taxes and public administrations** increase 12.9% (\$ 31 thousands of million) due to VAT on the purchase of fixed assets recognized during the first quarter, which will be offset by future income payable.

Consolidated liabilities amount to \$ 8,325 thousands of million at the end of the first quarter of 2021 and show a decrease of 3.0% (\$ 260 thousands of million) when compared to the end of 2020. **Current liabilities** amount to \$ 2,230 thousands of million increasing 3.8% and the **non-current liabilities** to \$ 6,094 thousands of million, presenting a decrease of 5.3%. The main variations compared to the end of 2020 are summarized below:

- i) Total financial liabilities** show a net decrease of 7.4% (\$ 487 thousands of million) mainly due to the early amortization of the Syndicated Loan (Club Deal) for USD100 million, the payment of interest on local and senior bonds and the valuation of hedges due to the devaluation of the peso against the dollar during the first quarter of 2021 due to the net impact on the increase in the external and local interest rate curves.
- ii) Suppliers and accounts payable** increased 15.9% (\$ 216 thousands of million) and corresponds mainly to the execution of capex for the deployment of fiber optic network, expansion of 4G technology, purchases of smartphone equipment, projects with corporate clients and installation of fixed services in clients during the first quarter of 2021.
- iii) Contractual liabilities** increased 9.0% (\$ 8 thousands of million) mainly due to the development of supply and service contracts with corporate client
- iv) Taxes and public administrations** grew 28.4% (\$ 38 thousands of million) mainly due to the recognition of the amounts of VAT returns, withholding tax and national consumption tax for the first quarter of 2021, returns that will be offset with the balance in favor of income tax and its supplements for taxable year 2020.
- v) Provisions and pension liabilities** decreased by 7.8% (\$ 34 thousands of million), mainly due to the presentation and payment of the annual declarations of the industry and commerce tax (ICA) during the first quarter of 2021 and the use of the provision of employee benefits.

Consolidated net equity at the end of the first quarter of 2021 amounts to \$ 4,556 thousands of million with a net decrease of 0.2% (\$ 10 thousands of million) generated mainly by; i) increase due to the valuation of hedging instruments mainly impacted by variation of interest rate curves in the valuation of swaps for \$ 91 thousands of million and ii) result for the first quarter of 2021 for \$ 101 thousands of million.

III. Financial Results - Separate

Comprehensive Income Statement Intermediate Condensed Separate

Operating revenues at the end of the first quarter of 2021 amounted to \$ 1,438 million with an increase of 11.4% compared to the same period of 2020. Revenues from customers amounted to \$ 1,413 million which show a year-on-year growth of 12.0 % (\$ 1,262 thousands of million 1Q-2020) generated mainly by integrated plans, unlimited offer, connectivity services, equipment installation and integrated solutions with corporate clients. Handset revenues show an increase of 29.6% due to greater commercial activity of smartphones when compared to the same quarter of 2020.

Other operating revenues for \$ 25 thousands of million shows a drop of 14.2% mainly due to the decrease in fees per session of physical spaces.

Operating costs and expenses amounted to \$ 1,037 million in the first quarter of 2021, show an increase of 8.2% (\$ 58 thousands of million) compared to the same period of 2020, mainly due to the execution of new comprehensive solutions contracts with corporate clients, an increase in charges for mobile-mobile access due to increased traffic, higher cost of equipment at customer's homes associated with new subscribers and increased cost of equipment sales due to the increase in the commercial activity of smartphones.

EBITDA –an indicator that measures performance and operating revenues before depreciation and amortization and taxes amounted to \$ 401 thousands of million at the end of the first quarter of 2021, with an increase of 20.8% compared to the same quarter of 2020 when it totaled \$ 332 thousands of million . EBITDA growth during the first quarter of 2021 corresponds mainly to the good performance of connectivity services, especially with the corporate and business segment, and to the increase in sales of smartphone equipment compared to the same quarter of 2020

Depreciation and amortization expense for the first quarter of 2021 amounts to \$ 357 thousands of million with an increase of 7.9% (\$ 26 thousands of million) compared to the same period of 2020, mainly due to additions in the 2021 period in the asset for rights of use category. **Financial expense** shows a net increase of 2.6% (\$ 3 thousands of million) compared to the same period in 2020, mainly due to the increase in financial leasing contracts. As of the first quarter of 2021, it closes with a **net result of the quarter** of - \$ 100 thousands of million, which includes **income tax expense** of \$ 35 thousands of million (net result of - \$ 105 thousands of million as of 1Q-2020).

IV. Subsequent Facts

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

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

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Colombia Telecomunicaciones S. A. E.S.P. BIC and its Subsidiary
Condensed Consolidated Interim Financial Statements

As of March 31, 2021 and for the three-month period ended March 31, 2021 with
statutory report from the auditor

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Certification of the Legal Representative and Public Accountant

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

May 13, 2021

The undersigned Legal Representative and Certified Public Accountant of Colombia Telecomunicaciones S. A. E.S.P. BIC (hereinafter "the Company") certify that for the issuance of the Condensed Consolidated Interim Statement of Financial Position as of March 31, 2021 and the Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Changes in Equity and the Condensed Consolidated Interim Statement of Cash Flows for the three-month period ended on that date, which in accordance with the regulations are made available to shareholders and third parties, the statements contained therein have been previously verified and the figures have been faithfully taken from the books of Colombia Telecomunicaciones S. A. E.S.P. BIC and its subsidiary. These explicit and implicit statements are as follows:

1. All assets and liabilities, included in the condensed consolidated interim financial statements of the Company and its subsidiary as of March 31, 2021, exist and all transactions included in such condensed consolidated interim financial statements have occurred during the three-month period then ended.
2. All economic events performed by the Company and its subsidiary, during the three-month period ended March 31, 2021, have been recognized in the condensed consolidated interim financial statements.
3. Assets represent the potential to produce future economic benefits (rights) and liabilities represent the obligation to transfer the economic resource (obligations), obtained or payable by the Company and its subsidiary as of March 31, 2021.
4. All items have been recognized at their appropriate values, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia - (IFRS).
5. All economic events affecting the Company and its subsidiary have been correctly classified, described and disclosed in the condensed consolidated interim financial statements.

**COLOMBIA TELECOMUNICACIONES S.A. E.S.P. BIC AND ITS SUBSIDIARY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2021**

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

	Notes	As of March 31,		As of December 31	
		2021		2020	
		(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Assets					
Current Assets					
Cash and cash equivalents	5	56.491	207.810.516	193.200	710.710.921
Financial Assets	6	5.988	22.028.719	32	117.972
Debtors and other receivables, net	7	293.582	1.079.976.268	250.181	920.322.591
Prepaid Expenses	8	71.133	261.672.622	58.368	214.713.915
Contractual Assets	9	4.865	17.896.342	6.525	24.001.528
Inventories	10	43.320	159.358.563	38.618	142.060.679
Taxes and Public Administration	11	95.002	349.476.003	82.953	305.151.702
Total current assets		570.381	2.098.219.033	629.877	2.317.079.308
Non-current assets:					
Financial Assets	6	3.617	13.304.383	3.270	12.030.174
Debtors and other receivables, net	7	63.843	234.853.699	65.519	241.018.854
Prepaid Expenses	8	44.301	162.966.700	37.076	136.388.974
Contractual Assets	9	215	789.786	93	341.254
Right of use assets	12	234.807	863.766.699	244.210	898.357.174
Property, plant and equipment	13	1.299.243	4.779.422.862	1.293.932	4.759.885.380
Investment Properties		2.050	7.542.910	2.050	7.542.910
Intangibles	14	373.561	1.374.187.539	393.415	1.447.224.188
Goodwill	15	373.048	1.372.301.565	373.048	1.372.301.565
Taxes and Public Administration	11	72.992	268.511.291	64.656	237.843.023
Deferred Taxes	11	463.430	1.704.784.411	467.806	1.720.879.550
Total Non-current assets		2.931.107	10.782.431.845	2.945.075	10.833.813.046
Total assets		3.501.488	12.880.650.878	3.574.952	13.150.892.354
Liabilities					
Current liabilities:					
Financial Obligations	16	89.428	328.970.549	130.770	481.053.365
Suppliers and accounts payable	17	403.974	1.486.068.575	344.210	1.266.218.778
Contractual liabilities	9	26.888	98.912.072	24.425	89.850.211
Taxes and Public Administration	11	47.076	173.173.355	36.657	134.848.510
Deferred liabilities		705	2.591.659	705	2.591.776
Provisions and pension liabilities	18	38.215	140.591.316	47.422	174.448.142
Total current liabilities		606.286	2.230.307.526	584.189	2.149.010.782
Non-current liabilities					
Financial obligations	16	1.560.811	5.741.629.377	1.651.861	6.076.568.497
Suppliers and accounts payable	17	22.995	84.589.612	24.133	88.775.317
Contractual liabilities	9	1.093	4.019.813	1.246	4.584.479
Deferred liabilities		1.589	5.844.262	1.976	7.270.022
Provisions and pension liabilities	18	70.236	258.372.074	70.263	258.470.645
Total Non-current liabilities		1.656.724	6.094.455.138	1.749.479	6.435.668.960
Total Liabilities		2.263.010	8.324.762.664	2.333.668	8.584.679.742
Total equity, attributable to controlling interests	19	1.238.478	4.555.888.214	1.241.284	4.566.212.612
Total liabilities and shareholders' equity		3.501.488	12.880.650.878	3.574.952	13.150.892.354

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

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
AS OF MARCH 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021.**

(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

		Quarter ended March 31,			
		2021		2020	
		(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Operating income:					
Income from contracts with customers	20	384.262	1.413.555.158	350.563	1.289.587.950
Other operating income	21	6.824	25.103.940	9.003	33.119.993
		391.086	1.438.659.098	359.566	1.322.707.943
Operating costs and expenses	22	(282.546)	(1.039.380.449)	(266.697)	(981.075.501)
Operating profit before depreciation and amortization		108.540	399.278.649	92.869	341.632.442
Depreciation and amortization	23	(97.046)	(356.994.742)	(94.641)	(348.149.955)
Operational result		11.494	42.283.907	(1.772)	(6.517.513)
Interest expense, net	24	(29.458)	(108.363.150)	(30.343)	(111.622.309)
Profit before taxes		(17.964)	(66.079.243)	(32.115)	(118.139.822)
Income and supplementary taxes	11	(9.466)	(34.822.745)	2.868	10.551.395
Net profit for the period		(27.430)	(100.901.988)	(29.247)	(107.588.427)
Results attributable to:					
Controlling interests		(27.430)	(100.901.988)	(29.247)	(107.586.888)
Non-controlling interest		-	-	-	(1.539)
Net profit for the period		(27.430)	(100.901.988)	(29.247)	(107.588.427)
Other comprehensive results:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11 y 19	24.623	90.577.590	47.007	172.922.059
Other comprehensive income	19	24.623	90.577.590	47.007	172.922.059
Net comprehensive income for the period		(2.807)	(10.324.398)	17.760	65.333.632
Net comprehensive income attributable to:					
Controlling interest		(2.807)	(10.324.398)	17.761	65.335.171
Non-controlling interest	19	-	-	-	(1.539)
Net comprehensive income for the period		(2.807)	(10.324.398)	17.761	65.333.632

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

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF MARCH 31, 2021 AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	Results of post- employment benefit obligations	Accumulated results	Total	Non- controlling interests	Total Equity
	(In thousands of US\$)									
Balances as of December 31, 2019	927	2.670.126	9.815	343.349	143.856	(3.367)	(1.366.942)	1.797.764	-	1.797.764
Payment of the perpetual equity instrument coupon (Note 19)	-	-	-	-	-	-	(14.962)	(14.962)	-	(14.962)
Payment of the perpetual equity instrument (Note 19)	-	-	-	(343.349)	-	-	(115.830)	(459.179)	-	(459.179)
Net profit for the period	-	-	-	-	-	-	(29.247)	(29.247)	-	(29.247)
Constitution of occasional reserves	-	-	9.494	-	-	-	(9.494)	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	(324)	(324)	-	(324)
Transfers (Note 19)	-	-	-	-	(23.553)	-	23.553	-	-	-
Other comprehensive income for the period	-	-	-	-	47.007	-	-	47.007	-	47.007
Balances as of March 31, 2020	927	2.670.126	19.309	-	167.310	(3.367)	(1.513.246)	1.341.059	-	1.341.059
Balances as of December 31, 2020	927	2.670.126	19.309	-	20.896	(3.626)	(1.466.348)	1.241.284	-	1.241.284
Net profit for the period	-	-	-	-	-	-	(27.429)	(27.429)	-	(27.429)
Transfers (Note 19)	-	-	-	-	(41)	-	41	-	-	-
Other comprehensive income for the period (Note 19)	-	-	-	-	24.623	-	-	24.623	-	24.623
Balances as of March 31, 2021	927	2.670.126	19.309	-	45.478	(3.626)	(1.493.736)	1.238.478	-	1.238.478

