

Colombia Telecomunicaciones S.A. E.S.P. BIC and its Subsidiary As of June 30, 2021 and for the six-month period ended June 30, 2021

(Amounts in billions of pesos unless otherwise indicated)

Colombia Telecomunicaciones S.A. E.S.P. BIC informs that on August 13, 2021, it transmitted to the Financial Superintendence of Colombia the **Condensed Consolidated and Separate Interim Financial Statements** for the six months ended June 30, 2021.

I. Relevant Matters as of June 30, 2021

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

The Company 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, acting in a responsible and preventive manner and adopting the measures tending to guarantee the continuity in the operation, the rendering of services and the adequate attention to customers, suppliers, collaborators, contractors, and stakeholders, in a timely manner to carry out the measures issued by the health authorities of the National Government and those implemented by our Organization. At the closing of June 2021, the effects derived from the Pandemic have been recognized in the accounting, and we consider that **the Company** has had limited impacts on the operations and the Financial Statements.

The Company, faced with COVID-19, has been able to counteract the risks and maintains a balance in the operation, with a positive evolution in the results.

2. Other Significant Matters as of June 30, 2021

Colombia Telecomunicaciones S.A. E.S.P. BIC carried out a number of significant transactions during the first half of 2021, which are disclosed in note 1 to the financial statements.

3. Operating Results

At the end of the first half of 2021, the Company continues to present positive commercial growth in the main products, overcoming the challenges due to the social situation of the semester and the entry of a direct competitor in the market.

With improved performance in all business segments, operating revenues presented a double-digit year-on-year growth of +10.8%, leveraged mainly on service and mobile handset revenues, and captured significant non-commercial costs efficiencies that allowed OIBDA to grow by 9.4% year-on-year.

The Company's total number of customers at the end of June 30, 2021, reached 20.3 million, comprising: 17.2 million **mobile business customers**, which grew 10.3% year-on-year after recording net adds of 912k cumulative customers at the end of the first half of 2021. **Postpaid customers** increased by 13.9% year-on-year, with 370k cumulative net adds at the end of the first half of 2021 due to the good performance of the commercial activity and the management of the customer base. **In prepaid**, customers grew by 8.9% year-on-year with net adds of 542k in the first half of 2021.

In the **wireline business**, the transformation to fiber continued. Broadband recorded 1.2 million customers at the end of the first half of the year, of which fiber reached 401k, with a year-on-year growth of 47.4% and positive net adds of 71k customers thanks to the commercial offer and the increase in connection speed. The deployment of fiber boosted pay-tv through IPTV, achieving a plant of 247k customers with year-on-year growth of 79.6% and a positive net gain of 60k customers in the first half of 2021, reaching a total of 527k TV customers.

The Company launched during the first half of 2021 "Movistar sin barreras," which offers 15% discounts to people with disabilities.

II. Condensed Consolidated Interim Financial Results

1. Condensed Consolidated Interim Condensed Consolidated Statement of Comprehensive Income

Total operating revenues at the end of the first half of 2021 amounted to \$2,874 billion, an increase of 10.8% compared to the same period of 2020. **Revenues from customers** amounted to \$2,828 billion, up 11.7% year-on-year (\$2,531 billion 1S-2020), mainly due to integrated plans with unlimited services, higher speed fixed connectivity services, equipment installation, and integrated solutions for corporate customers. **Handset revenues** increased 57.8% year-on-year due to higher commercial activity in smartphones compared to the same period of 2020, which was impacted by the confinement measures that generated temporary closures of sales channels.

The **other operating income** line for \$45 billion presents a drop of 28.3%, mainly due to lower execution of projects carried out with direct company personnel compared to the same period of 2020.

Operating costs and expenses amounted to \$2,085 billion in the first half of 2021, presenting an increase of 11.3% (\$211 billion) compared to the same period of 2020, mainly due to higher costs associated with revenue growth and increased commercial activity due to the execution of new contracts with corporate customers, increase in mobile access charges - mobile due to increased traffic, higher cost of equipment in customers' homes associated with new subscribers and the increase in the cost of sales of smartphones due to increased commercial activity.

EBITDA - indicator that measures performance and operating income before depreciation and amortization and taxes amounted to \$789 billion at the end of the first half of 2021, an increase of 9.4% compared to the same half of 2020 when it totaled \$721 billion. The excellent performance in connectivity revenues drives EBITDA growth during the first half of 2021, the increase in mobile handset sales, as well as the capture of significant efficiencies in non-trade costs, and a significant improvement in the provision for bad debts due to the good performance and management of the portfolio, all when compared to the same half of 2020.

Depreciation and amortization expense for the first half of 2021 amounted to \$713 billion with a slight decrease of 0.2% (\$1 billion) compared to the same period of 2020. **Financial loan, net amounted** to \$215 billion with an increase of \$72 billion when compared to the same period of 2020, mainly generated by the replacement of the equity instrument (hybrid bond) with financial debt and a new debt structure during 2020, as well as the benefit from the early redemption of derivative instruments (Swaps) associated with the prepayment of the senior bond in 2020. As of 1S-2021, it closes with a **net result** of -\$197 billion, which includes an **income tax expense** of \$58 billion (a net result of -\$186 billion as of 1S-2020).

2. Consolidated Statements of Financial Position

The **consolidated total assets** of Colombia Telecomunicaciones S.A. E.S.P. BIC and its Subsidiary at the end of June 2021 amount to \$3,001 billion. **Current assets** total \$2,368 billion and **non-current assets** total \$10,633 billion. The main changes in short-term assets compared to the closing as of December 2020 are summarized below:

- i) **Cash and cash equivalents** decrease due to payments associated with the Syndicated Loan (Club Deal) for USD 165.5 million and interest on bonds with own resources, payment to suppliers and Capex and corporate project contractors, representing a 65.8% reduction as of June 30, 2021.
- ii) **Financial assets** increased \$27 billion, mainly due to the effect of the exchange rate devaluation at the end of June 30, 2021, which mainly impacts the valuation of forward contracts of future flows.
- iii) **Debtors and other accounts receivable** increased 29.8% (\$274 billion), mainly due to projects in the corporate and SME segment, higher commercial activity in terminal equipment sales, and the portfolio generated in turnkey contracts for fiber deployment.

- iv) **Prepaid expenses** increased 13.7% (\$30 billion) mainly due to (i) the recognition of the consideration to the Communications Fund, which will be amortized during 2021, and (ii) costs capitalized and associated with obtaining and fulfilling contracts with customers.
- v) **Contractual assets** decreased 40.3% (\$10 billion) due to the amortization of the six-month period based on the benefits delivered to customers.
- vi) Inventories increase 56.1% (\$80 billion) mainly due to purchases of mobile smartphone equipment based on current estimates and commercial offers to support commercial activity.
- vii) **Taxes and public administrations** increase 38.7% (\$118 billion), mainly due to the recognition of corporate income tax self-withholdings for the first half of 2021.

The main changes in the **long-term assets** of **Colombia Telecomunicaciones S.A. E.S.P. BIC** and its **Subsidiary** at the end of June 2021 compared to the end of December 2020 are summarized below:

- i) **Financial assets** increase by 32.4%, mainly due to the effect of the exchange rate devaluation at the closing of June 30, 2021, impacting the valuation of forward contracts of future flows.
- ii) **Prepaid expenses** show an increase of 44.3% (\$60 billion) generated by; (i) the activation of costs associated with obtaining contracts, (ii) the cost of equipment at customers' premises, and (i) the cost of compliance with contracts with customers based on the increased commercial activity during the first half of 2021.
- iii) **Rights-of-use assets** show a net decrease of 6.3% (\$57 billion) mainly due to depreciation in the first half of 2021 and lease renewals and extensions.
- iv) **Intangible assets** decreased 11.1% (\$160 billion) due to lower Capex additions net of amortization and the termination of useful lives of assets.
- v) **Taxes and public administrations** increased 24.3% (\$58 billion), which corresponds to the VAT on the purchase of fixed assets recognized during the first half of the year and will be offset with future rents payable.

Total consolidated liabilities amounted to \$8,405 billion at the end of the first half of 2021 and presented a net decrease of 2.1% (\$179 billion) compared to the end of 2020. **Current liabilities** amounted to \$2,515 billion, increasing 17.0%, and **non-current liabilities** amounted to \$5,891 billion, presenting a decrease of 8.5%. The main variations compared to year-end 2020 are summarized below:

- i) **Total financial liabilities** present a net decrease of 10.5% (\$686 billion) mainly due to the early repayment of the Syndicated Loan (Club Deal) for USD 112.5 million and the payment of interest on the local and senior bonds with own resources and the positive effects on the valuation of hedges.
- ii) **Suppliers and accounts payable** increased 22.3% (\$302 billion) associated with the execution of Capex for the deployment of fiber optic network, 4G technology expansion and terminal equipment acquisitions, for projects with corporate customers, and for the installation of fixed services in customers, during the first half of 2021.
- iii) **Taxes and public administrations** increased \$233 billion when compared to the end of 2020 due to the recognition of the amounts of VAT, withholding tax, and national consumption tax returns for the first half of 2021, returns that will be offset with the balance in favor of income tax and its complementary taxes for the taxable year 2020.
- iv) **Provisions and pension liabilities** decreased by 7.5% (\$33 billion), mainly due to the filing and payment of the annual industry and commerce tax returns (ICA) and the use of the provision for employee benefits during the first half of 2021.

Consolidated equity net at the end of the first half of 2021 amounted to \$4,596 billion with a net increase of 0.7% (\$30 billion) generated by; i) increase due to the valuation of hedging instruments mainly impacted by the variation of the local interest rate curve in the valuation of swaps for \$227 billion, and ii) result of the first half of 2021 for -\$197 billion.

III. Financial Results - Separate

Interim Condensed Separate Statement of Comprehensive Income

Total operating revenues at the end of the first half of 2021 amounted to \$2,873 billion, with an increase of 11.1% compared to the same period of 2020. **Revenues from customers** amounted to \$2,828 billion, up 11.7% year-on-year (\$2,531 billion 1S-2020), mainly driven by integrated plans with unlimited services, higher speed fixed connectivity services, equipment installation, and integrated solutions with corporate customers. **Handset revenues** increased 57.9% due to higher commercial activity of smartphones compared to the same period of 2020, which was impacted by the confinement measures that generated temporary closures of sales channels.

Other operating revenues of \$44 billion presented a decrease of 19.3%, mainly due to lower execution of projects carried out with **direct company** personnel compared to the same period of 2020.

Operating costs and expenses amounted to \$2,081 billion in the first half of 2021, an increase of 11.5% (\$214 billion) compared to the same period of 2020, mainly due to higher costs associated with revenue growth and increased commercial activity in contracts with corporate customers, the increase in mobile access charges due to increased traffic, higher cost of equipment in customers' homes associated with new subscribers and the cost of sales of smartphones related to increased commercial activity.

EBITDA - an indicator that measures performance and operating income before depreciation and amortization and taxes amounted to \$792 billion at the end of the first half of 2021, up 10.1% compared to the same half of 2020 when it totaled \$719 billion. EBITDA growth during the first half of 2021 is driven by the improved performance of service revenues, mainly due to the good performance of connectivity services and the increase in mobile handset sales, as well as the capture of significant efficiencies in non-commercial costs and a significant improvement in the provision for bad debt due to the good performance and management of the portfolio, all when compared to the same half of 2020.

Depreciation and amortization expenses for the first half of 2021 amounted to \$713 billion, remaining stable compared to the same period of 2020. **Financial expense** presents an increase of 50.8% (\$72 billion) compared to the same period of 2020, mainly due to the replacement of the equity instrument (hybrid bond) with financial debt and a new debt structure during 2020. As of 1H-2021, it closes with a **net result** of -\$196 billion, which includes **income tax expense** of \$58 billion (a net result of -\$187 billion as of 1S-2020).

