

# Colombia Telecomunicaciones S.A. E.S.P. BIC and its Subsidiary 1

## As of December 31, 2021, and for the year ended December 31, 2021

(Amounts in billions of pesos unless otherwise indicated)

Colombia Telecomunicaciones S.A. E.S.P. BIC informs that on March 30, 2022, it transmitted to the Financial Superintendency of Colombia the **Condensed Consolidated and Separate Interim Financial Statements** as of December 31, 2021, and for the year ended December 31, 2021.

### I. Relevant Matters as of December 31, 2021

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

The Company continues with the development of the activities of its corporate purpose within the framework of the provisions issued by the National Government and local authorities, acting in a responsible and preventive manner and adopting measures to ensure continuity in the operation, the provision of services, and adequate attention to customers, suppliers, employees, 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 the Organization. At the end of December 2021, the Company has had limited impacts on its operations and, therefore, on its financial statements in relation to COVID-19.

#### 2. Relevant Matters as of December 31, 2021

Colombia Telecomunicaciones S.A. E.S.P. BIC carried out a series of significant transactions during the year, which is disclosed in Note 1 of the financial statements reported at the end of 2021.

At the end of the year, the Company presents a good performance in its financial and operational goals, exceeding the growth before the pandemic, consolidating a growth of the mobile connectivity service, and generating a transformation in revenue generation. To meet the challenges and seek operational excellence, it has adapted its structure and processes within the framework of Telefónica Hispam's new regional operating model. Seeking to capture the value of the regional scale and make the operation more efficient, as well as to guarantee the customer experience and advance in the adoption of the agile methodology, in which we transform the way of doing things and impact the dimensions of strategy, structure, processes, people, and technology of the Company.

Another major change that the Company underwent in 2021 is being the first operator in Colombia to adopt the legal status of a Benefit and Collective Interest Company (BIC) as a company with an innovative business model that develops labor, environmental, good governance, and community practices.

### II. Operating Results

At the end of 2021, the Company continues to present positive commercial growth in the main products amid greater commercial dynamics during the year due to the entry of a direct competitor in the market.

The Company presented an exceptional performance leveraged on the growth of mobile (+15.2%) and FTTH (+52%) customers, digital services in the wireline business and mobile terminals. **Operating revenues from customer contracts** grew +10.8% year-on-year. **Operating income before depreciation and amortization [OIBDA]** grew +4.7% at the consolidated level despite a 13% year-on-year increase in operating costs and expenses.

The Company's total number of customers at the end of December 31, 2021, reached 21.9 million, as follows: **mobile customers totaled** 18.7 M (+15.2% year-on-year) after reporting positive net adds (+869k in 4Q; +2,479k year-on-year in 2021). In contrast, net adds in 4Q amounted to 119k accesses and 622k year-on-year, due to the growth in gross adds (+25.4%

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<sup>1</sup> Subsidiary as of December 31, 2021: Empresa Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom".

vs. 4Q 20) thanks to the Unlimited mobile data offer that changed the market. In the **wireline business**, it is worth highlighting the repositioning of fiber offerings with speed increases. Likewise, fiber deployment accelerated, reaching 499k FTTH customers in 2021 with a year-on-year growth of 51.6%. In Pay TV, IPTV accesses amounted to 323k (58% of total Pay TV), partially offsetting the decline in DTH (-32%) in 2021.

### III. Condensed Consolidated Interim Financial Results

#### 1. Condensed Consolidated Interim Condensed Consolidated Statements of Comprehensive Income

**Total operating revenues** in 2021 amounted to \$5,915 billion, an increase of 10.4% compared to 2020. **Revenues from customers** amounted to \$5,800 billion, a year-on-year increase of 10.8% (\$5,236 billion in 2020), mainly due to the good performance of postpaid, digital services, and the fiber and co-investment services strategy. **Revenues from handset** sales increased by 55.2% due to higher commercial activity resulting from the launch of differential offers and are in line with the economic recovery compared to 2020's.

**Other operating revenues** operating revenues of \$114 billion showed a decrease of 8.0%, mainly due to a lower execution of projects carried out with direct **company** personnel compared to 2020.

**Operating costs and expenses** amounted to \$4,176 billion in 2021, an increase of 13% (\$476 billion) compared to 2020, mainly driven by the cost of sales of mobile terminals and B2B project costs associated with higher revenues, fiber deployment, exchange rate and interconnection due to higher traffic.

**OIBDA** - an indicator that measures performance and operating income before depreciation and amortization totaled \$1,739 billion at the end of 2021, up 4.7% versus 2020 when it totaled \$1,660 billion. **OIBDA growth** during 2021 is driven by the performance in digital service revenues, the increase in mobile handset sales, as well as the capture of important efficiencies in non-commercial costs, and a significant improvement in the provision for bad debts due to the good performance in the collection, portfolio management and recovery of the provisioned portfolio, all when compared to 2020.

**Depreciation and amortization expense** for the year 2021 amounted to \$1,402 billion, an increase of 2.0% (\$28 billion) compared to 2020, slightly higher due to the amortization of the rights of use resulting from the financial lease agreements.

**Financial income net** amounted to \$429 billion, increasing \$164 billion year-over-year. For the year 2021 and eliminating the effect in 2020 of the extraordinary interest income from hedges resulting from the early redemption of derivative instruments, the **financial result, net** increased about 6%, the main effect of which was the increase in interest rates and to a lesser extent the devaluation of the peso against the dollar. Finally, this impact was offset by better interest rates negotiated by the financial institutions and the replacement of debt under the sustainability model.

**Net income** for the year 2021 was \$97 billion and included an **income tax benefit** of \$189 billion (**net income** of \$8 billion in 2020).

#### 2. Consolidated Statement of Financial Position

The **consolidated total assets** of Colombia Telecomunicaciones S.A. E.S.P. BIC and its subsidiary at the end of December 2021 amount to \$13,412 billion. **Current assets** total \$2,814 billion and **non-current assets** total \$10,598 billion. The main changes in assets compared to the closing as of December 31, 2020, are summarized below:

**Current assets** present a net increase of 21.5% (\$497 billion) mainly due to increased commercial activity during 2021, with direct influence on debtors, in the item of costs of obtaining and fulfilling contracts with customers, and an increase in the inventory stock to meet commercial offers. Additionally, and as a result of the subscription of the purchase and sale agreement that the **company** entered into on the fiber optic assets with a company controlled by Kohlberg Kravis Roberts [KKR], such assets were transferred from property, plant, and equipment to short-term assets held for sale. The item taxes and public administrations increase due to the recognition of corporate income tax self-withholdings for the year 2021. On the other hand, the decrease in cash and cash equivalents is generated by its use in the prepayment of financial obligations.

**Non-current assets** decreased by 2.2% (\$236 billion) mainly due to the net effect between depreciation and amortization, and Capex acquired during 2021, and the transfer to current assets of the value of the fiber optic assets indicated in the previous paragraph. On the other hand, it increases due to the recognition of the VAT tax discount on the purchase of real productive fixed assets during the year 2021 and due to the compliance expenses with customers and the obtaining of contracts generated by the increased commercial activity.

**Total consolidated liabilities** amounted to \$8,398 billion at the close of December 31, 2021 and show a net decrease of 2.2% (\$187 billion) when compared to the close of 2020. The main variations compared to the closing as of December 31, 2020, are summarized below:

**Current liabilities** amounted to \$2,637 billion, with a net increase of 22.7%, mainly due to liabilities associated with the acquisition of Capex for network deployment, the expansion of 4G technology, and the acquisition of mobile terminal equipment for projects with corporate customers and the installation of equipment for fixed services in customers' homes during the year 2021. Additionally, the constitution of tax liabilities in the process of offsetting the balance in favor of income with income withholdings and VAT sales tax and, on the other hand, for the prepayment of obligations, among others, the syndicated loan (Club Deal).

**Non-current liabilities** amounted to \$5,761 billion, a net decrease of 10.5% (\$675 billion), mainly due to the prepayment of the syndicated loan (Club Deal) for USD 250 million.

The **consolidated net equity** at the end of December 31, 2021, amounted to \$5,015 billion, with a net increase of 9.8% (\$448 billion) generated by the increase in the valuation of hedging instruments, which are mainly impacted by the variation of the local and external interest rate curve in the valuation of swaps and the **net result** of the year 2021.

#### **IV. Subsequent Events**

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

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This document may contain summarized financial information, non-GAAP, or unaudited information. The information contained herein should be read in conjunction with the Financial Statements and Notes to the published 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 Financial Statements

December 31, 2021 and 2020 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

February 17, 2022

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 Consolidated Statement of Financial Position as of December 31, 2021, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows for the year then ended, which pursuant to the regulations are made available to shareholders and third parties, the statements contained therein have been previously verified and the figures have been faithfully taken from the books of Colombia Telecomunicaciones S. A. E.S.P. BIC and its subsidiary. These explicit and implicit statements are as follows:

1. All assets and liabilities included in the consolidated financial statements of the Company and its subsidiary as of December 31, 2021, exist, and all transactions included in such consolidated financial statements have taken place during the year that ended.
2. All the economic events realized by the Company and its subsidiary during the year ended December 31, 2021, have been recognized in the consolidated financial statements.
3. Assets represent the potential to produce future economic benefits (rights), and liabilities represent the obligation to transfer the economic resource (obligations) obtained or payable by the Company and its subsidiary as of December 31, 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 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021**

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

	Notes	Year ended December 31,	
		2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	548.069.973	710.710.921
Financial Assets	6	58.679.746	117.972
Debtors and other receivables, net	7	866.557.853	920.322.591
Prepaid Expenses	8	227.665.541	214.713.915
Contractual Assets	9	8.403.507	24.001.528
Inventories	10	295.081.224	142.060.679
Taxes and Public Administration	11	574.550.585	305.151.702
Assets held for sale	12	235.248.343	-
<b>Total current assets</b>		<b>2.814.256.772</b>	<b>2.317.079.308</b>
<b>Non-current assets:</b>			
Financial Assets	6	155.597.808	12.030.174
Debtors and other receivables, net	7	211.461.876	241.018.854
Prepaid Expenses	8	275.766.182	136.388.974
Contractual Assets	9	1.092.113	341.254
Right of use assets	13	802.845.757	898.357.174
Property, plant and equipment	14	4.445.105.434	4.759.885.380
Investment Properties	15	8.045.056	7.542.910
Intangibles	16	1.097.027.847	1.447.224.188
Goodwill	17	1.372.301.565	1.372.301.565
Taxes and Public Administration	11	322.900.595	237.843.023
Deferred Taxes	11	1.906.087.454	1.720.879.550
<b>Total Non-current assets</b>		<b>10.598.231.687</b>	<b>10.833.813.046</b>
<b>Total assets</b>		<b>13.412.488.459</b>	<b>13.150.892.354</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Financial Obligations	18	189.189.792	481.053.365
Suppliers and accounts payable	19	1.826.631.482	1.266.218.778
Contractual liabilities	9	96.334.508	89.850.211
Taxes and Public Administration	11	364.206.760	134.848.510
Deferred liabilities		2.590.789	2.591.776
Provisions and pension liabilities	20	157.970.460	174.448.142
<b>Total current liabilities</b>		<b>2.636.923.791</b>	<b>2.149.010.782</b>
<b>Non-current liabilities</b>			
Financial obligations	18	5.424.176.346	6.076.568.497
Suppliers and accounts payable	19	81.747.324	88.775.317
Contractual liabilities	9	1.949.300	4.584.479
Deferred liabilities		10.167.548	7.270.022
Provisions and pension liabilities	20	242.873.323	258.470.645
<b>Total Non-current liabilities</b>		<b>5.760.913.841</b>	<b>6.435.668.960</b>
<b>Total Liabilities</b>		<b>8.397.837.632</b>	<b>8.584.679.742</b>
<b>Total equity, attributable to controlling interests</b>	21	<b>5.014.650.827</b>	<b>4.566.212.612</b>
<b>Total liabilities and shareholders' equity</b>		<b>13.412.488.459</b>	<b>13.150.892.354</b>

Notes 1 to 32 are an integral part of these Condensed Consolidated Interim Financial Statements.

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME DECEMBER 31, 2021 AND 2020**

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

	Note	Year ended December 31,	
		2021	2020
Operating income:			
Income from contracts with customers	22	5.800.477.375	5.235.756.861
Other operating income	23	114.066.451	124.014.988
		<b>5.914.543.826</b>	<b>5.359.771.849</b>
Operating costs and expenses	24	(4.175.571.254)	(3.699.370.755)
<b>Operating profit before depreciation and amortization</b>		<b>1.738.972.572</b>	<b>1.660.401.094</b>
Depreciation and amortization	25	(1.401.645.031)	(1.374.020.241)
<b>Operational result</b>		<b>337.327.541</b>	<b>286.380.853</b>
Interest expense, net	26	(428.722.102)	(264.688.196)
<b>Profit before taxes</b>		<b>(91.394.561)</b>	<b>21.692.657</b>
Income and supplementary taxes	11	188.587.346	(13.362.244)
<b>Net profit for the period</b>		<b>97.192.785</b>	<b>8.330.413</b>
<b>Other comprehensible results:</b>			
<b>Items to be reclassified to the income statement</b>			
Valuation of hedging derivatives, net of tax	11	291.322.633	(308.556.673)
Actuarial results from post-employment benefits	11 y 21	475.573	(952.878)
		<b>291.798.206</b>	<b>(309.509.551)</b>
<b>Items that are not reclassified to the income statement</b>			
Revaluation of real estate, net of taxes	11	59.447.224	-
<b>Other comprehensible result</b>		<b>351.245.430</b>	<b>(309.509.551)</b>
<b>Comprehensive result for the period</b>		<b>448.438.215</b>	<b>(301.179.138)</b>

Notes 1 to 32 are an integral part of these Condensed Consolidated Interim Financial Statements.



**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY DECEMBER 31, 2021 AND 2020**

(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 (deficit) and hedging derivatives	Actuarial result from obligations in post- employment benefits	Accumulated results	Total	Non- controlling shares	Total heritage
<b>Balances as of December 31, 2019</b>	<b>3.410.059</b>	<b>9.822.380.645</b>	<b>36.105.611</b>	<b>1.263.049.667</b>	<b>529.191.883</b>	<b>(12.386.002)</b>	<b>(5.028.459.865)</b>	<b>6.613.291.997</b>	<b>703</b>	<b>6.613.292.700</b>
Issuance of shares	16	-	-	-	-	-	-	16	-	16
Perpetual Equity Instrument Coupon Payment (Note 21)	-	-	-	-	-	-	(55.037.974)	(55.037.974)	-	(55.037.974)
Payment of Perpetual Assets Instruments (Note 21)	-	-	-	(1.263.049.667)	-	-	(426.095.333)	(1.689.145.000)	-	(1.689.145.000)
Net profit for the period	-	-	-	-	-	-	8.330.413	8.330.413	-	8.330.413
Constitution of occasional reserves	-	-	34.925.054	-	-	-	(34.925.054)	-	-	-
Transactions with non-controlling interests and others	-	-	-	-	-	-	(1.717.289)	(1.717.289)	(703)	(1.717.992)
Transfers (Note 21)	-	-	-	-	(143.765.852)	-	143.765.852	-	-	-
Another comprehensive result of the year	-	-	-	-	(308.556.673)	(952.878)	-	(309.509.551)	-	(309.509.551)
<b>Balances as of December 31, 2020</b>	<b>3.410.075</b>	<b>9.822.380.645</b>	<b>71.030.665</b>	<b>-</b>	<b>76.869.358</b>	<b>(13.338.880)</b>	<b>(5.394.139.250)</b>	<b>4.566.212.612</b>	<b>-</b>	<b>4.566.212.612</b>
Net profit for the period	-	-	-	-	-	-	97.192.785	97.192.785	-	97.192.785
Transfers (Note 21)	-	-	-	-	(24.224.877)	-	24.224.877	-	-	-
Other comprehensive income for the period	-	-	-	-	350.769.857	475.573	-	351.245.430	-	351.245.430
<b>Balances as of December 31, 2021</b>	<b>3.410.075</b>	<b>9.822.380.645</b>	<b>71.030.665</b>	<b>-</b>	<b>403.414.338</b>	<b>(12.863.307)</b>	<b>(5.272.721.588)</b>	<b>5.014.650.827</b>	<b>-</b>	<b>5.014.650.827</b>

Notes 1 to 32 are an integral part of these Condensed Consolidated Interim Financial Statements.

**COLOMBIA TELECOMUNICACIONES S.A. E.S.P. BIC AND ITS SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS DECEMBER 31, 2021 AND 2020**

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

	Notas	Year ended December 31,	
		2021	2020
<b>Net cash flows from operating activities</b>			
Cash received from customers		6.754.686.577	5.795.243.451
Cash paid to suppliers and other accounts payable		(4.309.255.082)	(3.926.895.893)
Net interest paid and other financial expenses		(356.457.342)	(196.124.522)
Direct taxes paid		(379.401.549)	(292.179.381)
Self-withholding on income tax		(171.462.592)	(202.448.665)
Interest paid on finance leases	18	(69.158.447)	(43.579.710)
<b>Net cash provided by operating activities</b>		<b>1.468.951.565</b>	<b>1.134.015.280</b>
<b>Net cash flows (used in) provided by investment activities</b>			
Collections for the sale of real estate and equipment		40.917.192	260.109.100
Payments for investments in plant and equipment and intangibles		(713.838.692)	(1.039.584.542)
<b>Efectivo neto usado en actividades de inversión</b>		<b>(672.921.500)</b>	<b>(779.475.442)</b>
<b>Flujos de efectivo neto usado en actividades de financiación</b>			
New financial debt	18	897.983.799	3.178.695.620
Receipts from exchange rate hedges		62.215.303	643.533.509
Lease payments	18	(266.465.997)	(237.350.807)
Payment of financial debt	5 y 18	(1.652.404.118)	(529.220.993)
Senior bond issuance		-	1.813.930.000
Payment of coupon on perpetual assets instruments		-	(84.911.387)
Pago de instrumento de patrimonio perpetuo	21	-	(1.997.915.000)
Senior bonus payment		-	(2.841.673.200)
<b>Efectivo neto usado en actividades de financiación</b>		<b>(958.671.013)</b>	<b>(54.912.258)</b>
Net (decrease) increase in cash and cash equivalents		<b>(162.640.948)</b>	<b>299.627.580</b>
Cash and cash equivalents as of January 1		710.710.921	411.083.341
<b>Cash and cash equivalents at 31 December</b>	5	<b>548.069.973</b>	<b>710.710.921</b>
<b>Cash and cash equivalents as of January 1</b>			
Cash, accessible Cash and Banks		498.384.457	360.188.831
Temporary investments		212.326.464	50.894.510
<b>Cash and cash equivalents at 31 December</b>		<b>548.069.973</b>	<b>710.710.921</b>
Cash, accessible Cash and Banks		438.949.908	498.384.457
Temporary investments		109.120.065	212.326.464

Notes 1 to 32 are an integral part of these Condensed Consolidated Interim Financial Statements.

## **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", 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.). 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, the amendment to the bylaws was notarized, consisting of the modification of Articles ONE and FOUR of the Bylaws regarding the "Name and Nature" and "Corporate Purpose," respectively. On March 12, 2021, the aforementioned public deed was registered in the Mercantile Registry of the Chamber of Commerce of Bogota. In accordance with the above, as of March 8, 2021, the Company's corporate name is "Colombia Telecomunicaciones S. A. E.S.P. BIC," and its corporate purpose included the activities associated with the adoption of the legal status of a Benefit and Collective Interest Company (BIC) and the import, commercialization, installation, and leasing of equipment for private security and surveillance.

**b) Integration of Subsidiaries and Merger Process**

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

On May 27, 2020, the statutory merger reform was solemnized, by virtue of which Colombia Telecomunicaciones S.A. E.S.P. absorbed Metrotel and Telebucaramanga.

On September 23, 2020, the book entry of the shareholders of Metrotel and Telebucaramanga, who acquired shares of the Company as a consequence of the merger process, was perfected. This operation was registered by the Centralized Securities Depository (Deceval) in the Company's shareholders' book, which manages the book. 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.**

In an ordinary meeting held on March 16, 2020, the General Shareholders' Meeting of Colombia Telecomunicaciones S. A. E.S.P. approved (i) the adoption by Colombia Telecomunicaciones S. A. E.S.P. of the legal status of Benefit and Collective Interest Company (BIC) and (ii) to amend articles one and four of the Company's 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 Meeting of Bondholders of the Company's Ordinary Bonds Issue 2019 approved the amendment of article four of the Company's Bylaws, under the terms of the approval made by the Company's General Shareholders' Meeting.

On March 8, 2021, by means of public deed No. 0749 of Notary Office Eleven of the Circuit of Bogota, the amendment to the Articles of Incorporation 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. As of said date, the corporate name of the Company is "COLOMBIA TELECOMUNICACIONES S. A. E.S.P. 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) Capitalization of Operaciones Tecnológicas y Comerciales S. A. S. - Optecom.**

At a meeting held on February 15, 2021, the Board of Directors of Colombia Telecomunicaciones S. A. E.S.P. BIC approved the subscription of common shares of Optecom up to the amount of \$1,000,000. By communication dated May 12, 2021, Colombia Telecomunicaciones S. A. E.S.P. BIC accepted the offer of one thousand (1,000) common shares issued by Optecom and offered at their par value, one million pesos (\$1,000,000) each. The shares were subscribed in accordance with the terms set forth in the regulations for the issuance and placement of shares.

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

On May 24, 2021, Colombia Telecomunicaciones S. A. E.S.P. BIC entered into 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.

On July 9, 2021, an amendment agreement was signed in which the structure of the operation was changed without changing the obligations, representations, and indemnity terms initially stipulated.

The agreement was terminated because some of the conditions precedent agreed by the parties were not complied with before the deadline set forth therein, i.e., December 31, 2021.

**f) Transaction with Kohlberg Kravis Roberts ("KKR")**

On July 16, 2021, Colombia Telecomunicaciones S. A. E.S.P. BIC and KKR entered into an agreement to enter into the following contracts:

- (i) A purchase and sale agreement over the fiber optic assets owned by Colombia Telecomunicaciones S. A. E.S.P. BIC with a Colombian company controlled by KKR ("InfraCo") in exchange for an initial payment of USD 320 million, which may be subject to post-closing adjustments on terms customary for this type of transaction, as well as, a subsequent payment consisting of the possibility of receiving increased revenue from its performance in network deployment activities, for up to an additional USD 100 million.
- (ii) An agreement whereby Colombia Telecomunicaciones S.A. E.S.P. BIC will subscribe a 40% participation in a Spanish company controlled by KKR, with KKR holding the remaining 60%. Colombia Telecomunicaciones S.A. E.S.P. BIC's investment would be made with a portion of the proceeds from the sale of the fiber optic assets.
- (iii) Several commercial agreements between Colombia Telecomunicaciones S. A. E.S.P. BIC and InfraCo for the provision of wholesale connectivity services by InfraCo to Colombia Telecomunicaciones S. A. E.S.P. BIC, the development of fiber optic network deployment activities, and other associated services.

The subscription of the agreements in items (i) and (iii) and the execution of the operations of all the aforementioned agreements were subject to the respective contractual stipulations and to obtain the corresponding regulatory authorizations.

**g) Transaction agreement with Empresa de Teléfonos de Bogotá S. A. E.S.P. ("ETB").**

On August 2, 2021, Colombia Telecomunicaciones S. A. E.S.P. BIC entered into a settlement agreement with ETB, by virtue of which the parties definitively and res judicata settle the claims of the executive process and prevent any possible conflict or claim based on the application of the access charges established in Resolutions 463 of 2001 and 489 of 2002 prior to December 31, 2007, associated to the access, use and interconnection agreements entered into on November 11 and 13, 1998.

On August 27, the Company was notified of the ruling by which the Administrative Court of Cundinamarca, Third Section - Subsection A-, approved the settlement agreement entered into with Empresa de Teléfonos de Bogotá S. A. E.S.P. and declared the executive process identified with the number 25000232600020090063601 as terminated. By virtue of the agreement, the parties settle definitively and with the effect of res judicata, the claims of the aforementioned executive process and prevent any possible conflict or claim based on the application of the access charges established in Resolutions 463 of 2001 and 489 of 2002 prior to December 31, 2007, associated to the access, use, and interconnection contracts, entered into on November 11 and 13, 1998. ETB paid the Company the amount of \$114,900,000 in a single cash payment.

## **h) Tax Reform 2021.**

On September 14, 2021, the Congress of the Republic of Colombia approved Tax Reform Law 2155. The text of the reform highlights the increase in the income tax rate from 30% to 35% as from 2022, and the decrease in the benefit from 100% to 50% of the tax discount on industry and commerce tax payments as from 2022, matters that the Group considered in its financial statements at the end of the 2021 fiscal year.

## **2. OPERATIONS**

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

The Group continues with the development of the activities inherent to its corporate purpose, within the framework of the provisions issued by the National Government and the local authorities, 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, 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 end of December 2021, the Group has had a limited impact on operations, and financial statements have managed to counteract the risks and maintain a balance in operation, with a positive evolution in the results.

### **2.2. Ongoing Business**

In conducting its business activities, the Group analyzes not only the measurement of assets and liabilities, accounting estimates, and appropriate disclosures but also the Group's ability to continue as a going concern.

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 comprising cash and cash equivalents of \$548,069,973, other highly liquid assets, and undrawn credit facilities available at the date of issuance of these consolidated 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.

Based on the Group's liquidity position at the date of issuance of these consolidated financial statements, and in light of the uncertainty surrounding the future development of Covid-19 and its variants, management continues to have a reasonable expectation that it has adequate resources to continue in operation and that the Group's accounting basis in operation remains sufficient.

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

### **2.3. Main Regulatory Aspects**

The main regulatory aspects are as follows:

#### **a) Sectorial Authorities.**

The sectorial authorities with which the Group has regulatory, inspection, and oversight ties are, among others: i) Ministry of Information and Communications Technologies - (hereinafter MINTIC); ii) Communications Regulation Commission - CRC; iii) National Spectrum Agency - ANE; iv) Superintendence of Industry and Commerce; v) Superintendence of Finance of Colombia - SFC and Superintendence of Corporations.

#### **b) Regime of the Information and Communications Technologies Sector**

Law 1341 of July 30, 2009, defines the principles and concepts applicable to the Information Society and the Information and Communications Technologies Organization -ICT-, creates the National Spectrum Agency and establishes other provisions; it establishes the general framework for the formulation of public policies in the Information and Communications Technologies sector and defines the principles and concepts on the information society and the organization of such technologies, resulting in a transformation of the telecommunications sector as a consequence of the evolution of technological and market trends, giving way to a broader sector that involves the use and appropriation of ICTs in all the Group's areas.

In turn, this regulation was reformed by Law 1978 of July 25, 2019, which modernizes the ICT sector, distributes competencies, and creates a single regulator. Article 10 of Law 1341 of 2009, amended by Article 7 of Law 1978 of 2019, establishes the general authorization regime for the provision of telecommunications networks and services, including subscription television service; this authorization is understood to be formally granted when the interested party registers in the ICT registry, as provided by Article 15 of Law 1341 of 2009, likewise this article maintains, for telecommunications services, their status as public services under the responsibility of the State.