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

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF MARCH 31, 2021 AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	Results of post- employment benefit obligations	Accumulated results	Total	Non- controlling interests	Total Equity
(In thousands of COP\$)										
Balances as of December 31, 2019	3.410.059	9.822.380.645	36.105.611	1.263.049.667	529.191.883	(12.386.002)	(5.028.459.866)	6.613.291.997	703	6.613.292.700
Payment of the perpetual equity instrument coupon (Note 19)	-	-	-	-	-	-	(55.037.974)	(55.037.974)	-	(55.037.974)
Payment of the perpetual equity instrument (Note 19)	-	-	-	(1.263.049.667)	-	-	(426.095.333)	(1.689.145.000)	-	(1.689.145.000)
Net profit for the period	-	-	-	-	-	-	(107.586.888)	(107.586.888)	(1.539)	(107.588.427)
Constitution of occasional reserves	-	-	34.925.054	-	-	-	(34.925.054)	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	(1.192.117)	(1.192.117)	429	(1.191.688)
Transfers (Note 19)	-	-	-	-	(86.641.824)	-	86.641.824	-	-	-
Other comprehensive income for the period	-	-	-	-	172.922.059	-	-	172.922.059	-	172.922.059
Balances as of March 31, 2020	3.410.059	9.822.380.645	71.030.665	-	615.472.118	(12.386.002)	(5.566.655.408)	4.933.252.077	(407)	4.933.251.670
Balances as of December 31, 2020	3.410.075	9.822.380.645	71.030.665	-	76.869.358	(13.338.881)	(5.394.139.250)	4.566.212.612	-	4.566.212.612
Net profit for the period	-	-	-	-	-	-	(100.901.988)	(100.901.988)	-	(100.901.988)
Transfers (Note 19)	-	-	-	-	(151.752)	-	151.752	-	-	-
Other comprehensive income for the period	-	-	-	-	90.577.590	-	-	90.577.590	-	90.577.590
Balances as of March 31, 2021	3.410.075	9.822.380.645	71.030.665	-	167.295.196	(13.338.881)	(5.494.889.486)	4.555.888.214	-	4.555.888.214

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

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
AS OF MARCH 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021.**

(Amounts expressed in thousands of Colombian Pesos, unless otherwise indicated)

	Notes	Quarter ended March 31,			
		2021		2020	
		(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Net cash flows from operating activities					
		397.458	1.462.097.019	375.569	1.381.576.871
		(307.145)	(1.129.869.262)	(314.428)	(1.156.659.524)
		(26.920)	(99.028.779)	(22.136)	(81.431.212)
		(26.742)	(98.372.782)	(15.835)	(58.249.592)
		(14.393)	(52.945.978)	(14.446)	(53.141.191)
	16	(4.518)	(16.621.226)	(1.856)	(6.827.063)
		17.740	65.258.992	6.868	25.268.289
Net cash flows used in investing activities					
		460	1.694.000	33.961	124.929.671
		(44.259)	(162.809.914)	(150.637)	(554.135.895)
		(43.799)	(161.115.914)	(116.676)	(429.206.224)
Net cash flows (used in) provided by financing activities					
		2.810	10.335.407	86.796	319.290.051
	16	(17.375)	(63.916.890)	(13.301)	(48.928.023)
	5 y 16	(96.085)	(353.462.000)	(1.108)	(4.077.700)
		-	-	524.726	1.930.266.820
		-	-	(23.082)	(84.911.387)
	19	-	-	(543.115)	(1.997.915.000)
		(110.650)	(407.043.483)	30.916	113.724.761
		(136.709)	(502.900.405)	(78.892)	(290.213.174)
		193.200	710.710.921	111.749	411.083.341
	5	56.491	207.810.516	32.857	120.870.167
		193.200	710.710.921	111.749	411.083.341
		135.481	498.384.457	97.914	360.188.831
		57.719	212.326.464	13.835	50.894.510
		56.491	207.810.516	32.857	120.870.167
		49.939	183.708.721	21.773	80.095.473
		6.552	24.101.795	11.084	40.774.694

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

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF MARCH 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021.**

(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

1. GENERAL INFORMATION

a) Economic Entity

Colombia Telecomunicaciones S. A. E.S.P. BIC (hereinafter "the Company"), was incorporated as a commercial corporation by shares in Colombia by Public Deed No. 1331 of June 16, 2003 with a duration until December 31, 2092 and with its main domicile in Bogotá D.C. located at transversal 60 No.114 A 55. A 55. The Company, whose capital is majority owned by individuals, is subject to the legal regime set forth in Law 1341 of 2009 and other applicable regulations, being thus classified as a public utilities company (E.S.P.).

The Company's main corporate purpose is the organization, operation, provision, provision and exploitation of telecommunications activities, networks and services, such as local, extended local and national and international long distance basic public switched telephony, mobile services, cellular mobile telephony services in any territorial, national or international order, carriers, teleservices, telematic services, value added services, satellite services in their different modalities, television services in all their modalities including cable television, broadcasting services, wireless technologies, video, computer application hosting services, data center services, private and public telecommunications network operation services and total information systems operations, services of provision and/or generation of contents and applications, information services and any other activity, product or service qualified as telecommunications, and/or information and communication technologies (ICT) such as, resources, tools, equipment, computer programs, applications, networks and media, which allow the compilation, processing, storage, transmission of information, such as, for example, the compilation, processing, storage, transmission and distribution of information, as well as the provision of information and communication technologies (ICT), 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 exterior, using for this purpose goods, assets and rights of its own or exercising the use and enjoyment of goods, assets and rights of third parties. Likewise, the Company may develop the commercial activities that have been defined in its bylaws.

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

On May 27, 2020, by means of Public Deed No. 769 granted in the Notary Office Sixteen (16) of the Circle of Bogotá D.C., the statutory reform of merger was solemnized, by virtue of which Colombia Telecomunicaciones S. A. E.S.P. BIC absorbed Metrotel and Telebucaramanga. The referred public deed was registered in the Mercantile Registry of the Chamber of Commerce of Bogotá D.C., on May 28, 2020.

On July 28, 2020, the Company registered in the Chamber of Commerce the modification of the Company's status as a Business Group, in the sense of indicating that this is only between the Company and the controlling company Telefónica S.A.

The companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P. owned 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. S. - "Optecom", for which reason, upon request of the Company to Optecom Colombia S. A. S., this company proceeded to (i) cancel the titles of Metrotel and Telebucaramanga; (ii) issue in the name of Colombia Telecomunicaciones S. A. E.S.P. BIC the titles corresponding to the 2,330 shares owned by Metrotel and Telebucaramanga; and (iii) register in the share registry book the company Colombia Telecomunicaciones S. A. E.S.P. BIC as shareholder of Optecom. Consequently, Colombia Telecomunicaciones S. A. E.S.P. BIC has a share corresponding to 100% of the capital stock of Optecom. The situation of control over Optecom is predicated of Telefónica S. A., who registered it before the Chamber of Commerce of Barranquilla on November 8, 2018. The company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom" was incorporated under Colombian law on October 22, 2013 as a simplified joint stock company (S. A. S.). The main corporate purpose consists of the performance of one or more of the activities provided for in Law 1341 of 2009, for providers of networks and services of information and communications technologies and other activities proper and complementary to the information and communications technologies sector. The term of duration of the company is indefinite, the address registered as domicile and main office is Via 40 73-290 Office 409 (Barranquilla - Colombia).

On March 8, 2021, by means of public deed No. 0749 of Notary Office Eleven of the Circle of Bogota, the amendment to the Articles of Incorporation consisting of the modification of articles one and four of the Articles of Incorporation regarding the "Name and Nature" and "Corporate Purpose", respectively, was notarized. On March 12, 2021, the aforementioned public deed was registered in the Mercantile Registry of the Chamber of Commerce of Bogota.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

In accordance with the aforementioned, as of March 8, 2021, the Company's corporate name is "COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC" and its corporate purpose includes the activities associated with the adoption of the legal status of a Benefit and Collective Interest Company (BIC) and the import, commercialization, installation, and leasing of equipment for private security and surveillance.

b) Integration of Subsidiaries and Merger Process

With the prepayment of the operating contract with Parapat in 2017 and the transfer to the Company of the shares it held in Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - (the Subsidiaries), the Company has achieved with the Subsidiaries: (i) operational integration without affecting service; (ii) integral process management, (iii) unification of the brand and offer and (iv) significant synergies. A detail of this process is presented in the Financial Statements as of December 31, 2020.

c) Changes among the same beneficial owner in the shareholding composition of Colombia Telecomunicaciones S.A. E.S.P. BIC and Update of Control Status.

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

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

On the occasion of the aforementioned transfer of shares of TEF and TLH to LACH, on June 26, 2020, an update of the control situation of Colombia Telecomunicaciones S. A. E.S.P. BIC was registered in the Bogotá Chamber of Commerce, to indicate that Telefónica S. A. indirectly exercises control over Colombia Telecomunicaciones S. A. E.S.P. BIC through Latin America Cellular Holdings S.L. (now Telefónica Hispanoamérica S.A.). (today Telefónica Hispanoamérica S. A.).

d) Bylaw Reform (i) Adoption of the legal status of a Benefit and Collective Interest Company (BIC) and (ii) inclusion of activities that the Company undertakes to develop as a BIC and activities for the provision of security telecommunications solutions.

At an ordinary meeting held on March 16, 2020, the General Shareholders' Meeting of Colombia Telecomunicaciones S. A. E.S.P. BIC approved (i) the adoption by Colombia Telecomunicaciones S. A. E.S.P. of the legal status of Benefit and Collective Interest Company (BIC) and (ii) to amend articles one and four of the Bylaws to add in the corporate name the expression "Benefit and Collective Interest" or the acronym "BIC" and to include in the corporate purpose the following activities: (a) To acquire goods or contract services from companies of local origin or belonging to women and minorities and to give preference in the execution of contracts to suppliers of goods and services that implement equitable and environmental standards; (b) To create a manual for its employees, in order to consign the values and expectations of the corporation; (c) To disclose to its workers the financial statements of the corporation; (d) Establish a reasonable salary remuneration for its workers and analyze the salary differences between its best and worst paid employees to establish equity standards; (e) Provide employment options that allow workers to have flexibility in the working day and create teleworking options, without affecting the remuneration of its workers; (f) Conduct annual environmental audits on energy, water and waste efficiency and disclose the results to the general public and train its employees on the social and environmental mission of the company; (g) Monitor greenhouse gas emissions generated by business activities, implement recycling or waste reuse programs, progressively increase the renewable energy sources used by the company and encourage its suppliers to conduct their own environmental assessments and audits in relation to electricity and water use, waste generation, greenhouse gas emissions and use of renewable energies; (h) Encourage volunteer activities and create alliances with foundations that support social works in the interest of the community; and (i) Import, commercialize, install and lease private security and surveillance equipment.

On February 25, 2021, the General Meeting of Holders of the Company's Ordinary Bonds 2019 Issue approved the amendment of article four of the Company's Bylaws, under the terms of the approval made by the General Meeting of Shareholders of the Company.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF MARCH 31, 2021 AND FOR THE THREE MONTHS ENDED MARCH 31, 2021.**

(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

e) Syndicated Credit Prepayment (Club Deal)

On March 12, 2021, USD 100 million was prepaid with the Company's cash flow, in addition to the USD 70 million payment made on June 12, 2020. The balance at March 31, 2021 of this facility is USD 150 million.

2. OPERATIONS

2.1. Impacts of the Economic and Health Emergency Caused by Covid-19.

The Group continues with the development of the activities inherent to its corporate purpose, within the framework of the provisions issued by the National Government and the local Authorities, adopting the measures tending to guarantee the continuity in the operation, the rendering of services and the adequate attention to customers, suppliers, and collaborators. Pursuant to the provisions issued by the National Government, telecommunication services were declared as essential public services, for which reason their provision, as well as the installation, maintenance, and adaptation of the network, may not be suspended. Likewise, the National Government and the control agencies issued certain decrees and measures with specific scope for the companies of the ICT sector to be applied during the emergency.

The outbreak of the COVID-19 pandemic has impacted the Group. The economic impacts generated by this situation as of March 31, 2021 and for the three-month period ended on that date are disclosed in Note 29 to the condensed consolidated interim financial statements.

2.2. Regulatory Aspects and Issuance of Standards within the Framework of the Economic and Health Emergency Caused by Covid-19.

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

2.3. Ongoing Business

With the extension of the COVID-19 pandemic into 2021, the Group continues to analyze the implications of the pandemic, including not only the measurement of assets and liabilities, accounting estimates and appropriate disclosures, but also the Group's ability to continue as an ongoing business.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The Group has resources of \$207,810,516 comprising cash and cash equivalents, other highly liquid assets, and undrawn credit facilities available at the date of issuance of these condensed consolidated interim financial statements.

In addition, in order to respond to a severe negative scenario, the Group's management maintains the ability to take mitigating actions to reduce costs, optimize the Group's cash flow and preserve liquidity, as indicated in the latest annual financial statements as of December 31, 2020.

Based on the Group's liquidity position at the date of issuance of these condensed consolidated interim financial statements, and in light of the uncertainty surrounding the future development of the outbreak, management continues to have a reasonable expectation that it has adequate resources to continue in operation and that the going concern basis of accounting remains adequate.

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of reported assets, liabilities and expenses that might otherwise be required if a going concern basis were not appropriate.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Applied Professional Accounting Standards

3.1.1. Basis of Presentation

These interim financial statements ended March 31, 2021 and for the three-month period ended on that date have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's latest annual consolidated financial statements as of and for the year ended December 31, 2020 ('latest annual financial statements'). They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transactions that are important for understanding changes in the Group's financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for land, buildings and derivative financial instruments which have been measured at fair value.

The carrying amounts of assets and liabilities recognized and designated as hedged items in fair value hedging relationships that would otherwise have been carried at amortized cost have been adjusted for changes in fair values attributable to the risks being hedged in the respective effective hedging relationships.

The condensed consolidated interim financial statements are presented in Colombian pesos, which is the Group's functional currency, and all values in Colombian pesos are rounded to the nearest thousand, except where otherwise indicated.

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are revalued. Balances denominated in foreign currencies are expressed in Colombian pesos at the representative exchange rates of \$3,678.62 and \$3,432.50 per US\$1 as of March 31, 2021 and December 31, 2020, respectively.