IV. Subsequent Events

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

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

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

As of June 30, 2021 and for the six-month period ending on June 30, 2021 with
statutory auditor's report

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Certification of the Legal Representative and Public Accountant

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

August 12, 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 June 30, 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 six months 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., S.A. E.S.P., S.A.U., S.A. de C.V., S.A. de C.V. 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 June 30, 2021, exist, and all transactions included in such condensed consolidated interim financial statements have occurred during the six months then ended.
2. All economic events occurring during the six months ended June 30, 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 on June 30, 2021.
4. All items have been recognized at their appropriate values, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia - (NCIF).
5. All economic events affecting the Company and its 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 STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021**

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

	Notes	As of june, 30		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	64.823	242.989.170	189.599	710.710.921
Financial Assets	6	7.335	27.494.096	31	117.972
Debtors and other receivables, net	7	318.618	1.194.339.085	245.518	920.322.591
Prepaid Expenses	8	65.153	244.225.558	57.280	214.713.915
Contractual Assets	9	3.824	14.333.343	6.403	24.001.528
Inventories	10	59.157	221.748.141	37.898	142.060.679
Taxes and Public Administration	11	112.873	423.102.797	81.406	305.151.702
Total current assets		631.783	2.368.232.190	618.135	2.317.079.308
Non-current assets:					
Financial Assets	6	4.250	15.931.223	3.209	12.030.174
Debtors and other receivables, net	7	60.579	227.081.806	64.297	241.018.854
Prepaid Expenses	8	52.486	196.744.901	36.385	136.388.974
Contractual Assets	9	393	1.474.760	91	341.254
Right of use assets	12	224.555	841.743.044	239.658	898.357.174
Property, plant and equipment	13	1.255.614	4.706.667.998	1.269.811	4.759.885.380
Investment Properties		2.012	7.542.910	2.012	7.542.910
Intangibles	14	343.281	1.286.787.350	386.081	1.447.224.188
Goodwill	15	366.094	1.372.301.565	366.094	1.372.301.565
Taxes and Public Administration	11	78.876	295.667.328	63.450	237.843.023
Deferred Taxes	11	448.473	1.681.102.721	459.085	1.720.879.550
Total Non-current assets		2.836.613	10.633.045.606	2.890.173	10.833.813.046
Total assets		3.468.396	13.001.277.796	3.508.308	13.150.892.354
Liabilities					
Current liabilities:					
Financial Obligations	16	89.692	336.211.090	128.332	481.053.365
Suppliers and accounts payable	17	419.311	1.571.787.055	337.793	1.266.218.778
Contractual liabilities	9	24.694	92.566.309	23.970	89.850.211
Taxes and Public Administration	11	98.043	367.515.238	35.974	134.848.510
Deferred liabilities		691	2.591.416	691	2.591.776
Provisions and pension liabilities	18	38.389	143.901.213	46.538	174.448.142
Total current liabilities		670.820	2.514.572.321	573.298	2.149.010.782
Non-current liabilities					
Financial obligations	16	1.476.654	5.535.235.804	1.621.067	6.076.568.497
Suppliers and accounts payable	17	22.609	84.749.827	23.683	88.775.317
Contractual liabilities	9	884	3.314.829	1.223	4.584.479
Deferred liabilities		2.961	11.100.598	1.939	7.270.022
Provisions and pension liabilities	18	68.398	256.381.231	68.954	258.470.645
Total Non-current liabilities		1.571.506	5.890.782.289	1.716.866	6.435.668.960
Total Liabilities		2.242.326	8.405.354.610	2.290.164	8.584.679.742
Total equity, attributable to controlling interests	19	1.226.070	4.595.923.186	1.218.144	4.566.212.612
Total liabilities and shareholders' equity		3.468.396	13.001.277.796	3.508.308	13.150.892.354

Notes 1 to 29 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 JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

	Notes	Six-month period ended June 30,		Three-month period ended June 30,	
		2021	2020	2021	2020
(In thousands of US\$)					
Operating income:					
Income from contracts with customers	20	754.452	675.256	377.353	331.228
Other operating income	21	12.131	16.911	5.434	8.076
		766.583	692.167	382.787	339.304
Operating costs and expenses	22	(556.197)	(499.806)	(278.918)	(238.081)
Operating profit before depreciation and amortization		210.386	192.361	103.869	101.223
Depreciation and amortization	23	(190.216)	(190.517)	(94.979)	(97.640)
Operational result		20.170	1.844	8.890	3.583
Interest expense, net	24	(57.264)	(37.992)	(28.356)	(8.214)
Profit before taxes		(37.094)	(36.148)	(19.466)	(4.631)
Income and supplementary taxes	11	(15.520)	(13.531)	(6.230)	(16.346)
Net profit for the period		(52.614)	(49.679)	(25.696)	(20.977)
Results attributable to:					
Controlling interests		(52.614)	(49.679)	(25.696)	(20.977)
Non-controlling interest		-	-	-	-
Net profit for the period		(52.614)	(49.679)	(25.696)	(20.977)
Other comprehensible results:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11 y 19	60.541	6.105	36.377	(40.026)
Other comprehensive income	19	60.541	6.105	36.377	(40.026)
Net comprehensive income for the period		7.927	(43.574)	10.681	(61.003)
Net comprehensive income attributable to:					
Controlling interest		7.926	(43.574)	10.680	(61.003)
Non-controlling interest	19	-	-	-	-
Net comprehensive income for the period		7.926	(43.574)	10.680	(61.003)

Notes 1 to 29 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 JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

	Notes	Six-month period ended June 30,		Three-month period ended June 30,	
		2021	2020	2021	2020
(In thousands of COP\$)					
Operating income:					
Income from contracts with customers	20	2.828.062.813	2.531.197.086	1.414.507.655	1.241.609.136
Other operating income	21	45.471.651	63.392.268	20.367.711	30.272.275
		2.873.534.464	2.594.589.354	1.434.875.366	1.271.881.411
Operating costs and expenses	22	(2.084.902.848)	(1.873.521.799)	(1.045.522.399)	(892.446.298)
Operating profit before depreciation and amortization		788.631.616	721.067.555	389.352.967	379.435.113
Depreciation and amortization	23	(713.025.383)	(714.153.867)	(356.030.641)	(366.003.912)
Operational result		75.606.233	6.913.688	33.322.326	13.431.201
Interest expense, net	24	(214.655.783)	(142.411.330)	(106.292.633)	(30.789.021)
Profit before taxes		(139.049.550)	(135.497.642)	(72.970.307)	(17.357.820)
Income and supplementary taxes	11	(58.176.683)	(50.722.110)	(23.353.938)	(61.273.505)
Net profit for the period		(197.226.233)	(186.219.752)	(96.324.245)	(78.631.325)
Results attributable to:					
Controlling interests		(197.226.233)	(186.219.752)	(96.324.245)	(78.632.864)
Non-controlling interest		-	-	-	1.539
Net profit for the period		(197.226.233)	(186.219.752)	(96.324.245)	(78.631.325)
Other comprehensible results:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11 y 19	226.936.807	22.884.297	136.359.217	(150.037.762)
Other comprehensive income	19	226.936.807	22.884.297	136.359.217	(150.037.762)
Net comprehensive income for the period		29.710.574	(163.335.455)	40.034.972	(228.669.087)
Net comprehensive income attributable to:					
Controlling interest		29.710.574	(163.335.455)	40.034.972	(228.670.626)
Non-controlling interest	19	-	-	-	1.539
Net comprehensive income for the period		29.710.574	(163.335.455)	40.034.972	(228.669.087)

Notes 1 to 29 are an integral part of these Condensed Consolidated Interim Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 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	910	2.620.350	9.632	336.948	141.175	(3.304)	(1.341.459)	1.764.252	-	1.764.252
Issuance of shares	-	-	-	-	-	-	-	-	-	-
Payment of the perpetual equity instrument coupon (Note 19)	-	-	-	-	-	-	(14.683)	(14.683)	-	(14.683)
Payment of the perpetual equity instrument (Note 19)	-	-	-	(336.948)	-	-	(113.671)	(450.619)	-	(450.619)
Net profit for the period	-	-	-	-	-	-	(49.678)	(49.678)	-	(49.678)
Constitution of occasional reserves	-	-	9.317	-	-	-	(9.317)	-	-	-
Transactions with non-controlling interests and others	-	-	-	-	-	-	1.134	1.134	-	1.134
Transfers (Note 19)	-	-	-	-	(24.679)	-	24.679	-	-	-
Other comprehensive income for the period	-	-	-	-	6.105	-	-	6.105	-	6.105
Balances as of June 30, 2020	910	2.620.350	18.949	-	122.601	(3.304)	(1.502.995)	1.256.511	-	1.256.511
Balances as of December 31, 2020	910	2.620.350	18.949	-	20.507	(3.558)	(1.439.015)	1.218.143	-	1.218.143
Net profit for the period	-	-	-	-	-	-	(52.614)	(52.614)	-	(52.614)
Transfers (Note 19)	-	-	-	-	(4.955)	-	4.955	-	-	-
Other comprehensive income for the period (Note 19)	-	-	-	-	60.541	-	-	60.541	-	60.541
Balances as of June 30, 2021	910	2.620.350	18.949	-	76.093	(3.558)	(1.486.674)	1.226.070	-	1.226.070

Notes 1 to 29 are an integral part of these Condensed Consolidated Interim Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 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
Issuance of shares	16	-	-	-	-	-	-	16	-	16
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	-	-	-	-	-	-	(186.219.752)	(186.219.752)	-	(186.219.752)
Constitution of occasional reserves	-	-	34.925.054	-	-	-	(34.925.054)	-	-	-
Transactions with non-controlling interests and others	-	-	-	-	-	-	4.251.678	4.251.678	(703)	4.250.975
Transfers (Note 19)	-	-	-	-	(92.509.970)	-	92.509.970	-	-	-
Other comprehensive income for the period	-	-	-	-	22.884.297	-	-	22.884.297	-	22.884.297
Balances as of June 30, 2020	3.410.075	9.822.380.645	71.030.665	-	459.566.210	(12.386.002)	(5.633.976.331)	4.710.025.262	-	4.710.025.262
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	-	-	-	-	-	-	(197.226.233)	(197.226.233)	-	(197.226.233)
Transfers (Note 19)	-	-	-	-	(18.572.314)	-	18.572.314	-	-	-
Other comprehensive income for the period (Note 19)	-	-	-	-	226.936.807	-	-	226.936.807	-	226.936.807
Balances as of June 30, 2021	3.410.075	9.822.380.645	71.030.665	-	285.233.851	(13.338.881)	(5.572.793.169)	4.595.923.186	-	4.595.923.186

Notes 1 to 29 are an integral part of these Condensed Consolidated Interim Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Six-month period ended June 30,			
		2021		2020	
		(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Net cash flows from operating activities					
Cash received from customers		790.228	2.962.167.856	717.605	2.689.942.681
Cash paid to suppliers and other accounts payable		(566.977)	(2.125.304.298)	(523.017)	(1.960.539.785)
Net interest paid and other financial expenses		(50.504)	(189.316.064)	(32.687)	(122.525.561)
Direct taxes paid		(36.084)	(135.261.498)	(43.708)	(163.838.142)
Self-withholding on income tax		(11.285)	(42.302.974)	(19.075)	(71.502.933)
Interest paid on finance leases	16	(9.506)	(35.632.545)	(4.563)	(17.103.553)
Net cash provided by operating activities		115.872	434.350.477	94.555	354.432.707
Net cash flows used in investing activities					
Collections for the sale of real estate and equipment		6.195	23.221.033	40.447	151.614.858
Payments for investments in plant and equipment and intangibles		(109.457)	(410.298.864)	(211.094)	(791.284.211)
Net cash used in investing activities		(103.262)	(387.077.831)	(170.647)	(639.669.353)
Fujos de efectivo neto (usado en) provisto por actividades de financiación					
New financial debt	16	53.355	200.000.000	847.991	3.178.695.620
Exchange rate hedging charges		4.253	15.941.711	181.159	679.075.530
Finance lease payments	16	(35.485)	(133.015.518)	(29.458)	(110.421.642)
Payment of financial debt	5 y 16	(159.509)	(597.920.590)	(35.490)	(133.034.532)
Senior bonus payment		-	-	(313.709)	(1.175.939.200)
Perpetual equity instruments coupon payment		-	-	(22.652)	(84.911.387)
Perpetual equity instrument payment	19	-	-	(532.991)	(1.997.915.000)
Net cash (used in) provided by financing activities		(137.386)	(514.994.397)	94.850	355.549.389
(Decrease) net increase in cash and cash equivalents		(124.776)	(467.721.751)	18.758	70.312.743
Cash and cash equivalents as of January 1		189.599	710.710.921	109.666	411.083.341
Cash and cash equivalents as of June 30	5	64.823	242.989.170	128.424	481.396.084
Cash and cash equivalents as of January 1					
Cash, cash and banks		132.956	498.384.457	96.089	360.188.831
Temporary investments		56.643	212.326.464	13.577	50.894.510
Cash and cash equivalents as of June 30		64.823	242.989.170	128.424	481.396.084
Cash, cash and banks		57.387	215.116.354	86.430	323.981.193
Temporary investments		7.436	27.872.816	41.994	157.414.891

Notes 1 to 29 are an integral part of these Condensed Consolidated Interim Financial Statements.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 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, thus classified as a public utility 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.

On September 27, 2017, the Company 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 9 and 8, 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 Business Group status, in the sense of indicating that it 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. were owners of 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom", therefore, upon request of the Company to Optecom Colombia S. A. S., S. 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 on 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. S.). The main corporate purpose consists of performing 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 the Eleventh Notary Office of the Circle of Bogota, the statutory reform consisting in the modification of articles one and four of the Articles of Incorporation relating to 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 THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

In accordance with the preceding, 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 Benefit and Collective Interest Company (B.I.C.) 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) 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. ESP 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 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 Assembly of Holders of Ordinary Bonds Issue 2019 of the Company approved the amendment of article four of the Company's Bylaws, in the terms of the approval made by the General Assembly of Shareholders of the Company."