Pursuant to the provisions of Article 11 of Law 1341 of 2009, as amended by Article 8 of Law 1978 of 2019, the use of the spectrum requires prior, express, and express permission granted by the MINTIC, likewise, pursuant to the provisions of Article 13 of Law 1341 of 2009, as amended by Article 10 of Law 1978 of 2019, the granting or renewal of the permit to use a segment of the radio spectrum will give rise to the payment, in favor of the Fondo Único de Tecnologías de la Información y las Comunicaciones and at the expense of the permit holder, of a consideration whose amount was set by Resolution 290 of 2010, as amended by Resolution 2877 of 2011, and by Resolution 0903 of 2020 issued by the MINTIC, rules compiled in Decree 1078 of 2015 and its amendments.

Article 68 of Law 1341 of 2009 establishes the transition regime for companies established at the time of issuance of the Law, stating that it will respect their enabling titles (concessions, licenses, permits, authorizations) up to the term of their duration and under the conditions provided in their particular regimes. In addition, it establishes that such operators may apply the general authorization regime, which entitles them to renew their spectrum use permits only once, after which the general regime for the renewal of telecommunications permits, provided for in Article 11 of the Law, will be applicable. This transition regime also applies to subscription television operators that wish to join the general licensing regime to provide this service, in accordance with Article 32 of Law 1978 of 2019.

Law 142 of 1994 will not be applicable to companies providing basic public switched telephone services, local mobile telephone services in the rural sector, and long-distance services with respect to these services, except for the provisions of Articles 4 on essential character, 17 on the legal nature of the companies, 24 on the tax regime and the third title, Articles 41, 42 and 43 on the labor regime, guaranteeing the rights of association and collective bargaining and the labor rights of the workers.

In any case, the legal nature of the companies providing basic public switched telephone and local mobile telephone services in the rural sector will be respected as a Public Service Company (E.S.P.).

### **c) Authorization to Provide Telecommunications Services**

Since November 8, 2011, the Group has been generally authorized to provide telecommunications networks and services. In relation to the provision of cellular mobile telephony services, on November 28, 2013, the manifestation of acceptance to the General Qualification Regime was presented, under the terms of Law 1341 of 2009 and Decree 2044 of 2013, and as a consequence, the concession contracts that enabled the provision of this service were terminated; Likewise, the corresponding ICT registry was modified, which according to the mail received by the Ministry of ICT, was approved on December 17, 2013, date from which the new general authorization regime is applied and generated the right to renew the spectrum use permits in terms of its enabling title, permits, and authorizations until March 28, 2014, which occurred with the issuance of Resolution 597 of 2014, which became final on March 31, 2014. The said resolution permits spectrum use in the bands 835.020 MHz to 844.980 MHz, 846.510 MHz to 848.970, 880.020 to 889.980 MHz, 891.510 MHz to 893.970 MHz, 1870 MHz to 1877.5 MHz, and 1950 MHz to 1957.5 was renewed until March 28, 2024.

The Group has permission to provide mobile services with 15 MHz of spectrum in the 1900 MHz band awarded in accordance with the conditions of the process set forth in Resolution 1157 of 2011. With this assignment, the Group has a total of 55 MHz of spectrum to provide mobile services distributed as follows: 30 MHz in the 1900 band and 25 MHz in the 850 band. The duration of the permit granted in 2011 for the use of 15 MHz in the 1900 band is ten (10) years from October 20, 2011. In March 2021, the Group submitted its renewal request under the terms set forth in the regulations in force; by means of resolution 2803 of October 19, the Ministry renewed the spectrum use permit for 20 years, a decision that has been appealed by the Group on November 3 and is pending decision by the authority.

Similarly, in the 4G auction process, the Group obtained 30 MHz of spectrum in the 1710 MHz to 1755 MHz band paired with 2110 MHz to 2,155 MHz, resource that was assigned by Resolution 2625 of 2013, with a 10-year term, confirmed by Resolution 4142 of October 25, 2013.

### **d) Television Concession**

The Group had the concession contract No.17 of January 2007 granted by the National Television Commission - now liquidated, which was extended through additional agreement No. 3 on February 22, 2017, for ten (10) more years, by the National Television Authority - now in liquidation. The purpose of this concession was to operate and exploit the satellite television service (DBS) or direct-to-home television (DTH) and the commercialization and installation of equipment for the reception of signals from a space segment and collection of fees.

Subsequently, Article 39 of Law 1978 of 2019 abolished and liquidated the National Television Authority - ANTV. Since the entry into force of the law, all regulatory and inspection, surveillance, and control functions regarding content are exercised by the CRC; the MINTIC exercises the other inspection, surveillance, and control functions. Likewise, the functions of protection of competition and consumer protection are exercised by the SIC, with the exception of those expressly assigned in the commented rule.

On July 26, 2019, Colombia Telecomunicaciones S. A. E.S.P. BIC expressed to the MINTIC the interest in availing itself of the general qualification regime to provide the subscription television service, as allowed by Article 32 of Law 1978 of 2019. This implies that the concession contract with ANTV (in liquidation) was terminated early. As of that date, the Group applied to it the telecommunications consideration regime of 2.2% of gross revenues instead of the subscription television regime of approximately 4.5% of gross revenues. This percentage was subsequently reduced to 1.9% for all services in 2021. The license to provide Internet Protocol Television (IPTV) is now the TIC registry, which is administered by the MINTIC and allows the Group to provide the service in technological neutrality, both by Direct to Home (DTH) and cable Internet Protocol Television (IPTV).

#### **e) Interconnection**

In accordance with Law 1341 of 2009, network providers must allow the interconnection of their networks and access and use of their facilities to any provider that requests it. The interconnection regime under which the Group has its Interconnection contracts in force is found in Title IV of Resolution 5050 of 2016 of the CRC. The current tariff scheme for access charges between telecommunications operators is found in Resolutions 5050 of 2016 as amended by Resolution 5108 of 2017.

Regarding automatic national roaming, CRC Resolution 5107 of 2017 regulated the price of this essential facility for voice, data, and SMS. Likewise, resolution CRC 5108 of 2018 regulated the volume of discounts and the base price methodology for charging mobile virtual operators.

In 2021, the regulator modified the remuneration conditions for the National Automatic Roaming (RAN) service with the issuance of CRC resolution 6298. It maintained the current price cap path for voice RAN and defined its application to the geographic scope of the list of 460 municipalities determined in the regulation itself, at the value of the mobile access charge. The list by municipality also applies to the regulated data RAN price. The list of municipalities will be updated on January 1, 2024.

With the National Numbering Plan modification, the Group complied with the provisions of CRC Resolution 5967 of 2020 within the established deadlines. With this measure, the national long-distance prefixes were eliminated, and the prefix 60 was placed before all national fixed numbering. The coexistence of the two systems was allowed until November 30, 2021. In the phase known as establishment, from December 1, 2021, to February 28, 2022, if the user dials in the above manner, the Group is required to include a telephone recording informing of the changes.

For incoming international calls, coexistence runs from September 1, 2021, to January 31, 2022, and establishment from February 1 to May 30, 2022.

### **3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1. Professional Accounting Standards Applied**

##### **3.1.1. Basis of Presentation**

The Group prepares its consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF) established in Law 1314 of 2009, which correspond to the International Financial Reporting Standards (IFRS) officially translated and authorized by the International Accounting Standards Board (IASB) until 2018, and incorporated into Colombian regulations, by its acronym in English) until 2018, and incorporated in the Colombian regulation by Regulatory Decree 2420 of 2015, modified by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, and 2270 of 2019. These standards may differ in some aspects from those established by other State control agencies.

These consolidated financial statements have been prepared on the historical cost model 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 consolidated financial statements are presented in Colombian pesos, which is the Group's functional currency, and all values in Colombian pesos are rounded to the nearest thousand unless otherwise indicated.



The consolidated financial statements were authorized by the Audit Committee on February 17, 2022 and approved for issuance by the Board of Directors on February 17, 2022, according to Minute No.148. They may be modified and must be approved by the Shareholders' Meeting.

### **3.1.2. Consolidated Financial Statements**

The Group prepares its Consolidated Financial Statements that include the information of the Group as a single company by means of the global integration methodology, adding assets, liabilities, and the operations carried out during the period excluding those operations carried out between the Company and its subordinate.

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

### **3.1.3. Investment in Subsidiaries**

The equity method accounts for investments in subsidiaries in which the Group 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 the profit of this company is recorded as a reduction in the value of the investment.

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

The main figures of the financial statements of the subsidiaries 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:

	Year ended December 31,	
	2021	2020
Total assets	26.163.510	10.249.081
Total liabilities	23.724.659	9.033.141
Total equity	2.438.851	1.215.940
Result of the year	222.911	(742.055)

### **3.1.4. Accounting estimates and judgments**

The preparation of financial statements in accordance with MFRS requires the use of certain critical accounting estimates. Based on the preceding, Management makes judgments, estimates, and assumptions that could affect the reported amounts of revenues, costs, expenses, assets, and liabilities at the date of the 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 and are based on historical experience and other factors, including the expectation of the occurrence of future events that are considered reasonable under the circumstances.

The following is a summary of the main accounting estimates and judgments made by the Group in the preparation of the Consolidated Financial Statements:

- The assumptions used to calculate the fair value of financial instruments,
- The valuation of financial assets to determine the existence of impairment losses,
- The useful life of property, plant and equipment and intangibles,
- The variables used and the assumptions used in the evaluation and determination of impairment indicators for non-financial assets,
- The variables used in the evaluation and determination of losses and obsolescence of inventories,
- The discount rate used in the calculation of the lease liability and the right of use,
- The probability of occurrence and the value of the liabilities that determine the amount to be recognized as provisions related to litigation and restructuring,
- The assumptions used in recognition of the decommissioning liability,

- The assessment of the probability of having future profits for the recognition of deferred tax assets,
- The estimated time to depreciate the rights of use, the assumptions used in the calculation of the growth rates of the lease contracts recorded as rights of use, and the variables used for the valuation of the lease liability.

These estimates have been made on the basis of the best information available on the events analyzed at the date of preparation of the consolidated financial statements, which may give rise to future modifications by virtue of possible situations that may occur and that would require their recognition prospectively, which would be treated as a change in an accounting estimate in future financial statements.

### **3.2. Accounting Policies**

The principal accounting policies used in the preparation of these Financial Statements have been as follows:

#### **3.2.1. Foreign Currency Conversion.**

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect 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 \$3,981.16 and \$3,432.50 per US\$1 on December 31, 2021, and 2020, respectively. Exchange gains and losses resulting from the payment of such transactions and from the translation at the exchange rates at the end of each period of monetary assets and liabilities denominated in foreign currency are recognized in the Statement of Income, except when they are deferred in equity in the Other Comprehensive Income account for transactions that qualify as cash flow hedges.

Exchange differences related to loans are presented in the Statement of Comprehensive Income under the caption "financial income or expenses," depending on the result. Likewise, any other gains or losses generated by other items are presented in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost in foreign currency are converted using the exchange rates in effect at the date of the transactions. Non-monetary items measured at fair value in foreign currency are converted using the exchange rates on the date the fair value is determined.

Gains or losses arising from the conversion of non-monetary items are recognized on the basis of the gain or loss on the item giving rise to the translation difference. Therefore, conversion differences on items whose gain or loss are recognized in other comprehensive income or in profit or loss are also recognized in other comprehensive income or in profit or loss, respectively.

#### **3.2.2. Property, Plant, and Equipment**

Property, plant, and equipment are valued at acquisition cost less accumulated depreciation and impairment losses, if any, except for land and buildings, which are recognized at revalued cost. The land is not subject to depreciation. Acquisition cost includes external and internal costs consisting of warehouse material consumption, direct labor costs used in the installation, and an allocation of indirect costs necessary to carry out the investment. The acquisition cost includes the best estimate of the costs associated with the dismantling or removal of the item.

The costs of expansion, modernization, or improvement, which represent an increase in productivity, capacity or efficiency, or a lengthening of the useful lives of the assets, are capitalized as an increase in cost when they meet the recognition requirements, only when it is probable that they will generate future economic benefits for the Group and the cost of these assets can be reasonably measured. The cost of property, plant, and equipment includes the transfer from Other Comprehensive Income of any gain or loss arising on cash flow hedges used for foreign currency purchases.

Gains or losses on the sale of assets correspond to the difference between the proceeds of the transaction and the carrying value of the assets. These differences are included in the Statement of Income.

For significant components of property, plant, and equipment that must be replaced periodically, the Group records the derecognition of the replaced component and recognizes the new component with its corresponding useful life and depreciation. Similarly, when an inspection is performed, the inspection cost is recognized as the replacement to the extent that the requirements for recognition as an asset are met. All other routine repair and maintenance costs are recognized as an expense in the Statement of Income as incurred.

The Group depreciates its property, plant, and equipment from the time they are in working condition, distributing the cost of the assets on a straight-line basis over the years of useful life, as follows:

Description	Minimum useful life (Years)	Maximum useful Life (Years)
Constructions	10	40
Switching, access, and transmission	2	20
Furniture	10	10
Information processing equipment	4	5
Transportation equipment	7	7

The depreciation methods and periods applied are reviewed at the end of each year and, if appropriate, adjusted prospectively.

### 3.2.2.1. Decommissioning costs

The initial estimate of the costs of dismantling and removal of the asset and the rehabilitation of the site on which it is located is included as part of the costs of property, plant, and equipment or right of use. The Group determines and recognizes in its financial statements the best estimate of the minimum costs of removal or relocation when it has been defined at the contractual level or by regulation, but in no case are those corresponding to the transfer of the equipment to a new site for continued use included.

In the particular case that the lease agreements provide for the return of the building or land in the same conditions in which it was assigned at the beginning of the lease period, at the initial moment, a provision for its dismantling is estimated and is incorporated as a higher amount of the cost of the rights of use and its counterpart a liability for dismantling.

The carrying amount of the provision is reviewed and adjusted annually considering changes in the variables used for its estimation, using a rate that reflects the specific risk of the liability. Any change in the present value of the estimated expense is reflected as an adjustment to the provision and its related property, plant, and equipment or right of use.

When there is a decrease in the asset retirement obligation related to a productive asset that exceeds the carrying amount of the asset, the excess is recognized in the statement of profit or loss. The financial cost of restatement of these liabilities is recognized in income for the period as a financial expense.

### 3.2.2.2. Revaluation of Property

Since the convergence to Financial Reporting Accounting Standards ( NCIF), the Group has made the subsequent measurement under the revalued cost policy for land and buildings, taking as fair value the revalued value less accumulated depreciation and the accumulated amount of impairment losses. The revaluation surplus of land and buildings included in equity is transferred directly to retained earnings. As a result of the above, at the end of each period, the Group systematically transfers from the surplus reserve to retained earnings with the revalued asset depreciation.

Any revaluation increase is recognized in Other Comprehensive Income - ORI (equity) as asset revaluation reserve, unless such increase reverses a revaluation decrease of the same asset previously recognized in the Consolidated Income Statement, in which case such decrease is transferred from asset revaluation reserve to retained earnings. The frequency of revaluations depends on changes in the fair values of the land and buildings being revalued. When the fair value of the revalued asset differs significantly from its carrying amount, a new revaluation is required at least every three years. The reserve generated by the revaluation of real estate is restricted for distribution to shareholders.

### 3.2.2.3. Construction in progress

Construction in progress or assets under construction are stated at cost less any impairment loss. When these assets are ready for their intended use, they are transferred to the appropriate category. At this point, depreciation begins on the same basis as that applicable to the transferred category.

### 3.2.3. Jointly controlled operations

Joint arrangements are those over which there is joint control, established by contracts that require unanimous consent for decisions relating to activities that significantly affect the performance of the arrangement. To recognize the agreements, the Group is required to record the rights and obligations arising from the agreement, depending on whether they are classified as a joint venture or a joint operation.

The interests of a joint venture are recognized using the equity method, while for joint operations, each party recognizes its respective share of the assets, liabilities, revenues, and expenses.

The Group recognizes as a joint operation those contracts with third parties over which it has rights to the assets and obligations with respect to the liabilities, related to the arrangement and accounts for each asset, liability, and transaction, including those held or incurred jointly, in connection with the operation in accordance with the percentage interest in the respective arrangement.

The Group has entered into contractual arrangements with other participants to undertake joint activities that do not result in a jointly controlled entity. These arrangements sometimes involve joint ownership of assets dedicated to the purposes of each venture but do not create a jointly controlled entity, whereby the participants derive benefits from the activities directly, rather than deriving returns from an interest in a separate entity. The Group's financial statements include its share of the assets of the joint operations together with the liabilities, revenues, and expenses generated, which are measured in accordance with the terms of each arrangement, generally based on each participant's share.

#### **3.2.4. Non-current assets held for sale**

Non-current assets held for sale correspond to the Group's land and buildings in their present condition for immediate sale, based on a highly probable sale plan. They are carried at the lower of net book value and fair value less costs to sell and will not be subject to depreciation while classified as held for sale. When the sale is estimated to occur beyond one year, the entity will measure the sale costs at their present value. Any increase in the current value of costs to sell arising in the course of the sale is presented in the income statement as a finance cost.

#### **3.2.5. Investment Properties**

Investment properties are properties held to obtain rental income or capital appreciation on the investment or both, but not for sale in the normal course of business, use in the production or supply of goods or services, or administrative purposes. Investment property is measured initially at cost and subsequently at fair value through profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of investment property. The cost of assets constructed by the Group includes the cost of materials and direct labor, any other costs directly attributable to the process of making the asset fit to work for its intended use, and capitalizable borrowing costs.

Any gain or loss on the sale of an investment property (calculated as the difference between the consideration obtained from the disposal and the carrying amount of the asset) is recognized in profit or loss. When an investment property previously classified as property, plant, and equipment is sold, any amount included in the revaluation reserve is transferred to retained earnings.

When the use of property changes such that it is reclassified as property, plant, and equipment at the date of reclassification, its fair value becomes the cost for accounting purposes.

#### **3.2.6. Intangible Assets**

Intangible assets acquired separately are recorded at acquisition cost, less accumulated amortization, and any accumulated impairment losses, if any. The cost of intangible assets acquired in business combinations is their fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less accumulated amortization (in cases where they are assigned defined useful lives) and any accumulated impairment losses, if any.

The amortization methods and periods applied are reviewed at year-end and, if appropriate, adjusted prospectively. Gains or losses arising on the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Comprehensive Income when the respective asset is derecognized. Costs associated with software maintenance are recognized as an expense when incurred. The following is a list of the main intangible assets held by the Group, indicating their measurement and recognition procedures:

##### **3.2.6.1. Licensing Rights**

These represent the acquisition price and associated costs of licenses and permits obtained for the provision of telecommunications services granted by the National Government. These permits grant a renewal option to the extent that the Group complies with the conditions required for the same, in which case they may be automatically renewed.

Amortization is made on a straight-line basis from the moment the commercial exploitation of the licenses and permits begins, during the term of the licenses and permits.

The characteristics of the licenses and permits recorded at year-end are summarized below:

Type / Name	Date of Acquisition / Renewal	Date of Expiration	Type of Permit
Resolution 597 of 2014 850 and 1900 Band Renewal	March 29, 2014	March 28, 2024	Provision of IMT mobile services
Resolution 2625 of 2014 1700/2100 Band - 4G	November 13, 2013	November 13, 2023	Provision of IMT mobile services

### 3.2.6.2. Office equipment software

These are recorded at acquisition cost and are amortized on a straight-line basis over their useful life, which is estimated according to whether they are network equipment software or office equipment software supporting the Group's different technological platforms.

### 3.2.6.3. Irrevocable Rights of Use (IRU)

Rights of use of infrastructure that allow the use of the capacity during the term and with the contractually specified bandwidth are recognized as acquisition cost and are amortized on a straight-line basis over the contractual term.

IRUs recorded in assets at the end of 2021 have the following characteristics:

No. of IRUs	Start Date	Expiration Date	IRU Type
12	From the year 2013, 2014, 2015 and 2017	Through 2027, 2033, 2034 and 2035	Fiber optic ring

### 3.2.6.4. Ongoing Projects - IT Applications

Ongoing projects include technological investments under development which are required for commercial systems, salesforce, Big Data, and Digitalization.

### 3.2.6.5. Estimated Useful Life

The Group amortizes its intangible assets as follows:

Description	Minimum Useful Life (Years)	Maximum Useful Life (Years)
Licenses and certificates	10	10
Software for network and office equipment	3	5
Irrevocable rights of use (IRU)	10	20

### 3.2.7. Leases

A lease is an agreement whereby a lessor assigns to a lessee, in exchange for a payment or series of payments, the right to use an asset for a specified period of time.

The Group is lessor and lessee of various properties, technical installations, equipment, and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements are generally for fixed periods of 1 to 10 years but may have extension options.

The extension and termination options included in the Group's leases are used to maximize operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable simultaneously by the Group and the respective counterparty.

#### 3.2.7.1. Lessee's accounting

Leases are recognized as a right-of-use asset and a corresponding liability on the date on which the leased asset is available for use by the Company. The right-of-use asset is depreciated over the shorter useful life of the asset and the straight-line lease term. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to income over the lease term to produce a constant periodic interest rate on the remaining liability balance for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities are initially measured based on the present value of the lease payments to be made over the lease term. At the commencement date, lease payments included in the measurement of the lease liability comprise the net present value of the following lease payments:

- Fixed payments (including substantial fixed payments), less any lease incentive receivable.
- Variable lease payment based on an index or rate.
- Amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Penalty payments for terminating the lease if the lease condition reflects that the lessee exercised that option.

Lease payments are discounted using the interest rate implicit in the lease if such rate can be determined or the incremental borrowing rate.

The lessee's incremental borrowing rate will be the interest rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset over a similar term. The incremental borrowing rate will be based on the yield curves available to the Telefónica Group by calculating the rate implicit in the lease terms.

Rights-of-use assets are measured at cost and comprise the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made on or before the commencement date.
- Any initial direct costs, and
- Dismantling and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized under the straight-line method as an expense in the statement of income. Low-value assets comprise computer equipment and small items of office furniture. Short-term leases have a term of 12 months or less.

#### **3.2.7.2. Lessor's accounting**

When assets are leased under finance leases, the present value of future lease payments is recognized as an account receivable. The difference between the gross amount receivable and the present value of the receivable is recognized as finance income.

The account receivable is amortized by allocating each of the royalties between finance income and amortization of principal in each accounting period, such that the recognition of finance income reflects in each period a constant rate of return on the net financial investment that the lessor has made in the finance lease.

When assets are leased under operating leases, the asset is included in the statement of financial position according to the nature of the asset. Income from operating leases is recognized over the lease term on a straight-line basis.

#### **• Leasing activities**

The Group leases various properties, equipment, and vehicles. The leases do not impose any covenants, but the leased assets are not used as collateral for lending purposes. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements are normally entered into for fixed periods of 1 to 25 years.

Leases are recognized as right-of-use assets and corresponding liabilities at the date the leased asset is available for use by the Group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease term to produce a constant periodic interest rate on the remaining liability balance for each period.

#### **• Variable lease payments**

Variable lease payments are recognized in the income statement in the period in which the condition that triggers such payments occurs.

#### **• Extension and termination options**

Extension and termination options are included in several of the Group's property and equipment leases. These conditions are used to maximize operational flexibility in terms of contract management.

- **Lease terms**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The Group reviews whether a significant event or change in circumstances affects this assessment.

### **3.2.8. Rights of Use Assets**

IFRS 16 establishes a global and methodological framework for recognizing right-of-use assets recorded by the Group. Right-of-use assets correspond to assets that represent the right for a lessee to use an underlying asset during the term of the lease. They are measured at cost, less accumulated depreciation, and impairment losses, if any, adjusted for any remeasurement of the lease liability to reflect remeasurements or modifications to the lease.

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

The Group depreciates right-of-use assets using the straight-line method according to the minimum non-cancelable period of each contract in force, as follows:

<b>Assets for rights of use</b>	<b>Minimum term</b>	<b>Maximum term</b>
Land and buildings	1	25
Technical installations	1	12
Transportation equipment	1	4

### **3.2.9. Goodwill**

Goodwill is initially measured at cost, represented by the excess of the sum of the consideration transferred and the amount recognized for the non-controlling interest, with respect to the net identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the net assets acquired, the difference is recognized as a gain at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss, if any. Goodwill is not amortized but is reviewed annually for impairment.

### **3.2.10. Impairment of Non-Current Assets**

At the end of each reporting period, non-current assets, including goodwill, intangible assets, and property, plant, and equipment, are assessed for the presence or absence of impairment indicators. If such indicators exist or in the case of assets whose nature requires an annual impairment analysis, the Group estimates the recoverable amount of the asset, which is the higher of fair value less costs of disposal and its value in use. This value in use is determined by discounting the estimated future cash flows, applying a pre-tax discount rate that reflects the time value of money, and considers the specific risks associated with the asset.

When the recoverable value or financial valuation of an asset is below its net book value, impairment exists. In this case, the carrying amount is adjusted to the recoverable amount, recording the loss in the Statement of Income. Amortization charges for future periods are adjusted to the new carrying amount over the remaining useful life.

To assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows and use the strategic plan and financial projections for this purpose. This strategic plan generally covers a period of three years. From the fifth year onwards, projections based on these strategic plans are used for longer periods, applying a zero or decreasing growth rate.

When new events or changes in existing circumstances occur that indicate that an impairment loss recorded in a prior period may no longer exist or may have been reduced, a new estimate of the recoverable amount of the related asset is made. Previously recorded impairment losses are reversed only if the assumptions used in the recoverable amount calculation have changed since the most recent impairment loss was recognized. In this case, the carrying amount of the asset is increased to its new recoverable amount, up to the limit of the net book value that the asset would have had if no impairment losses had been recognized in previous periods.

The reversal is recorded in the Statement of Comprehensive Income, and amortization charges for future periods are adjusted to the new carrying amount unless the asset is carried at a revalued amount. In this case, the reversal is treated similarly to a revaluation increase. Impairment losses on goodwill are not reversed in subsequent periods.

On the other hand, the discount rates used to determine the recoverable value are based on available financial information and are adjusted by the corresponding country risk and business risk rate. Thus, in 2021 and 2020, a nominal percentage rate calculated in pesos of 10.79% and 10.39%, respectively, was used.

### **3.2.11. Financial Instruments**

#### **3.2.11.1. Financial Assets**

The Group classifies its financial assets in the following measurement categories, considering the characteristics of the cash flows and the business model under which they are held: those measured at fair value through other comprehensive income - ORI (debt instrument), at fair value through profit or loss, at amortized cost or at fair value through other comprehensive income - ORI (equity instrument).

##### **a) Financial assets at amortized cost**

A financial asset is classified as measured at "amortized cost" only if the following criteria are met: The objective of the Group's business model is to hold the asset to obtain the contractual cash flows, and the contractual terms result on specified dates in receiving cash flows that are solely payments of principal and interest on the principal outstanding.

##### **b) Financial assets at fair value through other comprehensive income**

A financial asset (debt instrument) is measured at fair value through other comprehensive income if the following criteria are met: The objective of the Group's business model is to hold the asset to earn the contractual cash flows and sell, and the contractual terms result on specified dates in receiving cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset that is measured neither at amortized cost nor at fair value through other comprehensive income because the above criteria are not met is measured at fair value through profit or loss.