3.1.2. Condensed Consolidated Interim Financial Statements

The Group prepares its Condensed Consolidated Interim Financial Statements that include the information of the Group as a single company using the full integration methodology, adding assets, liabilities and the transactions carried out during the period excluding those transactions carried out between the Company and its subordinate.

The subsidiary is consolidated from the date on which Colombia Telecomunicaciones S. A. E.S.P. BIC obtains control and will continue to be consolidated until the date on which such control ceases and/or is disposed of. The subsidiary prepares individual financial statements for the same reporting period as that of Colombia Telecomunicaciones S. A. E.S.P. BIC, applying uniform accounting policies. All balances, transactions, unrealized gains and losses arising from transactions between Group entities are eliminated.

3.1.3. Investment in Subsidiaries

Investments in subsidiaries in which the Company has control by directly owning more than 50% of the capital stock are accounted for by the equity method. Under this method, investments are initially recorded at cost and subsequently adjusted, with credit or debit to income, as appropriate, to recognize the share in the profits or losses of the subsidiary, after elimination of unrealized intercompany profits. The cash distribution of the profit of this Company is recorded as a reduction in the value of the investment.

Colombia Telecomunicaciones S. A. E.S.P. BIC's participation in Operaciones Tecnológicas y Comerciales S. A. S. at March 31, 2021 and December 31, 2020 is 100%.

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

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

Operaciones Tecnológicas y Comerciales S. A. S.

The financial information is presented below:

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Total assets	3.567	13.124.041	2.787	10.249.081
Total liabilities	3.292	12.111.851	2.456	9.033.141
Total equity	275	1.012.190	331	1.215.940
Results for the period	(55)	(203.751)	(202)	(742.055)

3.1.4. Accounting Estimates and Judgments

The preparation of Condensed Consolidated Interim Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. Based on the foregoing, management makes judgments, estimates and assumptions that could affect the reported amounts of revenues, costs and expenses, assets, and liabilities at the date of the Condensed Consolidated Interim Financial Statements, including the related disclosures in future periods. Although they may differ from their final effect, Management believes that the estimates and assumptions used were appropriate in each of the circumstances.

The estimates and judgments used are continually evaluated and are based on historical experience and other factors, including the expectation of the occurrence of future events that are considered reasonable under the circumstances. The judgments made by management during the first quarter of 2021 were the same as those described and used in the last annual financial statements as of December 31, 2020.

3.2. Accounting Policies

The Group's significant accounting policies are described in the accounting policies section of the annual report ended December 31, 2020 and have been consistently applied for the period covered by these Condensed Consolidated Interim Financial Statements.

4. REGULATORY CHANGES

Decree 1432 of 2020 updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia incorporating the amendment to IFRS 16, Leases: rent reductions related to Covid-19 that can be applied immediately in 2020 which did not have a significant impact on these financial statements.

No other standards, interpretations or amendments were added to the standards that had already been compiled by Decree 2270 of 2019 considering the regulations incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018.

During the first quarter of 2021 there are no new regulatory changes, the latest annual financial statements as of December 31, 2020 include the regulations incorporated into the accounting framework accepted in Colombia whose application must be evaluated on a mandatory basis in periods subsequent to January 1, 2021.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Cash	6	21.723	1	5.015
Banks in national and foreign currency	49.933	183.686.998	135.480	498.379.442
Temporary investments (1)	6.552	24.101.795	57.719	212.326.464
	56.491	207.810.516	193.200	710.710.921

At March 31, 2021, payments were made on financial liabilities of USD 100 million (\$353,462 million) (Note 16) associated with the Syndicated Loan and bond interest, as well as payments to suppliers and contractors for capex and corporate projects.

Cash and cash equivalents include foreign currency balances at March 31, 2021 of US\$5,446 thousand (\$20,033,765) and at December 31, 2020 of US\$5,182 thousand (\$7,787,215) (Note 25). As of March 31, 2021 and December 31, 2020, restricted amounts in banks amount to \$6,602,363 and \$5,297,896, respectively.

- 1) Includes investments in collective funds whose rates for the three months ended March 31, 2021 and 2020 ranged from 0.53% to 1.77% and 1.40% to 3.49% respectively and Time Deposit for USD 5 million equivalent to \$18,393,100 (December 31, 2020 - \$17,162,500). Yields on temporary investments and bank investments, recognized during the first quarter of 2021 and 2020 were \$900,294 and \$1,459,388 (Note 24).

6. FINANCIAL ASSETS

The balance of financial assets as of March 31, 2021 is as follows:

	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost	Total financial assets
	<i>(In thousands of US\$)</i>				
Current financial assets:					
Hedging instruments (1)	3.062	2.704	5.766	-	5.766
Deposits and guarantees (2)	-	-	-	222	222
	3.062	2.704	5.766	222	5.988
Non-current financial assets:					
Deposits and guarantees (2)	-	-	-	3.358	3.358
Hedging instruments (1)	-	242	242	-	243
Other financial assets	-	-	-	16	16
	-	242	242	3.374	3.617
	3.062	2.946	6.008	3.596	9.605

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

	<u>At fair value through profit or loss</u>	<u>At fair value with changes in OCI</u>	<u>Total financial assets at fair value</u>	<u>At amortized cost</u>	<u>Total financial assets</u>
<i>(In thousands of COP\$)</i>					
Current financial assets:					
Hedging instruments (1)	11.263.281	9.947.466	21.210.747	-	21.210.747
Deposits and guarantees (2)	-	-	-	817.972	817.972
	11.263.281	9.947.466	21.210.747	817.972	22.028.719
Non-current financial assets:					
Deposits and guarantees (2)	-	-	-	12.352.714	12.352.714
Hedging instruments (1)	-	891.669	891.669	-	891.669
Other financial assets	-	-	-	60.000	60.000
	-	891.669	891.669	12.412.714	13.304.383
	11.263.281	10.839.135	22.102.416	13.230.686	35.333.102

- (1) Hedging instruments increase mainly due to the effect of the valuation by exchange rate at the closing of March 31, 2021 of the forward contracts.
- (2) Corresponds to deposits constituted by court order on which the Group is advancing the necessary processes for their resolution.

The balance of financial assets as of December 31, 2020 is as follows:

	<u>At amortized cost</u>	<u>Total financial assets</u>
<i>(In thousands of US\$)</i>		
Current financial assets:		
Deposits and guarantees	32	32
	32	32
Non-current financial assets:		
Deposits and guarantees	3.254	3.254
Other financial assets	16	16
	3.270	3.270
	3.302	3.302

	<u>At amortized cost</u>	<u>Total financial assets</u>
<i>(In thousands of COP\$)</i>		
Current financial assets:		
Deposits and guarantees	117.972	117.972
	117.972	117.972
Non-current financial assets:		
Deposits and guarantees	11.970.174	11.970.174
Other financial assets	60.000	60.000
	12.030.174	12.030.174
	12.148.146	12.148.146

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
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(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current				
Customers by sale and provision of services (1)	242.986	893.854.097	212.025	779.958.081
Portfolio by equipment sold at installments (2)	82.284	302.691.567	78.475	288.679.136
Other debtors (3)	47.116	173.321.349	34.810	128.053.198
Related parties (Note 26)	15.475	56.924.866	14.385	52.916.854
Portfolio with national operators (4)	14.520	53.412.325	15.074	55.453.330
Commercial agents and distribution channels	1.918	7.056.792	1.511	5.559.343
Portfolio Impairment (5)	(110.717)	(407.284.728)	(106.099)	(390.297.351)
	293.582	1.079.976.268	250.181	920.322.591
Non-current:				
Portfolio with national operators (4)	49.728	182.929.673	49.728	182.929.672
Customers by sale and provision of services	34.645	127.447.505	35.494	130.567.672
Other debtors (3)	15.887	58.440.467	16.714	61.485.456
Portfolio of grants and contributions (6)	10.360	38.111.870	10.360	38.111.870
Portfolio Impairment (5)	(46.777)	(172.075.816)	(46.777)	(172.075.816)
	63.843	234.853.699	65.519	241.018.854
	357.425	1.314.829.967	315.700	1.161.341.445

Debtors and other receivables include balances in foreign currency at March 31, 2021 of USD 8,976 thousand (\$33,019,293) and at December 31, 2020 of USD 4,690 thousand (\$16,098,425) (Note 25).

- (1) As of March 31, 2021, there was an increase in commercial activity, especially in the sale of terminals and billing of special projects in the corporate and SME segment.
- (2) The portfolio of equipment sold to installments increased due to higher commercial activity during the first quarter of 2021.
- (3) As of March 31, 2021, there is an increase mainly due to the strategic alliance with third parties for the execution of fiber deployment projects through turnkey contracts.
- (4) Portfolio related to access charges with interconnection operators and in the long term includes portfolio provisioned with Empresa de Teléfonos de Bogotá (ETB) and balance with the operator Avantel, which is in corporate reorganization and whose recovery is long term.
- (5) During the quarter ended March 31, 2021, portfolio impairment was recognized for \$16,453,068. (Quarter ended March 31, 2020 for \$25,603,909) (Note 22).
- (6) Includes portfolio with the National Government for subsidies and contributions which is provisioned.

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8. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
Cost of equipment at clients' homes (1)	21.434	78.845.749	22.523	82.854.548
Support and maintenance (2)	15.769	58.009.770	13.632	50.147.652
Cost of fulfilling contracts with clients (3)	13.746	50.566.955	14.347	52.777.455
Radio spectrum (4)	9.430	34.687.887	-	-
Costs for obtaining contracts with clients (5)	6.461	23.768.364	4.131	15.194.681
Irrevocable use rights - capacity	1.849	6.804.107	1.866	6.865.332
Others (6)	1.435	5.279.423	359	1.317.908
Insurance policies	1.009	3.710.367	1.510	5.556.339
	71.133	261.672.622	58.368	214.713.915
Non-current:				
Costs for obtaining contracts with clients (5)	16.073	59.127.033	10.714	39.412.044
Cost of equipment at clients' homes (1)	13.074	48.095.747	10.948	40.273.290
Cost of fulfilling contracts with clients (3)	9.234	33.967.138	8.559	31.484.459
Irrevocable use rights - capacity	2.845	10.466.185	3.362	12.371.672
Support and maintenance (2)	2.396	8.812.242	2.802	10.306.638
Insurance policies	679	2.498.355	691	2.540.871
	44.301	162.966.700	37.076	136.388.974
	115.434	424.639.322	95.444	351.102.889

- (1) Amortization for the quarter ended March 31, 2021 and 2020 for customer premises equipment costs were \$26,323,905 and \$26,587,201, respectively (Note 22).
- (2) Amortization of customer contract fulfillment costs for the quarter ended March 31, 2021 and 2020 were \$17,011,592 and \$15,278,039, respectively (Note 22).
- (3) As of March 31, 2021 includes the consideration to the Communications Fund which will be amortized during 2021.
- (4) As of March 31, 2021 and December 31, 2020, the costs of obtaining contracts with customers, net of the respective amortization, are recognized. Amortization for the quarter ended March 31, 2021 was \$28,288,672 (Note 22), during the same period of 2020 were taken directly to income.
- (5) Mainly includes costs related to operating leases of technical sites, employee stock plan and property taxes of own sites effective 2021.

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9. CONTRACTUAL ASSETS AND LIABILITIES

The changes in contractual assets and liabilities as of March 31, 2021 are as follows:

	As of December 31, 2020	High	Amortization	Transfers	Reversal	As of March 31, 2021
(In thousands of US\$)						
Current contractual asset (1)						
Contractual asset	6.789	959	(2.802)	38	-	4.984
Impairment corrections	(264)	-	-	-	145	(119)
	6.525	959	(2.802)	38	145	4.865
Non-current contractual asset (1)						
Contractual asset	93	160	-	(38)	-	215
	6.618	1.119	(2.802)	0	145	5.080
Current contractual liabilities (2)	24.425	57.996	(55.686)	153	-	26.888
Non-current contractual liability	1.246	-	-	(153)	-	1.093
	25.671	57.996	(55.686)	-	-	27.981

	As of December 31, 2020	High	Amortization	Transfers	Reversal	As of March 31, 2021
(In thousands of COP\$)						
Current contractual asset (1)						
Contractual asset	24.975.592	3.529.006	(10.306.293)	138.956	-	18.337.261
Impairment corrections	(974.064)	(1.259)	-	-	534.404	(440.919)
	24.001.528	3.527.747	(10.306.293)	138.956	534.404	17.896.342
Non-current contractual asset (1)						
Contractual asset	341.254	587.488	-	(138.956)	-	789.786
	24.342.782	4.115.235	(10.306.293)	-	534.404	18.686.128
Current contractual liabilities (2)	89.850.211	213.344.774	(204.847.579)	564.666	-	98.912.072
Non-current contractual liability	4.584.479	-	-	(564.666)	-	4.019.813
	94.434.690	213.344.774	(204.847.579)	-	-	102.931.885

- (1) As of March 31, 2021, the decrease in current contractual assets is generated by the amortization of the period and in non-current contractual assets there is an increase due to the extension of the period of permanence of corporate clients.
- (2) The increase in contractual liabilities corresponds to the development of supply and service contracts with corporate clients.