On March 8, 2021, by means of public deed No. 0749 of the Eleventh Notary Office of the Circle of Bogota, the amendment to the bylaws consisting of the modification of articles one and four of the Bylaws related to the "Name and Nature" and "Corporate Purpose," respectively, was notarized. As of said date, the corporate name of the Company is "COLOMBIA TELECOMUNICACIONES S.A. ESP BIC" and its corporate purpose included the activities associated with the adoption of the legal status of Sociedad de Beneficio e Interés Colectivo (BIC) and the importation, commercialization, installation, and leasing of equipment for private security and surveillance.

d) Agreement for the acquisition of assets with DIRECTV Colombia Ltda.

On May 24, 2021, Colombia Telecomunicaciones S. A. ESP BIC signed an agreement for the acquisition of the fixed or dedicated wireless internet business (Fixed Wireless Access -FWA) of DirecTV Colombia Ltda., which includes obligations, declarations, and indemnity terms usual and under market conditions for this type of transactions. The transaction's closing is expected to take place in the second half of the year once the corresponding authorities have granted the corresponding authorizations.

e) Prepayment of Syndicated Loan (Club Deal).

During the first half of 2021, prepayments of the syndicated loan have been made in the amount of USD 165.5 million (\$597,921 million), as follows: on March 12, 2021, USD 100 million (\$353,462 million), on May 12, 2021, USD 12.5 million (\$46. 290 million) and on June 28, 2021, USD 53 million (\$198,169 million), of which USD 112.5 million (\$399,752 million) were paid with cash flow generated by the Group and USD 200,000 million (USD 53 million) with funds obtained from new replacement debt in COP (item f).

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

f) Replacement of financial debt.

On June 28, 2021, the Group entered into a loan with the financial entity Scotiabank Colpatría in sustainable format for \$200,000 million, and the resources were used to make a prepayment of the syndicated loan (Club Deal) for the amount of USD 53 million (item e).

2. OPERATIONS

2.1. Impacts of the Economic and Sanitary 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, acting in a responsible and preventive manner and adopting the measures tending to guarantee the continuity in operation, the rendering of services and the adequate attention to customers, suppliers, collaborators, contractors, and stakeholders, promptly to carry out the measures issued by the health authorities of the National Government and those implemented by our Organization. At the closing of June 2021, the effects derived from the Pandemic have been recognized in the accounting; we consider that the Company has had limited impacts on the operations and the Financial Statements.

The Group, faced with COVID-19, has been able to counteract the risks and maintain a balance in operation, with a positive evolution in the results.

2.2. Ongoing Business.

With the extension of the COVID-19 pandemic into 2021, the Group continues to analyze the implications, including the measurement of assets and liabilities, accounting estimates, and appropriate disclosures, and the Group's ability to continue as a going concern.

Management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next 12 months and that the going concern basis of accounting remains appropriate. The Group has resources of \$242,989,170 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, 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 appropriate.

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Professional Accounting Standards Applied.

3.1.1. Basis of Presentation.

These interim financial statements ended June 30, 2021, and for the six months 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 important for understanding changes in the Group's financial position and performance since the last annual financial statements.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

These condensed interim consolidated 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, the Group's functional currency. 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 \$3,748.50 and \$3,432.50 per US\$1 as of June 30, 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 when 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 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.

The equity method accounts for investments in subsidiaries in which the Company has control by directly owning more than 50% of the capital stock. 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 this Company's profit is recorded as a reduction in the investment value.

The participation of Colombia Telecomunicaciones S. A. E.S.P. BIC in Operaciones Tecnológicas y Comerciales S. A. S. at June 30, 2021 and December 31, 2020 is 100%.

The main figures of the financial statements of the subsidiary companies that consolidate Colombia Telecomunicaciones S. A. E.S.P. BIC, are as follows:

Operaciones Tecnológicas y Comerciales S. A. S.

The financial information is presented below:

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Total assets	4.348	16.299.069	2.734	10.249.081
Total liabilities	4.260	15.969.198	2.410	9.033.141
Total equity	88	329.871	324	1.215.940
Results for the period	(503)	(1.886.070)	(198)	(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.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Based on the preceding, 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 respective disclosures in future periods. Although they may differ from their final effect, Management believes that the estimates and assumptions used were appropriate in each circumstance.

The estimates and judgments used are continually evaluated. They 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 half 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 that ended December 31, 2020. They 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 half of 2021, no new regulatory changes are presented. As of December 31, 2020, the last annual financial statements 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.

5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Cash	4	13.373	1	5.015
Banks in national and foreign currency	57.384	215.102.981	132.954	498.379.442
Temporary investments (1)	7.435	27.872.816	56.644	212.326.464
	64.823	242.989.170	189.599	710.710.921

The variation as of June 30, 2021, corresponds to payments of financial liabilities for USD 165.5 million (\$597,921 million) associated with the Syndicated Loan (Club Deal) with own resources and using the new debt of \$200,000 million with Scotiabank (Note 16), in addition to payments to suppliers and Capex contractors and corporate projects.

Cash and cash equivalents include balances in foreign currency at June 30, 2021 for USD 11,222 thousand (\$42,065,667) and at December 31, 2020 for USD 5,182 thousand (\$17,787,215) (Note 25). As of June 30, 2021 and December 31, 2020, restricted amounts in banks amount to \$6,379,439 and \$5,297,896, respectively.

- 1) Includes investments in collective funds whose rates for the semesters ended June 30, 2021 and 2020 ranged between 1.02% and 3.23% and between 2.87% and 5.13% respectively and a Time Deposit for USD 5 million equivalent to \$18,742,500 (December 31, 2020 - \$17,162,500). Yields on temporary investments and bank investments recognized during the first half of 2021 and 2020 were \$1,388,286 and \$3,135,001, respectively (Note 24).

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2021 AND FOR THE SIX MONTHS ENDED JUNE 30, 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise stated)

6. FINANCIAL ASSETS

The balance of financial assets as of June 30, 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
(In thousands of US\$)					
Current financial assets:					
Hedging instruments (1)	4.655	2.649	7.304	-	7.304
Deposits and guarantees (2)	-	-	-	31	31
	4.655	2.649	7.304	31	7.335
Non-current financial assets:					
Deposits and guarantees (2)	-	-	-	3.940	3.940
Hedging instruments (1)	-	294	294	-	294
Other financial assets	-	-	-	16	16
	-	294	294	3.956	4.250
	4.655	2.943	7.598	3.987	11.585
(In thousands of COP\$)					
	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
Current financial assets:					
Hedging instruments (1)	17.448.209	9.927.915	27.376.124	-	27.376.124
Deposits and guarantees (2)	-	-	-	117.972	117.972
	17.448.209	9.927.915	27.376.124	117.972	27.494.096
Non-current financial assets:					
Deposits and guarantees (2)	-	-	-	14.768.953	14.768.953
Hedging instruments (1)	-	1.102.270	1.102.270	-	1.102.270
Other financial assets	-	-	-	60.000	60.000
	-	1.102.270	1.102.270	14.828.953	15.931.223
	17.448.209	11.030.185	28.478.394	14.946.925	43.425.319

- (1) Corresponds to the valuation of hedging derivatives, using the NDF-Non Delivery Forward and CCS - Cross Currency Swap curves of the market at the end of the period, including the net adjustment for own and counterparty credit risk Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

As of June 30, 2021, there is a change in the valuation of forward contracts of future flows and commercial accounts mainly impacted by the volatility of exchange rates (as of June 30, 2021, for \$3,748.5 and as of December 31, 2020, for \$3,432.5).

- (2) Corresponds to deposits constituted by court order on which the Group is advancing the necessary processes for their resolution.

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

	At amortized cost	Total financial assets
	<i>(In thousands of US\$)</i>	
Current financial assets:		
Deposits and guarantees	31	31
	31	31
Non-current financial assets:		
Deposits and guarantees	3.193	3.193
Other financial assets	16	16
	3.209	3.209
	3.240	3.240
	At amortized cost	Total financial assets
	<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

7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	As of june, 30		As of december, 31	
	2021		2020	
	<i>(In thousands of US\$)</i>	<i>(In thousands of COP\$)</i>	<i>(In thousands of US\$)</i>	<i>(In thousands of COP\$)</i>
Current				
Customers by sale and provision of services (1)	252.939	948.140.640	208.072	779.958.081
Portfolio by equipment sold at installments (2)	91.027	341.213.875	77.012	288.679.136
Other debtors (3)	55.375	207.577.014	34.162	128.053.198
Related parties (Note 26)	15.151	56.794.276	14.117	52.916.854
Portfolio with national operators (4)	11.933	44.730.758	14.793	55.453.330
Commercial agents and distribution channels	1.978	7.412.735	1.483	5.559.343
Portfolio Impairment (5)	(109.785)	(411.530.213)	(104.121)	(390.297.351)
	318.618	1.194.339.085	245.518	920.322.591
Non-current:				
Portfolio with national operators (4)	48.801	182.929.673	48.801	182.929.672
Customers by sale and provision of services (1)	32.145	120.496.447	34.832	130.567.672
Other debtors (3)	15.371	57.619.632	16.402	61.485.456
Portfolio of grants and contributions (6)	10.167	38.111.870	10.167	38.111.870
Portfolio Impairment (5)	(45.905)	(172.075.816)	(45.905)	(172.075.816)
	60.579	227.081.806	64.297	241.018.854
	379.197	1.421.420.891	309.815	1.161.341.445

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Debtors and other receivables include balances in foreign currency at June 30, 2021 for USD 12,494 thousand (\$46,833,759) and at December 31, 2020 for USD 4,690 thousand (\$16,098,425) (Note 25).

As of June 30, 2021, the current portion presents an increase mainly due to projects with corporate clients and SMEs in integrated solutions, equipment, connectivity, and digital services. The non-current portion decreases due to the transfer to the short term in accordance with the payment plan of Corporación Red Nacional Académica - Renata.

- (1) The portfolio of equipment sold in installments has increased as a result of greater commercial activity with mobile terminals.
- (2) As of June 30, 2021, the current portion presents an increase in the portfolio for turnkey contracts for \$48,023,996, for the sale of real estate for \$14,538,815, international roaming services for \$12,532,934 and commercial support from manufacturers for \$1,304,834, mainly. The non-current portion presents a variation due to transfers to the short term.

As of June 30, 2021, and December 31, 2020, includes trust rights for \$32,668,826 and \$32,692,973, respectively, of the Biannual Plan III (Note 17).

- (3) Portfolio related to access charges with interconnection operators. The decrease in the short term corresponds mainly to the payment of the operator Avantel for automatic national roaming traffic. The long-term portfolio includes the provisioned portfolio with Empresa de Teléfonos de Bogotá (ETB) and the balance with Avantel, an operator undergoing a corporate reorganization and whose recovery is long-term.
- (4) During the semesters ended June 30, 2021, and 2020, an expense for portfolio impairment of \$25,988,171 and \$59,846,914, respectively, was recognized (Note 22). The decrease in the expense at the end of the first half of 2021 is mainly due to improvements in portfolio recovery leveraged on the strategic campaigns carried out by the Group with clients.
- (5) Includes portfolio with the National Government for subsidies and contributions which is provisioned.

8. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of June 30		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)	19.632	73.590.332	22.103	82.854.548
Cost of fulfilling contracts with clients (2)	13.219	49.551.588	14.080	52.777.455
Support and maintenance	10.503	39.368.702	13.378	50.147.652
Costs for obtaining contracts with clients (3)	8.936	33.496.695	4.054	15.194.681
Radio spectrum (4)	6.169	23.125.258	-	-
Insurance policies (5)	2.994	11.223.189	1.482	5.556.339
Others (6)	1.901	7.127.671	352	1.317.908
Irrevocable use rights - capacity	1.799	6.742.123	1.831	6.865.332
	65.153	244.225.558	57.280	214.713.915
Non-current:				
Costs for obtaining contracts with clients (3)	21.685	81.285.642	10.514	39.412.044
Cost of equipment at clients' homes (1)	14.835	55.609.868	10.744	40.273.290
Cost of fulfilling contracts with clients (2)	10.976	41.143.224	8.399	31.484.459
Irrevocable use rights - capacity	2.277	8.537.162	3.300	12.371.672
Support and maintenance	2.104	7.885.376	2.750	10.306.638
Insurance policies (5)	609	2.283.629	678	2.540.871
	52.486	196.744.901	36.385	136.388.974
	117.639	440.970.459	93.665	351.102.889

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- (1) Amortization for the semesters ended June 30, 2021 and 2020 for customer premises equipment costs amounted to \$51,617,449 and \$50,171,655, respectively (Note 22). The non-current portion increases due to higher equipment delivered to customers' premises as a result of higher commercial activity, compared to the end of 2020.
- (2) Amortization of contract compliance costs with customers for the semesters ended June 30, 2021, and 2020 amounted to \$33,860,741 and \$32,087,425, respectively (Note 22). The non-current portion increases for installation services of equipment at customers' homes in accordance with the increased commercial activity, compared to the end of 2020.
- (3) As of June 30, 2021, and December 31, 2020, the costs of obtaining contracts with customers are recognized. Amortization for the six months ended June 30, 2021, was \$14,305,222 (Note 22). During the same six-month period of 2020, these costs were taken directly to income, which generated an increase as of June 30, 2021.
- (4) As of June 30, 2021, includes the consideration to the Communications Fund, which will be amortized during 2021.
- (5) The increase corresponds mainly to the acquisition of an all-risk policy during the first half of 2021.
- (6) The increase corresponds mainly to operating leases of technical sites, property taxes of own sites effective 2021, and SAP applications acquired during the first half of 2021.