##### **c) Financial assets at fair value through profit or loss**

A financial asset (debt instrument) is measured at fair value through profit or loss when not classified in models a) and b) above.

##### **d) Equity instruments**

All equity instruments are measured at fair value. Equity instruments held for trading are measured at fair value through profit or loss. For all other equity instruments, the Group may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income in equity rather than through profit or loss.

##### **e) Impairment of financial assets**

The measurement of the provision for expected credit loss for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (for example, the probability that customers will default and the resulting losses).

Several significant judgments are also required when applying accounting requirements to measure expected credit loss, such as:

- Determine the criteria for a significant increase in credit risk;
- Appropriately choose the models and assumptions for the measurement of expected credit loss;
- Establish the number and relative weights of forward-looking scenarios for each product/market type and the associated expected credit loss; and
- Establish groups of similar financial assets to measure expected credit loss.

At the end of each reporting period, the Group establishes an expected credit loss model for the recognition of impairment of financial assets as defined by IFRS-9. The expected credit loss model is applied to financial assets that are debt instruments, measured at amortized cost or fair value through other comprehensive income (includes accounts receivable, contractual assets within the scope of IFRS-15 Contracts with customers, customers pending invoicing, and other debtors).

The estimation of expected losses on financial assets is based on the simplified model, supported by an "estimated uncollectibility rate" approach to estimate the expected credit loss for the asset's entire life.



The application of the simplified model is developed through allowance matrices, which are constructed based on historical default rates over the expected life of trade accounts receivable and through: i) appropriate groupings of trade accounts based on shared credit risk characteristics, ii) representative collection history and iii) time horizon in accordance with the collection management policy for each type of account. The matrix is a consequence of the results obtained in the ratio collected versus billed, reflecting the evolution of the collection for each billing maturities. To determine the ratio, the historical average recovery of the last years of billing due dates is obtained for each range of arrears, classifying the information by biller and by customer segment.

For accounts receivable in installments from customers, as may be the case of financed sales of terminals or other types of equipment, the policy is based on using historical uncollectibility rates to predict the behavior of customers throughout the life of the contract, i.e., at the maturity of each monthly installment, it allows estimating, approximately, the percentage of debt that will ultimately remain outstanding (expected loss), to be recorded at the initial time.

The carrying amount of the asset is reduced through the recognition of the provision for impairment loss and in the result for the period as an impairment loss (gain) the amount of the expected credit losses (or reversal) by which the impairment loss is required to be adjusted at the reporting date.

### **3.2.11.2. Financial Liabilities**

The Group's financial liabilities include contractual obligations to deliver cash or another financial asset to another entity or contracts that may be settled using the Group's own equity instruments.

The Group classifies its financial liabilities into the following measurement categories, those measured at amortized cost and those measured at fair value through profit or loss.

#### **a) Financial liabilities at amortized cost**

The gain or loss on a financial liability that is measured at amortized cost and is not part of a hedge is recognized in profit or loss when the financial liability is derecognized and through the amortization process.

#### **b) Financial liabilities at fair value**

Financial liabilities that are managed and their performance evaluated on a fair value basis, such as derivatives, are classified as financial instruments at fair value through profit or loss. The gain or loss on a financial liability measured at fair value is recognized in profit or loss for the period, unless: It is part of a hedging relationship, or it is a financial liability designated as at fair value through profit or loss, and the Group is required to present the effects of changes in the liability's credit risk in other comprehensive income.

### **3.2.11.3. Other Equity Instruments**

In accordance with IAS 32 (financial instruments - presentation), the Group establishes whether the financial instrument meets the definition of equity, where the issuer has no present obligation to deliver cash or another financial asset. In addition, an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities; the instrument has no priority over other rights to the assets of the entity on liquidation, the distribution to holders of an equity instrument is recognized by the entity directly against equity.

In the absence of a right to receive or an obligation to deliver a fixed or determinable amount of monetary units for these instruments, non-monetary items are determined and therefore are not subject to adjustment for exchange differences.

The Group, based on the absence of a contractual obligation to deliver cash or another financial asset and the fact that the counterparties cannot obligate the Group to pay coupons or cancel the securities in part or in whole and given the specific characteristics that both the payment of coupons and the cancellation of the instrument are at the sole discretion of the issuer, it is established that the bonds issued by the Group correspond to perpetual equity instruments, recognizing them at their nominal amount as part of equity attributable to the Group and will be modified only upon settlement of the principal.

Transaction costs associated with the issuance of the equity instrument are recognized as a deduction from the equity net of any related tax benefit. Coupon payments are recognized in equity as a reduction of retained earnings when the obligation to pay them arises; the payment of coupons does not impact the income statement, nor will it adjust (i.e., not be deducted from) the Group's profit or loss for the computation of earnings per share.

#### **3.2.11.4. Recognition and Measurement**

The Group determines the classification of financial liabilities upon initial recognition. All financial liabilities are initially recognized at fair value plus, in the case of loans and payables carried at amortized cost, directly attributable to transaction costs.

Gains or losses on a debt instrument that is subsequently measured at fair value and are not part of a hedging relationship are recognized in profit or loss and presented in the Statement of Income within "other (loss)/gain, net" in the period in which they occur.

Gains or losses on a debt instrument that are subsequently measured at amortized cost and are not part of a hedging relationship are recognized in income for the period when the financial asset is derecognized or impaired and through the amortization process the effective interest method.

The Effective Interest Method is used to calculate the amortized cost of a financial asset or liability and allocate interest income or expense over the relevant period.

The Effective Interest Rate is the discount rate that exactly matches the estimated cash flows receivable or payable over the expected life of the financial instrument or, where appropriate, a shorter period, to the carrying amount of the financial asset or financial liability, including all fees and costs payable to or receivable by the parties to the contract.

Transaction costs are the incremental costs directly attributable to the acquisition, issue, or disposal of financial assets or financial liabilities.

#### **3.2.11.5. Offsetting of Financial Instruments**

Financial assets and liabilities are offset, and their net amount is presented in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts. The Group intends to settle the net amount or realize the asset and settle the liability simultaneously.

#### **3.2.11.6. Determination of Fair Values**

At each closing date of the reporting period, the fair value of financial instruments traded in active markets is determined by reference to quoted market prices or prices quoted by market participants (bid price for long positions and ask price for short positions), without deducting transaction costs.

For financial instruments not traded in active markets, fair value is determined using valuation techniques appropriate to the circumstances. Such techniques may include using recent market transactions between knowledgeable, willing parties acting at arm's length, reference to the fair values of other financial instruments that are essentially similar, discounted cash flow valuation analysis, and other appropriate valuation models.

#### **3.2.11.7. Derivative Financial Instruments and Hedging Activities**

##### **a) Initial recognition and subsequent measurement**

Derivatives are initially recognized at fair value on the date the contract is entered into and are permanently measured at fair value.

If derivative financial instruments do not qualify for recognition through the hedge accounting treatment, they are recorded at fair value through the Statement of Income. Any change in the fair value of these derivatives is recognized immediately in the Statement of Income as "Financial income or expense, net." If designated as hedges, the method of recognizing the gain or loss resulting from changes in the fair values of the derivatives depends on the nature of the risk and item being hedged.

At the inception of the hedge, the Group designates and formally documents the hedging relationship to which it decides to apply hedge accounting between the hedging instruments and the hedged items and its objectives and risk management strategy that support its hedge transactions. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk it decides to hedge, and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

The Group designates its hedges as follows:

Fair Value Hedges: when they hedge the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments (except in the case of exchange rate risk hedges).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Income, and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in income for the period. The gain or loss related to the effective portion of the derivatives is recognized in the Statement of Income as "financial income or expense," as is the ineffective portion recognized in the Statement of Income.

If the hedge no longer meets the criteria to be recognized through the hedge accounting treatment, the adjustment to the carrying amount of the hedged item is amortized to income using the effective interest method over the remaining period to maturity. If a hedged item is derecognized, the unamortized fair value is recognized immediately in the Statement of Income as finance income or finance costs, as appropriate.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability, with a corresponding gain or loss recognized in the Statement of Income as finance income or finance costs, as appropriate.

**Cash Flow Hedges:** When they hedge the risk of changes in cash flows attributable to either a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or to foreign exchange rate risk in the case of an unrecognized firm commitment. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Statement of Income as "Other gains / (loss), net."

Amounts accumulated in the Statement of Changes in Equity are transferred to the Income Statement in the periods in which the hedged item affects them; however, when the forecast transaction covered results in recognition of a non-financial asset (e.g., inventories or property, plant, and equipment), the gains or losses previously recognized in equity are included as part of the cost of the asset. The amounts capitalized are ultimately recognized in the cost of sales when the products sold are sold in the case of inventories or depreciation in the case of property, plant, and equipment.

When a hedging instrument expires or is sold, or when it no longer meets the criteria to be recognized through hedge accounting treatment, any accumulated gain or loss in equity at that date is recognized in the Statement of Income. When a forecasted transaction is no longer expected to occur, the accumulated gain or loss in equity is immediately transferred to the Statement of Income as "financial income or expense."

#### **b) Hedges through options**

Exchange rate options are derivative instruments used for hedging purposes; the valuation of the derivative instrument options is classified as intrinsic and temporary. A change in the fair value of the intrinsic portion is recorded in equity until its allocation. The difference between the allocated portion and the fair value of the intrinsic portion is recorded in the Statement of Income. In contrast, changes in the fair value of the temporary portion are recorded in the Statement of Income.

#### **c) Classification of Current and Non-Current Items**

Derivative instruments are separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contractual cash flows) as follows:

1. When the Group holds a derivative instrument as an economic hedge (and does not apply hedge accounting) for a period of more than twelve months from the closing date of the reporting period, the derivative is classified as non-current (or split into current and non-current portions) to match the classification of the underlying item.
2. Embedded derivatives that are not closely related to the host contract are classified in a manner consistent with the cash flows of the host contract.
3. Derivatives designated as effective hedging instruments are classified in a manner consistent with the classification of the underlying hedged item. The derivative is divided into a current and non-current portion only if such an allocation can be made reliably.

#### **3.2.12. Inventories**

Inventories of merchandise for sale and materials in a warehouse for installation in investment projects are valued at a lower cost or net realizable value. The valuation of obsolete, defective, or slow-moving products has been reduced to their probable net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory costs include transfers from the equity of gains or losses on cash flow hedges for inventory purchases when so defined.

Goods acquired from a supplier abroad, whose contracting condition consists of receiving the good prior to nationalization, are recognized as of this moment as inventories in transit. When the goods are nationalized, they are transferred to warehouse inventory.

The recoverable value of inventories is calculated based on the age of the inventories and their turnover as follows:

- For mobile terminals >180 and <361 days old, an impairment provision of 50% is recognized.
- For mobile terminals >360 days old, an impairment provision of 100% is recognized.
- For fixed operation equipment and materials >360 days old, an impairment provision of 100% is recognized.

The recovery of the impairment provision for the sale of provisioned equipment is recognized as a reduction in the value of the charge taken to income for the period.

### **3.2.13. Cash and Cash Equivalents**

Cash and cash equivalents include both cash on hand and freely available demand bank deposits.

Cash and cash equivalents include cash on hand, unrestricted bank deposits, and other short-term highly liquid investments with three months or less of original maturities. Advances in bank current accounts are interest-bearing loans, payable on demand, and are part of the Group's treasury management, and are therefore assimilated to cash equivalents.

For financial statement purposes, bank overdrafts are presented in the current financial liabilities account in the statement of financial position.

### **3.2.14. Prepaid Expenses**

Prepaid expenses include:

- a. The cost of equipment for the provision of television, broadband, and basic line services delivered to the customer and on which associated revenues are being generated. These costs are amortized over the shorter of the average life of the customer and the useful life of the installed element.
- b. Customer contract fulfillment costs correspond mainly to installation services of equipment delivered to the customer for the provision of television, broadband, and basic line services. These costs are amortized over the shorter of the average life of the customer and the useful life of the installed element.
- c. Costs of obtaining contracts with customers. The Group has reviewed the indefinite life period to update the transfer to the customer of the goods or services to which these expenses relate. Following the analysis carried out, it has been considered to use the estimate of customer renewals based on their turnover rate (average life of the customers), with certain limitations in the event that there are subsequent expenses that are in line with the initial ones.
- d. Annual payments for the use of the radioelectric spectrum for the provision of telecommunications services, which are amortized over the same term.
- e. Payments for irrevocable rights of use of capacity, which are amortized over a period of 15 years.
- f. Support and maintenance costs for computer platforms and applications, which are amortized over the contract term.
- g. Other prepaid expenses are represented by licenses, insurance policies, operating leases, and contributions, which are amortized over the contract term or period covered by the prepayment.
- h. Global Stock Purchase Plan for Group employees that provides the opportunity to acquire Telefónica S. A. shares through direct monthly deductions from their salary.

### **3.2.15. Capital Stock**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount received, net of taxes if any.

### **3.2.16. Current and deferred taxes**

The income tax expense for the period comprises current and deferred income tax. The tax is recognized in the Statement of Income, except in the case of items recognized directly in equity, in which case, the tax is also recognized in equity.

#### **3.2.16.1. Current Income Taxes**

Current income tax assets and liabilities are calculated based on tax laws enacted or substantively enacted at the date of the Statement of Financial Position. Management periodically evaluates the positions taken in the tax returns filed with respect to

situations where tax laws are subject to interpretation. Where appropriate, provisions are made for amounts expected to be payable to the tax authorities.

The carrying amounts of current tax assets and liabilities for the present and prior periods represent the amounts estimated to be recoverable from or payable to the tax authorities. The tax rates and tax regulations used to calculate such amounts are those in effect at the closing date, including the income tax rate and the surtax.

### **3.2.16.2. Deferred Income Taxes**

The amount of deferred taxes is obtained from the Statement of Financial Position analysis considering the temporary differences, which are reversed over time, between the tax values of assets and liabilities and their respective book values.

Deferred tax assets are recognized to the extent that the temporary differences will probably be recovered in the future, the carrying amounts of unused tax credits and unused tax losses can be utilized, except:

- If the deferred tax liability arises from the initial recognition of Goodwill or an asset or liability arising from a transaction that is not a business combination and at the time of the transaction affected neither accounting profit nor taxable profit (loss).

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

- The parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is an enforceable right to offset current tax assets and liabilities, and when the deferred tax assets and liabilities arise from income taxes levied by the same taxation authority on the same taxable entity or taxpayer, or different taxable entities or taxpayers, but the Group intends either to settle the current tax assets and liabilities on a net basis or to realize its tax assets and liabilities simultaneously. The main temporary differences arise from differences between the tax and book values of property, plant, and equipment, intangible assets, estimated liabilities and provisions, portfolio impairment, deferred income, valuation of hedges, as well as differences between the fair values of net assets acquired from an entity and their tax values.

Deferred tax assets and liabilities are not discounted to their present value and are classified as non-current, regardless of the reversal date. At each balance sheet date, the carrying value of the deferred tax assets recorded is analyzed, and the necessary adjustments are made to the extent that there are doubts as to their future recoverability. Likewise, deferred tax assets not recorded in the Statement of Financial Position are assessed at each balance sheet date. They are recognized to the extent that it becomes probable that they will be recovered with future tax benefits.

Deferred income tax is determined using tax rates that have been enacted at the Statement of Financial Position date and are expected to apply when the deferred income tax asset is realized, or the deferred income tax liability is paid.

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

### **Uncertain Tax Positions IFRIC 23**

International Financial Reporting Interpretations Committee - IFRIC 23 was issued in May 2017; this Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatments. In this circumstance, an entity shall recognize and measure its deferred or current tax asset or liability by applying the requirements of IAS 12 on the basis of the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying this Interpretation.

As of December 31, 2021, and 2020, the Group has no uncertain tax positions in the determination of income tax disclosed in the consolidated financial statements, considering that both ordinary and extraordinary operations have been treated in accordance with current tax regulations.

### **3.2.17. Employee benefits**

#### **a. Applicable Regulations**

All the Group's employees are covered by Law 50 of 1990 since the Group started working after this Law came into force. The Group complies with the labor obligations set forth in the Substantive Labor Code, the comprehensive social security regulation,

and other complementary regulations. Labor laws provide for the payment of deferred compensation to certain employees on the date of their retirement from the Group. The amount received by each employee depends on the date of entry, type of hiring, and salary. In accordance with IFRS, the liability for such obligations is accounted for under the presumption of voluntary retirement for the amount accrued at the date of the Statement of Financial Position.

The Group contributes to private or state funds the resources required by legal regulations and the comprehensive social security system to cover both social benefits and future pension obligations; therefore, the Group has no actuarial obligations with workers for these concepts.

The Group records liabilities related to terminations of employment, considering the authorizations of the Executive Committee and/or Board of Directors, as well as the analysis of a detailed formal plan, which must include the following elements: a) location, function, and an approximate number of employees whose services are to be terminated; b) the termination benefits for each type of employment or function; and c) the time at which the plan will be implemented.

**b. Salaries and Short-Term Benefits**

Current employees' salaries and short-term benefits are recognized in the Statement of Comprehensive Income when the employees render their services.

**c. Performance Bonuses**

The Group recognizes liabilities and expenses for performance bonuses received by employees for the fulfillment of indicators defined by the Group by recognizing a provision when it is contractually obligated or when there is a past practice that has created a constructive obligation.

**d. Vacation**

The Group recognizes liabilities and expenses for these benefits to the extent that the employee earns this right; the accrued liability will be reduced by the payment of these benefits, which must coincide with the time enjoyed by the employee.

**e. Share-Based Payment Plans**

The Group's executives receive remuneration in the form of share-based payments, under which they render services as consideration for equity instruments (stock option rights to purchase shares of Telefónica S. A., the ultimate Parent Company).

The cost of equity-settled share-based payment transactions is measured by reference to the fair value on the date they were granted. The fair value is determined through an appropriate pricing model. The cost of equity-settled share-based payment transactions is recognized, together with a corresponding increase in the liability, over the period in which the performance and/or service conditions are satisfied.

The Group recognizes in its Financial Statements the conditions of the plan, subject to compliance with the established requirements. The cumulative expense recognized for equity-settled share-based payment transactions at each reporting date through the vesting date reflects the extent to which the vesting period has expired and Telefónica S.A.'s best estimate of the amount of equity instruments that will ultimately remain as a consolidated benefit. The expense or credit in the Statement of Income for the period represents the movement in the cumulative expense recognized at the beginning and end of the period.

**f. Post-employment benefits**

Benefits other than those for termination of employment or contractual relationship paid after completing the period of employment in the Group are recognized as post-employment benefits. These benefits include pensions payable by the Group and other post-employment benefits such as life and health insurance.

Post-employment benefits will be measured by the present value of the obligation derived from defined benefits, calculated using the market rate of TES issued by the National Government with terms similar to those estimated for the payment of the obligations. For this purpose, and according to the type of benefit, variables such as wages and salaries, the beneficiary's life expectancy, the average cost of post-employment plans, and historical information on the use of benefits will be taken into account.

The recognition of the current service cost, the cost for past services, and the interest on the liability will affect the result for the period. On the other hand, actuarial gains and losses of the benefit plan will affect equity and be presented in other comprehensive income.

### **3.2.18. Earnings per Share**

Basic earnings per share represent the profit from ordinary activities after taxes attributable to the Company's shareholders, divided by the weighted average number of ordinary shares outstanding during the year.

### **3.2.19. Provisions, Contingent Liabilities, and Contingent Assets**

Provisions are recognized when a present legal or constructive obligation resulting from a past event is likely to require an outflow of resources to settle the obligation, and the amount can be reliably estimated.

The expense for any provision is presented in the Statement of Comprehensive Income in the line that best reflects the nature of the provision, net of any related reimbursement. Provisions should be reviewed at each reporting date and adjusted, if necessary, to reflect the best estimate at that time. In the event that the outflow of resources to settle an obligation is no longer probable, the related provision is reversed.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the risks specific to the liability. When the discount is recognized, the increase in the provision resulting from the passage of time is recognized as a finance cost in the income statement. A contingent liability is not recognized in the financial statements but is disclosed in the notes, except where a possible outflow of resources to settle the liability is remote.

A contingent asset is an asset of a possible nature, arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events in the future, which are not entirely under the control of the Group. A contingent asset is not recognized in the financial statements but is disclosed in the notes, but only if the inflow of economic benefits is probable.

### **3.2.20. Segment Reporting**

The Group's management prepares sufficient financial and management information to evaluate profitability, risk, and assets employed at the entity level. Although the Group prepares certain financial and management information for each of the business areas, it is not sufficient and is not differentiated (for example, at the level of costs and expenses and assets used) to be able to assess and determine profitability, risk, and allocate assets and liabilities individually as required by IFRS 8.

Any of the lower business areas or components such as local and long-distance telephony, television, mobile service, or data, among others, have common and/or complementary characteristics to the rest of them (same nature of the business, shared assets such as the network, including its customers, etc.). Taking into account the requirements of the NCIF in relation to the identification of segments and based on the information available, the Group's Management has determined a single business segment.

### **3.2.21. Revenue Recognition**

#### **3.2.21.1. Contractual Assets**

It is the right that the Group has as a consideration in exchange for goods or services transferred to a customer when that right is conditioned by something other than the passage of time. The costs of contracts eligible for capitalization as incremental costs of obtaining a contract are recognized as an asset. The costs of obtaining and fulfilling contracts are capitalized as incurred if the Group expects to recover such costs and are classified as current and non-current to the extent that the economic benefits of such assets are expected to be received. Contracts are amortized systematically and consistently with the transfer to the customer of the services once the related revenues have been recognized.

#### **3.2.21.2. Contract liabilities**

Contract liabilities are the Group's obligation to transfer goods or services to a customer, for which the Group has received consideration or payment from the customer (or has become due). They also include deferred revenue related to goods or services to be delivered or rendered in the future, which are invoiced to the customer in advance. Contractual liabilities are classified as current and non-current according to the contract term and will be derecognized when performance obligations are satisfied.

The irrevocable rights of use - IRUS recorded in liabilities at the end of 2021 have the following characteristics:

<b>No. of IRUS</b>	<b>Start Date</b>	<b>Expiration Date</b>	<b>IRU Type</b>
5	From year 2009, 2010, and 2016	Until 2023 and 2027	Capacity / Fiber optic ring

### **3.2.22. Revenue from contracts with customers**

The application of IFRS 15 establishes the criteria for the recognition of revenue from contracts with customers and requires the Group to make judgments that affect the determination of the amount and timing of revenue from contracts with customers.

The Group recognizes revenue from contracts with customers based on a five-step model established in IFRS 15:

- Identification of contracts with customers.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocating the transaction price to the performance obligations in the contract.
- Revenue recognition when (or as) the Group fulfills a performance obligation.

The Group meets a performance obligation and recognizes revenue over time if any of the following criteria are met:

- (a) The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment for the performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer both receives and consumes the benefits resulting from the Group's performance as it works.

Revenue is measured based on the consideration specified in the contract with the customer and excludes amounts received on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer and is presented net of rebates and discounts. The Group evaluates its revenue plans based on specific criteria to determine whether it acts as principal or agent. Revenue is recognized to the extent that the economic benefits will probably flow to the Group and if revenue and costs if any, can be measured reliably.

#### **a. Other operating income**

The Group recognizes in other operating income transactions that, being non-recurring and/or related to the services it provides, arise from or are indirectly related to its operating activities, such as the sale and lease of property, plant, and equipment used in its operations, support from manufacturers, breach of contracts and government subsidies, among others.

For presentation purposes, the Group reflects in the Statement of Comprehensive Income the operating income considering those generated by the mobile service, fixed service, and other operating income, including the necessary headings and subtotals that allow a reasonable presentation to understand the Group's financial performance.

#### **b. Government grants**

Government grants are recognized when there is reasonable assurance that they will be received and that all conditions attached to them will be fulfilled. When the grant relates to an expense item, it is recognized as revenue on a systematic basis over the periods in which the Group recognizes the costs that the grant is intended to offset. When the grant relates to an asset and until December 31, 2017, it was accounted for as deferred revenue and recognized in income on a systematic basis over the estimated useful life of the related asset.

Grants related to assets are recognized in the Statement of Financial Position as deductions from the carrying value of the associated assets. Their counterpart is recognized in the Statement of Income as a reduction of depreciation expense in accordance with the useful life of the asset.



### **3.2.23. Recognition of Costs and Expenses**

Costs and expenses are recorded in the Statement of Comprehensive Income on an accrual basis, i.e., when the actual receipt or delivery of the goods and services they represent occurs, regardless of when the monetary delivery takes place, they are recognized when there is a decrease in future economic benefits related to the decrease of an asset or the increase of a liability, which can be measured reliably.

## **4. REGULATORY CHANGES**

### **4.1. New standards incorporated into the accounting framework accepted in Colombia, the application of which is mandatory as from January 1, 2023.**

Decree 938 of 2021 updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, mainly incorporating amendments to the standards that had already been compiled by Decrees 2270 of 2019 and 1438 of 2020, which considered the regulations incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2019. .

#### **Amendment to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**

The amendments issued in January 2020 clarify the criteria for classifying liabilities as current or non-current, based on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date. The changes also clarify what is meant by "settlement" of a liability in terms of the standard. The Group does not expect significant impacts from this amendment; in any case, it is evaluating the impact that they could have on the financial statements.

#### **Amendment to IAS 16 Property, Plant, and Equipment - Amounts obtained prior to the intended use**

The amendment published in May 2020 prohibits the deduction from the cost of an item of property, plant, and equipment of any amounts from the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognize the amounts of those sales in profit or loss for the period. The Group does not expect significant impacts from this amendment; in any case, it is evaluating the impact that they could have on the financial statements.

#### **Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework**

The amendment published in May 2020 addressed three (3) amendments to the standard in order to: update the references to the Conceptual Framework; add an exception for the recognition of contingent liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities, and Contingent Assets and IFRIC 21 Liens; and confirm those contingent assets should not be recognized at the acquisition date. The Group does not expect significant impacts from this amendment; in any case, it is evaluating the impact they could have on the financial statements.

#### **Amendment to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets - Cost of Fulfillment of a Contract**

The purpose of this amendment, which was also published in May 2020, is to specify the costs that an entity includes in determining the "cost of performing" a contract to assess whether a contract is onerous; it clarifies that the direct costs of performing a contract include both the incremental costs of performing a contract and an allocation of other costs that relate directly to the performance of the contract. Before recognizing a separate provision for an onerous contract, for an onerous contract, the entity must recognize impairment losses on the assets used to fulfill the contract. The Group does not expect significant impacts from this modification; in any case, it is evaluating the impact that these could have on the financial statements.

#### **Benchmark interest rate reform**

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates (IBOR) have become a priority for global regulators. There is currently uncertainty about the precise timing and nature of these changes. To transition existing contracts and agreements that reference LIBOR, the term spread and credit spread adjustments may need to be applied to allow the two reference rates to be economically equivalent in the transition.

The amendments made to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures provide certain alternatives in relation to the reform of the benchmark interest rate. Given the widespread nature of hedges involving interbank rate-based contracts (IBORs), the alternatives will affect companies in all industries. The alternatives relate to hedge accounting and imply that the reforms generally should not cause hedge accounting to end. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Accounting policies related to hedge accounting will need to be updated to reflect the alternatives.