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10. INVENTORIES

The balance of inventories, net of provisions, is as follows:

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Mobile phones and accessories	17.396	63.992.445	17.115	62.959.195
Materials and equipment (1)	12.450	45.798.427	12.814	47.136.771
Equipment in transit (2)	8.167	30.044.625	3.553	13.073.739
IT equipment	6.682	24.581.977	6.443	23.700.621
	44.695	164.417.474	39.925	146.870.326
Provision for obsolescence (3)	(1.375)	(5.058.911)	(1.307)	(4.809.647)
	43.320	159.358.563	38.618	142.060.679

- (1) Includes modems, equipment for corporate services, localization equipment and equipment for customer installations (broadband, basic line, and television), among others.
- (2) Increase at the end of the period as a result of the purchase of equipment, which is in the process of being nationalized to service customer installations.
- (3) During the quarters ended March 31, 2021 and 2020, a provision of \$249,264 and net recovery of (\$345,079) was recognized (Note 22).

During the quarter ended March 31, 2021 and 2020, the consumption of inventories carried at cost of sales was recognized for \$184,887,449 and \$153,376,428, respectively (Note 22).

11. TAXES AND PUBLIC ADMINISTRATIONS

The balance of tax and government assets is presented below:

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Credit balance (1)	65.100	239.479.116	65.100	239.479.116
Tax discount (2)	14.876	54.724.706	12.820	47.155.910
Self withholdings and income withholdings (3)	12.689	46.675.072	-	-
Advances, withholdings and self-withholdings of ICA (4)	2.253	8.286.406	5.000	18.394.187
Sales tax withholdings	84	310.703	33	122.489
	95.002	349.476.003	82.953	305.151.702
No Current				
Tax discounts (2)	72.992	268.511.291	64.656	237.843.023
	72.992	268.511.291	64.656	237.843.023

- (1) Corresponds to the credit balance for corporate income tax for the taxable year 2020, amount that will be offset with the withholding tax, VAT, and national consumption tax returns during the first half of 2021.
- (2) The current tax discount as of March 31, 2021, which corresponds to 50% of the Industry and Commerce tax effectively paid in the years 2020 and 2021, amount that will be used in the presentation of the income tax return and its complements for the taxable year 2020. The non-current tax discount corresponds to the VAT recognized and accrued as of March 31, 2021 on the purchase of fixed assets.

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- (3) The increase corresponds to the recognition of corporate income tax self-withholdings for the first quarter of 2021, calculated on the liquidation base income and the withholdings made by the financial entities on the collection from customers of credit and debit card operations.
- (4) Municipal taxes show a decrease due to the recognition of self-withholdings and withholdings for ICA (Industry and Commerce Tax) in the annual returns, which were settled and presented during the first quarter of 2021.

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

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Sales tax - VAT (1)	22.758	83.716.623	21.532	79.208.459
Withholdings and self-withholdings (1)	21.989	80.887.704	11.863	43.639.129
National consumption tax (1)	1.421	5.230.554	968	3.562.424
Other current taxes	908	3.338.474	1.242	4.568.726
Import taxes (2)	-	-	1.052	3.869.772
	47.076	173.173.355	36.657	134.848.510

- (1) As of March 31, 2021 includes the amount payable for VAT, withholding tax and national consumption tax returns for the period, returns that will be offset with the balance in favor of income tax and its complementary taxes for the taxable year 2020. The balances presented at the end of 2020 corresponded to the withholding tax for the month of December 2020, VAT, and national consumption tax for the sixth two-month period of 2020, returns that were settled and paid during January 2021.
- (2) The balance as of December 31, 2020 for this concept was paid in January 2021.

Deferred Tax Assets and Liabilities

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

	As of March 31		As of December 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Deferred tax assets:				
Intangibles and property, plant and equipment	62.841	231.168.764	59.112	217.450.033
Employee benefits	2.192	8.063.080	2.192	8.063.080
Other assets	1.039	3.822.241	1.073	3.947.804
Deferred tax asset on deductible temporary differences (1)	66.072	243.054.085	62.377	229.460.917
Deferred tax asset for tax losses (2)	431.123	1.585.938.539	439.559	1.616.969.604
	431.123	1.585.938.539	439.559	1.616.969.604
Total deferred tax asset	497.195	1.828.992.624	501.936	1.846.430.521
Deferred tax liability:				
Real estate revaluation	24.127	88.752.286	24.253	89.216.609
Taxable temporary differences	9.638	35.455.927	9.877	36.334.362
Total deferred tax liability	33.765	124.208.213	34.130	125.550.971
Total net deferred tax	463.430	1.704.784.411	467.806	1.720.879.550

- (1) The increase corresponds to the restatement of the deductible temporary difference for useful lives on purchases of fixed assets during the first quarter of 2021.
- (2) The decrease corresponds to the use of tax credits generated by the offset of taxable income calculated at the end of the first quarter of 2021.

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The movement in deferred income tax recognized in other comprehensive income is presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Valuation of hedging instruments (1)	24.623	90.577.590	66.463	244.492.909
Deferred tax hedge valuation (2)	-	-	(19.456)	(71.570.850)
	24.623	90.577.590	47.007	172.922.059

- (1) The decrease in the valuation of hedging instruments is mainly due to the increase in foreign interest rate curves and the decrease in local interest rates.
- (2) The deferred tax asset decreases due to changes in hedge valuation projections, generating deferred tax assets.

Provision for income tax and supplementary taxes

The current and deferred income tax expense is composed as follows:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current income tax	(4.989)	(18.350.811)	-	(806)
Casual income tax	(102)	(376.795)	(1)	(4.786)
Current income and complementary tax (1)	(5.091)	(18.727.606)	(1)	(5.592)
Deferred tax:				
Deductible temporary differences (2)	3.821	14.057.492	1.719	6.323.812
Taxable temporary differences (3)	240	878.434	1.150	4.233.175
Tax credits (4)	(8.436)	(31.031.065)	-	-
Deferred income tax	(4.375)	(16.095.139)	2.869	10.556.987
Income tax and complementary	(9.466)	(34.822.745)	2.868	10.551.395

- (1) The current tax at the end of the first quarter of 2021 presented a higher expense for corporate income tax generated by the tax profit of \$159,296,375; for the same period of 2020 there was a tax loss derived from the payment of the hybrid bond, which generated a higher deduction for financial expenses. With respect to the occasional gain, there was a greater number of asset sale transactions subject to this tax with respect to the same period of 2020.
- (2) For the quarter ended March 31, 2021, a lower expense is generated by updating the deferred tax asset, mainly due to the useful lives of property, plant, and equipment.
- (3) For the quarter ended March 31, 2021, the use of the deferred tax liability is recognized.
- (4) For the quarter ended March 31, 2021, the use of the Group's tax credits derived from the offset of tax losses against the taxable income of the period was recognized. With respect to the same period there is no use of tax credits considering that the tax result was a tax loss.

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Occasional income tax

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Occasional earnings income	1.472	5.416.523	706	2.597.000
Less - Occasional Winning Costs	(448)	(1.648.571)	(693)	(2.549.144)
Occasional taxable profits	1.024	3.767.952	13	47.856
Tax rate	10%	10%	10%	10%
Occasional income tax	102	376.795	1	4.786

Tax Losses

Management estimates that there are no significant differences that imply the modification of the tax assessed, nor the imposition of penalties that entail the recognition of contingencies in the financial statements.

In accordance with current tax legislation, losses generated in income tax and complementary taxes and/or in income tax for equity - CREE before 2017, must be offset with the net income obtained in 2017 and subsequent periods, taking into account the formula established in numeral 5, Article 290 of Law 1819 of 2016. The tax losses determined may not be adjusted fiscally.

12. ASSETS FOR RIGHTS OF USE

The cost of the right-of-use assets and the related accumulated depreciation is presented below:

Concept	As of March 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	(In thousands of US\$)					
Land and buildings (1)	218.175	(81.637)	136.538	211.904	(71.589)	140.315
Technical installations	132.899	(36.050)	96.849	133.393	(30.413)	102.980
Transport equipment	3.211	(1.791)	1.420	3.913	(2.996)	915
	354.285	(119.478)	234.807	349.210	(104.998)	244.210

Concept	As of March 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	(In thousands of COP\$)					
Land and buildings (1)	802.581.385	(300.311.032)	502.270.353	779.513.226	(263.350.134)	516.163.092
Technical installations	488.883.925	(132.611.020)	356.272.905	490.703.578	(111.884.343)	378.819.235
Transport equipment	11.813.538	(6.590.097)	5.223.441	14.394.193	(11.019.344)	3.374.847
	1.303.278.848	(439.512.149)	863.766.699	1.284.610.997	(386.253.821)	898.357.174

For the quarters ended March 31, 2021 and 2020, depreciation expense recognized in income was \$59,789,533 and \$51,080,248 (Note 23).

- (1) The increase in the cost as of March 31, 2021 corresponds to the subscription, renewal and increases in rental fees for the lease of land and sites for technical facilities and therefore higher depreciation expense is generated in that period.

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13. PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment and the related accumulated depreciation is presented below:

Concept	As of March 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of US\$)</i>					
Land and buildings (1)	817.077	(455.596)	361.481	816.782	(453.305)	363.477
Switching, access and transmission	2.284.699	(1.497.674)	787.025	2.270.685	(1.463.196)	807.489
Assets under construction (2)	85.198	-	85.198	52.777	-	52.777
Subsidized projects (2)	(2.762)	-	(2.762)	(2.761)	-	(2.761)
Furniture, information and transport equipment	144.397	(76.096)	68.301	144.170	(71.220)	72.950
	3.328.609	(2.029.366)	1.299.243	3.281.653	(1.987.721)	1.293.932

Concept	As of March 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of COP\$)</i>					
Land and buildings (1)	3.005.713.646	(1.675.964.558)	1.329.749.088	3.004.630.380	(1.667.535.650)	1.337.094.730
Switching, access and transmission	8.404.540.207	(5.509.371.920)	2.895.168.287	8.352.992.061	(5.382.540.698)	2.970.451.363
Assets under construction (2)	313.408.796	-	313.408.796	194.142.354	-	194.142.354
Subsidized projects (2)	(10.162.271)	-	(10.162.271)	(10.156.901)	-	(10.156.901)
Furniture, information and transport equipment	531.181.794	(279.922.832)	251.258.962	530.346.831	(261.992.997)	268.353.834
	12.244.682.172	(7.465.259.310)	4.779.422.862	12.071.954.725	(7.312.069.345)	4.759.885.380

For the quarters ended March 31, 2021 and 2020, depreciation expense recognized in income was \$163,422,728 and \$167,862,300 (Note 23).

- (1) Includes provision for decommissioning of sites as of March 31, 2021 and December 31, 2020 for \$57,925,311 and \$57,139,641 respectively (Note 18).
- (2) Corresponds to the increase in the acquisition of goods and services for the construction of fixed assets mainly related to the deployment of 4G mobile network and fiber optics.
- (3) Subsidized projects correspond to resources associated with the payment for spectrum allocation (15Mhz granted in 2011) and aimed at the deployment of technical sites to bring connectivity to localities and educational institutions.

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14. INTANGIBLES

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

Concept	As of 31 March 2021			As of 31 December 2020		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
	(In thousands of US\$)					
Qualifying degrees (1)	624.195	(375.334)	248.861	624.195	(353.906)	270.289
Network and office equipment software (2)	273.070	(159.704)	113.367	256.556	(147.977)	108.579
Rights (3)	17.187	(5.854)	11.333	17.187	(5.630)	11.557
Customer List (4)	12.534	(12.534)	-	12.534	(9.544)	2.990
	926.986	(553.426)	373.561	910.472	(517.057)	393.415

Concept	As of 31 March 2021			As of 31 December 2020		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
	(In thousands of COP\$)					
Qualifying degrees (1)	2.296.177.445	(1.380.710.910)	915.466.535	2.296.177.445	(1.301.885.117)	994.292.328
Network and office equipment software (2)	1.004.518.940	(587.488.985)	417.029.955	943.773.108	(544.351.315)	399.421.793
Rights (3)	63.225.314	(21.534.265)	41.691.049	63.225.314	(20.713.507)	42.511.807
Customer List (4)	46.107.000	(46.107.000)	-	46.107.000	(35.108.740)	10.998.260
	3.410.028.699	(2.035.841.160)	1.374.187.539	3.349.282.867	(1.902.058.679)	1.447.224.188

For the quarter ended March 31, 2021 and 2020, the amortization expense recognized in income was \$133,782,481 and \$129,207,407 (Note 23).

- (1) Includes the renewal of the use of the spectrum of the mobile operation and the economic compensation of the arbitration award for the reversion of assets.
- (2) Includes mainly software and datacenter licenses.
- (3) Mainly includes Irrevocable Right of Use - Fiber Optic IRUs.
- (4) As of March 31, 2021, the amortization of the customer list was completed.

15. GOODWILL

The goodwill recorded as of March 31, 2021 and December 31, 2020 amounts to \$1,372,301,565.

Cash Generating Units - CGUs

According to the definition, a CGU is the minimum group of assets that can be identified that generates cash flows that are largely independent of the cash flows of other assets or groups of assets.

Considering the structure of the entity and type of business, the existence of common assets is considered for the purpose of developing the services provided by the Group and this is so considering the convergence of the services provided (Basic Line, Television, Broadband, mobile, among others) with which, since there is dependence among them, they do not generate cash inflows independently and therefore it is not possible to determine the cash flows generated by each asset.

Based on the above, the entire Colombian operation is considered as a single CGU.

The process for the preparation of the CGU's strategic plans takes as a reference the current market situation of each CGU, the conditioning and evolution of the macroeconomic, competitive, regulatory, and technological environment, as

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well as the competitive positioning of the CGU in such environments and the growth opportunities based on market projections, as well as on the differentiation capabilities of the operators vis-à-vis the competition. Thus, for each CGU, a growth objective is defined and the allocation of adequate operating resources and investments in fixed assets necessary to achieve such growth is estimated. Additionally, the efficiency improvements required for operations are defined in line with the strategic transformation initiatives defined, in order to increase operating cash flow over the horizon of the plan. Likewise, the Group considers in this process the degree of compliance with the strategic plans in past years.