9. CONTRACTUAL ASSETS AND LIABILITIES

The changes in contractual assets and liabilities as of June 30, 2021 are as follows:

	As of December 31, 2020	High	Amortization	Transfers	Reversal	As of June 30, 2021
	(In thousands of US\$)					
Current contractual asset (1)						
Contractual asset	6.663	1.601	(4.700)	335	-	3.899
Impairment corrections	(260)	(1)	-	-	186	(75)
	6.403	1.600	(4.700)	335	186	3.824
Non-current contractual asset (1)						
Contractual asset	91	637	-	(335)	-	393
	6.494	2.237	(4.700)	-	186	4.217
Current contractual liabilities (2)	23.970	88.527	(88.142)	339	-	24.694
Non-current contractual liability	1.223	-	-	(339)	-	884
	25.193	88.527	(88.142)	-	-	25.578

	As of December 31, 2020	High	Amortization	Transfers	Reversal	As of June 30, 2021
	(In thousands of COP\$)					
Current contractual asset (1)						
Contractual asset	24.975.592	5.999.512	(17.619.172)	1.256.498	-	14.612.430
Impairment corrections	(974.064)	(3.596)	-	-	698.573	(279.087)
	24.001.528	5.995.916	(17.619.172)	1.256.498	698.573	14.333.343
Non-current contractual asset (1)						
Contractual asset	341.254	2.390.004	-	(1.256.498)	-	1.474.760
	24.342.782	8.385.920	(17.619.172)	-	698.573	15.808.103
Current contractual liabilities (2)	89.850.211	331.848.168	(330.401.720)	1.269.650	-	92.566.309
Non-current contractual liability	4.584.479	-	-	(1.269.650)	-	3.314.829
	94.434.690	331.848.168	(330.401.720)	-	-	95.881.138

As of June 30, 2021, the decrease in the current portion is generated by the amortization of the period and changes in the term of the current obligations in the massive offers, which leads to the reversal of the associated impairment.

The increase in the non-current portion corresponds to the change in permanence and benefits transferred to corporate clients as of June 30, 2021.

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- (1) The variation in contractual liabilities corresponds to increases in commercial activity generated by convergent offers, mainly due to plan changes and migrations and advances from corporate customers for the provision of services.

10. INVENTORIES

The balance of inventories, net of allowance for doubtful accounts, is as follows:

	As of june, 30		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 (1)	34.510	129.360.550	16.796	62.959.195
Equipment in transit (2)	10.041	37.632.883	3.487	13.073.739
Materials and equipment (3)	9.057	33.951.868	12.575	47.136.771
IT equipment	6.890	25.828.040	6.323	23.700.621
	60.498	226.773.341	39.181	146.870.326
Provision for obsolescence (4)	(1.341)	(5.025.200)	(1.283)	(4.809.647)
	59.157	221.748.141	37.898	142.060.679

- (1) The increase as of June 30, 2021, is generated by higher commercial activity, mainly in mobile smartphones to meet short-term commercial offers.
- (2) Increase as of June 30, 2021, corresponds to equipment in the process of nationalization to attend customer's home installations and commercial offers in mobile smartphones.
- (3) Mainly includes modems, equipment for corporate services, and location equipment; the decrease as of June 30, 2021, corresponds to equipment consumption for fixed service customer installations.
- (4) During the six-month periods ended June 30, 2021, and 2020, provision expense of \$215,554 and \$1,804,035, respectively, was recognized (Note 22). The decrease in provision expense in the first half of 2021 corresponds to the higher turnover due to the commercial activity presented for mobile terminals.

During the six months ended June 30, 2021, and 2020, the consumption of inventories carried at the cost of sales was recognized for \$374,736,262 and \$268,932,416, respectively (Note 22).

11. TAXES AND PUBLIC ADMINISTRATIONS

The balance of tax and government assets is presented below:

	As of june, 30		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)	63.692	238.748.173	63.887	239.479.116
Self withholdings and income withholdings (2)	29.239	109.601.933	-	-
Tax discount (3)	17.171	64.364.085	12.580	47.155.910
Advances, withholdings and self-withholdings of ICA (4)	2.767	10.372.415	4.906	18.394.187
Sales tax withholdings	4	16.191	33	122.489
	112.873	423.102.797	81.406	305.151.702
No Current				
Tax discounts (3)	78.876	295.667.328	63.450	237.843.023
	78.876	295.667.328	63.450	237.843.023

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- (1) Corresponds to the corporate income tax credit balance for the taxable year 2020, the amount that will be offset with the withholding tax, VAT, and national consumption tax returns during 2021.
- (2) The balance as of June 30, 2021, corresponds to the recognition of corporate tax self-withholdings for the first half of 2021, calculated on the base income for liquidation and the withholdings made by the financial entities to the Group on the collection from customers of credit and debit card operations.
- (3) As of June 30, 2021, the current tax discount corresponds to 50% of the industry and commerce tax effectively paid during the current period. The non-current tax discount includes VAT on the purchase of tangible productive fixed assets. The increase is due to the recognition of these taxes during the first half of 2021, which will be used in subsequent periods.
- (4) These taxes show a decrease in recognition of self-withholdings and withholdings for ICA in the annual returns, which were settled and presented during the first half of 2021.

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

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Withholdings and self-withholdings (1)	51.458	192.891.452	11.642	43.639.129
Sales tax - VAT (1)	42.699	160.058.466	21.131	79.208.459
National consumption tax (1)	2.450	9.183.531	950	3.562.424
Other current taxes	1.436	5.381.789	1.219	4.568.726
Import taxes (2)	-	-	1.032	3.869.772
	98.043	367.515.238	35.974	134.848.510

- (1) As of June 30, 2021, includes the amount payable for VAT, withholding tax, and national excise tax returns for the first half of 2021, which will offset 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 withholding tax for the month of December 2020, VAT, and national excise tax for the sixth two-month period of 2020, which 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 june, 30		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	43.053	161.385.912	34.209	128.233.424
Other assets	986	3.696.678	1.053	3.947.804
Employee benefits	-	-	2.151	8.063.080
Deferred tax asset on deductible temporary differences (1)	44.039	165.082.590	37.413	140.244.308
Deferred tax asset for tax losses (2)	413.491	1.549.970.188	431.365	1.616.969.604
	413.491	1.549.970.188	431.365	1.616.969.604
Total deferred tax asset	457.530	1.715.052.778	468.778	1.757.213.912
Deferred tax liability:				
Taxable temporary differences	9.057	33.950.057	9.693	36.334.362
Total deferred tax liability	9.057	33.950.057	9.693	36.334.362
Total net deferred tax	448.473	1.681.102.721	459.085	1.720.879.550

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- (3) During the six months ended June 30, 2021, the use of the deferred tax liability is recognized.
- (4) In the six months ended June 30, 2021, the use of the Group's tax credits, derived from the offset of tax losses against taxable income for the period was recognized.

Tax Losses.

Management estimates that no significant differences imply the modification of the tax assessed or the imposition of penalties that entail recognizing contingencies in the financial statements.

In accordance with current tax legislation, losses generated in income tax and complementary taxes and/or 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. Tax losses determined may not be adjusted for tax purposes.

Below is the summary of tax losses at the closing of June 30, 2021:

Tax	Year of origin	Adjusted losses	Loss		Expiration date
			compensation	Loss balance	
(In thousands of USD\$)					
Rent	2007	50.856	-	50.856	Unlimited
	2008	62.193	-	62.193	Unlimited
	2009	68.108	-	68.108	Unlimited
	2010	11.510	-	11.510	Unlimited
	2011	42.489	-	42.489	Unlimited
	2012	31.260	-	31.260	Unlimited
	2013	32.145	-	32.145	Unlimited
	2015	31.591	-	31.591	Unlimited
	2017	1.041.198	(15.957)	1.025.241	Year 2029
		1.371.350	(15.957)	1.355.393	
CREE	2015	79.410	-	79.410	
		1.450.760	(15.957)	1.434.803	

Tax	Year of origin	Adjusted losses	Loss		Expiration date
			compensation	Loss balance	
(In thousands of COP\$)					
Rent	2007	190.635.384	-	190.635.384	Unlimited
	2008	233.131.768	-	233.131.768	Unlimited
	2009	255.303.697	-	255.303.697	Unlimited
	2010	43.145.382	-	43.145.382	Unlimited
	2011	159.271.720	-	159.271.720	Unlimited
	2012	117.177.333	-	117.177.333	Unlimited
	2013	120.494.028	-	120.494.028	Unlimited
	2015	118.419.555	-	118.419.555	Unlimited
	2017	3.902.929.533	(59.814.412)	3.843.115.121	Year 2029
		5.140.508.400	(59.814.412)	5.080.693.988	
CREE	2015	297.667.938	-	297.667.938	
		5.438.176.338	(59.814.412)	5.378.361.926	

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12. RIGHT-OF-USE ASSETS

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

Concept	As of june, 30 of 2021			As of december, 31 of 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of USD)</i>					
Land and buildings (1)	221.456	(90.678)	130.778	207.954	(70.255)	137.699
Technical installations	132.531	(40.216)	92.315	130.908	(29.848)	101.060
Transport equipment	4.479	(3.017)	1.462	3.841	(2.940)	899
	358.466	(133.911)	224.555	342.703	(103.043)	239.658

Concept	As of june, 30 of 2021			As of december, 31 of 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)	830.127.922	(339.905.733)	490.222.189	779.513.226	(263.350.134)	516.163.092
Technical installations	496.791.742	(150.750.557)	346.041.185	490.703.578	(111.884.343)	378.819.235
Transport equipment	16.788.360	(11.308.690)	5.479.670	14.394.193	(11.019.344)	3.374.847
	1.343.708.024	(501.964.980)	841.743.044	1.284.610.997	(386.253.821)	898.357.174

For the semesters ended June 30, 2021 and 2020, depreciation expense recognized in income was \$119,508,120 and \$111,752,388 (Note 23).

- (1) The increase in the cost as of June 30, 2021 corresponds to the subscription, renewal, and increases in lease rental fees for land and sites for technical facilities, generating higher depreciation expense in the first half of 2021 compared to the same period of 2020.

13. PROPERTY, PLANT, AND EQUIPMENT

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

Concept	As of june, 30 of 2021			As of december, 31 of 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of USD)</i>					
Land and buildings (1)	794.948	(448.627)	346.321	801.556	(444.854)	356.702
Switching, access and transmission	2.275.057	(1.505.886)	769.171	2.228.357	(1.435.919)	792.438
Assets under construction (2)	75.311	-	75.311	51.792	-	51.792
Subsidized projects (3)	(23)	-	(23)	(2.710)	-	(2.710)
Furniture, information and transport equipment	144.424	(79.590)	64.834	141.482	(69.893)	71.589
	3.289.717	(2.034.103)	1.255.614	3.220.477	(1.950.666)	1.269.811

Concept	As of june, 30 of 2021			As of december, 31 of 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)	2.979.863.218	(1.681.677.041)	1.298.186.177	3.004.630.380	(1.667.535.650)	1.337.094.730
Switching, access and transmission	8.528.049.731	(5.644.815.375)	2.883.234.356	8.352.992.061	(5.382.540.698)	2.970.451.363
Assets under construction (2)	282.305.157	-	282.305.157	194.142.354	-	194.142.354
Subsidized projects (3)	(86.967)	-	(86.967)	(10.156.901)	-	(10.156.901)
Furniture, information and transport equipment	541.374.169	(298.344.894)	243.029.275	530.346.831	(261.992.997)	268.353.834
	12.331.505.308	(7.624.837.310)	4.706.667.998	12.071.954.725	(7.312.069.345)	4.759.885.380

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For the six-month periods ended June 30, 2021 and 2020 the amortization expense recognized in income was \$329,618,987 and \$341,916,499, respectively (Note 23).