Fair value disclosures may also be affected due to transfers between fair value hierarchy levels as markets become more or less liquid.

The Group does not expect significant impacts from these changes but is evaluating their impact on the financial statements.

#### **Annual improvements to IFRS Standards 2018-2020 cycle.**

The following improvements were finalized in May 2021:

- IFRS 9 Financial Instruments: clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases: amends illustrative example 13 of the standard to eliminate the illustration of lessor payments related to leasehold improvements, to eliminate any confusion on the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards: allows entities that have measured their assets and liabilities at the carrying amounts recorded in their parent's accounts also to measure cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures under certain conditions.

The Group does not expect significant impacts from this amendment; in any case, it is evaluating the impact that these could have on the financial statements.

#### **Conceptual Framework**

The IASB has issued a revised Conceptual Framework to be used in standard-setting decisions with immediate effect. Key changes include:

- Increase the importance of management in the objective of financial reporting;
- Restore prudence as a component of neutrality;
- Define a reporting entity, which may be a legal entity or a part of an entity;
- Revise the definitions of an asset and a liability;
- Remove the probability threshold for recognition and add guidance on derecognition;
- Add guidance on different measurement bases; and
- Indicate that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled when this improves the relevance or faithful representation of the financial statements.

#### **4.2. New standards issued by the International Accounting Standards Board (IASB) that have not yet been incorporated into the accounting framework accepted in Colombia.**

##### **IFRS 17 Insurance Contracts**

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

IFRS 17 was initially applicable for annual periods beginning on or after January 1, 2021. However, the application date was extended for annual periods beginning on or after January 1, 2023, by an amendment issued by the IASB in June 2021. Earlier application is permitted.

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

IFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. Contracts are measured using the components of:

- Discounted probability-weighted cash flows;
- An explicit risk adjustment, and
- A contractual service margin (CSM) represents the unearned profit of the contract, which is recognized as revenue during the hedge period.

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The standard allows a choice between recognizing changes in discount rates in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers record their financial assets under IFRS 9.

An optional simplified premium allocation approach is allowed for the remaining coverage liability for short-duration contracts, which are often offered by insurers that do not write life insurance.

There is a modification to the general measurement model called the "variable fee method" for certain life insurance contracts of insurers where the policyholders share the returns of the underlying elements. In applying the variable fee method, the entity's share of changes in the fair value of the underlying items is included in the contractual service margin. Therefore, the results of insurers using this model are likely to be less volatile than under the general model.

The new standards will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

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

## 5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of December 31,	
	2021	2020
Cash	5.523	5.015
Banks in national and foreign currency	438.944.385	498.379.442
Temporary investments (1)	109.120.065	212.326.464
	<b>548.069.973</b>	<b>710.710.921</b>

Cash and cash equivalents include balances in foreign currency at December 31, 2021 of USD 20,405 thousand (\$81,235,570) and at December 31, 2020 of USD 5,182 thousand (\$17,787,215) (Note 27). As of December 31, 2021 and December 31, 2020 restricted securities in banks amount to \$8,667,403 and \$5,297,896, respectively.

(1) Includes investments in collective funds whose rates for the period ended December 31, 2021 and 2020 ranged between 0.82% and 1.43% and between 1.07% and 1.97% respectively and a Time Deposit for USD 16 million equivalent to \$63,698,560 (December 31, 2020 USD 5 million - \$17,162,500). The yields on temporary investments and bank investments, recognized during the periods ended December 31, 2021 and 2020 were \$1,816,000 and \$9,597,548, respectively (Note 26).

## 6. FINANCIAL ASSETS

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

	At fair value through profit or loss	At fair value with changes in ORI	Total financial assets at fair value	Amortized cost	Total financial assets
<b>Current financial assets</b>					
hedging derivatives (1)	37.119.411	21.242.363	58.361.774	-	58.361.774
Deposits and guarantees (2)	-	-	-	317.972	317.972
	<b>37.119.411</b>	<b>21.242.363</b>	<b>58.361.774</b>	<b>317.972</b>	<b>58.679.746</b>
<b>Activos financieros no corrientes:</b>					
hedging derivatives (1)	139.176.134	1.082.716	140.258.850	-	140.258.850
Deposits and guarantees (2)	-	-	-	15.278.958	15.278.958
Other financial assets	-	-	-	60.000	60.000
	<b>139.176.134</b>	<b>1.082.716</b>	<b>140.258.850</b>	<b>15.338.958</b>	<b>155.597.808</b>
	<b>176.295.545</b>	<b>22.325.079</b>	<b>198.620.624</b>	<b>15.656.930</b>	<b>214.277.554</b>

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- 1) As of December 31, 2021, there is a benefit in the valuation of derivative instruments, mainly due to the devaluation of exchange rates compared to the closing of the previous year (as of December 31, 2021, for \$3,981.16 and December 31, 2020, for \$3,432.50).

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

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

	<u>Amortized cost</u>	<u>Total financial assets</u>
<b>Current financial assets</b>		
Deposits and guarantees (1)	117.972	<b>117.972</b>
	<b>117.972</b>	<b>117.972</b>
<b>Non-current financial assets:</b>		
Deposits and guarantees (1)	11.970.174	<b>11.970.174</b>
Other financial assets	60.000	60.000
	<b>12.030.174</b>	<b>12.030.174</b>
	<b>12.148.146</b>	<b>12.148.146</b>

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

## 7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Current</b>		
Customers for sales and services (1)	799.300.127	779.958.081
Other debtors (2)	198.587.441	128.053.198
Portfolio for equipment sold at installments (3)	195.653.155	288.679.136
Portfolio with national operators (4)	41.721.179	55.453.330
Related parties (Note 28)	36.403.454	52.916.854
Commercial agents and distribution channels (5)	19.871.557	5.559.343
Impairment of portfolio (6)	(424.979.060)	(390.297.351)
	<b>866.557.853</b>	<b>920.322.591</b>
<b>Non-current</b>		
Customers by Sales and Service Delivery (1)	110.865.855	130.567.672
Other debtors (2)	52.276.847	61.485.456
Portfolio with national operators (4)	48.319.174	182.929.672
Subsidy and Contribution Portfolio (6)	-	38.111.870
Portfolio impairment (6)	-	(172.075.816)
	<b>211.461.876</b>	<b>241.018.854</b>
	<b>1.078.019.729</b>	<b>1.161.341.445</b>

Debtors and other accounts receivable include balances in foreign currency at December 31, 2021 for USD 8,663 thousand (\$34,488,789) and at December 31, 2020 for USD 4,690 thousand (\$16,098,425) (Note 27).

- (1) The current portion presents net growth mainly due to projects with corporate clients related to integrated solutions services, equipment, connectivity, and digital services, offset by the sale of corporate portfolio amounting to \$50,971 million. The decrease in the non-current portion corresponds to the transfer to the short term of the portfolio with the client Corporación Red Nacional Académica RENATA.

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Below is a summary of the balances with customers for sales and services rendered, net of impairment:

	As of December 31,	
	2021	2020
Massive residential	340.125.723	389.296.837
Companies - Corporations and Government	214.939.522	149.833.121
Customers pending invoice	151.038.811	99.932.745
Business - SMEs	74.094.409	86.038.811
Wholesale customers	13.368.702	23.198.426
Other third parties	5.732.960	31.658.141
	<b>799.300.127</b>	<b>779.958.081</b>
Portfolio impairment	(382.373.443)	(308.336.558)
	<b>416.926.684</b>	<b>471.621.523</b>

- 2) As of December 31, 2021, the current portion presents an increase in the portfolio for fiber optic deployment projects through turnkey contracts, international roaming services, sale of real estate and equipment. The non-current portion presents a variation due to transfers to the short term.
- 3) As of December 31, 2021, and 2020, it includes trust rights for \$32,629,465 and \$32,692,973, respectively, of the Biannual Plan III (Note 19).
- 4) The decrease in the short-term portion corresponds mainly to the payment for automatic national roaming traffic. According to the transaction agreement, the variation in the non-current portion is due to the cancellation of the account receivable from Empresa de Teléfonos de Bogotá S.A. E.S.P.
- 5) As of December 31, 2021, the increase corresponds to the greater commercial activity of the operation, mainly in retail sales channels.
- 6) The balances as of December 31, 2021 and 2020 correspond to: i) Clients for sales and services rendered for \$382,373,443 and \$308,336,558 and, ii) Other concepts for \$42,605,617 and \$81,960,793 respectively and the long-term portion at the end of 2020 for \$172,075,816.

The increase in the current portion as of December 31, 2021, corresponds to the expected loss on the portfolio generated in the increased commercial activity of the period. The long-term portion decreases due to the recovery of the portfolio provision with national operators and portfolio write-offs for subsidies and contributions for voice and broadband services.

In the comprehensive income statement, net recovery of \$41,968,531 (recovery of \$115,925,597 and expense of \$73,957,066) was recognized in 2021 and expense of \$55,692,097 for the same period of 2020 (Note 24).

The movement in impairment for the portfolio for the years 2021 and 2020 is as follows:

<b>Balance as of December 31, 2019</b>	<b>(543.969.780)</b>
Impairment to year results (Note 26)	(55.692.097)
Portfolio punishment	33.467.957
Recovery of financial portfolio impairment	3.820.753
<b>Balance as of December 31, 2020</b>	<b>(562.373.167)</b>
Impairment to year results (Note 26)	41.968.531
Punishment of portfolio (a)	96.372.474
Collection of portfolio punished	(11.657)
Impairment recovery of contractual assets	(935.241)
<b>Balance as of December 31, 2021</b>	<b>(424.979.060)</b>

- (1) The portfolio write-offs as of December 31, 2021 correspond to the subsidies and contributions portfolio for \$38,528,471, equipment for \$36,768,539, national operators for \$19,710,499 and consumer and corporate portfolio for \$1,364,965, with no effect on the statement of income.

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The detail of the portfolio by the age of customer debtors for sales and services rendered of the current portion at the end of December 2021 is presented below:

Expiration	Residencial	Business	Companies	Wholesalers	Other third parties	Customers	As of December
						pending invoice	31, 2021
To beat	32.158.384	10.692.595	94.099.107	4.155.681	274.879	151.038.811	292.419.457
1 - 30	23.372.739	9.913.267	21.647.849	2.262.375	118.110	-	57.314.340
31 - 60	20.614.316	3.344.858	9.754.319	1.150.990	166.250	-	35.030.733
61 - 90	5.218.165	1.971.740	3.536.336	1.280.588	8.341	-	12.015.170
91 - 120	4.364.990	1.471.088	1.871.546	560.199	53.714	-	8.321.537
121 - 180	3.422.185	2.441.202	5.829.088	899.549	77.195	-	12.669.219
181 - 360	25.665.015	8.044.325	6.332.104	812.593	31.191	-	40.885.228
> 360	225.309.929	36.215.334	71.869.173	2.246.727	5.003.280	-	340.644.443
	<b>340.125.723</b>	<b>74.094.409</b>	<b>214.939.522</b>	<b>13.368.702</b>	<b>5.732.960</b>	<b>151.038.811</b>	<b>799.300.127</b>

(2) At the end of 2021, growth is primarily due to corporate projects.

The detail of the portfolio by the age of trade accounts receivable for sales and services rendered of the current portion as of the end of December 2020 is presented below:

Expiration	Residencial	Business	Companies	Wholesalers	Other third parties	Customers	As of December
						pending invoice	31, 2020
To beat	114.728.784	20.214.375	55.243.451	3.573.079	1.499.352	99.932.745	295.191.786
1 - 30	52.211.215	7.142.716	24.175.578	5.916.559	-	-	89.446.068
31 - 60	22.399.508	7.386.295	17.276.234	3.909.687	559.090	-	51.530.814
61 - 90	9.381.647	4.179.403	5.552.794	2.187.092	203.370	-	21.504.306
91 - 120	7.168.240	2.638.961	3.249.545	1.760.322	-	-	14.817.068
121 - 180	5.062.828	3.120.006	4.499.743	1.476.649	213.605	-	14.372.831
181 - 360	34.385.309	10.458.269	16.448.629	3.024.274	3.202.888	-	67.519.369
> 360	143.959.306	30.898.786	23.387.147	1.350.764	25.979.836	-	225.575.839
	<b>389.296.837</b>	<b>86.038.811</b>	<b>149.833.121</b>	<b>23.198.426</b>	<b>31.658.141</b>	<b>99.932.745</b>	<b>779.958.081</b>

**Reclassification in comparative information**

For presentation purposes, the Group reclassified in the statement of financial position as of December 31, 2020, in the caption of debtors and other accounts receivable, the balances of the residential segment to mature, compensating them in the same residential segment greater than 360 days, taking into account that the portfolio transfer made by the national operators to the Group to initiate the collection management, corresponds to portfolio greater than 360 days from the moment of billing the client by the operator. The above did not have any impact on the asset items, nor on the integral results, changes in equity, or cash flows.

## 8. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of December 31,	
	2021	2020
<b>Current:</b>		
Cost of equipment in customer's home (1)	69.094.957	82.854.548
Costs of obtaining contracts with clients (2)	57.785.556	15.194.681
Cost of compliance with customer contracts (3)	48.699.570	52.777.455
Corporate projects and other concepts (4)	22.707.670	1.317.908
Support and maintenance (5)	17.565.826	50.147.652
Irrevocable rights of use - capacity	6.701.074	6.865.332
Insurance policies	5.110.888	5.556.339
	<b>227.665.541</b>	<b>214.713.915</b>
<b>Non-current:</b>		
Costs for obtaining contracts with customers (2)	122.901.285	39.412.044
Cost of equipment in customer's home (1)	85.008.529	40.273.290
Cost of compliance with customer contracts (3)	55.403.298	31.484.459
Support and maintenance (5)	6.127.481	10.306.638
Irrevocable rights of use - capacity	4.607.344	12.371.672
Insurance policies	1.718.245	2.540.871
	<b>275.766.182</b>	<b>136.388.974</b>
	<b>503.431.723</b>	<b>351.102.889</b>

- (1) Amortization for the years ended December 31, 2021 and 2020 for customer premises equipment costs amounted to \$100,248,047 and \$108,317,316, respectively (Note 24). The non-current portion increases due to higher equipment delivered to customers' homes as a result of higher commercial activity compared to the end of 2020.
- (2) As of December 31, 2021, the increase corresponds mainly to higher commercial activity, increasing sales commissions. Amortization for the years ended December 31, 2021 and 2020 was \$40,058,765 and \$5,069,446, respectively (Note 24). As of July 1, 2020, a change in estimate was made corresponding to the activation of commission costs generated in obtaining customer contracts.
- (3) Amortization for the years ended December 31, 2021 and 2020 amounted to \$66,846,026 and \$64,536,753, respectively (Note 24). The equipment installation services increase the non-current portion at customers' homes due to the increased commercial activity in 2021.
- (4) The increase corresponds mainly to corporate projects for \$10,040,190 and the fiber optic project reached between the Group and the company controlled by Kohlberg Kravis Roberts ("KKR") (Note 1) for \$11,350 million.
- (5) The decrease corresponds mainly to the amortization effect of network measurement applications, licenses, and platforms.

## 9. CONTRACTUAL ASSETS AND LIABILITIES

The changes in contractual assets and liabilities for the year ended December 31, 2021 are as follows:

	As of December 31, 2020	High	Amortization	Transfers	Reversal	As of December 31, 2021
<b>Current contract asset (1)</b>						
Contract asset	24.975.592	10.666.107	(30.581.575)	3.381.056	-	8.441.180
Impairment corrections	(974.064)	(5.034)	-	1.853	939.572	(37.673)
	<b>24.001.528</b>	<b>10.661.073</b>	<b>(30.581.575)</b>	<b>3.382.909</b>	<b>939.572</b>	<b>8.403.507</b>
<b>Non-current contract asset (1)</b>						
Contract asset	341.255	4.133.064	-	(3.381.056)	-	1.093.263
Impairment corrections	-	-	-	(1.853)	703	(1.150)
	<b>341.255</b>	<b>4.133.064</b>	<b>-</b>	<b>(3.382.909)</b>	<b>703</b>	<b>1.092.113</b>
<b>Total Contract asset</b>	<b>24.342.783</b>	<b>14.794.137</b>	<b>(30.581.575)</b>	<b>-</b>	<b>940.275</b>	<b>9.495.620</b>
<b>Current contractual liability (2)</b>	89.850.211	584.682.690	(580.833.572)	2.635.179	-	96.334.508
<b>Non-current Contractual Liabilities</b>	4.584.479	-	-	(2.635.179)	-	1.949.300
	<b>94.434.690</b>	<b>584.682.690</b>	<b>(580.833.572)</b>	<b>-</b>	<b>-</b>	<b>98.283.808</b>

- (1) As of December 31, 2021, the current contractual asset decreases due to amortizations of the period and changes in the term of the existing 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 incentives transferred to corporate clients as of December 31, 2021.

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

The changes in contractual assets and liabilities for the year ended December 31, 2020 are as follows:

	As of December 31, 2019	High	Amortization	Transfers	Reversal	As of December 31, 2020
<b>Current contract asset</b>						
Contract asset	24.975.592	32.804.757	(34.664.353)	745.103	-	24.345.505
Impairment corrections	(974.064)	(399.012)	150.213	-	-	(1.256.953)
	<b>24.001.528</b>	<b>32.405.745</b>	<b>(34.514.140)</b>	<b>745.103</b>	<b>-</b>	<b>23.088.552</b>
<b>Non-current contract asset (1)</b>						
Contract asset	341.254	1.001.372	-	(745.103)	-	597.523
	<b>24.342.782</b>	<b>33.407.117</b>	<b>(34.514.140)</b>	<b>-</b>	<b>-</b>	<b>23.686.075</b>
<b>Current contractual liability</b>	84.001.127	560.788.987	(557.059.922)	7.904.906	(5.784.887)	89.850.211
<b>Non-current Contractual Liabilities</b>	47.439.744	-	-	(7.904.906)	(34.950.359)	4.584.479
	<b>131.440.871</b>	<b>560.788.987</b>	<b>(557.059.922)</b>	<b>-</b>	<b>(40.735.246)</b>	<b>94.434.690</b>



## 10. INVENTORIES

The balance of inventories is as follows:

	As of December 31,	
	2021	2020
Mobile phones and accessories (1)	158.749.397	62.959.195
Materials and equipment (2)	73.568.070	47.136.771
Equipment in transit (3)	41.669.082	13.073.739
IT equipment	26.025.091	23.700.621
	<b>300.011.640</b>	<b>146.870.326</b>
Obsolescence Provision (4)	(4.930.416)	(4.809.647)
	<b>295.081.224</b>	<b>142.060.679</b>

During the years 2021 and 2020, the consumption of inventories carried at the cost of sales was recognized for \$864,238,939 and \$596,131,305, respectively (Note 24).

- (1) The increase as of December 31, 2021, is generated in mobile smartphones to meet short-term commercial offers.
- (2) The increase as of December 31, 2021, corresponds mainly to modems, equipment for corporate services, and location equipment required to meet commercial activity.
- (3) The increase as of December 31, 2021, corresponds to equipment in the process of nationalization in order to attend to customers' home installations and commercial offers of mobile smartphones.
- (4) During the years ended December 31, 2021, and 2020, a provision for obsolescence of \$120,769 and recovery of \$848,457, respectively, were recognized (Note 24).

The movement in the provision for obsolescence and slow-moving assets, net of recoveries, are summarized below:

<b>Balance as of December 31, 2019</b>	<b>(5.570.907)</b>
Net recovery of provisions from yearly results (Note 25)	848.457
Adjustment in participating companies	(87.197)
<b>Balance as of December 31, 2020</b>	<b>(4.809.647)</b>
Provision against profit or loss for the year (Note 25)	(120.769)
<b>Balance as of December 31, 2021</b>	<b>(4.930.416)</b>

## 11. TAXES AND GENERAL GOVERNMENT

The balance of tax and government assets is presented below:

	As of December 31,	
	2021	2020
Mobile phones and accessories (1)	158.749.397	62.959.195
Materials and equipment (2)	73.568.070	47.136.771
Equipment in transit (3)	41.669.082	13.073.739
IT equipment	26.025.091	23.700.621
	<b>300.011.640</b>	<b>146.870.326</b>
Obsolescence Provision (4)	(4.930.416)	(4.809.647)
	<b>295.081.224</b>	<b>142.060.679</b>

- (1) Increase in the credit balance generated by the self-withholdings calculated on the liquidation base income and income withholdings made to the Group by financial entities.
- (2) The current tax discount at the end of 2021 corresponds to 50% of the ICA effectively paid in the year, with respect to the non-current tax discount corresponding to the VAT paid on the purchase of fixed assets. This discount increases compared to 2020 due to the acquisition of fixed assets made during the 2021 period.

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- (3) There is a net effect due to the application of self-withholdings and withholdings for ICA in the annual returns for 2020, settled and filed during 2021, and the constitution of self-withholdings and withholdings for ICA in 2021, which will be applied in the annual returns in the first half of 2022.

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

	As of December 31,	
	2021	2020
Withholdings & Self-Withholdings (1)	199.906.178	43.639.129
Sales Tax – VAT (1)	145.916.990	79.208.459
National consumption tax (1)	9.098.800	3.562.424
Other current taxes	4.715.964	4.568.726
Import Taxes (2)	4.568.828	3.869.772
	<b>364.206.760</b>	<b>134.848.510</b>

- (1) Includes the amount payable for VAT, withholding tax, and national excise tax returns. The balances presented at the end of 2021 correspond to withholding taxes for the month of December 2021 VAT and national excise tax for the sixth two-month period of 2021, which will be settled and paid during January 2022.
- (2) Corresponds to taxes payable from import operations for shipments at tariff rates

**Provision for Income and Complementary Taxes**

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

	Year ended December 31,	
	2021	2020
Current income tax	(31.647.535)	(27.707.341)
Occasional earnings tax	(801.231)	(3.676.638)
<b>Current income and supplementary tax (1)</b>	<b>(32.448.766)</b>	<b>(31.383.979)</b>
Deferred tax:		
Deductible Temporary Differences (2)	70.821.968	28.257.200
Taxable Temporary Differences (3)	3.734.711	4.935.753
Tax Credits (4)	146.479.433	(15.171.218)
<b>Deferred income tax</b>	<b>221.036.112</b>	<b>18.021.735</b>
<b>Income tax and supplementary</b>	<b>188.587.346</b>	<b>(13.362.244)</b>

- (1) The current tax at the end of 2021 presented a higher expense for corporate income tax generated by the increase in taxable income. The occasional income tax decreases due to the lower number of asset sales operations subject to this tax.
- (2) The net increase is generated by the update of the income tax rate and the use of the deductible temporary difference due to the useful lives in the purchases of fixed assets during the year 2021 and the effect of the reversal of the deferred tax asset, constituted on the actuarial calculation of employee benefits. For the 12 months ended December 31, 2020, a lower expense is generated on the occasion of the restatement of the deferred tax asset, mainly for the concepts of useful lives of property, plant, and equipment, and the reversal of the deferred tax recognized in the subsidiaries (Telebucaramanga and Metrotel) due to the effects of the merger by absorption.
- (3) The balances as of December 31 of deferred tax assets and liabilities include the update of income tax rates from 30% to 35% as of 2022, as established in the Tax Reform Law 2155 of September 14, 2021. At the end of December 2020, the Group used tax credits generated from the taxable income calculated at the end of the period.
- (4) For the closing of December 2021, the use of the Group's tax credits was recognized, derived from the offset of tax losses against the taxable income of the period and the restatement of the tax credits to be recovered as from 2022 at the income tax rate of 35%.

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The reconciliation of the income and supplementary tax rate is presented below:

	Year ended December 31,			
	2021		2020	
<b>Profit before tax</b>		<b>(91.394.561)</b>		<b>21.692.657</b>
Profit before tax at nominal rate	31%	28.332.314	32%	(6.941.650)
Income tax and accounting deferred	206%	188.587.346	62%	(13.362.244)
<b>Difference between nominal tax and accounting tax</b>	<b>175%</b>	<b>(160.255.032)</b>	<b>30%</b>	<b>6.420.594</b>
Permanent Difference Tax	(64)%	59.057.623	44%	9.399.757
Tax on deductible temporary differences unrecognized	33%	(30.436.134)	(122)%	(26.180.738)
Use (recognition) of deferred tax on deductible temporary differences	77%	(70.821.968)	21%	4.353.719
Difference tax update temporary and tax losses	130%	(118.855.784)	71%	15.171.218
Occasional income tax	(1)%	801.231	17%	3.676.638
	<b>175%</b>	<b>(160.255.032)</b>	<b>31%</b>	<b>6.420.594</b>

The current tax provisions applicable to the Group stipulate that:

Income tax in 2021 is calculated at the nominal rate of 31% in accordance with Article 240 of the National Tax Statute, based on net income; for 2020, the applicable rate was 32%. The nominal rate for 2022 will be 35%, and for the following years, 35%.

The following is the reconciliation between book income before taxes and estimated taxable income:

	Year ended December 31,	
	2021	2020
<b>Profit before tax</b>	<b>(91.394.561)</b>	<b>21.692.657</b>
<b>Items that increase accounting profit:</b>		
Accounting depreciation and amortization (Note 26)	1.401.645.031	1.374.020.241
Accounting effect of derivatives valuation and difference in change valued	(495.999.096)	(318.165.623)
Tax effect on senior bond financial yields	13.137.865	160.061.905
Impairment of accounting portfolio, net of recovery (Note 25)	(41.968.531)	55.692.097
Levy on financial movement	9.668.970	11.014.093
<b>Items that decrease accounting profit:</b>		
Tax depreciation and amortization	(1.173.825.455)	(992.686.408)
Impairment of fiscal portfolio	24.710.966	(115.293.837)
Other non-deductible items	795.983.990	(45.955.205)
Government grant income	-	(950.512)
<b>Tax profit</b>	<b>441.959.179</b>	<b>149.429.408</b>
Tax Loss Compensation (1)	(339.936.105)	(59.814.412)
<b>Taxable income tax base</b>	<b>102.023.074</b>	<b>89.614.996</b>
Current income tax	(31.647.535)	(27.707.341)
Occasional earnings tax	(801.231)	(3.676.638)
<b>Income tax and supplementary tax</b>	<b>(32.448.766)</b>	<b>(31.383.979)</b>

(1) Corresponds to the offset of tax profits against tax losses generated in previous years.

**Tax on occasional profits**

	Year ended December 31,	
	2021	2020
Occasional earnings revenue	46.673.790	185.349.777
Less - Occasional earnings costs	(38.661.477)	(148.583.397)
Occasional taxable earnings	8.012.313	36.766.380
Tax rate	10%	10%
<b>Occasional income tax</b>	<b>801.231</b>	<b>3.676.638</b>

The following is a summary of the main reconciling items between book equity and tax equity:

	As of December 31,	
	2021	2020
<b>Accounting equity</b>	<b>5.014.650.827</b>	<b>4.566.212.612</b>
<b>Items increasing the book equity</b>		
Accounting and tax portfolio provision difference	283.250.082	475.949.171
Decommissioning provision	48.464.140	57.106.100
Government grant income	13.747.705	7.270.022
Estimated liabilities and other items	43.869.280	955.555.286
<b>Items that diminish the book equity</b>		
Deferred tax asset	(1.906.087.454)	(1.720.879.550)
investments in subsidiaries	891.580	(694.773.464)
other items	192.827.319	0
	<b>3.691.613.479</b>	<b>3.646.440.177</b>

**Deferred Tax Assets and Liabilities**

At the end of December 31, 2021, the deferred tax asset on temporary differences and tax losses is supported by the Group's strategic plan (2022 - 2024) and projected results (2024 - 2031); at the end of 2020, the temporary differences and tax credits were supported by the strategic plan (2021 - 2023) and projected results (2023 - 2029).