Main Assumptions Used in Value in Use Calculations

The calculation of the value in use of the CGU is based on the approved business plans. Subsequently, certain variables are analyzed, such as EBITDA margins and the ratio of investments in non-current assets (expressed as a percentage of revenues), which are considered key operating assumptions for measuring the performance of the Group's businesses and setting its financial targets. Finally, discount rates and terminal growth rates are analyzed.

In terms of revenue, the plan is in line with the three-year average of analysts' estimates, which reflect a trend of stability or improvement. This evolution is supported by service revenues, which, leveraged on the differentiation and quality of the Group's products and services thanks to the investments made, incorporate growth of the higher value customer base and monetization of the growing data consumption, in rational markets, although very competitive in certain segments.

Value in use was determined by discounting the future cash flows to be generated from the continued use of the CGU. The value in use at March 31, 2021 was determined in a similar manner to the December 31, 2020 goodwill impairment test and considered among other things:

Discount Rate

At the closing of March 31, 2021, a nominal percentage rate calculated in pesos of 10.39% was used.

The discount rate applied to the cash flow projections is the Weighted Average Cost of Capital (WACC) and is determined by the weighted average of the cost of equity and the cost of borrowed funds, according to the financial structure established for Colombia.

This rate has been calculated according to the methodology of the financial asset pricing model (CAPM), which includes the systemic risk of the asset, as well as the impact of the risks associated with the generation of cash flows and which are not considered in the cash flows themselves, such as country risk, specific financial risk of the business, exchange rate risk and the price risk of the financial asset itself.

The main assumptions used in the value in use calculations, as well as the most relevant components of the WACC are maintained as indicated in the last annual financial statements as of December 31, 2020.

Sensitivity to Changes in Assumptions

In accordance with the process of reviewing the recoverable value of the Group's main long-term assets for the March 2021 cutoff in a Covid-19 scenario, the assumptions used in the evaluation performed at the December 2020 cutoff have been adjusted, mainly in the WACC which was established at 10.39% and on it, the model sensitivities were performed at the close of March 31, 2021 with a step of +/- 1%.

When performing the awareness exercise and comparing with the relative financial information, no indications of impairment were identified as of March 31, 2021. However, this evaluation and assumptions correspond to the best estimate available to the Group at the end of the quarter and it is possible that external and internal factors could trigger an adjustment during the course of the year.

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16. FINANCIAL LIABILITIES

The balance of financial liabilities is presented below:

	As of March 31,		As of December 31,	
	2021	2021	2020	2020
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
Financial leasing	72.453	266.528.114	74.532	274.173.145
Hedging instruments	9.666	35.556.269	42.769	157.332.298
Interest payable	7.309	26.886.166	13.469	49.547.922
	89.428	328.970.549	130.770	481.053.365
No Current:				
Financial obligations	608.251	2.237.523.367	676.260	2.487.705.076
Senior bonus	496.325	1.825.791.701	462.773	1.702.367.609
Financial leasing	249.595	918.166.895	257.802	948.355.235
Local bond	135.651	499.004.410	135.634	498.943.191
Hedging instruments	70.989	261.143.004	119.392	439.197.386
	1.560.811	5.741.629.377	1.651.861	6.076.568.497
	1.650.239	6.070.599.926	1.782.631	6.557.621.862

The decrease in financial liabilities with respect to year-end 2020, is mainly generated by the early amortization of the Syndicated Loan (Club Deal) in March 2021 for USD 100 million (\$353,462 million) (Note 5) and the effects of the devaluation of the peso against the dollar by 7.17%.

The passive valuation of hedging instruments at the end of March 2021 is mainly explained by the devaluation of the peso against the dollar, the increase in foreign interest rate curves and the fall in local interest rates.

During the first quarter of 2021 and 2020, interest on financial liabilities was recognized for \$47,851,099 and \$69,177,098, respectively (Note 24).

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The breakdown and composition of the main financing operations in force in each period are presented below:

	As of March 31, 2021			As of December 31, 2020		
	Value	Base rate	Spread	Value	Base rate	Spread
Current:	(In thousands of US\$)					
Financial in national currency						
Other obligations						
Finance lease (1)	72.453			74.532		
Derivative instruments	9.666			13.469		
Interest payable	7.309			42.769		
	89.428			130.770		
No Current:						
Financial in national currency						
Financial obligations (a)	244.371	IBR3M	2,00%	244.353	IBR3M	2,5% - 2,63%
Financial in foreign currency						
Financial obligations	363.880	LIBOR6M	1,6% - 1,95%	431.907	LIBOR6M	1,6% - 1,95%
Other obligations						
Senior bond (2)	496.325	FIXED 4,95%		462.773	FIXED 4,95%	
Finance lease (1)	249.596			257.803		
Local voucher (3)	135.650	FIXED 6,65% - IPC	3,39%	135.633	FIXED 6,65% - IPC	3,39%
Derivative instruments	70.989			119.392		
	952.560			975.601		
	1.560.811			1.651.861		
	1.650.239			1.782.631		

	As of March 31, 2021			As of December 31, 2020		
	Value	Base rate	Spread	Value	Base rate	Spread
Current:	(In thousands of COP\$)					
Financial in national currency						
Other obligations						
Finance lease (1)	266.528.114			274.173.145		
Derivative instruments	35.556.269			49.547.922		
Interest payable	26.886.166			157.332.298		
	328.970.549			481.053.365		
No Current:						
Financial in national currency						
Financial obligations (a)	898.948.862	IBR3M	2,00%	898.882.825	IBR3M	2,5% - 2,63%
Financial in foreign currency						
Financial obligations	1.338.574.505	LIBOR6M	1,6% - 1,95%	1.588.822.251	LIBOR6M	1,6% - 1,95%
Other obligations						
Senior bond (2)	1.825.791.701	FIJA 4,95%		1.702.367.609	FIJA 4,95%	
Finance lease (1)	918.166.895			948.355.235		
Local voucher (3)	499.004.410	FIJA 6,65% - IPC	3,39%	498.943.191	FIJA 6,65% - IPC	3,39%
Derivative instruments	261.143.004			439.197.386		
	3.504.106.010			3.588.863.421		
	5.741.629.377			6.076.568.497		
	6.070.599.926			6.557.621.862		

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(a) There is an improvement in spreads negotiated in local debt for the first quarter of 2021.

(1) The movement in the finance lease liability for the quarter ended March 31, 2021 is presented below:

	As of December 31, 2020	High	Payments (a)	Others (b)	Transfers	As of March 31, 2021
			(In thousands of US\$)			
Current						
Financial leasing	74.290	5.070	(21.824)	(1.471)	16.148	72.213
Financial liability - Renting	242	8	(70)	-	60	240
	74.532	5.078	(21.894)	(1.471)	16.208	72.453
Not current						
Financial leasing	257.686	8.001	-	-	(16.148)	249.539
Financial liability - Renting	116	-	-	-	(60)	56
	257.802	8.001	-	-	(16.208)	249.595
	332.334	13.079	(21.894)	(1.471)	-	322.048

	As of December 31, 2020	High	Payments (a)	Others (b)	Transfers	As of March 31, 2021
			(In thousands of COP\$)			
Current						
Financial leasing	273.284.743	18.650.207	(80.282.010)	(5.409.671)	59.399.974	265.643.243
Financial liability - Renting	888.402	30.782	(256.106)	-	221.793	884.871
	274.173.145	18.680.989	(80.538.116)	(5.409.671)	59.621.767	266.528.114
Not current						
Financial leasing	947.927.769	29.433.427	-	-	(59.399.974)	917.961.222
Financial liability - Renting	427.466	-	-	-	(221.793)	205.673
	948.355.235	29.433.427	-	-	(59.621.767)	918.166.895
	1.222.528.380	48.114.416	(80.538.116)	(5.409.671)	-	1.184.695.009

(a) Includes capital lease payments of \$63,916,890 and interest of \$16,621,226.

(b) Corresponds to payment by crossing accounts between financial liabilities versus debtors with the third party.

(2) Senior bond:

As of March 31, 2021, and December 31, 2020 the face value of the outstanding senior bond is USD 500 million equivalent to \$1,839,310 million and \$1,716,250 million. The associated transaction costs were \$13,518 million and \$13,882 million, respectively, which were measured at amortized cost.

At the end of March 2021 interest payable on the bond amounted to \$18,714,979 and at December 31, 2020 to \$38,701,438.

(3) Local bond:

As of March 31, 2021 and December 31, 2020 the face value of the local bond is \$500,000 million. Transaction costs \$996 million and \$1,057 million, respectively. At March 31, 2021 and December 31, 2020 interest payable on the bond amounted to \$2,639,163 and \$2,742,350, respectively.

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The following are the maturities of the financial obligations at March 31, 2021:

Maturities	Current			Non-current:			Total non-current	Total
	2021 (1)	2022	2023	2024	2025	Next few years		
	(In thousands of US\$)							
Financial obligations	-	-	-	-	608.251	-	608.251	608.251
Senior bond	-	-	-	-	-	496.325	496.325	496.325
Financial leasing	72.453	30.288	40.556	35.523	31.664	111.565	249.596	322.049
Hedging instruments	9.666	62.855	15.666	8.587	56.847	40.728	70.989	80.655
Local bond	-	-	-	94.300	-	41.350	135.650	135.650
Interests	7.309	-	-	-	-	-	-	7.309
	89.428	93.143	56.222	138.410	583.068	689.968	1.560.811	1.650.239

Maturities	Current			Non-current:			Total non-current	Total
	2021 (1)	2022	2023	2024	2025	Next few years		
	(In thousands of COP\$)							
Financial obligations	-	-	-	-	2.237.523.367	-	2.237.523.367	2.237.523.367
Senior bond	-	-	-	-	-	1.825.791.701,00	1.825.791.701	1.825.791.701
Financial leasing	266.528.114	111.417.320	149.188.915	130.676.255	116.478.322	410.406.083	918.166.895	1.184.695.009
Hedging instruments	35.556.269	231.220.708	57.627.954	31.589.941	209.120.075	149.824.476	261.143.004	296.699.273
Local bond	-	-	-	346.893.087	-	152.111.323	499.004.410	499.004.410
Interests	26.886.166	-	-	-	-	-	-	26.886.166
	328.970.549	342.638.028	206.816.869	509.159.283	2.144.881.614	2.538.133.583	5.741.629.377	6.070.599.926

(1) Corresponds to the period from April 1, 2021 to March 31, 2022.

17. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of March 31,		As of December 31,	
	2021	2020	2021	2020
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
Creditors and suppliers (1)	262.147	964.338.577	238.656	877.923.866
Suppliers of fixed assets (1)	77.340	284.503.459	39.604	145.688.022
Related parties (Note 26)	46.906	172.555.929	41.492	152.633.776
Spectrum licensing providers	7.504	27.603.354	10.266	37.765.625
Labor wages payable	6.139	22.581.250	10.441	38.409.132
Parafiscal contributions	3.097	11.392.118	2.880	10.592.618
Other accounts payable	841	3.093.888	871	3.205.739
	403.974	1.486.068.575	344.210	1.266.218.778
Non-current:				
Spectrum licensing providers	13.736	50.527.570	12.699	46.714.188
Government grants	8.895	32.721.989	8.887	32.692.973
Related parties (Note 26)	364	1.340.053	2.547	9.368.156
	22.995	84.589.612	24.133	88.775.317
	426.969	1.570.658.187	368.343	1.354.994.095

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The increase as of March 31, 2021 compared to the end of 2020 corresponds mainly to the execution of capex for the deployment of fiber optic network, expansion of 4G technology, purchases of smartphone equipment, projects with corporate customers and installation of fixed services in customers.

Suppliers and accounts payable include balances in foreign currency at March 31, 2021 of USD 109,299 thousand (\$402,069,487) and at December 31, 2020 of USD 73,711 thousand (\$253,013,008).

18. PROVISIONS AND PENSION LIABILITIES

The balance of pension provisions and liabilities is as follows:

	As of March 31,		As of December 31,	
	2021	2020	2021	2020
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
For taxes and consideration (1)	23.083	84.913.863	27.633	101.651.989
For voluntary withdrawal (2)	5.669	20.854.790	1.750	6.437.320
Pension liability (3)	5.324	19.594.470	5.327	19.594.470
For employee benefits (4)	3.842	14.134.417	9.706	35.704.739
For contingencies (Note 27)	297	1.093.776	3.006	11.059.624
	38.215	140.591.316	47.422	174.448.142
Non-current:				
Pension liability (3)	51.664	190.050.149	51.829	190.658.366
For dismantling (5)	15.746	57.925.311	15.533	57.139.641
For contingencies (Note 27)	2.826	10.396.614	2.901	10.672.638
	70.236	258.372.074	70.263	258.470.645
	108.451	398.963.390	117.685	432.918.787

- (1) The decrease corresponds mainly to the filing and payment of annual industry and commerce tax returns (ICA) during the first quarter of 2021.
- (2) During the quarter ended March 31, 2021, the provision for voluntary retirement was supplemented and will be used during 2021.
- (3) The Group recognizes post-employment benefits corresponding to retirement pensions. The post-employment benefit plan in force at that date does not have any type of asset related to it.
- (4) The variation corresponds to the use during the first quarter of 2021 and the corresponding accrual for the same period.
- (5) Corresponds to the estimate of costs associated with the dismantling or retirement of property, plant, and equipment. There is no expected timetable for the outflow of resources since there is no expectation of its use in the short term (Note 13).