- (1) Includes provision for decommissioning of sites as of June 30, 2021 and December 31, 2020 for \$58,936,330 and \$57,139,641, respectively (Note 18).
- (2) The variation corresponds to new acquisitions of goods and services for the construction of fixed assets mainly related to the deployment of a 4G mobile network and optical fiber.
- (3) Subsidized projects correspond to resources associated with the payment for spectrum allocation (15Mhz granted in 2011) and whose objective is to deploy technical sites to bring connectivity to localities and educational institutions.

The decrease corresponds to the approval by the Nation of the projects executed by the Group, which were distributed within the concepts of construction and transmission and access equipment.

14. INTANGIBLES

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

Concept	As of june, 30 of 2021			As of december, 31 of 2020		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of USD)</i>					
Qualifying degrees (1)	612.559	(389.366)	223.193	612.559	(347.308)	265.251
Network and office equipment software (2)	279.375	(170.190)	109.185	251.773	(145.218)	106.555
Rights (3)	16.867	(5.964)	10.903	16.867	(5.526)	11.341
Customer List (4)	12.300	(12.300)	-	12.300	(9.366)	2.934
	921.101	(577.820)	343.281	893.499	(507.418)	386.081

Concept	As of june, 30 of 2021			As of december, 31 of 2020		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
	<i>(In thousands of COP\$)</i>					
Qualifying degrees (1)	2.296.177.445	(1.459.536.706)	836.640.739	2.296.177.445	(1.301.885.117)	994.292.328
Network and office equipment software (2)	1.047.234.545	(637.958.229)	409.276.316	943.773.108	(544.351.315)	399.421.793
Rights (3)	63.225.314	(22.355.019)	40.870.295	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
	3.452.744.304	(2.165.956.954)	1.286.787.350	3.349.282.867	(1.902.058.679)	1.447.224.188

For the semesters ended June 30, 2021 and 2020, depreciation expense recognized in income was \$263,898,276 and \$260,484,980 (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 licenses for data center, network equipment, and office equipment.
- (3) Includes mainly Irrevocable Right of Use - IRU's of Optical Fiber.
- (4) As of March 31, 2021, the amortization of the customer list was completed.

15. GOODWILL

The goodwill recorded as of June 30, 2021, and December 31, 2020, amounts to \$1,372,301,565.

Cash Generating Units – CGUs.

According to the definition, a CGU is a 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 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 preceding, the entire Colombian operation is estimated 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 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 to increase operating cash flow over the plan's horizon. 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 Group's business performance and the setting of its financial targets. Finally, discount rates and terminal growth rates are analyzed.

In terms of revenues, the plan is in line with the average of analysts' estimates and our three-year projections, 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 in the higher value customer base and monetization of the growing data consumption, in rational markets, although very competitive in certain segments.

The 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 as of June 30, 2021, was determined similarly to the December 31, 2020 goodwill impairment test and considered among others:

Discount Rate.

At the closing of June 30, 2021, a nominal percentage rate calculated in pesos of 10.55% was used.

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

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 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 cash flows themselves, such as country risk not considered in cash flows themselves, such as country risk, the specific financial risk of the business, foreign exchange risk, foreign currency risk, etc., as well as the impact of the risks associated with the generation of cash flows and risk, exchange rate risk, and the price risk of the financial asset itself.

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

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Sensitivity to Changes in Assumptions.

In accordance with the process of reviewing the recoverable value of the main long-term assets, the Group has adjusted the assumptions used in the evaluation performed at the end of December 2020, mainly in the WACC, which was established at 10.55%. On this basis, the model sensitivities were performed at the end of June 30, 2021, with a step of +/- 1%.

When performing the sensitization exercise and comparing it with the relative financial information, no indications of impairment were identified as of June 30, 2021. However, this evaluation and assumptions correspond to the best estimate available to the Group at the end of the first half of 2021, and it is possible that the emergence of new external and internal factors could trigger an adjustment during the course of the year, a matter that the Group constantly monitors.

16. FINANCIAL LIABILITIES

The balance of financial liabilities is presented below:

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
Financial leasing (1)	66.717	250.088.116	73.142	274.173.145
Interest payable	13.844	51.893.049	13.218	49.547.922
Hedging instruments (2)	9.131	34.229.925	41.972	157.332.298
	89.692	336.211.090	128.332	481.053.365
No Current:				
Financial obligations (3)	592.106	2.219.510.866	663.653	2.487.705.076
Senior bonus (4)	496.491	1.861.095.792	454.146	1.702.367.609
Financial leasing (1)	243.144	911.425.452	252.996	948.355.235
Local bond (5)	133.137	499.065.628	133.105	498.943.191
Hedging instruments (2)	11.776	44.138.066	117.167	439.197.386
	1.476.654	5.535.235.804	1.621.067	6.076.568.497
	1.566.346	5.871.446.894	1.749.399	6.557.621.862

During the semesters ended June 30, 2021, and 2020, interest on financial liabilities was recognized for \$94,337,719 and \$139,976,875, respectively (Note 24).

1) The movement in the finance lease liability for the six months ended June 30, 2021 is presented below:

	As of	High	Payments (a)	Transfers	Others (b)	As of june, 30
	december, 31					of 2021
	of 2020					
						(In thousands of US\$)
Current						
Financial leasing	72.905	12.479	(44.855)	28.938	(2.952)	66.515
Financial liability - Renting	237	17	(136)	84	-	202
	73.142	12.496	(44.991)	29.022	(2.952)	66.717
Not current						
Financial leasing	252.882	19.170	-	(28.938)	-	243.114
Financial liability - Renting	114	-	-	(84)	-	30
	252.996	19.170	-	(29.022)	-	243.144
	326.138	31.666	(44.991)	-	(2.952)	309.861

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	As of december, 31 of 2020	High	Payments (a)	Transfers	Others (b)	As of june, 30 of 2021
	(In thousands of COP\$)					
Current						
Financial leasing	273.284.743	46.779.019	(168.137.235)	108.474.919	(11.065.457)	249.335.989
Financial liability - Renting	888.402	60.183	(510.828)	314.370	-	752.127
	274.173.145	46.839.202	(168.648.063)	108.789.289	(11.065.457)	250.088.116
Not current						
Financial leasing	947.927.769	71.859.506	-	(108.474.919)	-	911.312.356
Financial liability - Renting	427.466	-	-	(314.370)	-	113.096
	948.355.235	71.859.506	-	(108.789.289)	-	911.425.452
	1.222.528.380	118.698.708	(168.648.063)	-	(11.065.457)	1.161.513.568

(a) Includes capital lease payments of \$133,015,518 and interest of \$35,632,545.

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

- The decrease in the liability valuation of hedging instruments at the end of June 2021 compared to the end of December 2020 is mainly explained by the devaluation of the peso against the dollar, the increase in local interest rate curves, and the decrease in foreign interest rate curves.
- The decrease in financial obligations with respect to the closing of 2020 corresponds mainly to the payment of USD 165.5 million (\$597,921 million) associated with the Syndicated Loan (Club Deal) with its own resources and using the new debt of \$200,000 million with Scotiabank (Note 5).
- As of June 30, 2021, and December 31, 2020, the face value of the outstanding senior notes is USD 500 million, equivalent to \$1,874,250 million and \$1,716,250 million. The associated transaction costs were \$13,154 million and \$13,882 million, respectively, which were measured at amortized cost.

The increase as of June 30, 2021, corresponds to the peso's devaluation against the dollar by 9.21% during the first half of 2021.

At the end of June 2021, the interest payable on the bond amount to \$42,264,338, and on December 31, 2020, to \$38,701,438.

- On June 30, 2021, and December 31, 2020, the face value of the local bond is \$500,000 million. Transaction costs are \$934 million and \$1,057 million, respectively. At June 30, 2021 and December 31, 2020 interest payable on the bond amounted to \$2,769,820 and \$2,742,350, respectively.

The following are the maturities of the financial obligations at June 30, 2021:

Maturities	Current		Non-current:				Total non-current	Total
	2021 (1)	2022	2023	2024	2025	Next few years		
	(In thousands of USD\$)							
Financial obligations	-	-	-	53.355	538.752	-	592.107	592.107
Senior bond	-	-	-	-	-	496.491	496.491	496.491
Financial leasing	66.717	19.989	40.274	35.383	31.564	115.934	243.144	309.861
Hedging instruments	9.131	25.687	18.405	17.087	(63.078)	13.674	11.775	20.906
Local bond	-	-	-	92.553	-	40.584	133.137	133.137
Interests	13.844	-	-	-	-	-	-	13.844
	89.692	45.676	58.679	198.378	507.238	666.683	1.476.654	1.566.346

- Corresponds to the period from July 1, 2021, to June 30, 2022.

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Maturities	Current		Non-current:				Total non-current	Total
	2021 (1)	2022	2023	2024	2025	Next few years		
	(In thousands of COP\$)							
Financial obligations	-	-	-	200.000.000	2.019.510.866	-	2.219.510.866	2.219.510.866
Senior bond	-	-	-	-	-	1.861.095.792	1.861.095.792	1.861.095.792
Financial leasing	250.088.116	74.928.533	150.966.603	132.632.260	118.318.453	434.579.605	911.425.454	1.161.513.570
Hedging instruments	34.229.925	96.287.328	68.990.355	64.051.140	(236.447.831)	51.257.070	44.138.062	78.367.987
Local bond	-	-	-	346.935.940	-	152.129.690	499.065.630	499.065.630
Interests	51.893.049	-	-	-	-	-	-	51.893.049
	336.211.090	171.215.861	219.956.958	743.619.340	1.901.381.488	2.499.062.157	5.535.235.804	5.871.446.894

17. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of june, 30		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)	295.876	1.109.094.640	234.205	877.923.866
Suppliers of fixed assets (1)	56.525	211.882.395	38.866	145.688.022
Related parties (Note 26)	52.198	195.664.056	40.719	152.633.776
Spectrum licensing providers (2)	5.904	22.130.792	10.075	37.765.625
Labor wages payable	5.290	19.828.223	10.247	38.409.132
Parafiscal contributions	3.039	11.392.118	2.826	10.592.618
Other accounts payable	479	1.794.831	855	3.205.739
	419.311	1.571.787.055	337.793	1.266.218.778
Non-current:				
Spectrum licensing providers	13.688	51.309.918	12.462	46.714.188
Government grants (Note 7)	8.715	32.668.826	8.722	32.692.973
Related parties (Note 26)	206	771.083	2.499	9.368.156
	22.609	84.749.827	23.683	88.775.317
	441.920	1.656.536.882	361.476	1.354.994.095

Suppliers and accounts payable include balances in foreign currency at June 30, 2021 of USD 102,297 thousand (\$383,460,305) and at December 31, 2020 of USD 73,711 thousand (\$253,013,008) (Note 25).

- 1) The increase as of June 30, 2021, compared to the end of 2020, corresponds mainly to the execution of Capex for the deployment of the fiber-optic network, expansion of 4G technology, purchase of smartphone equipment, projects with corporate customers, and installation of fixed services with customers, interconnection costs, content, and advertising.
- 2) As of June 30, 2021, compared to the end of 2020, there is a decrease in current liabilities due to payments and execution of obligations to be made; in non-current liabilities, there is an increase due to financial restatement.
- 3) The decrease as of June 30, 2021, compared to the end of 2020, is mainly due to the social benefits (severance payments) consolidated at the end of 2020 transferred to the corresponding funds at the beginning of 2021.

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18. PROVISIONS AND PENSION LIABILITIES

The balance of pension provisions and liabilities is as follows:

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Current:				
For taxes and consideration (1)	24.472	91.732.625	27.118	101.651.989
For employee benefits (2)	7.098	26.605.084	9.525	35.704.739
Pension liability (3)	5.227	19.594.470	5.228	19.594.470
For voluntary withdrawal (2)	1.308	4.904.101	1.717	6.437.320
For contingencies (Note 27)	284	1.064.933	2.950	11.059.624
	38.389	143.901.213	46.538	174.448.142
Non-current:				
Pension liability (3)	50.216	188.226.531	50.864	190.658.366
For dismantling (5)	15.723	58.936.330	15.243	57.139.641
For contingencies (Note 27)	2.459	9.218.370	2.847	10.672.638
	68.398	256.381.231	68.954	258.470.645
	106.787	400.282.444	115.492	432.918.787

- (1) The decrease corresponds mainly to the filing and payment of annual industry and commerce tax returns (ICA) during the first half of 2021.
- (2) The variation corresponds to the use during the first half of 2021 and the recognition of the provision for vacation and other employee benefits during the same period.
- (3) The Group recognizes post-employment benefits corresponding to retirement pensions. The post-employment benefit plan in force at the date does not have any type of asset related to it.
- (4) During the six months ended June 30, 2021, the provision for voluntary retirement was used.
- (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 their use in the short term (Note 13).