Deferred tax on deductible and taxable temporary differences is measured at the tax rates expected to apply in the periods in which such differences will reverse.

The unrecognized deferred tax asset on deductible temporary differences as of December 31, 2021, amounts to \$341.338.615.

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

	As of December 31,	
	2021	2020
<b>Deferred Tax Asset:</b>		
Intangibles, plant properties and equipment	174.976.503	128.233.424
Other assets	4.019.811	3.947.804
Employee benefits	-	8.063.080
<b>Deferred tax asset on temporary differences deductible (1)</b>	<b>178.996.314</b>	<b>140.244.308</b>
<b>Deferred tax asset for tax losses (2)</b>	<b>1.763.425.353</b>	<b>1.616.969.604</b>
<b>Total deferred tax asset</b>	<b>1.942.421.667</b>	<b>1.757.213.912</b>
<b>Deferred tax liability:</b>		
Taxable temporary differences	36.334.213	36.334.362
<b>Total deferred tax liability:</b>	<b>36.334.213</b>	<b>36.334.362</b>
<b>Total deferred tax, net</b>	<b>1.906.087.454</b>	<b>1.720.879.550</b>

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- (1) Balances as of December 31 of deferred tax assets and liabilities include updating income tax rates from 30% to 35% as of 2022, as established in the Tax Reform Law 2155 of September 14, 2021.
- (2) Corresponds to the balance of the tax credits generated by the compensation of the tax profit calculated at the end of 2021.

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

	Year ended December 31	
	2021	2020
Valuation of hedging instruments (1)	295.057.195	(326.454.573)
Deferred tax valuation of hedges	(3.734.562)	17.897.900
<b>Result in hedging valuation, net of taxes</b>	<b>291.322.633</b>	<b>(308.556.673)</b>
Actuarial calculation of post-employment benefits	475.573	(952.878)
Real Estate Revaluation	91.517.187	-
Deferred tax on real estate (2)	(32.069.963)	-
<b>Land and buildings revaluation surplus, net</b>	<b>59.922.797</b>	<b>(952.878)</b>
	<b>351.245.430</b>	<b>(309.509.551)</b>

- (1) As of December 31, 2021, the valuation of hedges is positive, mainly due to the exchange rate effect on the CCS associated with the senior bond (long-term exchange rate portion) and the positive valuation of the NDFs associated with debt and trade accounts.
- (2) No asset revaluation was performed during 2020. The deferred tax on real estate corresponds to the update of income tax rates from 30% to 35% as of 2022, as established in the Tax Reform Law 2155 of September 14, 2021.

**Tax Losses**

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

In accordance with current tax legislation, losses generated in income tax and complementary taxes and/or 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 December 31, 2021:

Tax	Year of origin	Adjusted Losses (1)	Compensation losses	Balance losses	Expiration date
Income	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	3.843.115.122	(339.936.105)		3.503.179.017
		<b>5.080.693.989</b>	<b>(339.936.105)</b>	<b>4.740.757.884</b>	
CREE	2015	297.667.938		297.667.938	
		<b>5.378.361.927</b>	<b>(339.936.105)</b>	<b>5.038.425.822</b>	

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The following is a summary of the tax loss as of the end of December 31, 2020:

<b>Tax</b>	<b>Year of origin</b>	<b>Adjusted Losses (1)</b>	<b>Compensation losses</b>	<b>Balance losses</b>	<b>Expiration date</b>
Income	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
		<b>5.140.508.400</b>	<b>(59.814.412)</b>	<b>5.080.693.988</b>	
CREE	2015	297.667.938	-	297.667.938	
		<b>5.438.176.338</b>	<b>(59.814.412)</b>	<b>5.378.361.926</b>	

The following table summarizes the status of the Group's income tax and CREE tax returns, which may be subject to review by the tax authorities:

<b>Tax</b>	<b>Taxable Period</b>	<b>Closing date for review</b>
Rent	2020	April 2026
Rent	2019	June 2026
Rent	2018	April 2025
Rent	2017	April 2030
CREE	2016	April 2022
Rent	2016	April 2022
CREE	2015	April 2021
Rent	2015	April 2021

The following is the status of the income tax return of Telefónica Móviles Colombia S. A., a company that was absorbed by Colombia Telecomunicaciones S. A. E.S.P. BIC, which may be subject to review by the tax authorities:

<b>Tax</b>	<b>Taxable Period</b>	<b>Closing date for review</b>
Rent	2010	April 2021

### Transfer Pricing

The Group is required to file a transfer pricing declaration and study to declare and analyze the operations it has carried out with its related economic parties or related parties abroad.

Independent advisors prepare the transfer pricing statement and supporting documentation required by tax provisions to demonstrate that the transactions with foreign economic-related parties or related parties abroad were carried out at market values. For this purpose, the Group will prepare the return and its supporting documentation for the taxable year 2021 within the deadlines established by the National Government.

Non-compliance with the transfer pricing regime may result in financial penalties and adjustments in the determination of income tax; however, Management and its advisors are of the opinion that the study will be concluded in a timely manner and will not result in significant changes to the basis used for the determination of the 2021 income tax provision.

## 12. ASSETS HELD FOR SALE

On July 16, 2021, the Board of Directors of Colombia Telecomunicaciones S. A. E.S.P. BIC approved the execution of the purchase and sale agreement for the fiber optic assets owned by the Group with a Colombian company ("InfraCo") controlled by Kohlberg Kravis Roberts ("KKR") (Note 1). The net book value of assets classified as assets held for sale of \$235,248,343 corresponds to the cost of \$227,874,728 and VAT of \$7,373,615 on the purchase of fixed assets (Note 11 and 14).

	<u>As of December 31,</u>
	<u>2021</u>
<b>Cost</b>	
FTTH Fiber Optic Network	294.133.569
Construccions	8.844.483
assets under constructions	8.366.322
	<u><b>311.344.374</b></u>
<b>Depreciación Acumulada</b>	
FTTH Fiber Optic Network	(75.075.772)
Construccions	(1.020.259)
	<u><b>(76.096.031)</b></u>
	<u><b>235.248.343</b></u>

## 13. RIGHT-OF-USE ASSETS

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

Concept	As of December 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
Land and buildings (1)	861.535.850	(414.666.218)	446.869.632	779.513.226	(263.350.134)	516.163.092
Technical installations (1)	537.733.613	(189.384.557)	348.349.056	490.703.578	(111.884.343)	378.819.235
Transport equipment	20.475.612	(12.848.543)	7.627.069	14.394.193	(11.019.344)	3.374.847
	<u><b>1.419.745.075</b></u>	<u><b>(616.899.318)</b></u>	<u><b>802.845.757</b></u>	<u><b>1.284.610.997</b></u>	<u><b>(386.253.821)</b></u>	<u><b>898.357.174</b></u>

For the years ended December 31, 2021, and 2020, the depreciation expense recognized in the statements of comprehensive income was \$242.936.486 and \$217.383.644, respectively (Note 25).

- (1) The increase in cost as of December 31, 2021, corresponds to the subscription, renewal, and increases in lease fees for land and sites for technical facilities, thus generating higher depreciation expense for the year ended December 31, 2021, compared to the previous year.

The movements during 2021 of the items comprising the cost and depreciation of right-of-use assets are as follows:

Concept	As of December 31, 2020	High	Low	Update	As of Decet 31, 2021
				Dismantling	
Cost					
Land and buildings	779.513.226	82.022.624	-	-	861.535.850
Technical installations	490.703.578	58.304.176	-	(11.274.141)	537.733.613
Transport equipment	14.394.193	6.081.419	-	-	20.475.612
	<u><b>1.284.610.997</b></u>	<u><b>146.408.219</b></u>	<u><b>-</b></u>	<u><b>(11.274.141)</b></u>	<u><b>1.419.745.075</b></u>
Accumulated Depreciation					
Construccions	(263.350.136)	(157.346.333)	6.030.251	-	(414.666.218)
Technical facilities	(111.884.343)	(83.712.942)	6.212.728	-	(189.384.557)
Transport equipment	(11.019.344)	(1.877.210)	48.011	-	(12.848.543)
	<u><b>(386.253.823)</b></u>	<u><b>(242.936.485)</b></u>	<u><b>12.290.990</b></u>	<u><b>-</b></u>	<u><b>(616.899.318)</b></u>
	<u><b>898.357.174</b></u>	<u><b>(96.528.266)</b></u>	<u><b>12.290.990</b></u>	<u><b>(11.274.141)</b></u>	<u><b>802.845.757</b></u>

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The movements during 2020 of the items comprising the cost and depreciation of the right-of-use assets are as follows:

Concept	As of December 31, 2020	High	Low	Update	
				Dismantling	As of December 31, 2021
<b>Cost</b>					
Land and buildings	779.513.226	82.022.624	-	-	861.535.850
Technical installations	490.703.578	58.304.176	-	(11.274.141)	537.733.613
Transport equipment	14.394.193	6.081.419	-	-	20.475.612
	<b>1.284.610.997</b>	<b>146.408.219</b>	-	<b>(11.274.141)</b>	<b>1.419.745.075</b>
<b>Accumulated Depreciation</b>					
Constructions	(263.350.136)	(157.346.333)	6.030.251	-	(414.666.218)
Technical facilities	(111.884.343)	(83.712.942)	6.212.728	-	(189.384.557)
Transport equipment	(11.019.344)	(1.877.210)	48.011	-	(12.848.543)
	<b>(386.253.823)</b>	<b>(242.936.485)</b>	<b>12.290.990</b>	-	<b>(616.899.318)</b>
	<b>898.357.174</b>	<b>(96.528.266)</b>	<b>12.290.990</b>	<b>(11.274.141)</b>	<b>802.845.757</b>

**14. PROPERTY, PLANT, AND EQUIPMENT**

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

Concept	As of December 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
Land and buildings (1)	3.056.482.879	(1.699.093.671)	1.357.389.208	3.004.630.380	(1.667.535.650)	1.337.094.730
Switching, access and transmission (2)	8.281.521.400	(5.818.218.169)	2.463.303.231	8.352.992.061	(5.382.540.698)	2.970.451.363
Assets under construction (3)	413.267.460	-	413.267.460	194.142.354	-	194.142.354
Subsidized projects (4)	-	-	-	(10.156.901)	-	(10.156.901)
Furniture, information and transport equipment	545.979.353	(334.833.818)	211.145.535	530.346.831	(261.992.997)	268.353.834
	<b>12.297.251.092</b>	<b>(7.852.145.658)</b>	<b>4.445.105.434</b>	<b>12.071.954.725</b>	<b>(7.312.069.345)</b>	<b>4.759.885.380</b>

For the years ended December 31, 2021 and 2020 the depreciation expense recognized in income was \$641,284,852 and \$644,174,612 (Note 25).

- (1) The increase in cost as of December 31, 2021, compared to 2020, corresponds mainly to the revaluation carried out in 2021. Includes provision for decommissioning of sites as of December 31, 2021 and 2020 for \$48,499,953 and \$57,139,641, respectively (Note 20).
- (2) The net decrease corresponds mainly to i) transfer of fiber optic assets for \$227,874,728 to assets held for sale (Note 12) and ii) depreciation for the year.
- (3) The variation corresponds to new acquisitions of goods and services for the construction of assets related mainly to deploying a 4G mobile network and optical fiber.
- (4) The subsidized projects correspond to resources associated with the payment for spectrum allocation (15Mhz granted in 2011) and which were aimed at the deployment of technical sites to bring connectivity to localities and educational institutions. The decrease corresponds to the approval of such projects by the Nation, which generates the transfer to construction and transmission equipment according to their nature.



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The movements during 2021 of the items comprising the cost and depreciation of property, plant, and equipment are as follows:

Concept	As of December 31,					As of December 31, 2021
	2020	High	Low	Transfers	Revaluation	
Cost						
Land and buildings	3.004.630.380	10.565.128	(17.883.260)	(9.359.082)	68.529.713 (a)	3.056.482.879
Switching, access and transmission	8.352.992.061	176.104.375	(15.510.675)	(232.064.361)	-	8.281.521.400
Assets under construction	194.142.354	305.626.759	(2.226.836)	(84.274.817)	-	413.267.460
Subsidized projects	(10.156.901)	11.366	-	10.145.535	-	-
Furniture, information and transport equipment	530.346.831	14.624.665	(1.338.866)	2.346.723	-	545.979.353
	<b>12.071.954.725</b>	<b>506.932.293</b>	<b>(36.959.637)</b>	<b>(313.206.002)</b>	<b>68.529.713</b>	<b>12.297.251.092</b>
Concept	As of December					As of December 31, 2021
	31, 2020	High	Low	Transfers	Revaluation (*)	
Accumulated depreciation:						
Switching, access and transmission	(1.667.535.650)	(29.554.391)	5.228.974	1.367.793	(8.600.397) (b)	(1.699.093.671)
Comutación, acceso y transmisión	(5.382.540.698)	(526.220.393)	14.328.689	76.214.233	-	(5.818.218.169)
Furniture, information and transport equipment	(261.992.997)	(73.961.731)	1.120.910	-	-	(334.833.818)
	<b>(7.312.069.345)</b>	<b>(629.736.515)</b>	<b>20.678.573</b>	<b>77.582.026</b>	<b>(8.600.397)</b>	<b>(7.852.145.658)</b>
	<b>4.759.885.380</b>	<b>(122.804.222)</b>	<b>(16.281.064)</b>	<b>(235.623.976)</b>	<b>59.929.316</b>	<b>4.445.105.434</b>

(a) Corresponds to revaluation restatement as of December 31, 2021 of \$91,517,187 and write-offs of (\$22,987,474).

(b) Includes depreciation of revalued building assets of (\$11,548,337) and write-offs of \$2,947,940.

The movements for the year 2021 of land and buildings recognized under the cost method are as follows:

Concepto	Saldo a 31 de diciembre de 2020	Altas	Bajas	Traspasos	Saldo a 31 de diciembre de 2021
Costo:					
Terrenos y construcciones	2.476.965.363	10.534.385	(17.883.667)	(9.359.082)	2.460.256.999
Depreciación acumulada:					
Construcciones	(1.626.280.659)	(29.527.883)	6.597.379	-	(1.649.211.163)
	<b>850.684.704</b>	<b>(18.993.498)</b>	<b>(11.286.288)</b>	<b>(9.359.082)</b>	<b>811.045.836</b>

Movements for the year 2021 of land and buildings recognized at revalued value are as follows:

Concept	Balance as of December 31, 2020	Increases	Decreases	Balance as of December 31, 2021
Cost				
Land	284.192.402	36.215.632	(11.227.553)	309.180.481
Constructions	243.421.902	55.301.555	(11.759.920)	286.963.537
	<b>527.614.304</b>	<b>91.517.187</b>	<b>(22.987.473)</b>	<b>596.144.018</b>
Accumulated depreciation:				
Constructions	(41.204.279)	(11.548.337)	2.947.940	(49.804.676)
	<b>(41.204.279)</b>	<b>(11.548.337)</b>	<b>2.947.940</b>	<b>(49.804.676)</b>
	<b>486.410.025</b>	<b>79.968.850</b>	<b>(20.039.533)</b>	<b>546.339.342</b>
Deferred income tax	(89.216.609)	(32.069.963)	7.362.993	(113.923.579)
Net deferred tax revaluation	<b>397.193.416</b>	<b>47.898.887</b>	<b>(12.676.540)</b>	<b>432.415.763</b>

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The movements during 2020 of the items comprising the cost and depreciation of property, plant, and equipment are as follows:

Concept	As of December 31,				Revaluation	As of December 31,
	2019	High	Low	Transfers		2020
Cost						
Land and buildings	2.927.247.837	7.362.041	(39.366.742)	185.573.264	(76.186.020)	3.004.630.380
Switching, access and transmission	8.392.266.076	414.489.889	-578.023.337	124.259.433	-	8.352.992.061
Assets under construction	634.097.738	43.218.386	-1.026.566	-482.147.204	-	194.142.354
Subsidized projects	(9.156.908)	(999.993)	-	-	-	(10.156.901)
Furniture, information and transport equipment	392.566.523	54.389.522	-6.256.689	89.647.475	-	530.346.831
	<b>12.337.021.266</b>	<b>518.459.845</b>	<b>(624.673.334)</b>	<b>(82.667.032)</b>	<b>(76.186.020)</b>	<b>12.071.954.725</b>
Accumulated depreciation:						
Switching, access and transmission	(1.606.206.278)	(28.139.150)	13.208.399	(43.135.480)	(3.263.141) <sup>(a)</sup>	(1.667.535.650)
Comutación, acceso y transmisión	(5.399.820.145)	(536.225.153)	551.435.019	2.069.581	-	(5.382.540.698)
Furniture, information and transport equipment	(242.470.235)	(66.441.103)	5.852.442	41.065.899	-	(261.992.997)
	<b>(7.248.496.658)</b>	<b>(630.805.406)</b>	<b>570.495.860</b>	<b>-</b>	<b>(3.263.141)</b>	<b>(7.312.069.345)</b>
	<b>5.088.524.608</b>	<b>(112.345.561)</b>	<b>(54.177.474)</b>	<b>(82.667.032)</b>	<b>(79.449.161)</b>	<b>4.759.885.380</b>

(a) Includes depreciation of revalued building assets of (\$13,369,207) and write-offs of \$10,106,066.

Movements for the year 2020 of land and buildings recognized under the cost method are as follows:

Concept	As of December 31,				As of December 31,
	2019	High	Low	Transfers	2020
Cost					
Land and buildings	2.323.143.437	103.163.380	(134.914.718)	185.573.264	2.476.965.363
Accumulated depreciation:					
Constructions	(1.567.961.064)	(46.707.497)	31.523.382	(43.135.480)	(1.626.280.659)
	<b>755.182.373</b>	<b>56.455.883</b>	<b>(103.391.336)</b>	<b>142.437.784</b>	<b>850.684.704</b>

Movements for the year 2020 of land and buildings recognized at revalued value are as follows:

Concept	Balance as of			Balance as of
	December 31, 2019	Increases	Decreases	December 31, 2020
Cost				
Land	326.298.387		(38.408.897)	287.889.490
Constructions	277.552.649		(37.777.123)	239.775.526
	<b>603.851.036</b>	<b>-</b>	<b>(76.186.020)</b>	<b>527.665.016</b>
Accumulated depreciation:				
Constructions	(37.991.850)	(12.993.370)	9.730.229	(41.254.991)
	<b>565.859.186</b>	<b>(12.993.370)</b>	<b>(66.455.791)</b>	<b>486.410.025</b>
Deferred income tax	(115.414.328)	3.992.339	22.205.380	(89.216.609)
Net deferred tax revaluation	<b>450.444.858</b>	<b>(9.001.031)</b>	<b>(44.250.411)</b>	<b>397.193.416</b>

### Fully Depreciated Property, Plant, and Equipment

The cost of fully depreciated property, plant, and equipment is presented below:

	As of December 31,	
	2021	2020
Switching, access and transmission	2.803.066.199	2.442.648.241
Constructions	250.060.048	238.943.928
Furniture, information and transport equipment	123.263.021	84.094.118
	<b>3.176.389.268</b>	<b>2.765.686.287</b>

### 15. INVESTMENT PROPERTIES

The cost and revaluation of investment properties are presented below:

Concept	As of December 31, 2020	Revaluation	As of December 31, 2021
Land	6.219.324	419.375	6.638.699
Buildings	1.323.586	82.771	1.406.357
	<b>7.542.910</b>	<b>502.146</b>	<b>8.045.056</b>

During the years ended December 31, 2021, and 2020, lease income of \$131,490 and \$148,317, respectively, was recognized (Note 23).

### 16. INTANGIBLES

The cost and accumulated amortization of intangibles are presented below:

Concept	As of December 31, 2021			As of December 31, 2020		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
Enabling Titles (1)	2.296.177.445	(1.615.707.162)	680.470.283	2.296.177.445	(1.301.885.117)	994.292.328
Software network and office equipment (2)	1.100.635.127	(723.306.346)	377.328.781	943.773.108	(544.351.315)	399.421.793
Rights (3)	63.225.314	(23.996.531)	39.228.783	63.225.314	(20.713.507)	42.511.807
Customer list (4)	-	-	-	46.107.000	(35.108.740)	10.998.260
	<b>3.460.037.886</b>	<b>(2.363.010.039)</b>	<b>1.097.027.847</b>	<b>3.349.282.867</b>	<b>(1.902.058.679)</b>	<b>1.447.224.188</b>

For the years ended December 31, 2021 and 2020, the amortization expense recognized in income was \$517,423,693 and \$512,461,985, respectively (Note 25).

- (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) The increase as of December 31, 2021, compared to the end of 2020, corresponds to acquisitions of software, datacenter licenses, network equipment, and office equipment.
- (3) Mainly includes Irrevocable Right of Use - IRU's of Optical Fiber.
- (4) As of March 31, 2021, the amortization of the customer list was completed.

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The movements in intangible assets during 2021 are presented below:

Concept	As of December 31, Highs / Amortization			Transfers	As of December 31, 2021
	2020	expenses	Low		
Cost					
Enabling Titles	2.296.177.445	-	-	-	2.296.177.445
Software network and office equipment	943.773.108	160.754.878	(11.664.883)	7.772.024	1.100.635.127
Rights	63.225.314	-	-	-	63.225.314
Customer list	46.107.000	-	(46.107.000)	-	-
	<b>3.349.282.867</b>	<b>160.754.878</b>	<b>(57.771.883)</b>	<b>7.772.024</b>	<b>3.460.037.886</b>
Accumulated depreciation					
Enabling Titles	(1.301.885.117)	(313.822.045)	-	-	(1.615.707.162)
Software network and office equipment	(544.351.315)	(189.320.364)	10.388.108	(22.775)	(723.306.346)
Rights	(20.713.507)	(3.283.024)	-	-	(23.996.531)
Customer list	(35.108.740)	(10.998.260)	46.107.000	-	-
	<b>(1.902.058.679)</b>	<b>(517.423.693)</b>	<b>56.495.108</b>	<b>(22.775)</b>	<b>(2.363.010.039)</b>
	<b>1.447.224.188</b>	<b>(356.668.815)</b>	<b>(1.276.775)</b>	<b>7.749.249</b>	<b>1.097.027.847</b>

The movements in intangible assets during 2020 are presented below:

Concepto	As of December 31, highs / Amortization			Transfers	As of December 31, 2020
	2019	expenses	Low		
Cost					
Enabling Titles	2.322.417.046	-	(26.239.601)	-	2.296.177.445
Software network and office equipment	759.141.464	135.952.159	(5.248.752)	53.928.237	943.773.108
Rights	34.486.520	-	-	28.738.794	63.225.314
Customer list	46.107.000	-	-	-	46.107.000
	<b>3.162.152.030</b>	<b>135.952.159</b>	<b>(31.488.353)</b>	<b>82.667.031</b>	<b>3.349.282.867</b>
Accumulated depreciation					
Enabling Titles	(994.946.134)	(316.342.445)	9.403.462	-	(1.301.885.117)
Software network and office equipment	(363.580.411)	(181.999.724)	1.228.820	-	(544.351.315)
Rights	(17.430.483)	(3.283.024)	-	-	(20.713.507)
Customer list	(24.271.948)	(10.836.792)	-	-	(35.108.740)
	<b>(1.400.228.976)</b>	<b>(512.461.985)</b>	<b>10.632.282</b>	<b>-</b>	<b>(1.902.058.679)</b>
	<b>1.761.923.054</b>	<b>(376.509.826)</b>	<b>(20.856.071)</b>	<b>82.667.031</b>	<b>1.447.224.188</b>

**Fully Amortized Intangibles**

The cost of fully amortized intangibles is presented below:

Concept	As of December 31,	
	2021	2020
Computer applications	339.204.202	219.277.069
Enabling Titles	88.867.962	-
Rights	7.237	7.237
	<b>428.079.401</b>	<b>219.284.306</b>

## **17. GOODWILL**

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

Colombia Telecomunicaciones S. A. E.S.P. recognized in its Opening Statement of Financial Position under IFRS 1 the remeasurement of Goodwill, from the moment of the acquisition of Empresa Celular de Colombia S. A. - COCELCO S. A., based on IFRS 3 for \$939,163,377 and as of May 27, 2020, and as a result of the merger by absorption indicated in Note 1, the Goodwill originated in the business combination in which the Company acquired control of Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P., for \$433,138,188 considering the following:

### **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, to a large extent, are 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 services (Basic Line, Television, Broadband, mobile, among others) with which, since there is dependence among them, they do not generate cash inflows independently and therefore it is not possible to determine the cash flows generated by each asset.

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

The process for the preparation of the CGU's strategic plans takes as a reference the current market situation of each CGU, the conditioning, and evolution of the macroeconomic, competitive, regulatory, and technological environment, as 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 timeframe. Likewise, the Group considers in this process the degree of compliance with the strategic plans in past years.

### **Main Assumptions Used in the Value in Use Calculations**

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

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

### **Discount Rate**

At year-end 2021 and 2020, a nominal percentage rate calculated in pesos of 10.79% and 10.39%, respectively, was used.

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

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

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The most relevant components of the WACC are summarized below:

- Risk-Free Rate: understood as the interest rate offered by long-term sovereign bonds. It is determined based on current market data and estimates of the equilibrium levels (according to standard econometric modeling) in which interest rates should be located, thus adjusting yields that are at low rates due to the strong influence on term premia of government debt purchases by central banks.
- Political Risk Premium: incorporates the country's inherent risk of insolvency due to political and/or financial events, basing its calculation on quotations of instruments known as "Credit Default Swaps" for each country or the EMBI+ index published by JP Morgan, based on available information and the liquidity conditions of such instruments.
- Market Risk Premium (MRP), which measures the additional risk required for equity assets over and above the return on risk-free assets, is determined through a combination of historical (ex-post) approaches, supported by external publications and studies of past performance series, and prospective (ex-ante) approaches, based on market publications, taking into account medium and long-term profit expectations based on the degree of maturity and development of each country.
- Beta coefficient: this is the multiplier of the market risk premium, considered as a systemic risk. It is estimated on the basis of the historical share price series of comparable listed companies, determining the correlation between the profitability of the companies' shares and the profitability of the general index representing the stock market of the country where the company is listed.

**Sensitivity to Changes in Assumptions**

In accordance with the asset recoverability review process in a Covid-19 scenario and its variants, the WACC as of December 2021 has been determined. Based on the above, the model sensitivities were performed with a step of +/-1% and a WACC rate of 10.79%. When performing the sensitization exercise, no signs of impairment were identified.