19. SHAREHOLDERS' EQUITY, NET

The authorized, subscribed and paid-in capital as of March 31, 2021 and December 31, 2020, is presented below:

(a) Capital stock

	(In thousands of US\$)	(In thousands of COP\$)
Authorized capital	395.494	1.454.870.740
Subscribed and paid capital	927	3.410.076
Nominal value (in USD and COP \$)	<u>0</u>	<u>1</u>

The equity interest as of March 31, 2021 did not change compared to the end of December 2020.

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(b) Other Perpetual Equity Instruments

On March 27, 2020, the Group repaid the subordinated perpetual equity instrument issued on March 30, 2015 in the amount of USD 500 million with an impact on equity of \$1,689,145,000 and in financial liabilities of \$308,770,000 for a total payment of \$1,997,915,000.

The Statement of Changes in Shareholders' Equity in the accumulated results for the quarter ended March 31, 2020 includes the interest coupon payment of \$55,037,974.

(c) Other Comprehensive Income

The Group recognized net gain in Other Comprehensive Income (OCI) for the quarters ended March 31, 2021 and 2020 for \$90,577,590 and \$172,922,059, respectively.

The variation is mainly generated by the valuation of hedging derivative instruments net of taxes and corresponds mainly to the increase in the external interest rate curves and the fall in the local interest rate.

(d) Revaluation surplus net of taxes

The Group for the quarter ended March 31, 2021 and 2020 transferred directly to retained earnings the write-offs and the value of depreciation realized on revalued assets as well as its corresponding impact on deferred taxes for \$151,752 and \$86,641,824, respectively.

(e) Equity attributable to non-controlling interests

On May 27, 2020, the statutory merger reform was solemnized, by virtue of which Colombia Telecomunicaciones S. A. E.S.P. BIC absorbed Metrotel and Telebucaramanga, issuing 16,497 ordinary shares of Colombia Telecomunicaciones S. A. E.S.P. BIC as consideration to the minority shareholders of the absorbed companies. These absorbed companies owned 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom". This company proceeded to cancel the shares of Metrotel and Telebucaramanga and issue the corresponding shares in the name of Colombia Telecomunicaciones S. A. E.S.P. BIC (Note 1). Consequently, Colombia Telecomunicaciones S. A. E.S.P. BIC has an interest corresponding to 100% of the capital stock of Optecom. Therefore, at the end of March 2021 and December 2020 there are no non-controlling interests.

20. OPERATING INCOME

Revenues from contracts with customers are presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Mobile Services (1)				
Data services	99.392	365.625.825	98.106	360.895.512
Voice services	43.075	158.456.916	41.643	153.189.451
Added value services	13.904	51.147.634	12.670	46.608.140
	156.371	575.230.375	152.419	560.693.103
Fixed services (2)				
Data services	51.169	188.230.882	45.699	168.107.591
Technological capabilities and solutions	35.697	131.315.505	24.272	89.286.252
Fixed voice services	18.507	68.080.503	26.144	96.173.299
Television revenue	15.832	58.241.411	18.444	67.848.708
	121.205	445.868.301	114.559	421.415.850
Sale of terminal equipment (3)	43.854	161.322.797	33.847	124.509.225
Digital Services (4)	36.526	134.366.150	25.269	92.956.195
Interconnection	21.323	78.436.888	19.091	70.228.342
Other data - virtual mobile operator	2.619	9.633.034	3.354	12.341.197
Sale of equipment for fixed services	1.651	6.074.298	1.072	3.943.644
Roaming revenue	713	2.623.315	952	3.500.394
	106.686	392.456.482	83.585	307.478.997
	384.262	1.413.555.158	350.563	1.289.587.950

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As of March 31, 2021 and 2020 include operating income with related parties of \$13,477,217 and \$14,928,636, respectively (Note 26).

- (1) Mobile services show a year-on-year increase mainly due to the structuring of integrated plans, a strong commercial strategy, and the launching of the unlimited offer.
- (2) The variation in the first quarter of 2021 in fixed services corresponds mainly to the increase in connectivity services, equipment installation and integrated solutions with corporate customers compared to the same period of 2020.
- (3) During the first quarter of 2021 there was higher commercial activity of smartphones when compared to the same quarter of 2020.
- (4) The increase corresponds to higher demand with corporate clients in computer storage, data security and applications.

The impact on operating income as a result of the economic and health emergency caused by COVID-19 is presented in Note 29.

21. OTHER OPERATING INCOME

The Group's other operating income is presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Other operating income (1)	2.954	10.867.376	4.327	15.918.905
Work carried out for fixed assets (2)	2.543	9.354.645	4.676	17.201.088
Sale of movable and immovable property (3)	1.327	4.881.919	-	-
	6.824	25.103.940	9.003	33.119.993

As of March 31, 2021, and 2020 include other operating income with related parties for \$5,341,259 and \$4,938,229, respectively (Note 26).

- 1) The main variation in the first quarter of 2021 compared to the same period of 2020 corresponds to a decrease in royalties for the assignment of physical space, reimbursement of expenses for expatriate personnel and lower use of the Adquira platform by suppliers.
- 2) Corresponds to work performed by Group personnel, which due to their characteristics are directly related to the development and start-up of fixed assets.
- 3) Corresponds to the profit generated on the sale of real estate during the first quarter of 2021.

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22. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Equipment cost (Notes 8 and 10) (1)	57.416	211.211.354	48.922	179.963.629
Labor costs (2)	35.270	129.743.309	29.678	109.173.158
Other costs and operating expenses (3)	22.433	82.523.493	19.372	71.262.844
Interconnection and roaming	21.951	80.749.487	20.110	73.977.290
Renting and third party activities to clients (4)	21.565	79.328.404	14.025	51.593.434
Maintenance of equipment and installations	18.130	66.691.602	18.641	68.571.499
Taxes and considerations	16.060	59.077.199	17.132	63.022.844
Content providers	15.942	58.645.271	14.059	51.717.739
Media rental and other network infrastructures	15.866	58.364.588	16.615	61.121.789
Sales commissions (5)	11.705	43.068.902	19.134	70.387.264
Power service	11.487	42.256.458	11.177	41.111.032
Computer Services	10.865	39.966.533	11.005	40.483.671
Advertising	9.975	36.693.309	8.327	30.632.851
Contract compliance cost (Note 8)	4.624	17.011.592	4.153	15.278.039
Portfolio impairment (Note 7)	4.473	16.453.068	6.960	25.603.909
Customer services	4.209	15.482.073	4.298	15.809.903
Other costs and expenses and non-recurring (6)	507	1.864.543	3.183	11.709.685
Provision for inventories (Note 10)	68	249.264	(94)	(345.079)
	282.546	1.039.380.449	266.697	981.075.501

During the quarters ended March 31, 2021 and 2020, costs and expenses with related parties of \$81,205,741 and \$81,032,783, respectively, are included (Note 26).

The variation presented in the quarters ended March 31, 2021 and 2020 corresponds mainly to: i) increase due to the execution of new contracts for integral solutions with corporate customers; ii) increase in mobile access charges - mobile due to increased traffic; iii) higher cost of equipment at customers' homes due to amortization of the deferred cost associated with new subscribers; and iv) increase in the cost of sales of equipment due to increased commercial activity in 2021, mainly in smartphones.

- (1) During the quarters ended March 31, 2021 and 2020, consumption of inventories carried at cost of sales of \$184,887,449 and \$153,376,428 (Note 10) and amortization of customer premises equipment costs of \$26,323,905 and \$26,587,201 (Note 8), respectively, were recognized.
- (2) During the quarter ended March 31, 2021, the provision for voluntary retirement was supplemented.
- (3) The increase in the first quarter of 2021 corresponds mainly to the execution of projects with corporate clients.
- (4) The increase in the first quarter of 2021 corresponds to collection management related to commercial portfolio.
- (5) During the quarter ended March 31, 2021, certain contract origination fees were capitalized and amortized during the first quarter of 2021 in the amount of \$28,288,672 (Note 8). During the same period of 2020 they were taken directly to income.
- (6) At the end of March 31, 2021, there is a lower impact from litigation and contingencies with third parties.

The impact on operating costs and expenses as a result of the economic and sanitary emergency caused by Covid-19 is presented in Note 29.

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23. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Depreciation of property, plant and equipment (Note 13)	44.425	163.422.728	45.632	167.862.300
Amortization of intangible assets (Note 14)	36.368	133.782.481	35.123	129.207.407
Depreciation of assets for rights of use (Note 12)	16.253	59.789.533	13.886	51.080.248
	97.046	356.994.742	94.641	348.149.955

24. FINANCIAL EXPENSES, NET

Financial income (expense), net is presented below:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Income:				
Clients' interest in arrears	1.284	4.722.408	1.620	5.960.678
Income from short-term investments and bank loans (Note 5)	245	900.294	397	1.459.388
	1.529	5.622.702	2.017	7.420.066
Expenses:				
Interest on loans, obligations and bonds (1) (Note 16)	(13.008)	(47.851.099)	(18.805)	(69.177.098)
Interest hedging transactions, net (2)	(11.144)	(40.992.721)	(5.714)	(21.017.216)
Financial expenses for leases (3)	(4.217)	(15.513.323)	(1.437)	(5.287.373)
Financial update of liabilities	(1.145)	(4.210.579)	(1.185)	(4.357.860)
Other financial expenses (4)	(1.097)	(4.034.787)	(2.354)	(8.660.914)
Tax on financial transactions	(29)	(108.167)	(361)	(1.329.425)
	(30.640)	(112.710.676)	(29.856)	(109.829.886)
Exchange difference loss, net	(347)	(1.275.176)	(2.504)	(9.212.489)
	(30.987)	(113.985.852)	(32.360)	(119.042.375)
	(29.458)	(108.363.150)	(30.343)	(111.622.309)

- 1) During the quarters ended March 31, 2021 and 2020, includes interest on the senior bond for \$22,305,170 and \$56,217,840, local bond for \$7,459,060 and \$8,287,980, other interest on loans with local and foreign banks for \$18,086,869 and \$4,671,278, respectively.
- 2) The increase corresponds to the valuation of new hedges contracted in the first quarter of 2021 associated with the senior bond, compared to the same quarter of 2020 on hedges contracted in previous periods and settled in large proportion during 2020 associated with the prepayment of hedged debts.
- 3) The increase in the first quarter of 2021 compared to the same period of 2020, corresponds to the finance lease expense associated with new contracts and longer term renewals.
- 4) Includes financial fees for prepayment of loans, the decrease in the first quarter of 2021 is due to the expenses associated with the prepayment of the hybrid bond during the same quarter of 2020.

25. FINANCIAL RISK MANAGEMENT

25.1. Risk Management Policy

The Group could be exposed to various financial market risks as a result of: i) the normal course of its business and ii) the financial debt contracted to finance its business. The main risks are exchange rate, interest rate, liquidity, and credit risks. In the process of assessing financial risks, no significant impacts were identified. A summary of these risks is presented below:

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Credit Risk

Credit risk arises from cash and cash equivalents (deposits in banks and financial institutions), as well as credit exposure to wholesale and retail customers, which includes outstanding balances of accounts receivable and committed transactions. No significant impacts were identified in the valuation of credit risk based on the foregoing; Management does not expect the Company to incur significant losses from the performance of its counterparties.

Country Risk

In the first quarter of 2021, economic activity was affected by the return of sectorized quarantines and the tightening of mobility restrictions in the country's main cities due to the second wave of contagions. Meanwhile, inflation continued to decelerate in the first quarter of 2021 to 1.51%, 0.1 percentage points (pp) below the end of 2020, which means that it remains below the Bank of the Republic's target.

In the first quarter of 2021, the exchange rate averaged \$3,555 pesos per dollar and closed at \$3,737, 3.6% and 8.9% higher than the December closing (\$3,432.50), respectively. In the first quarter of 2021, the main rating agencies did not make any statements regarding the country's sovereign rating because they are awaiting the progress of the tax reform bill.

Risk Management

The Group actively managed the risks through the use of derivative financial instruments, on exchange rate and interest rate, as well as taking into account the net positions of the balance sheet in order to take advantage of natural hedges that are directly offset, avoiding incurring in bid-offer spread over costs in the hedging operations.

Exchange Rate Risk

The main objective of the exchange rate risk management policy is to protect the value of assets and liabilities denominated in dollars and euros against changes in the exchange rate of the Colombian peso with respect to these currencies.

As of March 31, 2021 and December 31, 2020 the Group's debt in US dollars including the senior bond maturing in 2030 was equivalent to USD 771 million and USD 978 million, respectively. Additionally, considering the ordinary flow of the Group's business, hedges of trade accounts, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency were made, which were recorded in the Condensed Consolidated Interim Statement of Financial Position. Finally, highly probable future cash flow hedges were contracted through NDF (Non Delivery Forwards) and options with terms of up to one year to hedge a portion of the OPEX and CAPEX in foreign currency of the budget during the following year.

The following is a summary of the balances of assets and liabilities held in U.S. dollars and expressed in thousands of Colombian pesos at the end of each period:

	<u>As of March 31,</u> <u>2021</u>	<u>As of December 31,</u> <u>2020</u>
	(In thousands of US\$)	
Assets		
Cash and cash equivalents	5.446	5.182
Debtors and other receivables	8.976	4.690
Related Parties	4.708	4.655
Total assets	19.130	14.527
Liabilities		
Financial obligations	871.428	978.327
Suppliers and accounts payable	109.299	73.711
Related Parties	15.330	19.750
Total liabilities	996.057	1.071.788
Passive, net position	(976.927)	(1.057.261)

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	As of March 31, 2021	As of December 31, 2020
	(In thousands of COP\$)	
Assets		
Cash and cash equivalents	20.033.765	17.787.215
Debtors and other receivables	33.019.293	16.098.425
Related Parties	17.318.943	15.978.288
Total assets	70.372.001	49.863.928
Liabilities		
Financial obligations	3.205.652.469	3.358.107.428
Suppliers and accounts payable	402.069.487	253.013.008
Related Parties	56.393.245	67.791.875
Total liabilities	3.664.115.201	3.678.912.311
Passive, net position	(3.593.743.200)	(3.629.048.383)

Interest Rate Risk

After hedging, the variable rate exposure is 37.33% of the total debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of Banco de la República in the medium term.