19. SHAREHOLDERS' EQUITY, NET

The authorized, subscribed and paid-in capital as of June 30, 2021 and December 31, 2020, is presented below:

(a) Capital stock

	(In thousands of US\$)	(In thousands of COP\$)
Authorized capital	388.121	1.454.870.740
Subscribed and paid capital	910	3.410.076
Nominal value (in USD and COP \$)	0,0003	1

As of June 30, 2021, the equity interest did not present changes compared to the closing of December 2020.

(b) Other Perpetual Equity Instruments.

On March 27, 2020, the Company paid 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 financial liabilities of \$308,770,000 for a total payment of \$1,997,915,000.

In the Statement of Changes in Shareholders' Equity in the accumulated results item, for the six months ended June 30, 2020, the interest coupon payment of \$55,037,974 is included.

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(c) Other Comprehensive Income.

The Group recognized net gain in Other Comprehensive Income (OCI) for the six months ended June 30, 2021, and 2020 for \$226,936,807 and \$22,884,297, respectively.

The variation is mainly generated by the volatility of exchange rates as of June 30, 2021, on the new hedges contracted in the first half of 2021, compared to the same period of 2020 where the early redemption of derivative instruments (Swaps) was made for the prepayment of the senior bond.

(d) Revaluation surplus net of taxes.

During the semesters ended June 30, 2021, and 2020, the Group transferred directly to revalued assets and their corresponding impact on deferred taxes for \$18,572,314 and \$92,509,970, respectively revalued assets and their related impact on deferred taxes, directly to retained earnings.

(e) Equity attributable to non-controlling interests.

On May 27, 2020, the statutory reform of the merger 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 June 2021 and December 2020, there are no non-controlling interests.

20. OPERATING INCOME

Revenues from contracts with customers are presented below:

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Mobile Services (1)				
Data services	196.394	736.182.989	195.805	733.974.664
Voice services	81.254	304.581.329	75.922	284.594.987
Added value services	28.165	105.575.524	25.341	94.991.925
	305.813	1.146.339.842	297.068	1.113.561.576
Fixed services (2)				
Data services	98.978	371.018.267	88.003	329.879.936
Technological capabilities and solutions	75.148	281.692.497	51.862	194.406.512
Fixed voice services	35.413	132.744.647	49.384	185.115.442
Television revenue	31.512	118.120.903	36.974	138.596.616
	241.051	903.576.314	226.223	847.998.506
Sale of terminal equipment (3)	85.818	321.689.176	54.369	203.801.802
Digital Services (4)	70.519	264.339.702	50.641	189.827.837
Interconnection	40.910	153.351.483	37.004	138.708.911
Other data - virtual mobile operator	5.297	19.856.344	6.435	24.121.231
Sale of equipment for fixed services	3.626	13.591.881	2.252	8.440.893
Roaming revenue	1.400	5.252.326	1.241	4.651.843
Leasing investment properties	18	65.745	23	84.487
	207.588	778.146.657	151.965	569.637.004
	754.452	2.828.062.813	675.256	2.531.197.086

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As of June 30, 2021, and 2020 include operating income with related parties of \$27,461,418 and \$28,936,962, respectively (Note 26).

- (1) Mobile services show a year-on-year increase due to commercial activity, mainly in postpaid services in the residential segment, prepaid, cloud services, and advertising.
- (2) The increase in the first half of 2021 corresponds to the better performance in all segments, leveraged by corporate services in products such as integrated solutions and equipment installation, compared to the same period of 2020, which offset the decrease in basic line and television services.
- (3) During the first half of 2021, there was a higher commercial activity of mobile smartphones compared to the same period of 2020, which was impacted by the confinement measures that generated temporary closures of sales channels.
- (4) The increase corresponds to higher demand with corporate clients in computer storage services, data security, and applications, compared to the same period of 2020.
- (5) The variation corresponds mainly to mobile access charges due to tariff increases, expansion of operator links, and higher traffic with content and application operators.

21. OTHER OPERATING INCOME

The Group's other operating income is presented below:

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Other operating income (1)	5.868	21.994.966	8.139	30.510.652
Work carried out for fixed assets (2)	4.848	18.170.699	8.772	32.881.616
Sale of movable and immovable property (3)	1.415	5.305.986	-	-
	12.131	45.471.651	16.911	63.392.268

As of June 30, 2021, and 2020, other operating income with related parties is included for \$10,096,086 and \$10,265,310, respectively (Note 26).

- 1) The decrease in the first half of 2021 corresponds to lower invoicing fees for the assignment of physical space, lower reimbursement of expenses for expatriate personnel, and use of the Adquira platform by suppliers.
- 2) Correspond to work performed by Group personnel. The decrease in the first half of 2021 corresponds to lower project execution compared to the same period of 2020.
- 3) Corresponds to the profit generated in the sale of real estate during the first half of 2021.

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22. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Six-month period ended June 30,			
	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)	113.740	426.353.711	85.128	319.104.071
Labor costs (2)	62.633	234.778.940	57.737	216.428.243
Other costs and operating expenses (3)	47.003	176.189.022	37.316	139.879.762
Renting and third party activities to clients (4)	44.934	168.436.580	29.442	110.363.539
Interconnection and roaming (5)	44.351	166.250.083	39.263	147.176.516
Maintenance of equipment and installations	34.687	130.025.491	35.227	132.047.034
Taxes and considerations	31.547	118.254.814	32.129	120.434.435
Content providers (6)	31.187	116.905.671	26.709	100.119.622
Media rental and other network infrastructures	30.952	116.024.197	30.067	112.707.026
Sales commissions (7)	23.631	88.580.773	34.033	127.574.294
Power service	22.943	86.002.348	21.963	82.327.921
Advertising (8)	21.551	80.782.734	14.667	54.979.293
Computer Services	21.487	80.545.437	20.476	76.753.524
Contract compliance cost (Note 8)	9.033	33.860.741	8.560	32.087.425
Customer services	8.206	30.760.381	8.374	31.391.650
Portfolio impairment (Note 7)	6.933	25.988.171	15.966	59.846.914
Other costs and expenses and non-recurring (9)	1.321	4.948.200	2.268	8.496.495
Provision for inventories (Note 10)	58	215.554	481	1.804.035
	556.197	2.084.902.848	499.806	1.873.521.799

During the six-month periods ended June 30, 2021, and 2020, costs and expenses with related parties of \$179,671,585 and \$152,877,476, respectively, are included (Note 26).

The variation presented between the semesters ended June 30, 2021, and 2020 corresponds to the net effect between the capture of efficiencies in non-commercial costs versus a higher execution in costs associated with higher revenues and greater commercial activity, mainly to: (i) increase due to execution of new integrated solutions contracts with corporate customers; (ii) increase in access charge traffic; (iii) higher cost of equipment at customers' homes due to amortization of the deferred cost associated with new subscribers; (iv) increase in the cost of equipment sales due to increased commercial activity in 2021, mainly in smartphones and materials due to strategic alliance with third parties for the execution of fiber deployment projects; and (v) lower impairment of accounts receivable due to improvements in portfolio recovery leveraged on campaigns.

- (1) During the six-month periods ended June 30, 2021 and 2020, the Company recognized consumption of inventories carried at cost of sales of \$374,736,262 and \$268,932,416 (Note 10) and amortization of customer premises equipment costs of \$51,617,449 and \$50,171,655 (Note 8), respectively. The increase in the first half of 2021 corresponds to higher commercial activity, mainly in mobile smartphone equipment and materials for the execution of fiber deployment projects, compared to the same period of 2020.
- (2) The increase during the six months ended June 30, 2021, corresponds to the voluntary retirement provision was supplemented.
- (3) The increase in the first half of 2021 corresponds to collection management related to commercial portfolio and execution of corporate projects, compared to the same period of 2020.
- (4) The variation in the first half of 2021 corresponds mainly to the execution of projects with corporate clients, compared to the same half of 2020.

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- (5) The increase during the first half of 2021 corresponds to higher interconnection traffic in access charges and costs in roaming services mainly due to the opening of international trips, compared to the same half of 2020.
- (6) The increase in the first half of 2021 corresponds to the execution of new projects with corporate clients, compared to the same half of 2020.
- (7) During the six months ended June 30, 2021, certain commissions for obtaining contracts were capitalized, and their amortization during the first half of 2021 was \$14,305,222 (Note 8). During the same half of 2020, they were taken directly to income.
- (8) The increase during the first half of 2021 corresponds to media campaigns and visibility plan in response to the entry into the market of the new competitor in 2021, compared to the same half of 2020.
- (9) During the six months ended June 30, 2021, there is a lower impact from litigation and contingencies with third parties compared to the same period of 2020.

23. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are presented below:

	Six-month period ended June 30,			
	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)	87.934	329.618.987	91.214	341.916.499
Amortization of intangible assets (Note 14)	70.400	263.898.276	69.490	260.484.980
Depreciation of assets for rights of use (Note 12)	31.882	119.508.120	29.813	111.752.388
	190.216	713.025.383	190.517	714.153.867

24. FINANCIAL EXPENSES, NET

Financial income (expense), net is presented below:

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Income:				
Clients' interest in arrears	2.632	9.867.649	3.220	12.069.550
Income from temporary investments and bank loans (Note 1)	370	1.388.286	836	3.135.001
Interest hedging operations, net (1)	-	-	8.815	33.044.694
	3.002	11.255.935	12.871	48.249.245
Expenses:				
Interest on loans, obligations and bonds (2) (Note 16)	(25.167)	(94.337.719)	(37.342)	(139.976.875)
Interest hedging transactions, net (1)	(20.475)	(76.750.704)	-	-
Financial expenses for leases (3)	(8.670)	(32.498.507)	(4.319)	(16.191.545)
Other financial expenses (4)	(2.972)	(11.142.040)	(4.460)	(16.717.052)
Financial update of liabilities (5)	(2.307)	(8.646.479)	(2.337)	(8.760.434)
Tax on financial transactions	(56)	(216.190)	(548)	(2.052.200)
	(59.647)	(223.591.639)	(49.006)	(183.698.106)
Exchange difference loss, net	(619)	(2.320.079)	(1.857)	(6.962.469)
	(60.266)	(225.911.718)	(50.863)	(190.660.575)
	(57.264)	(214.655.783)	(37.992)	(142.411.330)

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- 1) The financial income for the first half of 2020 is generated by the early redemption of derivative instruments (Swaps) associated with the prepayment of the senior bond. The increase in the expense compared to the same period of 2020 corresponds to the valuation of the new hedges contracted in the first half of 2021 associated with the new senior bond.
- 2) During the six months ended June 30, 2021 and 2020, includes interest on the senior bond for \$45,413,259 and \$91,088,299, local bond for \$15,012,360 and \$16,480,041 and other interest on loans with local and foreign banks for \$33,912,100 and \$32,406,373 respectively.
- 3) The increase in the first half of 2021 compared to the same period of 2020 corresponds to new contracts and renewals of financial leases for longer terms.
- 4) Includes financial fees for prepayment of loans; the decrease in the first half of 2021 is due to the expenses associated with the prepayment of the hybrid and senior bond during the first half of 2020.
- 5) Corresponds mainly to the financial restatement of pension liabilities.

25. FINANCIAL RISK MANAGEMENT

25.1. Risk Management Policy.

The Group may 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:

Credit Risk.

Credit risk arises from cash and cash equivalents (deposits in banks and financial institutions) and credit exposure to wholesale and retail customers, which includes outstanding balances of accounts receivable and committed transactions. Based on the preceding, Management does not expect the Group to incur significant losses from the performance of its counterparties.

Country Risk.

The first half of 2021 saw an improvement in economic activity reflected in GDP compared to the same period in 2020, an increase despite the sectorized quarantines implemented in January due to the second wave of covid-19 infections, the beginning of the third wave of infections in April and the return of restrictions, and the public order situation experienced in May.

In April, economic activity measured through the Economic Tracking Index advanced 0.3% MoM, while in May, for the first time in eight months, a negative advance of -5.8% MoM was recorded. Inflation in June rose to 3.6%, above the Bank of the Republic's target (3%), impacted by a low comparison base and inflationary pressures in food prices due to the road blockades in May and external factors.

On May 19, 2021, Standard and Poor's downgraded Colombia's sovereign rating from BBB- to BB+, revising the outlook from negative to stable. In the first half of 2021, the exchange rate averaged \$3,625 pesos per US dollar and closed at \$3,748.50, 5.6%, and 9.4% above the close of 2020, respectively. The above is a consequence of the withdrawal of the tax reform proposal for 2% of GDP and the lower confidence in the Government's ability to put public debt on a downward path.

Risk Management.