**18. FINANCIAL LIABILITIES**

The balance of financial liabilities is presented below:

	As of December 31, 2021			As of December 31, 2020		
	Value	Rate		Value	Rate	
Current:		Base	Spread		Base	Spread
<b>Other obligations</b>						
Financial leasing (1)	115.801.389			274.173.145		
Interest payable	50.616.499			49.547.922		
Hedging instruments (2)	22.771.904			157.332.298		
	<b>189.189.792</b>			<b>481.053.365</b>		
<b>Non-current:</b>						
<b>Financial institutions in national currency</b>						
Financial obligations (3)	1.397.156.510	Fija 5,774%	IBR3M	898.882.825	IBR3M	2,5% - 2,63%
<b>Financial institutions in foreign currency</b>						
Financial obligations (3)	525.513.120		LIBOR3M	1.588.822.251		LIBOR 6M 1,6% - 1,95%
<b>Other obligations</b>						
Senior Bond (4)	1.978.169.143	FIJA 4,95%		1.702.367.609	FIJA 4,95%	
Financial leasing (1)	1.024.146.769			948.355.235		
Local bond (5)	499.190.804	FIJA 6,65%	- IP 3,39%	498.943.191	FIJA 6,65%	- IP 3,39%
Hedging instruments (2)	-			439.197.386		
	3.501.506.716			3.588.863.421		
	<b>5.424.176.346</b>			<b>6.076.568.497</b>		
	<b>5.613.366.138</b>			<b>6.557.621.862</b>		

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During 2021, prepayments of financial obligations were made for USD 359 million (\$1,352,404 million) and in local currency \$300,000 million, as follows: USD 203 million (\$756,251 million) with cash flow generated by the Group, USD 156 million (\$596,153 million) and \$300,000 million with funds obtained from new debt. The financing activity in 2021 is presented below:

**- Prepayment of Syndicated Credit Facility (Club Deal).**

The total prepayment of the syndicated loan was made in the amount of USD 250 million (\$923,064 million), with cash flow generated by the Group of USD 119 million (\$424,912 million) and the remaining USD 131 million (\$498,152 million) with funds obtained from new debt.

**- Prepayment of U.S. dollar loan.**

Partial prepayment of the dollar loan with local banks in the amount of USD 83 million (\$331,758 million), with cash flow generated by the Group of USD 58 million (\$233,758 million) and the remaining USD 25 million (\$98,000 million) with funds obtained from new debt.

**- Replacement of Financial Debt.**

- On June 28, 2021, the Group entered into a loan in sustainable format for \$200,000 million; the resources were used to make a prepayment of the syndicated loan (Club Deal) in the amount of USD 53 million.
- On July 6, 2021, under the sustainable credit format, they entered into a new credit operation for a total of \$500,000 million in two tranches, as follows: i) a Tranche A for an amount equivalent to \$300,000 million destined to the replacement of the current obligation and a Tranche B for an amount equal to \$200,000 million destined to the payment of syndicated credit (Club Deal) for USD 52 million.
- On July 26, the Group entered into a new short-term foreign currency loan for USD 26 million, the proceeds of which were used to prepay the balance of the syndicated loan (Club Deal) in the amount of \$99,983 million. On October 4, this obligation was prepaid with the Group's own resources.
- On December 21, 2021, the Group entered into a new 3-year local currency loan for \$98,000 million, the proceeds of which were used to prepay debt in the amount of USD 25 million partially.

These financial obligations and bonds generated interest expense at December 31, 2021 of \$195,213,795 (2020 - \$262,252,590) (Note 26). The valuation of hedging instruments with changes in results is presented at their net value in Note 26.

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

	<b>As of December 31, 2020</b>	<b>Higs</b>	<b>Payments (1)</b>	<b>Transfers</b>	<b>Others (2)</b>	<b>As of December 31, 2021</b>
<b>Current</b>						
Leasing	273.284.743	110.302.845	(334.577.929)	88.724.658	(22.339.668)	115.394.649
Financial liabilities - Renting	888.402	105.224	(1.006.515)	419.629	-	406.740,000
	<b>274.173.145</b>	<b>110.408.069</b>	<b>(335.584.444)</b>	<b>89.144.287</b>	<b>(22.339.668)</b>	<b>115.801.389</b>
<b>Not ordinary</b>						
Leasing	947.927.769	164.935.821	-	(88.724.658)	-	1.024.138.932
Financial liabilities - Renting	427.466	-	-	(419.629)	-	7.837
	<b>948.355.235</b>	<b>164.935.821</b>	<b>-</b>	<b>(89.144.287)</b>	<b>-</b>	<b>1.024.146.769</b>
	<b>1.222.528.380</b>	<b>275.343.890</b>	<b>(335.584.444)</b>	<b>-</b>	<b>(22.339.668)</b>	<b>1.139.948.158</b>

(1) Includes capital lease payments of \$266,425,997 and interest of \$69,158,447.

(2) Corresponds to payment by means of crossover between financial liabilities versus financial assets.

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The movement in the finance lease liability for the year ended December 31, 2020 is presented below:

	As of December 31, 2019	Highs	Payments (1)	Transfers	Others (2)	As of December 31, 2020
<b>Current</b>						
Leasing	202.476.740	41.278.311	(279.807.270)	309.336.962	-	273.284.743
Financial liabilities - Renting	835.909	229.336	(1.123.250)	946.407	-	888.402,000
	<b>203.312.649</b>	<b>41.507.647</b>	<b>(280.930.520)</b>	<b>310.283.369</b>	-	<b>274.173.145</b>
<b>Not ordinary</b>						
Leasing	680.945.789	576.318.942	-	(309.336.962)	-	947.927.769
Financial liabilities - Renting	1.373.873	-	-	(946.407)	-	427.466
	<b>682.319.662</b>	<b>576.318.942</b>	<b>-</b>	<b>(310.283.369)</b>	<b>-</b>	<b>948.355.235</b>
	<b>885.632.311</b>	<b>617.826.589</b>	<b>(280.930.520)</b>	<b>-</b>	<b>-</b>	<b>1.222.528.380</b>

- (1) Includes capital lease payments of \$236,227,560 and interest of \$43,519,710.
- (2) The decrease in the liability valuation of hedging instruments at the end of December 2021 compared to the end of December 2020 corresponds mainly to the higher devaluation of exchange rates (at December 31, 2021, for \$3,981.16 and at December 31, 2020, for \$3,432.50).
- (3) The net decrease in the current and non-current portion as of December 31, 2021, corresponds mainly to the prepayment of the syndicated loan for USD 250 million (\$923,064 million), as follows: with cash flow generated by the Group USD 119 million (\$424,912 million) and USD 131 million (\$498,152 million) with funds obtained from new debt.

Additionally, a partial prepayment was made on loan in dollars for USD 83 million (\$331,758 million), as follows: with cash flow generated by the Group USD 58 million (\$233,758 million) and USD 25 million (\$98,000 million) with funds obtained from new debt.

- (4) Senior bond:

As of December 31, 2021, and 2020, the face value of the outstanding senior bond was USD 500 million, equivalent to \$1,990,580 million and \$1,716,250 million, and the associated transaction costs were \$12,411 million and \$13,882 million, respectively, measured at amortized cost.

Format	Issuing currency	Premiums and discounts	Total amount of issue	Total amount issued	Max. Redemption term	Date of issue	Expiry date	Rate/Payment	Use of resources
R144/RegS	USD\$000	Zero	500.000	500.000	10 years	17-jul-20	17-jul-30	4,95% Six-monthly	Replacement Senior Bonus For \$750 million

During the years ended December 31, 2021, and 2020 interest payable on the bond amounted to \$44,887,579 and \$38,701,438, respectively.

- (5) Local Bond:

As of December 31, 2021, and 2020, the face value of the local bond is \$500,000 million, and transaction costs of \$809 and \$1,057 million, respectively.



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The characteristics of the issue are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of issue	Total amount issued	Max. Redemption term	Date of issue	Expiry date	Rate/Payment	Use of resources
C10	COP\$000	Zero	152.410.000	152.410.000	10 years	29-may-19	29-may-29	IPC + 3,39% Six-monthly	Prepayment of local debt
A5	COP\$000	Zero	347.590.000	347.590.000	5 years	29-may-19	29-may-24	6,65% Six-monthly	
			<b>500.000.000</b>	<b>500.000.000</b>					

As of December 31, 2021, and 2020, interest payable on the bond amounted to \$3,126,808 and \$2,742,350, respectively.

Maturities	Current		Non-current:					Subsequent years	Total Non-current	Total
	2022	2023	2024	2025	2026					
Financial Lease	115.801.389	216.850.459	188.433.765	133.238.245	98.250.914	387.373.386	1.024.146.769	1.139.948.158		
Interests	50.616.499	-	-	-	-	-	-	50.616.499		
Hedging instruments	22.771.904	-	-	-	-	-	-	22.771.904		
Financial obligations	-	525.513.120	298.000.000	1.099.156.510	-	-	1.922.669.630	1.922.669.630		
Senior bond	-	-	-	-	-	1.978.169.143	1.978.169.143	1.978.169.143		
Local bond	-	-	347.023.560	-	-	152.167.244	499.190.804	499.190.804		
	<b>189.189.792</b>	<b>742.363.579</b>	<b>833.457.325</b>	<b>1.232.394.755</b>	<b>98.250.914</b>	<b>2.517.709.773</b>	<b>5.424.176.346</b>	<b>5.613.366.138</b>		

The following are the maturities of financial obligations as of December 31, 2020:

Maturities	Current		Non-current:					Subsequent years	Total Non-current	Total
	2021	2022	2023	2024	2025					
Financial Lease	274.173.145	149.941.270	149.582.751	130.956.680	115.768.157	402.106.377	948.355.235	1.222.528.380		
Hedging instruments	157.332.299	161.275.746	93.667.706	94.711.553	1.174.261	88.368.120	439.197.386	596.529.685		
Interests	49.547.921	-	-	-	-	-	-	49.547.921		
Financial obligations	-	-	-	-	2.487.705.076	-	2.487.705.076	2.487.705.076		
Senior bond	-	-	-	-	-	1.702.367.609	1.702.367.609	1.702.367.609		
Local bond	-	-	-	346.855.328	-	152.087.863	498.943.191	498.943.191		
	<b>481.053.365</b>	<b>311.217.016</b>	<b>243.250.457</b>	<b>572.523.561</b>	<b>2.604.647.494</b>	<b>2.344.929.969</b>	<b>6.076.568.497</b>	<b>6.557.621.862</b>		

## 19. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of December 31,	
	2021	2020
<b>Current:</b>		
Creditors & Suppliers (1)	1.393.896.503	881.129.605
Immobilization Providers (2)	207.653.597	145.688.022
Related Parties (3) (Note 28)	155.254.693	152.633.776
Work remuneration payable	36.896.515	38.409.132
Spectrum License Providers (4)	21.538.056	37.765.625
Parafiscal Contributions	11.392.118	10.592.618
	<b>1.826.631.482</b>	<b>1.266.218.778</b>
<b>Non-current:</b>		
Spectrum License Providers (4)	46.976.903	46.714.188
Government Grants (7)	32.629.465	32.692.973
Related Parties (Note 28)	2.140.956	9.368.156
	<b>81.747.324</b>	<b>88.775.317</b>
	<b>1.908.378.806</b>	<b>1.354.994.095</b>

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Suppliers and accounts payable include balances in foreign currency at December 31, 2021 of USD \$114,551 thousand (\$456,045,859) and at December 31, 2020 of USD \$73,711 thousand (\$253,013,008), (Note 27).

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

	As of December 31,	
	2021	2020
<b>Current:</b>		
For tributes and considerations (1)	101.603.316	101.651.989
For employee benefits (2)	30.161.385	34.247.276
Pension Liabilities (3)	19.563.650	19.594.470
For voluntary retirement (4)	2.645.120	6.437.320
For tax claims	1.389.555	1.457.463
For contingencies (Note 29)	2.607.434	11.059.624
	<b>157.970.460</b>	<b>174.448.142</b>
<b>Non-current:</b>		
Pension Liabilities (3)	184.296.085	190.658.366
For dismantling (5)	48.499.953	57.139.641
For contingencies (Note 29)	10.077.285	10.672.638
	<b>242.873.323</b>	<b>258.470.645</b>
	<b>400.843.783</b>	<b>432.918.787</b>

- (a) During 2021, in line with the economic reactivation of the country, the commercial activity of handset sales was boosted, generating an increase in this item of the financial statements.
- (b) The variation as of December 31, 2021, compared to 2020, is due to greater deployment of the FTTH network in joint venture projects and the development of corporate services projects.
- (c) There is an increase in the deployment of outside plants, technical assistance, and support compared to the end of 2020.
- (d) Mainly includes suppliers related to insurance, technical service, utilities, security services, legal and tax consulting, billing, collection, and collection services, among others.
- (e) Increase due to greater services in digital platforms and value-added services.
- (f) Increase due to commitments acquired for submarine cable capacity, media rental, and last-mile rental.
- (g) An increase compared to 2020, with call channels, agents, and experience centers, mainly due to increased commercial activity.
- (1) The increase corresponds mainly to acquisitions made at year-end 2021 related to network deployment materials, mobile and fixed network equipment, and facilities services.
- (2) Includes share-based payments.

The Plan consists of the possibility for Group executives to receive a certain number of Telefónica, S. A. shares after a period of three years, through the prior allocation of a certain number of theoretical shares or units, which will serve as the basis for determining the number of ordinary shares of Telefónica S. A.'s capital stock that may be delivered under the Plan as variable compensation and based on the fulfillment of the objectives established for each of the cycles into which the Plan is divided.

**Performance Share Plan (PSP)**

With the implementation of the PSP, Telefónica intends to encourage the commitment of the Group's executives to its strategic plan.

The Plan will take effect from the date of its approval by the General Shareholders' Meeting, will have a total duration of five (5) years, and will be divided into three (3) cycles independent of each other with a measurement period of three (3) years each, according to the following measurement schedule:

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First Cycle: From January 1, 2019, to December 31, 2021.  
 Second Cycle: From January 1, 2020, to December 31, 2022.  
 Third Cycle: From July 1, 2021, until December 31, 2023.

Each Cycle will be conditioned by and determined according to the fulfillment of economic-financial objectives, the creation of value for the shareholder and, if applicable, objectives linked to sustainability, the environment, or good governance.

The final number of shares to be delivered to each employee on the delivery date will be conditioned and determined by the incentive multiplier coefficient: percentage to be calculated according to the level of compliance with the objectives set by the Group, based on three (3) objectives TSR (Total Shareholder's Return) 50%, FCF (Free Cash Flow) 40% and CO2 Emissions 10%.

As of December 31, 2021, the cycles in force are as follows:

	No. of Initial Shares	TSR Unit Value	FCF/CO2 emission unit value	Completion Date
Cycle -1 January 2020	176.745	1,6444 euros	3,2136 euros	December 31, 2022
Cycle -1 July 2021	376.917	2,6465 euros	3,1598 euros	December 31, 2023

- (3) Includes the balances of obligations to do for the expansion of 15 MHz in 2011 for cellular telephony, renewal of spectrum for the provision of cellular telephony service in March 2014 for ten (10) years, concession right for operation and exploitation of satellite television service for ten (10) years from February 2017 and inter-administrative contract with the Metropolitan Area of Barranquilla until 2028.

## 20. PROVISIONS AND PENSION LIABILITIES

The balance of provisions and pension liabilities is as follows:

	As of December 31,	
	2021	2020
<b>Current:</b>		
For tributes and considerations (1)	101.603.316	101.651.989
For employee benefits (2)	30.161.385	34.247.276
Pension Liabilities (3)	19.563.650	19.594.470
For voluntary retirement (4)	2.645.120	6.437.320
For tax claims	1.389.555	1.457.463
For contingencies (Note 29)	2.607.434	11.059.624
	<b>157.970.460</b>	<b>174.448.142</b>
<b>Non-current:</b>		
Pension Liabilities (3)	184.296.085	190.658.366
For dismantling (5)	48.499.953	57.139.641
For contingencies (Note 29)	10.077.285	10.672.638
	<b>242.873.323</b>	<b>258.470.645</b>
	<b>400.843.783</b>	<b>432.918.787</b>

- (1) Includes the provision for industry and commerce tax (ICA), considerations to the Ministry of ICT, and uncollected VAT; most of this amount is expected to be settled in the next period to meet tax obligations and considerations.
- (2) Includes the incentive to employees for compliance and performance, which is expected to be settled in the first half of 2022. The provision amount has resulted from the best estimate based on the current workforce and percentage assigned by management.
- (3) The Group recognizes post-employment benefits corresponding to retirement pensions. The post-employment benefit plan in force at that date does not have any type of asset linked to it.

Pension liabilities at the end of 2021 and 2020 are classified as follows:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current	19.563.650	19.594.470
Non-current	184.296.085	190.658.366
	<b>203.859.735</b>	<b>210.252.836</b>

Below is the movement in pension liabilities as of December 31, 2021:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning of the period</b>	210.252.836	214.052.200
Interest expense	12.045.152	13.701.692
Payments made by the plan	(17.784.012)	(18.353.854)
Actuarial losses on obligations (1)	(475.573)	952.876
	<b>204.038.403</b>	<b>210.352.914</b>
Parts receivable fees	(178.669)	(100.078)
<b>Balance at the end of the period</b>	<b>203.859.734</b>	<b>210.252.836</b>

- 1) December 31, 2021, includes updating the actuarial calculation recognized in the Other Comprehensive Income for \$475,573.

The Group recognizes post-employment benefits corresponding to retirement pensions, including pension allowance and health. The actuarial calculation includes retired personnel totally in charge of the Group, with pension shared with the ISS and with the expectation of sharing with the ISS, as well as life substitutes totally in charge of the Group, life substitutes shared in the ISS, and temporary substitutes totally in charge of the Group.

The measurement of the actuarial calculation is made through an independent actuary, using the Projected Unit Credit costing method. In relation to the assumptions, the discount rate, the pension increase, the inflation rate, and expenses are considered. Other assumptions regarding mortality take into account the table of annuitants of the Superintendency of Finance, men and women with mortality improvement factor. Actuarial gains and losses arising from adjustments based on actuarial assumptions of the post-employment benefit are recorded in other comprehensive income for the period. The above is subject to the provisions of Law 100 of 1993, Law 797 of 2003, Legislative Act 01 of 2005, and Decree 1748 of 1995.

The post-employment benefit plan in force to date does not have any type of asset linked to it.

As of the actuarial calculation for 2018, the installments receivable from other entities were considered, which will be recorded when the amounts due are collected. As of December 31, 2021, the estimated value of installments receivable from other entities is \$2,479,490.

The updating of the actuarial calculation is made at the close of each accounting period and was quantified according to an inflation rate of 3.5% and a real rate of 3.238%.

Additionally, future cash flows up to 2026 and the sensitivity analysis as of December 31, 2021, are included.

### Future Cash Flows (\*)

Future cash flows for the payment of obligations are as follows:

<u>Year</u>	<u>COP \$(000)</u>
2022	19.563.650
2023	20.248.378
2024	20.957.071
2025	21.690.569
2026	22.449.739
2027	23.235.479

### Sensitivity Analysis (\*)

The following sensitivity analysis presents the effect of these possible changes on the obligation, holding all other assumptions constant, as of December 31, 2021:

	<u>Interest rate</u>	<u>COP \$(000)</u>
<b>Discount rate</b>	6,851%	201.380.245
-50 puntos básicos	6,351%	210.090.292
+50 puntos básicos	7,351%	193.321.163
<b>Inflation rate</b>	3,50%	201.380.245
-50 puntos básicos	3,00%	192.638.875
+50 puntos básicos	4,00%	210.767.179

(\*) Source: "Report on the valuation of the mathematical reserve for retirement pensions as of December 31, 2021, prepared by Loredana Helmsdorff, actuary.

The population considered in the study is 690 people, 587 with mathematical reserve calculation for retirement pensions and 103 pension bonds.

- (4) This provision corresponds to the balance of the provision for voluntary retirement, aligned with the transformation of the operating model through the continuous process of simplification and flexibility of the structure, promoting agility and efficiency in the processes. During the year 2022, the efficiency project that began in 2021 will be completed, which has a formal plan detailing functions, identifying functions, the approximate number of employees, disbursements to be carried out and estimated dates of the plan, the amount of the provision has been the result of the best estimate taking into account the basis of disbursements necessary to execute the plan.
- (5) The decrease as of December 31, 2021, corresponds mainly to asset retirements made in 2021. It includes the costs associated with the dismantling or retirement of the property, plant, and equipment item. The Group does not have an expected timetable for the disposal of these resources since, at this date, the Group does not estimate the disposal of such technical sites. (Note 14).

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The following is the change in provisions as of December 31, 2021:

	Balance as of December 31, 2020		Endowment	Application	Reversal	Financial update	Balance as of December 31, 2021
<b>Current</b>							
Provision for tributes and considerations	101.651.989	181.803.257	(181.851.929)	-	-	-	101.603.317
Provision for employee benefits	35.704.739	48.807.453	(44.576.162)	(8.385.091)	-	-	31.550.939
Pension liability	19.594.470	-	-	-	(30.820)	-	19.563.650
Voluntary retirement provision	6.437.320	25.657.000	(29.449.200)	-	-	-	2.645.120
Provision for Third Party and Labor Claims (Note 30)	11.059.624	2.550.058	(10.412.936)	(589.312)	-	-	2.607.434
	<b>174.448.142</b>	<b>258.817.768</b>	<b>(266.290.227)</b>	<b>(8.974.403)</b>	<b>(30.820)</b>		<b>157.970.460</b>
<b>Non-Current</b>							
Pension liability	190.658.366	12.045.152	(17.784.011)	-	(623.422)	-	184.296.085
Provision for dismantling	57.139.640	178.532	(162.142)	(12.521.016)	3.864.938	-	48.499.952
Provision for Third Party and Labor Claims (Note 29)	10.672.639	4.406.648	(3.066.774)	(1.935.227)	-	-	10.077.286
For responsibilities to subsidiaries	-	-	-	-	-	-	-
	<b>258.470.645</b>	<b>16.630.332</b>	<b>(21.012.927)</b>	<b>(14.456.243)</b>	<b>3.241.516</b>		<b>242.873.323</b>

The following is the change in provisions as of December 31, 2020:

	Balance as of December 31, 2019		Endowment	Application	Reversal	Financial update	Balance as of December 31, 2020
<b>Current</b>							
Provision for tributes and considerations	98.302.465	256.371.052	(253.021.528)	-	-	-	101.651.989
Provision for employee benefits	31.739.747	53.954.745	(27.682.153)	(4.411.458)	-	-	35.704.739
Pension liability	18.538.941	-	-	-	1.055.529	-	19.594.470
Voluntary retirement provision	11.400.475	160.605	(5.123.760)	-	-	-	6.437.320
Provision for third party and labor claims (29)	6.638.029	10.919.525	(1.223.223)	(4.137.981)	-	-	11.059.624
	<b>166.619.657</b>	<b>321.405.927</b>	<b>(287.050.664)</b>	<b>(8.549.439)</b>	<b>1.055.529</b>		<b>174.448.142</b>
<b>Non-Current</b>							
Pension liability	195.513.261	13.701.691	(18.353.855)	-	(202.731)	-	190.658.366
Dismantling provision	53.982.184	-	-	-	3.157.456	-	57.139.640
Provision for third party and labor claims (29)	6.229.936	7.063.929	(2.241.680)	(1.516.272)	-	-	10.672.639
For responsibilities to subsidiaries	472.833	-	-	(472.833)	-	-	-
	<b>256.198.214</b>	<b>20.765.620</b>	<b>(20.595.535)</b>	<b>(1.989.105)</b>	<b>2.954.725</b>		<b>258.470.645</b>

**21. SHAREHOLDERS' EQUITY, NET**

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

Authorized capital	1.454.870.740
Subscribed and paid-in capital	3.410.076
Nominal value (in pesos)	<u>1</u>

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The equity interest as of December 31, 2021, and 2020, is presented below:

Shareholders	Number of Shares	Participation
Telefónica Hispanoamerica S.A.	2.301.779.819	67,49937427%
La Nación-Ministerio de Hacienda y Crédito Público	1.108.269.271	32,49984282%
Radio Televisión Nacional de Colombia-RTVC	10.000	0,00029325%
Shirley Puentes Mercado	9.950	0,00029178%
Adriana Cepeda Rodríguez	2.488	0,00007296%
Patricia Cepeda Rodríguez	1.493	0,00004378%
Darío Cárdenas Navas	885	0,00002595%
Eduardo Cárdenas Caballero	826	0,00002422%
Jhon Jairo Gutiérrez Torres	498	0,00001460%
Kira Torrente Albor	349	0,00001023%
Canal Regional de Televisión Ltda.- TEVEANDINA	200	0,00000586%
Área Metropolitana de Bucaramanga	2	0,00000006%
Instituto de Vivienda de Interés Social y Reforma Urbana del Municipio de Bucaramanga — INVISBU	2	0,00000006%
Caja de Previsión Social Municipal	2	0,00000006%
Cooperativa de Empleados de las Empresas Públicas de Bucaramanga Ltda.	2	0,00000006%
Central de Inversiones S.A.- CISA	1	0,00000003%
	<b>3.410.075.788</b>	<b>100,00000000%</b>

**(a) Additional paid-in capital**

This corresponds to the excess of the value received with respect to the nominal value of the shares in the issues that the Group has made from the moment of creation to date. As of December 31, 2021 and 2020 its value is \$9,822,380,645.

**(b) Reserves**

The following is the detail of the reserves as of December 31, 2021, and 2020:

**Reserves:**

Uncommitted reserves (1)	38.686.537	38.686.537
Statutory reserves (2)	26.298.376	26.298.376
Legal reserve (3)	6.045.752	6.045.752
	<b>71.030.665</b>	<b>71.030.665</b>

(1) These reserves are constituted by decision of the Company's shareholders' meeting and correspond to:

- a) Occasional reserve: The shareholders' meeting by means of minute No. 068 of March 16, 2020, constituted reserve for \$34,925,054 corresponding to the profits obtained during the year 2019 of the Company, which will be used in accordance with the destination defined by the meeting.
- b) Reserve for future expansions: Reserve created by the Company for future expansions, not distributable. The balance of this reserve as of December 31, 2021, and 2020 amounts to \$3,730,162.
- c) Reserve for share repurchase: Reserve constituted by the Company for share repurchase, non-distributable and whose balance as of December 31, 2021, and 2020 is \$31,322.

(2) For tax provisions: In accordance with tax regulations, when in its income tax return it requests depreciation installments that exceed the value of the installments recorded for accounting purposes, the Company establishes a non-distributable reserve equivalent to 70% of the greater value requested as a deduction. When the depreciation requested for tax purposes is lower than that recorded for accounting purposes, the Company may release from such reserve an amount equivalent to 70% of the difference between the value requested and the value recorded; the profits released from the reserve may be distributed as income not constituting income. As of December 31, 2021, and 2020, the reserves were \$26,298,376. With the issuance of Law 1819 of 2016 (Tax Reform), the rule that established this reserve was repealed; therefore, as of the taxable year 2017, it will not be mandatory to constitute such reserve.

(3) Legal Reserve: The reserve established by the Company as of December 31, 2021, and 2020 is \$6,045,751.