26. RELATED PARTIES

26.1. Accounts Receivable

The balances of accounts receivable between the Group and its shareholders, economic related parties and associated companies are as follows:

Current

a) Shareholders

	As of March 31, 2021		As of December 31, 2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
From outside				
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	-	-	-	1.804
Total actionists from abroad	-	-	-	1.804

b) Economic ties

	As of March 31, 2021		As of December 31, 2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
National				
Tiws Colombia II S.A.S.	9.219	33.913.638	8.523	31.353.050
Telxius Cable Colombia S.A.	372	1.369.040	482	1.771.759
Wayra Colombia S.A.S.	10	36.486	29	105.653
	9.601	35.319.164	9.034	33.230.462

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	As of March 31,		As of December 31,	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
From outside				
TIWS II	1.630	5.992.195	1.809	6.652.978
Telefónica S.A.	1.166	4.290.877	763	2.807.747
Pegaso Pcs. S.A. de C.V.	922	3.391.804	846	3.112.920
Telefónica Digital España S.A.	435	1.601.483	458	1.685.051
Telefónica Móviles España S.A.	384	1.413.872	281	1.034.360
Otecel S.A.	357	1.312.466	356	1.307.959
Telefónica Venezolana C.A.	278	1.023.501	256	941.771
Telefónica Móviles El Salvador S.A.	213	782.523	180	663.046
Telefónica del Perú S.A.	199	731.004	104	383.843
Telefonica Germany GMBH & CO OHG	76	281.193	75	276.464
Telefónica Móviles Argentina S.A.	75	274.060	106	388.203
Telefónica de Costa Rica	34	125.244	35	128.612
Telefonica Cybersecurity Tech Colombia	30	109.480	-	-
Telefonica Chile S.A.	24	89.432	-	-
Terra Networks Mexico S.A. de CV	15	56.023	54	199.250
Telefónica Compras Electrónicas	10	35.496	12	44.530
Telefónica USA Inc.	6	23.200	4	14.897
E-plus Mobilfunk GMBH & CO	-	109	-	-
	5.854	21.533.962	5.339	19.641.631
Total national and foreign affiliates	15.455	56.853.126	14.373	52.872.093

c) Associated Companies

Nacional	As of March 31,		As of December 31,	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Telefónica Factoring Colombia S.A.	20	71.740	12	42.957
Total accounts receivable with related parties (Note 7)	15.475	56.924.866	14.385	52.916.854

Foreign currency balances of domestic receivables from related parties as of March 31, 2021 and December 31, 2020 of USD 4,708 thousand (\$17,318,943) and USD 4,655 thousand (\$15,978,288) respectively.

26.2. Accounts payable

The balances of liabilities between the Group and its shareholders and related parties are as follows:

Current

a) Economic related parties

Nacional	As of March 31,		As of December 31,	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Tiws Colombia II S.A.S.	8.242	30.320.684	6.662	24.507.869
Telefonica Ingenieria de Seguridad	6.417	23.607.289	1.373	5.050.742
Telxius Cable Colombia S.A.	3.814	14.031.785	3.868	14.228.593
	18.473	67.959.758	11.903	43.787.204

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	As of March 31,		As of December 31,	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
From outside				
TIWS II	9.541	35.103.864	11.938	43.911.169
Telefónica S.A.	6.067	22.319.373	6.257	23.017.233
Media Network Latin América	2.319	8.529.219	3.360	12.359.857
Telefónica Global Technology	2.002	7.364.216	1.130	4.156.882
Telefónica Cybersecurity Tech S.L	1.789	6.579.346	0	-
Telefónica Compras Electrónicas	1.148	4.223.100	856	3.150.260
Telefónica Móviles Argentina S.A.	937	3.446.437	979	3.602.653
Telefónica USA Inc.	878	3.231.056	1.080	3.971.914
Telefónica Digital España S.A.	864	3.180.015	1.016	3.737.989
Pegaso Pcs. S.A. de C.V.	563	2.071.844	490	1.802.720
Telefónica de Argentina S.A.	466	1.713.000	466	1.713.000
Otecel S.A.	335	1.231.914	339	1.245.458
Telefónica Móviles España S.A.	310	1.140.072	417	1.534.948
Telefónica Global Roaming	235	864.122	223	822.084
Terra Networks Mexico S.A. de CV	202	743.224	248	913.687
Telefónica Servicios Audiovisuales	166	610.127	104	382.756
Telefónica IOT & Big Data Tech, S.A	149	546.642	0	-
Telefónica Venezolana C.A.	141	519.813	127	468.935
Telefónica del Perú S.A.	124	454.724	186	682.891
Telefónica Educacion Digital	63	231.453	0	-
Telefónica Ingeniería de Seguridad	50	183.448	243	892.885
Telefónica Móviles de Chile	43	157.673	49	179.316
O2 T. UK Limited	13	49.122	48	178.328
Telefónica Brasil S.A	13	47.561	11	39.881
Telefónica Móviles Uruguay S.A.	6	23.724	8	30.796
Telefónica de Costa Rica	6	21.127	4	12.888
Telefónica Móviles El Salvador S.A.	3	9.955	1	4.971
Telefónica Broadcast Services S.L.U	0	-	9	32.746
E-Plus Mobifunk GMBH & CO	0	-	0	325
Total national and foreign economic associates	28.433	104.596.171	29.589	108.846.572
Total suppliers and accounts payable with related parties (Note 17)	46.906	172.555.929	41.492	152.633.776

Non-current

a) Shareholders

	As of March 31,		As of December 31,	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Share-based payments				
Telefónica S.A.	364	1.340.053	2.547	9.368.156
Total suppliers and accounts payable with related parties (Note 17)	364	1.340.053	2.547	9.368.156

The foreign currency balances of accounts payable in relation to related parties as of March 31, 2021 and December 31, 2020 are USD 15,330 thousand (\$56,393,245) and USD 19,750 thousand (\$67,791,875) respectively.

26.3. Revenues, Costs and Expenses with Related Parties

The Group carries out transactions with its related parties under the same market conditions and on an arm's length basis. The following is a summary of the Group's revenues, costs and expenses during the quarters ended March 31, 2021 and 2020 with shareholders, economic related parties, and associated companies.

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a) Shareholders

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of US\$)			
From outside				
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L.)	-	-	-	24
Total actionists from abroad	-	-	-	24

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
From outside				
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L.)	-	-	-	86.699
Total actionists from abroad	-	-	-	86.699

b) Related Economic Parties

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of US\$)			
Nacional				
Tiws Colombia II S.A.S.	1.374	1.214	2.285	2.228
Telxius Cable Colombia S.A.	64	294	2.511	4.414
Wayra Colombia S.A.S.	28	30	-	-
Telefonica Ingenieria de Seguridad	25	-	2.655	99
Telefónica Learning Services Colombia	-	53	-	-
	1.491	1.591	7.451	6.741

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
Nacional				
Tiws Colombia II S.A.S.	5.055.250	4.465.237	8.405.728	8.196.559
Telxius Cable Colombia S.A.	234.788	1.080.181	9.235.486	16.238.032
Wayra Colombia S.A.S.	103.348	111.925	-	-
Telefonica Ingenieria de Seguridad	92.000	-	9.768.353	363.657
Telefónica Learning Services Colombia	-	193.422	-	-
	5.485.386	5.850.765	27.409.567	24.798.248

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	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of US\$)			
From outside				
TIWS II	2.165	1.946	3.634	4.049
Telefónica S.A.	611	741	3.607	3.393
Telefónica Digital España S.A.	194	514	320	231
Telefónica Ingeniería de Seguridad	194	-	-	69
Telefónica del Perú S.A.	107	39	9	7
Telefónica Móviles España S.A.	87	51	51	154
Telefónica Móviles El Salvador S.A.	60	68	1	1
O2 T. UK Limited	57	24	-	3
Telefónica Móviles Argentina S.A.	10	22	3	9
Telefónica Brasil S.A.	7	29	5	7
Terra Networks Mexico S.A. de CV	8	23	139	103
Telefónica Global Roaming	50	-	24	48
Telefónica Chile S.A.	24	-	-	-
Telefónica Móviles de Chile	20	44	2	11
Otecel S.A.	4	10	7	13
Pegaso Pcs. S.A. de C.V.	3	2	35	22
Telefónica Compras Electrónicas	3	9	642	884
Telefónica USA Inc.	2	262	218	-
Telefónica Germany GMBH & CO OHG	1	1	-	10
Telefónica Móviles Uruguay S.A.	-	2	-	1
Telefónica Venezolana C.A.	-	-	5	5
E-Plus Mobilfunk GMBH & CO	-	1	-	-
Telefónica de Costa Rica	-	4	4	2
Media Network Latin América	-	-	1.753	2.463
Telefónica Cybersecurity Tech S.L	-	-	1.718	-
Telefónica Global Technology	-	-	1.628	3.018
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	391	391
Telefónica On The Spot Services	-	-	146	-
Telxius Cable	-	-	134	134
Telefónica Servicios Audiovisuales	-	-	97	38
Telefónica de Contenidos SAU	-	-	39	60
Telefónica Educación Digital, S.L.U.	-	-	10	-
Telefónica Empresas Chile S.A.	-	-	-	71
Telefónica de España S.A.U.	-	-	-	64
	3.607	3.792	14.622	15.261
Total national and foreign economic associates	5.098	5.383	22.073	22.002

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	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
From outside				
TIWS II	7.962.989	7.159.714	13.369.493	14.895.324
Telefónica S.A.	2.249.274	2.724.735	13.270.335	12.482.894
Telefónica Digital España S.A.	713.444	1.889.035	1.175.536	849.306
Telefónica Ingeniería de Seguridad	712.723	-	-	255.552
Telefónica del Perú S.A.	394.634	144.943	34.482	24.485
Telefónica Móviles España S.A.	320.306	187.458	188.373	567.738
Telefónica Móviles El Salvador S.A.	221.891	251.678	4.680	4.063
O2 T. UK Limited	209.693	86.940	1.214	10.232
Telefónica Móviles Argentina S.A.	36.775	80.998	12.271	33.207
Telefónica Brasil S.A.	24.185	106.815	17.863	26.912
Terra Networks Mexico S.A. de CV	29.476	86.163	510.292	380.556
Telefónica Global Roaming	184.275	-	89.684	175.161
Telefónica Chile S.A.	87.039	-	-	-
Telefónica Móviles de Chile	73.466	160.578	8.921	40.908
Otecel S.A.	13.599	36.767	25.969	49.067
Pegaso Pcs. S.A. de C.V.	12.184	7.201	129.069	82.605
Telefónica Compras Electrónicas	11.697	33.683	2.361.443	3.252.994
Telefónica USA Inc.	6.978	964.257	800.767	-
Telefónica Germany GMBH & CO OHG	2.290	5.026	-	35.595
Telefónica Móviles Uruguay S.A.	1.458	7.794	1.553	4.051
Telefónica Venezolana C.A.	447	13	16.938	19.397
E-Plus Mobilfunk GMBH & CO	449	2.070	-	83
Telefónica de Costa Rica	-	14.623	14.329	8.323
Media Network Latin América	-	-	6.449.533	9.059.511
Telefónica Cybersecurity Tech S.L	-	-	6.320.401	-
Telefónica Global Technology	-	-	5.988.845	11.102.924
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	1.436.618	1.436.618
Telefónica On The Spot Services	-	-	535.591	-
Telxius Cable	-	-	493.560	493.560
Telefónica Servicios Audiovisuales	-	-	358.094	138.250
Telefónica de Contenidos SAU	-	-	144.124	222.439
Telefónica Educación Digital, S.L.U.	-	-	36.196	-
Telefónica Empresas Chile S.A.	-	-	-	262.083
Telefónica de España S.A.U.	-	-	-	233.998
	13.269.272	13.950.491	53.796.174	56.147.836
Total national and foreign economic associates	18.754.658	19.801.256	81.205.741	80.946.084

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c) Associated Companies

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of US\$)			
Nacional				
Telefónica Factoring Colombia S.A.	17	18	-	-
	17	18	-	-
	5.115	5.401	22.073	22.026

	Quarter ended March 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
Nacional				
Telefónica Factoring Colombia S.A.	63.818	65.609	-	-
	63.818	65.609	-	-
	18.818.476	19.866.865	81.205.741	81.032.783

The Group has not granted or received guarantees or pledges to its economic related parties.

The following is a summary of the transactions by concept of revenues, costs and expenses that occurred during the period with related parties, according to the nature of the good or service rendered between the parties, as follows:

Operating income:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Fixed services	1.785	6.572.288	2.118	7.785.752
Fixed interconnection	1.132	4.163.002	1.132	4.162.848
Digital services	507	1.864.058	559	2.057.955
Roaming revenue	197	725.589	229	844.109
Sale of terminal equipment	24	87.739	0	10
Mobile services	18	64.541	21	77.962
	3.663	13.477.217	4.059	14.928.636
Other operating income (1)	1.452	5.341.259	1.342	4.938.229
	5.115	18.818.476	5.401	19.866.865

(1) Includes mainly fees, space rental, administrative services, among others.