The Group actively managed risks by using derivative financial instruments on exchange rates and interest rates and taking into account the net positions of the balance sheet to take advantage of natural hedges that are directly compensated, avoiding incurring in bid-offer spread over costs in 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 US dollars and euros against changes in the exchange rate of the Colombian peso with respect to these currencies.

As of June 30, 2021, and December 31, 2020, the Group's debt in US dollars, including the senior bond maturing in 2030, was equivalent to USD 812 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 up to one year to hedge a portion of the OPEX and CAPEX in foreign currency of the budget during the following year.

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

	As of june, 30	As of december, 31
	2021	2020
	(In thousands of US\$)	
Assets		
Debtors and other receivables (Note 7)	12.494	4.690
Cash and cash equivalents (Note 5)	11.222	5.182
Related Parties (Note 26)	3.803	4.655
Total assets	27.519	14.527
Liabilities		
Financial obligations	812.318	978.327
Suppliers and accounts payable	102.297	73.711
Related Parties (Note 26)	19.198	19.750
Total liabilities	933.813	1.071.788
Passive, net position	(906.294)	(1.057.261)

	As of june, 30	As of december, 31
	2021	2020
	(In thousands of COP\$)	
Assets		
Debtors and other receivables (Note 7)	46.833.759	16.098.425
Cash and cash equivalents (Note 5)	42.065.667	17.787.215
Related Parties (Note 26)	14.255.546	15.978.288
Total assets	103.154.972	49.863.928
Liabilities		
Financial obligations	3.044.974.023	3.358.107.428
Suppliers and accounts payable	383.460.305	253.013.008
Related Parties (Note 26)	71.963.703	67.791.875
Total liabilities	3.500.398.031	3.678.912.311
Passive, net position	(3.397.243.059)	(3.629.048.383)

Interest Rate Risk.

After hedging, the variable rate exposure is 32.57% 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 june, 30		As of december, 31	
	2021		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

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b) Economic ties.

	As of June 30, 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.	9.047	33.913.193	8.364	31.353.050
Telxius Cable Colombia S.A.	431	1.613.784	473	1.771.759
Telefonica Cybersecurity Tech Colombia	26	95.795	-	-
Wayra Colombia S.A.S.	9	35.589	28	105.653
	9.513	35.658.361	8.865	33.230.462

	As of June 30, 2021		As of December 31, 2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
	From outside			
TIWS II	1.913	7.172.678	1.775	6.652.978
Pegaso Pcs. S.A. de C.V.	909	3.405.666	830	3.112.920
Telefónica S.A.	461	1.728.163	749	2.807.747
Telefónica Empresas Chile S.A	431	1.614.478	-	-
Otecel S.A.	353	1.324.646	349	1.307.959
Telefónica Móviles España S.A.	343	1.286.034	276	1.034.360
Telefónica Digital España S.A.	324	1.214.445	450	1.685.051
Telefónica Venezolana C.A.(a)	274	1.026.597	251	941.771
Telefónica del Perú S.A.	265	995.005	102	383.843
Telefónica Móviles El Salvador S.A.	155	579.705	177	663.046
Telefónica Móviles Argentina S.A.	72	270.813	104	388.203
Telefonica Germany GMBH & CO OHG	67	250.447	74	276.464
Terra Networks Mexico S.A. de CV	16	60.438	53	199.250
Telefónica de Costa Rica	13	47.586	34	128.612
Telefónica USA Inc.	5	18.891	4	14.897
Telefónica Móviles Uruguay S.A.	1	4.937	-	-
Telefónica Compras Electrónicas	-	-	12	44.530
	5.602	21.000.529	5.240	19.641.631
Total national and foreign affiliates	15.115	56.658.890	14.105	52.872.093

c) Associated Companies.

	As of June 30, 2021		As of December 31, 2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
	Nacional			
Telefónica Factoring Colombia S.A.	36	135.386	12	42.957
	36	135.386	12	42.957
Total accounts receivable with related parties (Note 7)	15.151	56.794.276	14.117	52.916.854

The balances in foreign currency of domestic accounts receivable with related parties as of June 30, 2021, and December 31, 2020, for USD 3,803 thousand (\$14,255,546) and USD 4,655 thousand (\$15,978,288), respectively (Note 25).

The increase as of June 30, 2021, compared to the end of 2020, corresponds mainly to housing data center services and the sale of equipment for the provision of fixed services at customers' homes.

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26.2. Accounts payable.

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

Current.

a) Economic related parties.

	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Nacional				
Tiws Colombia II S.A.S.	9.762	36.592.197	6.538	24.507.869
Telefónica Cybersecurity Tech Colombia	7.394	27.714.767	1.347	5.050.742
Telxius Cable Colombia S.A.	3.893	14.592.081	3.796	14.228.593
	21.049	78.899.045	11.681	43.787.204
	As of june, 30		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	6.648	24.918.997	11.714	43.911.169
Telefónica S.A.	6.161	23.094.256	6.140	23.017.233
Telefónica Digital España S.A.	4.255	15.951.294	997	3.737.989
Telefónica Global Technology	3.169	11.877.775	1.109	4.156.882
Telefónica Móviles Argentina S.A.	2.240	8.398.274	961	3.602.653
Media Network Latin América	1.687	6.322.044	3.297	12.359.857
Telefónica Cibersecurity Tech S.L	1.607	6.024.660	-	-
Telefónica de Argentina S.A.	1.042	3.917.032	460	1.713.000
Telefónica Compras Electrónicas	789	2.955.954	840	3.150.260
Telefónica USA Inc.	765	2.866.336	1.060	3.971.914
Pegaso Pcs. S.A. de C.V.	599	2.244.394	481	1.802.720
Telefónica IOT & Big Data Tech, S.A	478	1.790.648	-	-
Terra Networks Mexico S.A. de CV	358	1.342.139	244	913.687
Otecel S.A.	339	1.270.561	332	1.245.458
Telefónica Móviles España S.A.	248	929.412	409	1.534.948
Telefónica Venezolana C.A.	193	722.104	125	468.935
Telefónica del Perú S.A.	131	492.781	182	682.891
Telefónica Global Roaming	131	491.054	219	822.084
Telefónica Servicios Audiovisuales	88	329.887	102	382.756
O2 T. UK Limited	66	245.715	48	178.328
Telefónica Móviles de Chile	52	194.921	48	179.316
Telefónica Ingeniería de Seguridad	50	185.681	238	892.885
Telefónica Educacion Digital	30	113.468	-	-
Telefónica Brasil S.A	15	56.050	11	39.881
Telefónica de Costa Rica	5	18.748	3	12.888
Telefónica Móviles El Salvador S.A.	2	6.963	1	4.971
Telefónica Móviles Uruguay S.A.	1	3.772	8	30.796
E-Plus Mobilfunk GMBH & CO	-	91	-	325
Telefónica Broadcast Services S.L.U	-	-	9	32.746
Total national and foreign economic associates	31.149	116.765.011	29.038	108.846.572
Total suppliers and accounts payable with related parties (Note 17)	52.198	195.664.056	40.719	152.633.776

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Non-current.

a) Shareholders.

	As of june, 30		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.	206	771.083	2.499	9.368.156
Total suppliers and accounts payable with related parties (Note 17)	206	771.083	2.499	9.368.156

The foreign currency balances of accounts payable in relation to related parties as of June 30, 2021, and December 31, 2020, are USD 19,198 thousand (\$71,963,703) and USD 19,750 thousand (\$67,791,875), respectively (Note 25).

The decrease as of June 30, 2021, compared to the end of 2020, corresponds to the settlement of the Performance Share Plan (PSP) and Talent for the future Share Plan (TFSP) 2018 to 2020 cycle.

26.3. Revenues, Costs, and Expenses with Related Parties.

The Group carries out transactions with its related parties on an arm's length and arm's length basis. The following summarizes the Group's revenues, costs, and expenses during the semesters ended June 30, 2021, and 2020 with shareholders, economic-related parties, and associated companies.

a) Related Economic Parties.

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of USD\$)			
Nacional				
Tiws Colombia II S.A.S.	2.682	2.995	4.015	4.048
Telxius Cable Colombia S.A.	363	414	5.154	8.425
Wayra Colombia S.A.S.	59	55	-	-
Telefonica Cybersecurity Tech Colombia	43	-	6.852	292
	3.147	3.464	16.021	12.765

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
Nacional				
Tiws Colombia II S.A.S.	10.052.297	11.226.006	15.051.814	15.174.386
Telxius Cable Colombia S.A.	1.361.434	1.550.801	19.319.903	31.579.540
Wayra Colombia S.A.S.	219.464	207.365	-	-
Telefonica Cybersecurity Tech Colombia	162.669	-	25.682.979	1.094.534
	11.795.864	12.984.172	60.054.696	47.848.460

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of USD\$)			
From outside				
TIWS II	3.534	3.891	7.368	7.101
Telefónica del Perú S.A.	1.415	47	23	8
Telefónica S.A.	484	1.779	8.098	6.363
Telefónica Empresas Chile S.A.	427	-	-	132
Telefónica Móviles El Salvador S.A.	195	169	3	1
Telefónica Ingeniería de Seguridad	190	-	-	86
Telefónica Digital España S.A.	175	747	4.130	545
Telefónica Móviles España S.A.	168	91	45	298
Telefónica Global Roaming	49	-	90	103
Telefónica Móviles de Chile	36	49	4	11
Telefonica Chile S.A.	24	-	-	-
Terra Networks Mexico S.A. de CV	20	28	350	181
Telefónica Móviles Argentina S.A.	18	32	6	11
Telefónica Brasil S.A	10	31	8	9
Otecel S.A.	9	13	15	18
Pegaso Pcs. S.A. de C.V.	4	3	70	24
Telefónica Compras Electrónicas	3	20	971	1.695
Telefónica Móviles Uruguay S.A.	2	3	-	1
Telefónica USA Inc.	1	7	752	-
Telefonica Germany GMBH & CO OHG	1	2	2	12
E-Plus Mobilfunk GMBH & CO	-	1	-	-
Telefónica Venezolana C.A.	-	-	7	8
Telefónica de Costa Rica	-	4	5	3
Telefónica Global Technology	-	-	3.432	5.641
Media Network Latin América	-	-	2.885	4.399
Telefonica Cybersecurity Tech S.L	-	-	1.643	-
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	767	767
Telefonica On The Spot Services	-	-	761	-
Telxius Cable	-	-	263	263
Telefónica Servicios Audiovisuales	-	-	157	100
Telefonica de Contenidos SAU	-	-	38	136
Telefónica Educación Digital, S.L.U.	-	-	17	-
Telefónica de España S.A.U.	-	-	-	99
	6.765	6.917	31.910	28.015
Total national and foreign economic associates	9.912	10.381	47.931	40.780

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
From outside				
TWS II	13.248.800	14.584.661	27.619.888	26.617.184
Telefónica del Perú S.A.	5.305.828	177.656	87.156	31.254
Telefónica S.A.	1.812.767	6.674.413	30.362.580	23.843.438
Telefónica Empresas Chile S.A.	1.599.142	-	-	494.646
Telefónica Móviles El Salvador S.A.	731.010	633.922	10.123	4.295
Telefónica Ingeniería de Seguridad	712.220	-	-	321.846
Telefónica Digital España S.A.	655.366	2.799.047	15.481.631	2.042.789
Telefónica Móviles España S.A.	628.110	340.701	167.056	1.118.900
Telefónica Global Roaming	184.275	-	336.171	386.455
Telefónica Móviles de Chile	135.951	183.700	13.725	42.569
Telefonica Chile S.A.	88.689	-	-	-
Terra Networks Mexico S.A. de CV	75.015	106.082	1.311.566	679.039
Telefónica Móviles Argentina S.A.	66.084	120.520	22.794	39.521
Telefónica Brasil S.A.	37.294	116.298	29.018	34.011
Otecel S.A.	35.434	48.045	54.996	68.460
Pegaso Pcs. S.A. de C.V.	16.618	9.875	261.377	91.544
Telefónica Compras Electrónicas	12.692	74.096	3.640.494	6.353.463
Telefónica Móviles Uruguay S.A.	7.964	11.388	-	5.361
Telefónica USA Inc.	3.359	25.914	2.818.490	-
Telefonica Germany GMBH & CO OHG	2.700	5.643	8.142	46.023
E-Plus Mobilfunk GMBH & CO	1.247	2.043	-	83
Telefónica Venezolana C.A.	448	12	26.998	30.977
Telefónica de Costa Rica	-	15.459	17.168	10.315
Telefónica Global Technology	-	-	12.864.132	21.147.101
Media Network Latin América	-	-	10.813.490	16.490.732
Telefonica Cybersecurity Tech S.L	-	-	6.157.847	-
Telxius Cable América S.A. (antes TWS AMERICA)	-	-	2.873.236	2.873.236
Telefonica On The Spot Services	-	-	2.852.803	-
Telxius Cable	-	-	987.119	987.119
Telefónica Servicios Audiovisuales	-	-	586.734	374.506
Telefonica de Contenidos SAU	-	-	144.124	508.746
Telefónica Educación Digital, S.L.U.	-	-	64.201	-
Telefónica de España S.A.U.	-	-	-	371.292
	25.361.013	25.929.475	119.613.059	105.014.905
Total national and foreign economic associates	37.156.877	38.913.647	179.667.755	152.863.365

b) Associated Companies.