**(c) Other Perpetual Equity Instruments**

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

Format	Issuing currency	Premiums and discounts	Total amount of the issue	Total amount issued	Minimum redemption term	Date of issue	Rate/Payment	Use of proceeds
R 144A/ Reg S	USD	Zero	500 million	500 million	Perpetual NC 5	March 30, 2015	8.5% / Semiannual	Prepayment of local debt
<b>Characteristics:</b> i). Possibility to defer coupons at the issuer's discretion. ii) Redemption option as of year five (5) and at each semiannual payment of yields due.								

The Consolidated Statement of Changes in Shareholders' Equity in the Accumulated Results for the years ended December 31, 2020, included coupon payments of \$55,037,974.

**(d) Other Comprehensive Income**

The Group recognized net income (loss) in Other Comprehensive Income (OCI) as of December 31, 2021 for \$351,245,430 and 2020 for (\$309,509,551).

The variation is mainly due to: i) the valuation of derivative hedging instruments net of taxes for \$291,322,633, which mainly corresponds to the devaluation of the peso against the dollar; ii) actuarial income for post-employment benefits for \$475,573, and iii) revaluation of real estate net of taxes for \$59,447,224.

**(e) Revaluation surplus net of taxes**

The Group for the year ended December 31, 2021, and 2020 transferred directly to retained earnings the write-offs, the value equal to the depreciation realized on revalued assets, and the corresponding deferred tax of \$24,224,877 and \$143,680,193, respectively.

**22. OPERATING INCOME**

Income from contracts with customers is presented below:

	Period ended December 31,	
	2021	2020
<b>Mobile services</b>		
Data services (1)	1.515.816.138	1.495.436.962
Voice services (1)	600.398.407	585.105.152
Value-added services (2)	204.727.812	194.534.472
	<b>2.320.942.357</b>	<b>2.275.076.586</b>
<b>Fixed services</b>		
Data services (3)	737.252.772	705.527.005
Capacidad y soluciones tecnológicas	618.085.560	419.913.803
Fixed voice services (3)	257.498.019	315.365.533
Revenues TV (3)	243.468.036	254.115.730
	<b>1.856.304.387</b>	<b>1.694.922.071</b>
Sale of terminal equipment (2)	729.908.999	470.392.234
Digital services (3)	519.633.340	428.820.523
Interconnection	289.347.670	293.750.316
Other data (O.M.V.) (4)	38.734.308	44.384.703
Venta de equipos para servicios fijos (5)	31.325.628	18.798.718
Roaming revenue (6)	14.280.686	9.611.710
	<b>1.623.230.631</b>	<b>1.265.758.204</b>
	<b>5.800.477.375</b>	<b>5.235.756.861</b>



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As of December 31, 2021 and 2020 include operating income with related parties of \$51,787,413 and \$50,699,497, respectively (Note 28).

- (1) Revenues grew mainly as a result of the good performance in the residential and corporate segments in both wireless and fixed services, capitalizing on market opportunities in digital services, the acceleration of fiber, and differential offers.
- (2) The growth corresponds mainly to the performance of the commercial activity in mobile terminals as a result of the economic recovery and the offers in the market.
- (3) Capacity, security, storage, and monitoring services increased due to demand from corporate customers.
- (4) Decrease due to tariff adjustments with the operator, in addition to the reduction in traffic handled.
- (5) The growth corresponds mainly to the performance of the commercial activity in fixed equipment, as a result of the economic reactivation and the demand for the use of Wi-Fi amplifiers.
- (6) The variation is due to higher roaming traffic generated by increased international trips.

**23. OTHER OPERATING INCOME**

The Group's other operating income is presented below:

	Period ended December 31,	
	2021	2020
Other operating income (1)	65.820.087	55.983.841
Works performed for the immobilization (2)	38.445.390	59.196.131
Sale of movable and immovable property (3)	9.669.484	8.686.699
Leasing investment property (Note 15)	131.490	148.317
	<b>114.066.451</b>	<b>124.014.988</b>

As of December 31, 2021, and 2020, other operating income with related parties of \$15,459,366 and \$23,774,006, respectively, is included (Note 28).

- 1) Includes compensation for breach of contract, reimbursement of expenses with Group Companies, administrative services, commercial management support, government grants.
- 2) The decrease for the year ended December 31, 2021, corresponds to lower execution of projects directly by the Group, compared to the same period of 2020.
- 3) Corresponds to the profit generated in the sale of real estate, continuing with the development of the asset optimization strategy, which is part of the program of efficient allocation of resources that through the divestment of non-strategic assets will allow the Group to achieve greater financial flexibility.

## 24. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Period ended December 31,	
	2021	2020
Equipment Cost (Notes 8 and 10) (1)	964.486.986	704.448.621
Labor costs	436.542.915	442.138.873
Other operating costs and expenses (2)	346.336.847	282.062.660
Interconnection and roaming (3)	336.124.270	294.915.274
Renting & Third Party Activities to Customers (4)	330.448.161	225.268.050
Equipment and facility maintenance	256.583.943	258.957.850
Tributes and considerations	245.123.519	238.379.830
Content providers (5)	240.415.188	207.151.157
Renting media and other network infrastructures (6)	239.620.079	213.074.185
Sales and contract fees (7)	189.944.804	195.564.938
Energy service	177.870.951	166.154.622
Advertising (8)	163.249.745	119.088.128
Computer services	152.038.024	154.351.990
Cost of fulfilling contracts (Note 8)	66.846.026	64.536.753
Customer service (9)	59.409.354	65.674.153
Other costs and expenses and non-recurring	12.378.204	12.760.031
Inventory provision (Note 10)	120.769	(848.457)
Portfolio impairment (Note 7) (10)	(41.968.531)	55.692.097
	<b>4.175.571.254</b>	<b>3.699.370.755</b>

The net variation presented between the years ended December 31, 2021, and 2020 corresponds mainly to (i) increase due to the execution of new integral 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 sales due to 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 and transactional agreement with Empresa de Teléfonos de Bogotá S. A. E.S.P.

During the years ended December 31, 2021, and 2020, operating expenses with related parties are included for \$318,525,602 and \$288,182,555, respectively (Note 28).

- (1) During the years 2021 and 2020, the Company recognized consumption of inventories carried at cost of sales of \$864,238,939 and \$595,802,826, respectively (Note 10) and amortization of customer premises equipment costs of \$100,248,047 and \$108,317,316 (Note 8), respectively. The increase during the year ended December 31, 2021, corresponds to higher commercial activity, mainly in mobile smartphone equipment and materials for the execution of fiber deployment projects, compared to 2020.
- (2) The variation during the year ended December 31, 2021, compared to the end of 2020, corresponds mainly to the execution of new integrated solutions contracts with corporate customers.
- (3) The increase during the year ended December 31, 2021, corresponds to higher interconnection traffic in access charges and roaming services costs.
- (4) The increase during the year ended December 31, 2021, corresponds to collection management related to commercial portfolio and execution of corporate projects.
- (5) The increase during the year ended December 31, 2021, compared to the end of 2020, corresponds to the execution of new projects with corporate clients.

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- (6) The variation for the year ended December 31, 2021, compared to the end of 2020, corresponds mainly to new business projects.
- (7) During the years ended December 31, 2021, and 2020, includes amortization of contract procurement costs of \$40,058,765 and \$5,069,446, respectively (Note 8).
- (8) The increase during the year ended December 31, 2021, compared to 2020, corresponds to a higher volume of media campaigns.
- (9) The decrease during the year ended December 31, 2021, compared to 2020, corresponds mainly to lower call traffic due to the implementation of automation projects in customer self-management.
- (10) The decrease during the year ended December 31, 2021, is mainly due to the net effect of the expense for the period of \$73,957,066 and portfolio recovery of \$115,925,597 of Empresa de Teléfonos de Bogotá S. A. E.S.P. (Note 7).

**25. DEPRECIATION AND AMORTIZATION**

Depreciation and amortization are presented below:

	Period ended December 31,	
	2021	2020
Depreciation of properties, plant and equipment (Note 14)	641.284.852	644.174.612
Amortization of intangible assets (Note 16)	517.423.693	512.461.985
Depreciation of assets by rights of use (Note 13)	242.936.486	217.383.644
	<b>1.401.645.031</b>	<b>1.374.020.241</b>

**26. FINANCIAL EXPENSES, NET**

Financial expenses, net are presented below:

	Period ended December 31,	
	2021	2020
<b>Income:</b>		
Customer blackberry interest	19.075.571	15.615.023
Temporary and bank investment yields (Note 5)	1.816.000	9.597.548
Interest Hedging Operations, Net	-	60.594.264
	<b>20.891.571</b>	<b>85.806.835</b>
<b>Expenses:</b>		
Interest on loans, bonds and bonds (1) (Note 18)	(195.213.795)	(262.252.590)
Interest Hedging Operations, Net	(123.405.769)	
Leasing Financial Expenses	(72.077.673)	(41.547.785)
Other Financial Expenses	(42.770.080)	(11.821.048)
Financial Update of Liabilities	(14.428.929)	(16.833.169)
Tax financial transactions	(557.626)	(1.226.075)
	<b>(448.453.872)</b>	<b>(333.680.667)</b>
(Loss) gain by difference instead. Net	(1.159.801)	(16.814.364)
	<b>(449.613.673)</b>	<b>(350.495.031)</b>
	<b>(428.722.102)</b>	<b>(264.688.196)</b>

The increase in 2021 is due to i) In 2020, there was an extraordinary interest income from hedges resulting from the early redemption of derivative instruments (Swaps) associated with the prepayment of the Senior Notes. Excluding this positive effect, the net financial result increased by 6% due to the increase in reference interest rates that impact the portion of the debt at variable interest rates; ii) To a lesser extent, the devaluation of the peso against the dollar impacted the basis for the calculation of interest on the debt in dollars hedged with forward at a higher exchange rate; and, iii) The above impacts are offset by the better interest rates negotiated with financial institutions and replacement of debt under the sustainability model.

Includes interest on the senior bond for the year ended December 31, 2021 for \$93,249,698 (2020 - \$153,694,980) and on the local bond for \$31,577,682 (2020 - \$32,283,470) respectively.

## **27. FINANCIAL RISK MANAGEMENT**

### **27.1. 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:

#### **Interest rate risk**

Arises mainly from changes in interest rates that affect: i) the financial costs of variable rate debt and/or short-term debt negotiations at fixed interest rates and ii) long-term liabilities at fixed interest rates.

#### **Liquidity risk**

The Group is exposed to liquidity risk mainly due to imbalances between funding requirements and sources of funds.

#### **Credit risk**

Credit risk arises from cash and cash equivalents (deposits with 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 previous, Management does not expect the Group to incur significant losses from the performance of its counterparties.

#### **Price Risk**

The Group is exposed to the price risk of the goods and services it acquires to develop its operations. It negotiates purchases with small and large suppliers (including global suppliers) to ensure a continuous supply of the same. This model, through which significant savings are achieved in local and regional negotiations, avoids a high risk of concentration and dependence, which could result in the medium and long term in a dependence that could hardly be solved by not having alternative suppliers to manage pressure levers to avoid breaches in product quality, delivery times, non-agreed price increases or margins of maneuver that could not be solved by having a single supplier in some of the layers of the network.

In 2021, the World experienced the appearance of two crises that impact the sector: the chip crisis due to the fact that the large semiconductor producers saw their manufacturing capacities affected so that the current supply is not enough to supply the demand for this kind of components, affecting several industries including the telecommunications sector; and the container crisis where there has been an increase in the frequency of lead time change in shipments that are in international transit due to increased stoppages before delivery, transshipments, a saturation of ships, among others. Depending on the global evolution of these crises, the Group could be exposed to risks associated with the availability of components that could affect the income for the postpaid, prepaid, terminal, and fixed lines of business, increase in the prices of components, availability of transportation and increase in freight that entails an increase in customs taxes. Considering the external context, the Group modified its demand planning process, focusing on the most sensitive ranges, brought forward negotiation dates and gave early visibility to manufacturers, incorporated new suppliers, scaled and prioritized the needs of Colombia in the Telefónica Group's Global Device Unit from which regional actions are generated, booked in advance with freight forwarders, shipping lines, and airlines to meet import times, among others.

## Country Risk

The economic activity continues with a favorable dynamic in the last quarter of the year, favored by the increase in mobility, the controlled epidemiological situation, and the boost given to commerce and manufacturing by implementing three VAT-free days. In November, the monthly economic activity index was above the pre-pandemic "February 2020" reference level for the third consecutive month, exceeding it by 3.7%. Thus, in the first eleven months of the year, growth of 9.9% YoY was recorded.

The year closed with inflation of 5.62% YoY, the highest recorded since 2016 and above the target range of Banco de la República (2% to 4%). The advance in the consumer price index was mainly explained by the upward trend in food prices and the regulated item to a lesser extent. The increase in the price of agricultural inputs, the high level of the exchange rate, the lower local supply of some foods, and the increase in energy tariffs and the price of gasoline, were the main determinants. The growing inflationary pressures and the remarkable recovery of economic activity led the Central Bank to increase the pace of monetary policy normalization, bringing the reference rate to 3%, with two 50 bps increments.

On October 6, 2021, Moody's ratified Colombia's rating at Baa2, maintaining it one notch above investment grade, and improved its outlook from negative to stable. The decision was taken thanks to the approval of the Social Investment Law (tax reform) in September 2021 and the expectations that the country will have robust growth in the coming years; thus, the country only has an investment-grade from this rating agency. In 2021 the exchange rate closed at \$3,981.16 pesos per dollar, devaluing 16% with respect to the close of 2020, and on average, it was quoted at \$3,749, 1.4% higher than the average recorded the previous year.

## Risk Management

The Group actively manages risks by using derivative financial instruments on exchange rates and interest rates, as well as taking into account the net positions of the balance sheet to take advantage of natural hedges that are directly offset to avoid incurring excess bid-offer spread costs in hedging operations.

Figures in millions	NDF		IRS Libor	IRS IBR	IRS IPC	CCIRS (margen)	CCIRS
	Underlying	USD	EUR	USD	COP	IPC	USD
Senior Bonus			500	1.498.700		500	500
Debt in US\$/COP	132			600.000	152.410		
Trading accounts	100	11					
Future cash flows	(112)						
	<b>120</b>	<b>11</b>	<b>500</b>	<b>2.098.700</b>	<b>152.410</b>	<b>500</b>	<b>500</b>

NDF: Non delivery forwards

IRS: Interest rate swap

CCIRS: Cross currency interest rate swap

As of December 31, 2020, the Group had the following portfolio of exchange rate and interest rate financial derivatives, expressed in their currency of origin:

Figures in millions	NDF		IRS Libor	IRS IBR	IRS IPC	CCIRS (margen)	CCIRS
	Underlying	USD	EUR	USD	COP	IPC	USD
Senior Bonus	-	-	500	-	-	500	500
Debt in US\$/COP	465	-	-	900.000	152.410	-	-
Trading accounts	76	3	-	-	-	-	-
Future cash flows	136	-	-	-	-	-	-
	<b>677</b>	<b>3</b>	<b>500</b>	<b>900.000</b>	<b>152.410</b>	<b>500</b>	<b>500</b>

## Exchange Rate Risk

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

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

As of December 31, 2021, and 2020, the Group's debt in US dollars, including the senior bond maturing in 2030, is equivalent to USD 632 million and USD 978 million, respectively.

Additionally, considering the ordinary flow of the Group's business, hedges of commercial accounts were made, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency, which were recorded in the Consolidated 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.

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

	Period ended December 31,	
	2021	2020
<b>Active</b>		
Cash and cash equivalents (Note 5)	20.405	5.182
Debtors and other receivables (Note 7)	8.663	4.690
Related Parties (Note 28)	1.529	4.655
<b>Total assets</b>	<b>30.597,00</b>	<b>14.527</b>
<b>Liabilities</b>		
Financial obligations	643.333	978.327
Suppliers and accounts payable (Note 19)	114.551	73.711
Related Parties (Note 28)	14.648	19.750
<b>Total liabilities</b>	<b>772.532</b>	<b>1.071.788</b>
<b>Passive, net position</b>	<b>(741.935)</b>	<b>(1.057.261)</b>

	Period ended December 31,	
	2021	2020
<b>Active</b>		
Cash and cash equivalents (Note 5)	81.235.570	17.787.215
Debtors and other receivables (Note 7)	34.488.789	16.098.425
Related Parties (Note 28)	6.087.194	15.978.288
<b>Total assets</b>	<b>121.811.553</b>	<b>49.863.928</b>
<b>Liabilities</b>		
Financial obligations	2.561.211.606	3.358.107.428
Suppliers and accounts payable (Note 19)	456.045.859	253.013.008
Related Parties (Note 28)	58.316.032	67.791.875
<b>Total liabilities</b>	<b>3.075.573.497</b>	<b>3.678.912.311</b>
<b>Passive, net position</b>	<b>(2.953.761.944)</b>	<b>(3.629.048.383)</b>

**Interest Rate Risk**

After hedging, the variable rate exposure is 32.21% of total debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of Banco de la República in the medium term.

At December 31, 2021, the fixed and variable rate debt was as follows:

Fixed-rate obligations	Financial Obligations (1)		
	Value (1)	Participation	Index
Debt in COP	1.400.000	31,72%	Tipo fijo
Senior Bonus	1.592.464	36,08%	Tipo fijo
	<b>2.992.464</b>	<b>67,80%</b>	
<b>Variable rate obligations</b>			
Senior Bonus	398.116	9,02%	Flotante
Debt in USD	525.513	11,91%	Libor 3M
Debt in COP	498.000	11,28%	lbr3M
	<b>1.421.629</b>	<b>32,21%</b>	
	<b>4.414.093</b>	<b>100%</b>	

(1) Interest rate exposure after hedging.

As of December 31, 2020, the fixed rate and variable rate debt were as follows:

After hedges, the variable rate exposure is 70.3 of total debt, as part of a risk management policy in line with the expansionary monetary policy stance of Banco de la República in the medium term.

#### Derivative Financial Instruments and Risk Management Policy

The breakdown of the Group's derivatives at December 31, 2021, as well as their fair value at that date and the expected maturity schedule by the notional amount and by type of hedge, is as follows:

Derivatives	Good value for stay (1)	Notional Value (2) - Expirations		
		(Figures in millions of pesos)		
		2022	Further	Total
Interest rate hedges				
Cash flow hedges	(105.136)	-	3.981.160	3.981.160
	<b>(105.136)</b>	<b>-</b>	<b>3.981.160</b>	<b>3.981.160</b>
Exchange rate hedges				
Cash flow hedges	35.812	236.518	-	236.518
Fair value hedges	16.598	203.909	-	203.909
	<b>52.410</b>	<b>440.427</b>	<b>-</b>	<b>440.427</b>
Interest rate and exchange rate coverage				
Cash flow hedges	228.575	-	4.241.690	4.241.690
	<b>175.849</b>	<b>440.427</b>	<b>8.222.850</b>	<b>8.663.277</b>

(1) Presented net of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

(2) For interest rate hedges, the positive amount is in terms of a fixed payment; for foreign exchange hedges, a positive amount means payment in functional currency versus foreign currency.

The breakdown of the Group's derivatives at December 31, 2020, as well as their fair value at that date and the expected maturity schedule by the notional amount and by type of hedge, is as follows:

Derivatives	Good value for stay (1)	Notional Value (2) - Expirations		
		(Figures in millions of pesos)		
		2021	Further	Total
Interest rate hedges				
Cash flow hedges	(148.108)	-	3.432.500	3.432.500
	<b>(148.108)</b>	-	<b>3.432.500</b>	<b>3.432.500</b>
Exchange rate hedges				
Cash flow hedges	(156.248)	2.055.606	8.084	2.063.690
Fair value hedges	(13.522)	220.075	54.083	274.158
	<b>(169.770)</b>	<b>2.275.681</b>	<b>62.167,00</b>	<b>2.337.848</b>
Interest rate and exchange rate coverage				
Cash flow hedges	(278.652)	-	2.768.660	2.768.660
	<b>(596.530)</b>	<b>2.275.681</b>	<b>6.263.327</b>	<b>8.539.008</b>

(1) Presented net of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

(2) For interest rate hedges, the positive amount is in terms of a fixed payment; for foreign exchange rate hedges, a positive amount means payment in functional currency versus foreign currency.

## 27.2. Other Risks and Uncertainties faced by the Group

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

### Legal Regulatory Risk

The Group operates in a highly regulated industry that requires the use of spectrum to deploy new services or improve existing ones. Adverse changes in the regulatory framework could increase obligations, entailing a cost for its operations a reduction in prices. Likewise, eventual barriers to obtaining permits for spectrum use could impact the expected growth.

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

The CRC is the body in charge of promoting and regulating free competition, preventing unfair behavior and restrictive commercial practices through general regulations or specific measures, and may propose differential rules of behavior according to the position of the providers if the existence of a market failure has been previously determined. Among its most relevant functions are: (i) To issue all regulations of a general and particular nature in matters related to the competition regime, technical and economic aspects related to the interconnection obligation and the access and use of essential facilities; as well as the remuneration for the access and use of networks and infrastructure, wholesale prices, billing and collection conditions; the regime of access and use of networks; ii) To regulate the access and use of all networks and access to the telecommunications, broadcast television, and radio broadcasting services markets, towards a market-based regulation.

On the other hand, the Group is involved in litigation of various types, the outcome of which is unpredictable and may be unfavorable for the Group, not only in economic terms but also because of its impact on its image and reputation, due to its possible repercussion in the media.

### Risks Inherent to the Sector of Activity in which the Group Operates

The provision of services is carried out under the authorizations and the permits for spectrum use. In March 2014, as a consequence of the transition regime of Law 1341 of 2009, the permit for the use of the spectrum of 25 MHz in the 850 band and 15 MHz in the 1900 band used for mobile services was renewed for ten (10) more years until March 2024, by resolution 597 of 2014.

In October 2011, after an auction process with the participation of other mobile operators, Colombia Telecomunicaciones S. A. E.S.P. BIC obtained the assignment of 15 MHz of spectrum in the 1900 MHz band. This spectrum allocation was materialized in MINTIC Resolution 002105 of September 15, 2011, regarding which the following aspects are worth highlighting:



1. The permit duration is ten (10) years, counted from October 20, 2011.
2. The value to be paid as consideration was USD 47,700 thousand, which were paid as follows:
  - (a) 50% in cash (USD 23,850 thousand) six months after the date on which the spectrum assignment act becomes final.
  - (b) 50% through compliance with the obligation to perform (coverage of 36 locations and service to educational institutions).
3. Obligation of 3G coverage in all the municipal capitals in which the Group had coverage, no later than April 18, 2012.

Employing Decree 2980 of August 19, 2011, the MINTIC changed the radio spectrum cap for use in terrestrial mobile services from 55 MHz to 85 MHz. According to this decree, once the process of issuing permits in the band from 1710 MHz to 1755 MHz and 2110 to 2155 MHz and 2500 MHz of the band in 2690 MHz, which was developed during 2013, is completed, the maximum radio spectrum for use by the land mobile service provider of telecommunication networks and services will have the following detail:

- 85 MHz for the higher bands (between 1710 MHz and 2690).
- 30 MHz for the lower bands (between 698 MHz and 960 MHz).

In the 4G auction process, the Company obtained 30 MHz of spectrum in the 1710 MHz to 1755 MHz band paired with 2110 MHz to 2155 MHz, a resource that was assigned by Resolution 2625 of 2014, with a 10-year term, confirmed by Resolution 4142 of October 25, 2013.

With these assignments, the Company has a total of 85 MHz of spectrum distributed as follows: 30 MHz in the band in 1900, 25 MHz in the 850 band, and 30 MHz in the AWS band.

MINTIC issued decree 2194 of 2017, increasing the maximum spectrum cap in terrestrial mobile services to 90MHz for the high bands (between 1710 MHz and 2690 MHz) and 45 MHz for the low bands (between 698 MHz and 960 MHz).

Regarding the renewal of the Company's 15MHz in 1900MHz, on October 19, 2021, the Ministry issued Resolution 2803, setting a price of \$686.6 billion (~€154 million) for 20 years, plus technological upgrade obligations, within a maximum term of 4 years, to provide theoretical peak speeds of 73.7 Mbps Downlink peak, and 36.7 Mbps Uplink peak, in municipalities of less than 100 thousand inhabitants, through the alternatives of coverage footprint equalization, or upgrade by an existing base station.

This resolution did not make explicit the methodology used to set the renewal price, estimated up to three times higher than international standards, and to which must also be added the value of the investments of the upgrade obligations.

On November 3, 2021, the Group filed an appeal requesting that the price be aligned with regional benchmarking to comply with the legal principles of reasonable and non-discriminatory conditions for access to spectrum and to maximize social welfare and not tax collection. In addition, it was requested that the obligation to update technology be proportional to the use of the band and the amount of spectrum subject to renewal. The amount derived from compliance with this obligation is computed in the renewal payment.

On the issue of spectrum assignment regulation, the Ministry published the draft regulation for comments in April, and in July issued Decree 934 establishing general rules for the development of the secondary market, favorable to transparency and legal certainty: the spectrum may be transferred upon approval by the MINTIC. The regulation establishes:

- (i) the scope of application and application requirements,
- (ii) the duration of the procedure, of 15 working days, which may be doubled by requesting the ANE's opinion,
- (iii) and a prior approval requirement from MINTIC before a business integration, in which the Assignor must prove compliance with the obligations derived from the license, and the Assignee must assume the pending ones and submit an operations plan showing how it will use the spectrum. In addition, the decree allows the temporary overrun of the spectrum cap for continuity of service: the Assignee must submit a transition plan or technical measures with the reasons for the overrun and the actions to comply with the cap in the future within a reasonable period of time.

In November, the Ministry submitted for comments a new project to modify Decree 934. This initiative was received with legal uncertainty as it changed the criteria that had been in force for only three months. As of December 31, 2021, the Ministry had not communicated its final decision on the modification of the decree.

## **Other Risks and Uncertainties Facing the Group**

### **Markets Subject to Continuous Technological Evolution**

The Group's success depends, to a certain extent, on its adaptability to technological evolution, in the times the market demands, anticipating technological changes and market demands. Technological evolution is permanent, offering the market new products, services, and technologies, which oblige us to keep them constantly updated. The development of constant technological innovation also generates the obsolescence of some of the products and services offered by the Group, as well as their technology, significantly reducing revenue margins by having an obligation to invest in the development of new products, technology, and services and at the same time continue to provide maintenance in legacy technologies, which will remain in force until we achieve the migration of all users or the regulation allows their controlled shutdown. In addition, the convergence of new technologies allows new entrant operators the possibility of not being subject to the regulatory standards that have been in force in the past, leaving us in a disadvantageous position vis-à-vis these new players in the sector.

Consequently, it could be costly for the Group to develop the products and technologies necessary to compete efficiently with current or future competitors. Therefore, it is essential to consider that increased costs could negatively impact the business, its financial situation, and the Group's economic results or cash generation.

The Group, as a major player in the communications market, must continue to upgrade its networks associated with mobile and fixed-line services in a satisfactory manner and in a timely manner to maintain and increase its customer base in each of its markets to enhance its financial performance, as well as to comply with applicable regulatory requirements. Among other things, the Group may need to upgrade the operation of its networks to increase the personalization of its services, the virtualization of equipment, the increase of processing and data storage capacities, and the increase of coverage in some of its markets. Equally important is the need to expand and maintain the level of customer service, network management, and administrative systems.