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Operating costs and expenses:

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Media rental	7.558	27.803.908	9.009	33.141.406
Renting and third party activities to clients	3.860	14.200.115	1.122	4.127.933
Advertising	3.533	12.995.639	3.320	12.212.366
Other non-recurring costs and expenses (1)	3.052	11.228.234	2.709	9.969.780
Interconnection and roaming	2.197	8.082.246	3.012	11.080.734
Other costs and operating expenses (2)	1.141	4.206.870	1.205	4.431.774
Content providers	418	1.536.194	703	2.587.140
Maintenance	255	937.869	426	1.568.455
Labor expenses	38	138.527	56	205.017
Sales commissions	21	76.139	464	1.708.178
	22.073	81.205.741	22.026	81.032.783

(1) Includes mainly licenses and software applications.

(2) Includes mainly consulting and project integration, rental and equipment costs, among others.

d) Information on Remuneration of Key Management Personnel

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

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Institutional plans	1.883	6.926.798	898	3.303.130
Salaries, salaries and other benefits	1.189	4.375.394	1.171	4.305.901
Executive remuneration plan (shares and annual bonus)	927	3.410.800	1.108	4.074.697
Bonus for voluntary withdrawal	334	1.228.080	-	-
	4.333	15.941.072	3.177	11.683.728

27. CONTINGENCIES

The Group is subject to claims for regulatory proceedings, labor, tax assessments and others arising in the ordinary course of business. Management evaluates these situations based on their nature, the probable, possible and remote occurrence, and the amounts involved, in order to decide on the amounts recognized and/or disclosed in the financial statements. This analysis, which may require considerable judgment, includes reviewing legal proceedings instituted against and claims not yet initiated, all supported by reports and evaluation of the Group's legal advisors. A provision is recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

As of March 31, 2021, there are 2,404 processes in progress, of which 138 correspond to probable contingencies, 624 are classified as possible and 1,642 are classified as remote.

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1. Processes with high probability

The following is a detail of the processes classified as highly probable (Note 18).

	As of March 31,		As of December 31,	
	2021		2020	
	Quantity	Value	Quantity	Value
	(In thousands of US\$)			
Currents:				
Administrative investigations of users (1)	21	297	28	3.006
	21	297	28	3.006
Non-currents:				
Legal proceedings (2)	46	1.860	49	1.917
Labor processes	65	699	66	699
Administrative, regulatory and competency investigations	5	222	4	240
Tax processes	1	45	1	45
	117	2.826	120	2.901
	138	3.123	148	5.907

	As of March 31,		As of December 31,	
	2021		2020	
	Quantity	Value	Quantity	Value
	(In thousands of COP\$)			
Currents:				
Administrative investigations of users (1)	21	1.093.776	28	11.059.624
	21	1.093.776	28	11.059.624
Non-currents:				
Legal proceedings (2)	46	6.843.238	49	7.053.446
Labor processes	65	2.571.135	66	2.571.134
Administrative, regulatory and competency investigations	5	817.588	4	883.405
Tax processes	1	164.653	1	164.653
	117	10.396.614	120	10.672.638
	138	11.490.390	148	21.732.262

(1) Includes requests for complaints and claims (PQR) from customers through the superintendence of industry and commerce.

(2) Mainly includes requests for civil and administrative proceedings.

2. Possible Contingencies

The Group is a party to litigation classified as low probability, which are currently being processed before judicial, administrative and arbitration bodies.

Taking into consideration the reports of the Group's legal advisors in these proceedings, it is reasonable to estimate that these lawsuits will not significantly affect the Group's economic-financial situation or solvency.

a. Legal Proceedings

Proceedings aimed at obtaining a decision by the jurisdictional authority called upon to resolve the disputed issue. They include civil, contentious-administrative, criminal, and constitutional proceedings, among others. There are 112 open proceedings classified as possible for a value of \$66,135,053.

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b. Labor Lawsuits

Labor lawsuits seeking payment of labor rights derived from the relationships that the plaintiffs have or have had directly with the Group or with a third party, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S. A. E.S.P. BIC, there are 426 open processes classified as possible for an amount of \$31,393,519.

c. Administrative Investigations

Processes initiated by administrative authorities through the formulation of charges, ex officio or by complaints from third parties, tending to determine the responsibility of the investigated party in the infraction of norms.

Contingencies for administrative investigations are classified as follows:

- i) Fiscal: Processes under discussion for taxes with different municipalities in the country, corresponding to claims, such as: industry and commerce tax (ICA), public lighting tax, among others. There are 28 administrative and judicial processes in progress with possible qualification, valued at \$113,290,815.

In addition to the foregoing, the Tax Administration intends to amend the income tax return for taxable year 2017 of Metrotel S. A. E.S.P. which was absorbed by Colombia Telecomunicaciones S. A. E.S.P. BIC by virtue of the merger process that the two companies underwent; in the opinion of the DIAN there is an equity difference in the income tax return for taxable year 2017 with respect to the income tax return for taxable year 2016, which is derived from a difference in criteria regarding the determination of the tax equity in relation to other assets, for which it proposes a penalty in the amount of \$4,005,843. The Group's Management will exhaust all procedural steps tending to demonstrate the correct determination of the figures included in the income tax return.

In relation to the declaration and study of transfer prices for the taxable year 2016, the Tax Administration, once the audit process took place, considered that the comparable used within the analysis of the operations with economic related parties do not fully adjust to those managed in the databases of the Tax Administration, reason for which it proposes an adjustment in the income and CREE tax returns for said tax period and based on this it determined as a penalty the amount of \$34,857,816 for the income tax return and \$21,158,607 for the CREE tax return. The Group's Management will exhaust all the procedural steps tending to demonstrate that the comparable used in the operations with related parties are appropriate, thus demonstrating the correct determination of the figures included in the respective returns.

- ii) Petitions, Complaints and Claims: Administrative proceedings initiated by the Superintendence of Industry and Commerce - SIC, due to positive administrative silences, habeas data, or non-compliance with resolutions. There are 37 possible processes for \$4,916,117.
- iii) Regulatory: Administrative proceedings initiated by oversight and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 21 possible proceedings for \$9,479,851.

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

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

1) EBITDA

	Quarter ended March 31,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Net profit for the period	(27.429)	(100.901.988)	(29.247)	(107.588.427)
More:	0		0	
Depreciation and amortization (Note 23)	97.045	356.994.742	94.640	348.149.955
Financial expense, net (Note 24)	29.458	108.363.150	30.344	111.622.309
Income and complementary taxes (Note 11)	9.466	34.822.745	(2.868)	(10.551.395)
EBITDA	108.540	399.278.649	92.869	341.632.442

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EBITDA: corresponds to income before depreciation and amortization, financial expense, and income and deferred taxes.

EBITDA growth during the first quarter of 2021 corresponds mainly to the good performance of connectivity services, especially with the B2B segment, and increased sales of smartphones in the mass segment compared to the same period of 2020.

2) Financial Indicators

2.1) Indebtedness Ratios

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

	<u>As of March 31,</u> <u>2021</u>	<u>As of December 31,</u> <u>2020</u>
a) Total debt level (1)	64,631%	65,278%
b) Level of short-term debt (2)	26,791%	25,033%

(1) Total indebtedness level decreases mainly due to the partial prepayment of the Syndicated Loan (Club Deal).

(2) The level of short-term indebtedness increases due to new and renewal of leasing contracts.

2.2) Solvency Ratios

The solvency ratio indicates how much resources are available in assets compared to liabilities.

	<u>As of March 31,</u> <u>2021</u>	<u>As of December 31,</u> <u>2020</u>
Solvency ratio (1)	1,547	1,532

(1) Slight growth mainly due to new and renewal of financial leasing contracts.

2.3) Profitability indexes

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

	<u>Quarter ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
a) Operating margin (1)	2,939%	(0,493)%
b) OIBDA margin	27,754%	25,828%

(1) The improvement in the first quarter of 2021 corresponds mainly to the positive evolution of operating revenues leveraged on connectivity, value added services, digital and terminals.

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2.4) Liquidity ratios

Indicates the short-term availability to meet its short-term commitments.

	As of March 31, 2021	As of December 31, 2020
a) Net working capital		
In thousands of US\$	(35.907)	45.688
In thousands of COP\$	(132.240.245)	168.068.526
b) Current ratio	0,941	1,078
c) Acid test	0,869	1,012

The variation corresponds mainly to the use of available cash to prepay long-term loans (syndicated loan).

3) Operating Information

3.1) Accesses

	2021		2020		
	mar-31	dic-31	sep-30	jun-30	mar-31
	<i>(Unidades 000)</i>				
End Clients Access	19.834	19.410	18.901	18.815	18.843
Basic Line (1)	1.431	1.430	1.465	1.493	1.241
Data	1.167	1.155	1.171	1.183	994
TV	527	527	527	530	528
Mobile Services	16.709	16.298	15.738	15.609	16.080
Prepaid	12.189	11.935	11.406	11.454	12.003
Postpaid	4.520	4.363	4.332	4.155	4.077

(1) Includes fixed wireless and voice over IP accesses.

3.2) ARPU

	2021		2020		
	mar-31	dic-31	sep-30	jun-30	mar-31
	<i>(USD\$)</i>				
LB-BA-TV (1)	9	9	9	9	9
Total Mobile (2)	3	3	4	3	3
Prepaid	1	1	1	1	1
Postpaid	11	11	10	11	11

	2021		2020		
	mar-31	dic-31	sep-30	jun-30	mar-31
	<i>(COP\$)</i>				
LB-BA-TV (1)	33.653	32.922	33.345	33.451	33.275
Total Mobile (2)	12.222	12.660	12.897	12.751	12.800
Prepaid	2.810	3.471	3.197	2.967	3.462
Postpaid	39.554	40.471	38.547	40.853	40.360

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

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

29. IMPACT ON COVID-19 FINANCIAL STATEMENTS

29.1. Impact on the Consolidated Financial Statements as of March 31, 2021

Within the verification of the impact on the Condensed Consolidated Interim Financial Statements and complying with the Accounting and Financial Reporting Standards accepted in Colombia, the Group has analyzed the implications of COVID-19, including not only the measurement of assets and liabilities, accounting estimates and appropriate disclosures, but also the Group's ability to continue as a going concern.

However, this situation could have material adverse effects on the Group's results of operations, financial position, and liquidity if this contingency continues, aspects that are being periodically evaluated by management to take the necessary and timely measures to minimize the impacts during the 2021 fiscal year.

The following is a description of the main impacts observed on the Group's financial position and operations as of the declaration of the sanitary emergency and as of March 31, 2021:

1. Maintaining the Group's Internal Control

As a result of the declaration of the Covid-19 pandemic health emergency, the Group adopted in-house measures from the first quarter of 2020. These changes have been implemented for business processes in general and despite this, no impacts have been generated at the internal control level beyond these modifications, nor have situations of risk materialization in business processes been identified.

In recent years, the Group has digitalized its processes; therefore, for PRE COVID-19 the core business processes were automated, and there are also processes that are highly secured with IT-dependent and automatic controls, such as treasury, logistics, costs, purchases and inventories, and internal control to ensure the preparation of the Financial Statements. This has ensured that remote work does not generate relevant impacts on the operation or on compliance with the controls that ensure the main risks of the business.

2. Impairment of Financial Instruments - Receivables

At the end of March 2021, the financial instruments that are within the scope of the expected credit loss (ECP) model of IFRS 9 (among them, trade and other receivables, debt instruments not measured at fair value through profit or loss, contractual assets and lease receivables), have been evaluated considering the impacts of COVID-19 in the application of the ECP.

In addition to the above, it can also be identified that, although there was a decrease in collection at the beginning of the pandemic, it can also be observed that there is a temporary displacement or transfer which is reflected in the first quarter of 2021 with a significant growth in collection; in some segments the customers on which payment agreements or special terms were granted, to date are already normalized.

At the end of the first quarter of 2021, the impact of portfolio impairment was a benefit of \$2,252 million as a result of the collection strategy.

3. Recognition of Revenues, Costs and Expenses

The accounting estimates were reviewed regarding the recognition of revenues, costs and expenses as they have occurred. Due to the impact of COVID-19 on commercial activity and in accordance with our projections and budgets at the end of the first quarter of 2021, prepaid and postpaid revenues fell during the end of the first quarter of 2021 and 2020 by \$1,323 million and \$171 million, respectively. Revenues from mobile terminals decreased by \$9,840 million.

In line with the above, direct costs, which include the cost of mobile terminals, fell by \$9,446 million and card recharge costs decreased by \$109 million, while network and IT costs increased by \$404 million.

The effect valued in the Consolidated Statement of Comprehensive Income is a decrease when compared to the budgeted value of \$4,435 million.

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4. Valuation of Accounting Estimates

The main accounting estimates and judgments regarding impairment of assets, expected cash flows, net realizable value of inventories and the measurement value of financial instruments have been reviewed and evaluated, so that the impacts are reflected in the figures of the Condensed Consolidated Interim Financial Statements; however, there were no significant effects generated by the pandemic.

5. Recoverability of Assets

At the end of March 2021, no impairment of the value of assets was identified, based on the recoverability analysis in accordance with the Strategic Plan approved for the 21-23 period and the sensitivities performed, which include the new economic and financial conditions of the Group.

29.2 General Impacts on the Group due to the emergency generated by COVID 19

In accordance with the provisions issued by the National Government within the framework of the sanitary emergency, telecommunications services are declared as essential public services; therefore, their provision, as well as the installation, maintenance, and adaptation of the network, may not be suspended.

30. EVENTS SUBSEQUENT TO THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Between April 1, 2021 and the date of issuance of these condensed interim consolidated financial statements, no significant events have occurred that could affect the Group's financial position.