	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of USD\$)			
Nacional				
Telefónica Factoring Colombia S.A.	47	52	-	-
	47	52	-	-
From outside				
O2 T. UK Limited	60	25	1	4
	60	25	1	4
	10.019	10.458	47.932	40.784

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	Six-month period ended June 30,			
	Income		Costs and expenses	
	2021	2020	2021	2020
	(In thousands of COP\$)			
Nacional				
Telefónica Factoring Colombia S.A.	177.587	193.842	-	-
	177.587	193.842	-	-
From outside				
O2 T. UK Limited	223.040	94.783	3.830	14.111
	223.040	94.783	3.830	14.111
	37.557.504	39.202.272	179.671.585	152.877.476

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

The following is a summary of the transactions by the 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:

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Fixed services	3.601	13.498.589	4.286	16.064.570
Fixed interconnection	2.053	7.696.098	2.206	8.269.400
Digital services	660	2.474.763	896	3.359.527
Roaming revenue	526	1.972.571	293	1.098.784
Sale of terminal equipment	450	1.687.684	0	10
Mobile services	35	131.713	39	144.671
	7.325	27.461.418	7.720	28.936.962
Other operating income	2.694	10.096.086	2.738	10.265.310
	10.019	37.557.504	10.458	39.202.272

Operating Costs and Expenses:

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Media rental	14.068	52.733.911	15.728	58.958.077
Renting and third party activities to clients	7.755	29.071.015	2.744	10.285.736
Other non-recurring costs and expenses (1)	5.548	20.789.168	5.885	22.059.632
Advertising	6.986	26.187.499	6.227	23.343.217
Other costs and operating expenses (2)	6.205	23.259.647	2.563	9.607.314
Interconnection and roaming	4.569	17.125.724	5.203	19.502.753
Content providers	1.170	4.386.607	1.374	5.149.678
Labor expenses	1.096	4.108.663	98	365.682
Maintenance	469	1.759.780	858	3.215.191
Sales commissions	47	177.777	57	213.883
Terminal cost	19	71.794	47	176.313
	47.932	179.671.585	40.784	152.877.476

(1) Includes mainly licenses and software applications.

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

c) Information on Key Management Personnel Remuneration.

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

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Salaries, salaries and other benefits	2.200	8.246.680	2.361	8.849.048
Institutional plans	1.854	6.949.275	1.087	4.074.697
Executive remuneration plan (shares and annual bonus)	1.234	4.625.138	842	3.155.005
Bonus for voluntary withdrawal	344	1.288.080	-	-
Others	71	266.371	134	503.369
	5.703	21.375.544	4.424	16.582.119

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, probable and remote occurrence, and the amounts involved 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; an outflow of resources will probably be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

As of June 30, 2021, 2,471 processes are in progress, of which 112 correspond to probable contingencies, 619 are classified as possible, and 1,740 are classified as remote.

1. Probable Proceedings.

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

	As of June, 30		As of December, 31	
	2021		2020	
	(In thousands of US\$)			
	Cantidad	Valor	Cantidad	Valor
Currents:				
Administrative investigations of users (1)	16	284	28	2.950
	16	284	28	2.950
Non-currents:				
Legal proceedings (2)	45	1.850	49	1.882
Labor processes	44	417	66	686
Administrative, regulatory and competency investigations	6	148	4	236
Tax processes	1	44	1	43
	96	2.459	120	2.847
	112	2.743	148	5.797

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	As of june, 30		As of december, 31	
	2021		2020	
	(In thousands of COP\$)			
	Cantidad	Valor	Cantidad	Valor
Currents:				
Administrative investigations of users (1)	16	1.064.933	28	11.059.624
	16	1.064.933	28	11.059.624
Non-currents:				
Legal proceedings (2)	45	6.936.239	49	7.053.446
Labor processes	44	1.561.512	66	2.571.134
Administrative, regulatory and competency investigations	6	555.966	4	883.405
Tax processes	1	164.653	1	164.653
	96	9.218.370	120	10.672.638
	112	10.283.303	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 party to lawsuits 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. Judicial 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 109 open proceedings classified as possible for a value of \$57,740,620.

b. Labor Proceedings.

Labor lawsuits seeking payment of labor rights arising 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 416 open processes classified as possible for an amount of \$31,042,6093.

c. Administrative Investigations.

Processes initiated by administrative authorities through the formulation of charges, ex officio, or 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) Taxes: Proceedings under discussion for taxes: i) income tax return for the taxable year 2017 of Metropolitana de Comunicaciones S. A. E.S.P. (Company absorbed in the merger process carried out in May 2020) by the Company. It is in the judicial stage to analyze the process from the evidentiary point of view; ii) private liquidation for income tax and CREE for the taxable year 2016, on the occasion of the audit process carried out to the 2016 transfer pricing declaration. It is in the evidentiary stage before the National Tax and Customs Directorate - DIAN regarding compliance with the market rules of this operation; iii) Territorial taxes with different municipalities in the country, which correspond to claims, such as Urban Telephony Tax, especially regarding the public lighting tax, where there are differences in criteria and ignorance of the Unification Ruling issued by the Council of State No. 23103 dated November 6, 2019.

There are 24 administrative and judicial processes in progress with possible qualifications, valued at \$63,092,084.

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- 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 50 possible processes reported for \$8,712,693.
- iii) Regulatory: Administrative proceedings initiated by oversight and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 20 possible proceedings for \$8,674,365.

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

	Six-month period ended June 30,			
	2021		2020	
	(In thousands of US\$)	(In thousands of COP\$)	(In thousands of US\$)	(In thousands of COP\$)
Net profit for the period	(52.614)	(197.226.233)	(49.679)	(186.219.752)
More:				
Depreciation and amortization (Note 23)	190.216	713.025.383	190.517	714.153.867
Financial expense, net (Note 24)	57.264	214.655.783	37.992	142.411.330
Income and complementary taxes (Note 11)	15.520	58.176.683	13.531	50.722.110
EBITDA	210.386	788.631.616	192.361	721.067.555

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

EBITDA growth during the first half of 2021 corresponds mainly to the good performance in all segments (B2C, B2B, and Wholesale) leveraged on service revenues, supported by postpaid and digital services and reactivation in prepaid; as well as the great contribution of revenues from mobile terminals (Smartphone), and on the other hand, the capture of efficiencies in non-commercial costs.

2) Financial Indicators.

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

2.1) Indebtedness ratios.

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

	As of june, 30	As of december, 31
	2021	2020
a) Total debt level (1)	64,650%	65,278%
b) Level of short-term debt (2)	29,916%	25,033%

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

(2) The level of short-term indebtedness increases due to new contracts and longer-term renewals of financial leases.

2.2) Solvency Ratios.

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

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	As of june, 30	As of december, 31
	2021	2020
Solvency ratio (1)	1,547	1,532

(1) It presents a slight growth mainly due to new contracts and longer-term renewals of financial leases.

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.

	Six-month period ended June 30,	
	2021	2020
a) Operating margin (1)	2,631%	0,266%
b) OIBDA margin	27,445%	27,791%

(1) The improvement in the first half of 2021 corresponds mainly to the positive evolution of operating revenues leveraged on integrated and digital solutions services and the contribution of revenues from mobile terminals (smartphones).

2.4) Liquidity Ratios.

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

	As of june, 30	As of june, 30
	2021	2020
a) Net working capital (In thousands of US\$)	(39.040)	44.836
a) Net working capital (In thousands of COP\$)	(146.340.131)	168.068.526
b) Current ratio	0,942	1,078
c) Acid test	0,854	1,012

These indicators are static measures of the resources available at a given time to meet short-term obligations. In this sense, the analysis of short-term liquidity and solvency should consider the cash flow projections made by the Group, which guarantee a going concern.

The variation corresponds mainly to the use of available cash to prepay long-term loans (syndicated loans), or in progress)

3) Operating Information.

3.1) Accesses.

	2021			2020	
	jun-30	mar-31	dic-31	sep-30	jun-30
End Clients Access	20.321	19.834	19.410	18.901	18.815
Basic Line (1)	1.419	1.431	1.430	1.465	1.493
Data	1.166	1.167	1.155	1.171	1.183
TV	527	527	527	527	530
Mobile Services	17.209	16.709	16.298	15.738	15.609
Prepaid	12.477	12.189	11.935	11.406	11.454
Postpaid	4.732	4.520	4.363	4.332	4.155

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

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3.2) ARPU.

	2021		dic-31 (USD\$)	2020	
	jun-30	mar-31		sep-30	jun-30
LB-BA-TV (1)	8,92	8,98	8,78	8,90	8,92
Total Mobile (2)	3,18	3,26	3,38	3,44	3,40
<i>Prepaid</i>	0,72	0,75	0,93	0,85	0,79
<i>Postpaid</i>	10,18	10,55	10,80	10,28	10,90

	2021		dic-31 (COP\$)	2020	
	jun-30	mar-31		sep-30	jun-30
LB-BA-TV (1)	33.451	33.653	32.922	33.345	33.451
Total Mobile (2)	11.931	12.222	12.660	12.897	12.751
<i>Prepaid</i>	2.714	2.810	3.471	3.197	2.967
<i>Postpaid</i>	38.141	39.554	40.471	38.547	40.853

(1) Includes monthly fixed tariffs and excludes data and rental revenues.

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

29. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

The following are the events that occurred between July 1 and the date of issuance of the financial statements, which do not affect the figures as of June 30, 2021. The Group is currently following up on each of the events to identify their impact on the financial figures in the third and fourth quarters of the year.

- 1) On July 1, 2021, the Fitch rating agency confirmed, in its annual review, the Group's long-term foreign and local currency debt rating of BBB- with a stable outlook.
- 2) On July 6, 2021, the Group signed a sustainable local loan with Bancolombia for \$500,000 million pesos with a term until March 19, 2025; the resources were used to replace debt, canceling the loan with Bancolombia for \$300,000 million pesos and making an additional prepayment of the syndicated loan for the amount of USD 53 million dollars.
- 3) On July 16, 2021, the Board of Directors of Colombia Telecomunicaciones S.A. E.S.P. BIC authorized the legal representative and/or any of his alternates to sign the following agreements:
 - (i) A purchase and sale agreement for the fiber optic assets owned by the Group with a Colombian company ("InfraCo") controlled by Kohlberg Kravis Roberts ("KKR"). In exchange, the Group will receive an upfront payment of USD 320 million, which may be subject to post-closing adjustments on terms customary for this type of transaction. In addition, the Group may in the future receive increased revenue from the outcome of the network deployment activities of up to an additional USD 100 million.
 - (ii) An agreement whereby the Company will subscribe a 40% interest in a Spanish company controlled by KKR ("HoldCo"), with KKR holding the remaining 60%. The Group's investment in HoldCo will be made with a portion of the proceeds from the sale of the fiber optic assets. HoldCo will be the sole shareholder of InfraCo.
 - (iii) Various commercial agreements between the Group and InfraCo for the provision of wholesale connectivity services by InfraCo to the Group, the development of fiber optic network deployment activities, and other associated services.

In line with the board of directors' authorizations, on July 16, 2021, the Group entered into the agreement described in (ii) above.

In number (ii) above. The execution of the contracts in (i) and (iii) above and the completion of the operations of all the aforementioned contracts are subject to the respective contractual stipulations and to obtain the corresponding regulatory authorizations. InfraCo will implement a business plan to expand the fiber-optic network, thus reaching more Colombian homes.

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- 4) On July 20, 2021, the Colombian Government submitted for consideration of Congress a Tax Reform that will have to be discussed for its enactment as Law before the end of 2021. In the text of the reform, two issues stand out for the Group, on the one hand, the increase of the income tax rate to 35%, which based on preliminary calculations of the Group could increase its deferred tax asset by approximately \$286,000 million, On the other hand, the reduction of the benefit that currently exists to discount 100% of the industry and commerce tax as from 2022, and that with the Tax Reform under discussion the tax discount would be 50% as from that year, which according to the Group's projections was only expected to be used between the years 2022 and 2024.
- 5) On July 28, 2021, the Group entered into a short-term loan with Scotiabank Colpatria for \$100,000 million, and the resources were used to prepay the syndicated loan (Club Deal) for an amount of USD 25.8 million, and the balance of this loan for USD 5.2 million was paid with own resources.