### **Risks Associated with Network or Unplanned System Outages**

Network interruptions are situations inherent to the operation of any element that constitutes it, which affect service, causing dissatisfaction among users due to the impossibility of communication and a significant risk of requirements from control entities that could result in high impact sanctions for the Group. The only possibility of minimizing or reaching a controlled level of risk on unforeseen network interruptions is focused on being able to periodically and efficiently guarantee a preventive and corrective maintenance model on network equipment, as well as the investment in elements that have completed their useful life and that guarantee redundancy to support the service in the event of eventual failures.

On the other hand, information technology is a relevant element of our business and could be affected by cybersecurity risks: Our networks transport and store large volumes of confidential, personal, and business data, so it must be prepared to detect and react in a timely manner to cyber threats to prevent their materialization.

## **28. RELATED PARTIES**

The Ministry of Finance and Public Credit has a 32.5% interest in Colombia Telecomunicaciones S.A. E.S.P. BIC. The Ministry is an agency of the Colombian Government. The Group provides mobile and fixed telephony services to the Colombian Government under normal market conditions and prices.

During the years 2021 and 2020, the Group made payments to the Colombian Government for contributions to the Ministry of Communications and Information Technologies (MINTIC) for \$93,928,447 and \$99,228,898 and the Communications Regulation Commission (CRC) for \$6,547,179 and \$4,476,742 respectively, on income obtained from the provision of network and telecommunications services.

### **28.1. Accounts Receivable**

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

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

**Current**

**a) Shareholders**

	As of December 31,	
	2021	2020
<b>From outside</b>		
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	-	1.804
<b>Total actionists from abroad</b>	<b>-</b>	<b>1.804</b>

**b) Economic relationships**

	As of December 31,	
	2021	2020
<b>National</b>		
Tiws Colombia II S.A.S.	19.347.173	31.353.050
Telxius Cable Colombia S.A.	910.344	1.771.759
Telefónica Cybersecurity Tech Colombia	54.740	-
Wayra Colombia S.A.S.	37.955	105.653
	<b>20.350.212</b>	<b>33.230.462</b>
	As of December 31,	
	2021	2020
<b>From outside</b>		
TIWS II	5.694.386	6.652.978
TEF Hispanoamerica	4.152.844	-
Otecel S.A.	1.740.371	1.307.959
Telefónica Móviles España S.A.	1.057.133	1.034.360
Telefónica Venezolana C.A.(a)	660.927	941.771
Tele Cybersecurity & Cloud	550.487	-
Telefónica S.A.	398.787	2.807.747
Telefónica del Perú S.A.	392.447	383.843
Telefónica Móviles Argentina S.A.	347.118	388.203
Pegaso Pcs. S.A. de C.V.	283.195	3.112.920
Telefónica Germany GMBH & CO OHG	247.262	276.464
Telefónica Móviles de Chile S.A.	151.585	-
Telefónica Móviles El Salvador S.A.	82.044	663.046
Telefonica Brasil S.A	67.907	-
Terra Networks Mexico S.A. de CV	57.182	199.250
Telefónica Móviles Uruguay S.A.	5.227	-
Telefónica Digital España S.A.	-	1.685.051
Telefónica de Costa Rica	-	128.612
Telefónica Compras Electrónicas	-	44.530
Telefónica USA Inc.	-	14.897
	<b>15.888.902</b>	<b>19.641.631</b>
<b>Total actionists from abroad</b>	<b>36.239.114</b>	<b>52.872.093</b>

**c) Associated Companies**

	As of December 31,	
	2021	2020
<b>National</b>		
Telefónica Factoring Colombia S.A.	111.563	42.957
	<b>111.563</b>	<b>42.957</b>
<b>From outside</b>		
O2 T. UK Limited	52.777	-
	<b>164.340</b>	<b>42.957</b>
<b>Total receivables with related parties (Note 7)</b>	<b>36.403.454</b>	<b>52.916.854</b>

The balances in foreign currency of domestic accounts receivable from related parties as of December 31, 2021, and 2020 are USD 1,529 thousand (\$6,087,194) and USD 4,655 thousand (\$15,978,288), respectively (Note 27).

**28.2. 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 December 31,	
	2021	2020
<b>National</b>		
Telefonica Cybersecurity Tech Colombia	32.817.967	5.050.742
Tiws Colombia II S.A.S.	21.061.230	24.507.869
Telxius Cable Colombia S.A.	11.443.467	14.228.593
	<b>65.322.664</b>	<b>43.787.204</b>

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

	As of December 31,	
	2021	2020
<b>From outside</b>		
TIWS II	23.008.723	43.911.169
Telefónica S.A.	19.306.362	23.017.233
Telefónica Digital España S.A.	14.501.390	3.737.989
Telefónica Móviles Argentina S.A.	9.076.851	3.602.653
Telefónica de Argentina S.A.	4.160.152	1.713.000
Telefónica Compras Electrónicas	3.502.888	3.150.260
Telefónica USA Inc.	3.411.043	3.971.914
Telefonica IOT & Big Data Tech, S.A	1.917.266	-
Otecel S.A.	1.722.820	1.245.458
Telefónica Global Technology	1.566.673	4.156.882
Terra Networks Mexico S.A. de CV	1.458.743	913.687
Telefónica Global Roaming	1.178.426	822.084
Pegaso Pcs. S.A. de C.V.	875.551	1.802.720
Media Network Latin América	829.080	12.359.857
Telefónica Móviles España S.A.	770.137	1.534.948
Telefónica Servicios Audiovisuales	688.682	382.756
Telefónica del Perú S.A.	571.738	682.891
Telefónica Venezolana C.A.	388.608	468.935
Telefónica Móviles de Chile	262.255	179.316
Telefonica Cybersecurity Tech S.L	124.620	-
Telefónica Ingeniería de Seguridad	98.996	892.885
O2 Germany GMBH & CO OHG	79.345	-
Telefónica Brasil S.A	71.315	39.881
Telefonica Educacion Digital	29.731	-
Telefónica Móviles Uruguay S.A.	7.682	30.796
Telefónica Móviles El Salvador S.A.	7.104	4.971
E-Plus Mobilfunk GMBH & CO	317	325
Telefónica Broadcast Services S.L.U	-	32.746
Telefónica de Costa Rica	-	12.888
<b>Total actionists from abroad</b>	<b>89.616.498</b>	<b>108.668.244</b>

**b) Associated Companies**

	As of December 31,	
	2021	2020
<b>From outside</b>		
O2 T. UK Limited	315.531	178.328
	<b>315.531</b>	<b>178.328</b>
<b>Total with related parties</b>	<b>89.932.029</b>	<b>108.846.572</b>
<b>Total suppliers and accounts payable with related parties (Note 19)</b>	<b>155.254.693</b>	<b>152.633.776</b>

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

**Non-current**

**Shareholders**

	As of December 31,	
	2021	2020
<b>Share-based payments</b>		
Telefónica S.A.	2.140.956	9.368.156
<b>Total suppliers and accounts payable with related parties (Note 18)</b>	<b>2.140.956</b>	<b>9.368.156</b>

The balances in foreign currency of accounts payable in relation to related parties as of December 31, 2021, are USD 14,648 thousand (\$58,316,032) and as of December 31, 2020, are USD 19,750 thousand (\$67,791,875) (Note 27).

**28.3. Revenues, Costs, and Expenses with Related Parties**

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

**a) Shareholders**

	Year ended December 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
<b>From outside</b>				
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	-	-	-	187.714
<b>Total shareholders abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187.714</b>

**b) Financial Related Parties**

	Year ended December 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
<b>National</b>				
Tiws Colombia II S.A.S.	25.348.898	23.573.522	27.325.373	18.062.534
Telxius Cable Colombia S.A.	2.294.311	2.435.217	40.163.464	50.664.307
Wayra Colombia S.A.S.	473.603	458.339	-	-
Telefonica Cybersecurity Tech Colombia	208.669	-	42.332.806	7.460.270
Telefónica Learning Services Colombia	-	193.422	-	-
	<b>28.325.481</b>	<b>26.660.500</b>	<b>109.821.643</b>	<b>76.187.111</b>

**COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020**

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

	Year ended December 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
<b>From outside</b>				
TIWS II	23.195.181	25.257.154	50.701.890	55.278.669
TEF Hispanoamerica	4.152.844	-	-	-
Telefónica S.A.	1.939.952	13.071.939	58.079.561	50.046.311
Telefónica Empresas Chile S.A.	1.599.142	-	-	494.646
Telefónica Móviles España S.A.	1.416.619	782.709	933.235	1.892.510
Telefónica del Perú S.A.	1.244.782	599.034	1.083.091	338.531
Telefónica Móviles El Salvador S.A.	1.069.559	1.203.045	22.591	5.694
Telefónica Ingeniería de Seguridad	706.129	-	-	820.880
Telefonica Cybersecurity Tech S.L	550.487	-	4.595.671	-
Telefonica On The Spot Services	456.540	-	6.164.858	-
Telefónica Móviles de Chile	442.529	107.324	60.551	37.088
Pegaso Pcs. S.A. de C.V.	350.032	19.513	781.339	191.647
Telefónica Brasil S.A	196.019	186.264	124.082	136.578
Telefónica Venezolana C.A.	187.154	485.767	75.915	-
Telefónica Global Roaming	184.275	-	976.588	849.443
Terra Networks Mexico S.A. de CV	148.383	175.807	2.648.396	1.498.509
Telefónica Móviles Argentina S.A.	131.156	187.547	185.275	54.676
Otecel S.A.	121.330	64.239	186.601	130.172
Telefonica Chile S.A.	88.689	-	-	-
Telefónica Móviles Uruguay S.A.	24.017	9.359	9.386	9.292
Telefónica Educación Digital, S.L.U.	19.536	-	-	-
Telefónica Compras Electrónicas	12.692	154.929	8.006.878	8.691.996
Telefónica Germany GMBH & CO OHG	5.009	-	84.177	34.480
Telefónica USA Inc.	3.359	52.648	7.468.640	8.733.768
Telefónica Digital España S.A.	-	4.937.119	23.258.712	5.105.697
Telefónica de Costa Rica	-	22.791	18.636	25.015
E-Plus Mobilfunk GMBH & CO	-	2.285	-	83
Telefónica Global Technology	-	-	24.343.508	37.646.264
Media Network Latin América	-	-	9.532.876	29.677.063
Telx ius Cable América S.A. (antes TIWS AMERICA)	-	-	5.746.472	5.746.472
Telx ius Cable	-	-	1.974.239	1.974.239
Telefónica Servicios Audiovisuales	-	-	1.445.086	1.054.992
Telefonica de Contenidos SAU	-	-	144.124	963.512
Pegaso Recursos Humanos S.A. de C.V.	-	-	32.000	-
Telefónica de España S.A.U.	-	-	-	305.311
Telefónica Broadcast Services S.L.U	-	-	-	38.655
	<b>38.245.415</b>	<b>47.319.473</b>	<b>208.684.378</b>	<b>211.782.193</b>
<b>Total national and foreign economic linked</b>	<b>66.570.896</b>	<b>73.979.973</b>	<b>318.506.021</b>	<b>287.969.304</b>

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**c) Associated Companies**

	Year ended December 31,			
	Income		Costs and expenses	
	2021	2020	2021	2020
<b>National</b>				
Telefónica Factoring Colombia S.A.	404.168	332.597	-	-
	<b>404.168</b>	<b>332.597</b>	-	-
<b>From outside</b>				
O2 T. UK Limited	271.715	160.933	19.581	25.537
	<b>271.715</b>	<b>160.933</b>	<b>19.581</b>	<b>25.537</b>
	<b>67.246.779</b>	<b>74.473.503</b>	<b>318.525.602</b>	<b>288.182.555</b>

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

The following is a summary of the transactions for 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:**

	Year ended December 31,	
	2021	2020
Fixed services	26.461.429	29.195.134
Fixed interconnection	14.062.204	13.559.982
Digital Services	6.225.506	5.972.435
Roaming revenue	3.046.998	1.825.485
Sale of terminal equipment	1.698.107	13.005
Mobile services	293.169	133.456
	<b>51.787.413</b>	<b>50.699.497</b>
Other operating income (1)	15.459.366	23.774.006
	<b>67.246.779</b>	<b>74.473.503</b>

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

**Operating costs and expenses:**

	Year ended December 31,	
	2021	2020
Media rental	91.691.497	106.916.895
Advertising	54.062.844	48.955.867
Renting and third-party activities to customers	40.081.342	21.850.435
Other non-recurring costs and expenses (1)	39.891.352	43.469.333
Interconnection and roaming	36.120.525	35.699.108
Other operating costs and expenses (2)	36.082.058	16.507.347
Content providers	10.177.776	9.057.033
Work and personnel expenses	4.153.272	741.667
Maintenance	3.332.434	4.050.668
Terminal cost	2.398.620	176.313
Sales commissions	533.882	757.889
	<b>318.525.602</b>	<b>288.182.555</b>

(1) Includes mainly licenses and software applications.

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



### Information on Key Management Personnel Compensation

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

	Year ended December 31,	
	2021	2020
Wages, salaries and other benefits	15.203.863	18.048.134
Institutional plans	6.949.275	4.947.024
Remuneration plan for managers (shares and annual bonus)	4.424.081	3.177.620
Voluntary withdrawal bonus	1.969.499	-
Other	435.177	-
	<b>28.981.895</b>	<b>26.172.778</b>

### 29. 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 probable, possible, and remote nature, the likelihood of their 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 December 31, 2021, 2,416 processes are in progress, of which 108 correspond to probable contingencies, 581 are classified as possible, and 1,727 are classified as remote.

#### 1. Probable Proceedings

The following details the proceedings classified as highly probable (Note 20).

	As of December 31,			
	2021		2020	
	Cantidad	Valor	Cantidad	Valor
<b>Currents:</b>				
Administrative, regulatory and competency investigations	21	2.607.434	28	11.059.624
	<b>21</b>	<b>2.607.434</b>	<b>28</b>	<b>11.059.624</b>
<b>Non-current:</b>				
Judicial proceedings (2)	47	6.992.227	49	7.053.446
Work processes	29	2.045.500	66	2.571.134
Administrative, regulatory and competency investigations	11	1.039.558	4	883.405
Tax processes	-	-	1	164.653
	<b>87</b>	<b>10.077.285</b>	<b>120</b>	<b>10.672.638</b>
	<b>108</b>	<b>12.684.719</b>	<b>148</b>	<b>21.732.262</b>

(1) The decrease corresponds to the resolution of processes during the year ended December 31, 2021, mainly from customer complaints and claims petitions (PQR) through the superintendence of industry and commerce.

(2) Includes mainly civil and administrative process petitions.

#### 2. Possible Contingencies

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

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

**a. Legal Proceedings**

These are proceedings aimed at obtaining a decision by the jurisdictional authority called upon to resolve the disputed issue. There are 128 open processes classified as possible for a value of \$120,040,856. They include civil, contentious-administrative, criminal, constitutional, among others.

**b. Labor Proceedings**

Labor lawsuits seeking payment of labor rights derived from the relationships that the plaintiffs have or have had directly with the Group or with a third party, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S. A. E. S. P. BIC. There are 335 open lawsuits classified as possible for an amount of \$37,595,808.

**c. Administrative Investigations**

These are processes initiated by administrative authorities through the formulation of charges, ex officio, or complaints from third parties aimed at determining the responsibility of the investigated party in the infringement of regulations.

Contingencies for administrative investigations are classified as:

- i. Taxes: Proceedings under discussion for taxes with different municipalities in the country, corresponding to claims, such as industry and commerce tax (ICA) public lighting tax, among others. There are 20 administrative and judicial processes in progress with possible qualifications, valued at \$2,977,736.
- 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 81 possible processes reported for \$14,116,553.
- iii. Regulatory: Administrative proceedings initiated by oversight and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 17 possible proceedings for \$6,916,941.

**30. COMMITMENTS**

**Infrastructure Sharing with Colombia Móvil S. A.**

Resolution 449 of 2013, including its amendments and additions, as well as the resolutions of frequency assignment to each of the telecommunications service operators in Colombia, established that for the sake of efficient use of the infrastructure, the assignees of the radioelectric spectrum must share elements of active and/or passive infrastructure, including that related to the communications network equipment (Core Network and Access Network), towers, poles, channeling and any other that may be required, own or from third parties, as long as it does not constitute a spectrum assignment.

In line with the provisions of such resolutions, COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC and Colombia Móvil S. A. established a legal and juridical framework for the sharing of infrastructure elements for this purpose, jointly executed the project for the deployment of a 4G access network. By subscribing to an agreement called alliance. This alliance allows COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC, and Colombia Móvil S. A., the shared use of the 4G access network to support the provision of its telecommunications services in conditions of freedom and competition without this meaning sharing or ceding the spectrum.

This alliance will have a duration of 10 years, which may be extended by mutual agreement between the parties.

**Significant Contracts**

Below are the contracts signed with suppliers in force as of December 31, 2021 that are considered significant:

	<b>Contractor</b>	<b>Contract subject matter</b>	<b>Completion Date</b>	<b>Contract value (COP\$000)</b>
1	ATP FIBER COLOMBIA S. A. S.	Connectivity services through a network pon.	21/05/2030	717,102,015
2	ATC Fibra de Colombia S. A. S.	Connectivity service over a pon network.	18/12/2029	571,289,582
3	PHOENIX TOWER INTERNATIONAL COLOMBIA	Lease of space on technical sites.	29/05/2029	551,978,290
4	CISCO SYSTEMS INC	Furnishing of equipment.	30/04/2022	356,537,890
5	SEGURIDAD ATLAS LTDA	Private security services for assets, infrastructure and facilities.	30/06/2023	309,275,722
6	YEAPDATA S. A. S.	Supply of goods, licenses and design, configuration, implementation, maintenance, and support services for telecommunications solutions.	31/10/2025	306,235,807

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	<b>Contractor</b>	<b>Contract subject matter</b>	<b>Completion Date</b>	<b>Contract value (COP\$000)</b>
7	HUAWEI TECHNOLOGIES COLOMBIA S. A. S	Necessary enodosb services for the implementation, de-installation of enodosb, network management services, training, and other services necessary for the correct operation of the Ran access network in all frequency bands. (Phase 7 LTE).	31/12/2022	303,846,997
8	INTELSAT GLOBAL SALES & MARKETING LTDA	Satellite capacity service.	30/06/2023	291,771,145
9	PHOENIX TOWER INTERNATIONAL COLOMBIA	Sale of technical infrastructure sites.	21/09/2024	286,858,575
10	XCB DE COLOMBIA LIMITED SUCURSAL COLOMBIANA	Supply of Xiaomi mobile terminals in ddp mode.	31/03/2022	282,950,725
11	NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	Technical support services (care) and spmrl services to the Nokia network for the equipment described in the technical annex.	31/01/2022	276,159,832
12	ATC SITIOS DE COLOMBIA S. A. S.	Lease of space in technical sites.	30/06/2023	275,824,792
13	ACTIVIDADES DE INSTALACIONES Y SERVICIOS COBRA, S. A.	Provide integrated installation and maintenance of equipment, infrastructure and telecommunications networks.	31/05/2025	270,397,133
14	ERICSSON DE COLOMBIA S A	Comprehensive maintenance services level 1 support - internal plant (zones 1 and 3) including preventive and corrective maintenance, specialized labor, management of IT resources and basic tools, field service, to guarantee and maintain the network service continuity.	31/12/2022	260,808,871
15	ERICSSON DE COLOMBIA S A	Services required for the correct operation of the Ran access network in all the frequency bands that the contractor is authorized to operate (high frequencies 1900 MHz.) - aws (1700 - 2100) and in the low-frequency bands (700*, and 850 MHz.) for the western zone of Colombia.	31/12/2022	250,761,440
16	COMFICA SOLUCIONES INTEGRALES SL	Loop services, installation, and integrated maintenance of infrastructure equipment and telecommunications networks in the facilities of Colombia Telecomunicaciones S.A E.S.P., in the area known as Bogotá 1 (Bogotá Norte - Bogotá Sur Comfica).	30/06/2025	246,916,603
17	LIKEWIZE CORP	Supply of Motorola mobile terminals.	31/03/2022	234,304,912
18	LITEYCA DE COLOMBIA S A S	"Loop" services consisting of integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	224,630,072
19	OPERACION Y GESTION INTEGRAL S. A. S.	Customer loop services consisting of (i) the integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	219,858,649
20	HUAWEI TECHNOLOGIES COLOMBIA S. A. S.	Supply the goods and services necessary to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the sigres platform, training, technical support, which allow the expansion of the ADSL ports.	31/12/2023	217,260,772
21	SAMSUNG ELECTRONICS COLOMBIA S A	Supply of Samsung mobile terminals for the first quarter.	31/03/2022	214,987,063
22	ATC SITIOS DE COLOMBIA S. A. S.	Lease of space in technical sites.	30/06/2023	212,838,079
23	ARRIS SOLUTIONS INC	Supply of hd-dth stb and iptv decoders.	31/08/2023	212,195,800
24	NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	Services related to radio technology and respective management for the mobile network.	31/12/2022	197,342,983
25	INMEL INGENIERIA S. A. S.	Customer loop services consisting of integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	196,978,536
26	HUMAX DIGITAL GMBH	Supply of hd iptv wifi decoders in fob and dap mode.	31/08/2023	189,611,355
27	APPLE COLOMBIA S. A. S.	Supply of Apple mobile terminals.	31/03/2022	182,271,024
28	V TECHNOLOGY S. A. S.	Supply of Vivo mobile terminals in dap mode.	31/03/2022	181,733,940
29	MITRASTAR TECHNOLOGY CORPORATIONS	Supply of vdsl modems - iad - light, iad-plus, ont hgu and baseport.	31/03/2024	168,730,173
30	ATC SITIOS DE COLOMBIA S. A. S.	Grant ATC the rights of use and enjoyment of the towers and grant the areas on gratuitous bailment or loan of use.	23/06/2023	148,093,200

### 31. 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

	Year ended December 31,	
	2021	2020
Net profit for the period	97.192.785	8.330.413
More:		
Depreciation and amortization (Note 25)	1.401.645.031	1.374.020.241
Financial expense, net (Note 26)	428.722.102	264.688.196
Income and supplementary tax (Note 11)	(188.587.346)	13.362.244
<b>EBITDA</b>	<b>1.738.972.572</b>	<b>1.660.401.094</b>

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

#### 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 in what form short-term and long-term creditors participate in the Group's financing.

	As of December 31,	
	2021	2020
a) Total indebtedness level (1)	62,612%	65,278%
b) Short-term indebtedness level (2)	31,400%	25,033%

(1) Total indebtedness level decreases mainly due to the prepayment of financial debt.

(2) The level of short-term indebtedness increases mainly due to commitments with suppliers and accounts payable generated by increased commercial activity and CapEx execution during the last quarter of 2021.

##### 2.2) Solvency Ratios

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

	As of December 31,	
	2021	2020
Solvency Index (1)	1,597	1,532

(1) Slight growth mainly due to new contracts and renewals of longer-term finance 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.

	Year ended December 31,	
	2021	2020
a) Operational margin (1)	5,703%	5,343%
b) EBITDA Margin	29,402%	30,979%

- (1) The improvement at the end of December 31, 2021, corresponds mainly to the positive evolution of operating revenues leveraged on integrated solutions services, connectivity, digital, deployment of fiber optic technology, and the contribution of revenues from mobile terminals (Smartphone).

### 2.4) Liquidity ratios

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

	As of December 31,	
	2021	2020
a) Net working capital	177.332.981	168.068.526
b) Ordinary reason	1,067	1,078
c) Acid test	0,955	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.

### 2.5) Organizational Capacity

	Year ended December 31,	
	2021	2020
a) Return on equity - ROE (1)	1,938%	0,182%
b) Return on assets- ROA (2)	2,515%	2,565%
c) Net profitability (2)	1,643%	0,155%

- (1) The increase in this indicator at the end of 2021 is mainly due to improved revenue performance and cost and expense control.
- (2) The increase in this indicator at the end of 2021 is mainly due to the improvement in the year-on-year operating result leveraged on the good performance of revenues and control of operating costs and expenses.

### 2.6) Interest coverage

This indicator measures the Group's capacity to meet its financial interest obligations.

	Year ended December 31,	
	2021	2020
Interest Rate Coverage (1)	1,728 v	1,286 v

- (1) The net increase in this indicator at the end of 2021 is mainly due to the improvement in operating results.

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**3) Operational Information**

**3.1) Access**

	2021				2020	
	dec-31	sep-30	jun-30	mar-31	dec-31	sep-30
			<i>(Unidades 000)</i>			
<b>End Customer Access</b>	<b>21.924</b>	<b>21.024</b>	<b>20.321</b>	<b>19.834</b>	<b>19.410</b>	<b>18.901</b>
Basic Line (1)	1.410	1.411	1.419	1.431	1.430	1.465
Data	1.183	1.170	1.166	1.167	1.155	1.171
Television	554	535	527	527	527	527
Mobile Services	18.777	17.908	17.209	16.709	16.298	15.738
Prepaid	13.792	13.043	12.477	12.189	11.935	11.406
Postpaid	4.985	4.865	4.732	4.520	4.363	4.332

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

**3.2) ARPU**

	2021				2020	
	dec-31	sep-30	jun-30	mar-31	dec-31	sep-30
			<i>(COP\$)</i>			
LB-BA-TV (1)	31.626	31.801	31.262	31.552	32.922	33.345
Mobile Total (2)	11.539	11.645	11.948	12.561	12.660	12.897
Prepaid	2.934	2.690	2.714	3.104	3.471	3.197
Postpaid	35.318	35.522	36.462	38.227	40.471	38.547

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

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

**32. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE**

The following are the events that occurred between January 1 and the date of issuance of the financial statements, which have no effect on the figures as of December 31, 2021.

**1) Improvement of the transaction with Kohlberg Kravis Roberts ("KKR")**

On January 11, 2022, after obtaining the necessary regulatory authorizations and fulfilling certain agreed conditions, the operations were approved by the Board of Directors of Colombia Telecomunicaciones S. A. E.S.P. BIC on July 16, 2021, were perfected. Consequently, Colombia Telecomunicaciones S. A. E.S.P. BIC perfected the sale of fiber optic assets to Onnet Fibra Colombia S. A. S. ("Hereinafter Onnet"), for an amount equivalent to (i) USD 187.3 (COP\$757,190.5) million in cash and (ii) an account payable equivalent to COP\$550.282 million, a company with which it also entered into a series of commercial agreements under which (i) Onnet will provide wholesale connectivity services to Colombia Telecomunicaciones S. A. E.S.P. BIC, and (ii) Colombia Telecomunicaciones S. A. E.S.P. BIC will provide Onnet with fiber-optic network deployment services and other associated services. Simultaneously, Colombia Telecomunicaciones S. A. E.S.P. BIC has subscribed shares equivalent to a 40% interest in Alamo HoldCo S.L., a Spanish company that owns 100% of Onnet's shares.

**2) Termination of the Agreement for acquiring assets with DIRECTV Colombia Ltda.**

The agreement was terminated because some of the conditions precedent agreed by the parties were not fulfilled before the deadline set forth therein (December 31, 2021).

**3) Total prepayment USD Credit**

On January 26, 2022, a total prepayment was made with local banks for USD 132 (COP\$521,114) million through the Group's own resources.