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

On December 31, 2022, and for the year ending December 31, 2022

(Amounts in billions of pesos, unless otherwise indicated)

Colombia Telecomunicaciones S.A. E.S.P. BIC informs that on March 30, 2023, it transmitted to the Financial Superintendency of Colombia the **Consolidated and Separate Financial Statements** as of December 31 and for the year ended December 31, 2022.

I. Relevant Matters

1. Relevant Matters on December 31, 2022

Colombia Telecomunicaciones S.A. E.S.P. BIC carried out a series of significant transactions during the year 2022, which are disclosed in Note 1 of the financial statements reported at the end of December 2022.

In a context of marked global macroeconomic uncertainty, at year-end 2022, **the Company** maintains its good performance against its financial and operating goals, with solid product growth, accelerating commercial activity, boosting the profitability of terminals, and capturing market growth opportunities. The expansion of fiber optic networks supports these results as a result of the operation carried out with Kohlberg Kravis Roberts (KKR), by virtue of which **the Company** transferred its fiber optic network assets to Onnet Fibra Colombia S.A.S., a Colombian company controlled by KKR, and subscribed shares equivalent to a 40% participation in Alamo HoldCo S.L. This Spanish company owns 100% of Onnet's shares and is in charge of deploying a neutral fiber optic network to the home in Colombia. This has driven **the Company's** transformation and has laid the foundations for the future growth of the business amid a rapidly changing industry and an increasingly competitive market. Amid this dynamic and within the framework of Telefónica Hispam's new regional operating model, **the Company** seeks to capture the value of regional scale and make the operation more efficient, guaranteeing the best customer experience, advancing in agile methodologies, and transforming the way of doing things.

2. Impact of inflation growth and peso devaluation against the dollar

As of December 31, 2022, inflation continued its upward trend and reached a new all-time high since 1999 at 13.12%, with food prices accounting for 37.2% of inflation growth, in addition, inflationary pressures highlight the effects of a higher exchange rate, strong domestic demand, and higher regulated tariffs. This trend was framed by a high-risk aversion that triggered a greater search for safe-haven assets and a generalized strengthening of the dollar at a global level. At the local level, the exchange rate was impacted by moderation in monetary policy rate adjustments despite rising inflation added to the uncertainty associated with the effects of the tax reform and the structural changes initially proposed by the incoming government explained the higher volatility of the currency.

The Company has made an overall assessment of the financial risk due to the increase in inflation and devaluation. Following the measures adopted with hedging instruments, there is no evidence of significant impacts affecting **the Company's** results of operations, financial position, and liquidity.

[1] Subsidiary as of December 31, 2022: Empresa Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom".

II. Operating Results

At the end of 2022, **the Company** continues to show positive growth amid increased commercial dynamic, mainly due to the increase in service revenues, mark up in mobile terminals, the net benefit in the sale of fiber infrastructure, progress in the deployment of fiber connectivity and digital services.

The Company's commercial activity continued to strengthen, with year-on-year growth in mobile (+9.3%) and FTTH (+71.0%) customers and an increase in digital services and in mobile terminals. **Operating revenues from customer contracts** showed year-on-year growth of +16.4%. **Operating income before depreciation and amortization [EBITDA]** grew by 40.4%.

The Company's total number of customers at the end of December 31, 2022, reached 24.0 million and is composed as follows: **mobile business customers** amounted to 20.5 million (+9.3% year-on-year) after presenting net adds of +1,751k compared to the end of 2021. In contract customers, net additions in 2022 amounted to 455k accesses, leveraged by the growth in commercial activity in a very competitive market environment. In the **wireline business**, customers amounted to 3.4 million, fixed connectivity continued to be transformed through fiber optics, with excellent deployment results, reaching 854k accesses (+71.0% year-on-year), representing 64.8% of the total broadband plant (1.3 million customers), with 355k net adds in 2022. TV customers amounted to 704k, and IPTV accesses amounted to 543k (77.2% of total TV), partially offsetting the year-on-year decline in service through DTH (-30.3%) in 2022.

III. Consolidated Financial Results

1. Consolidated Statement of Comprehensive Income

Total operating revenues for the year 2022 amounted to $7,864MM, an increase of 33.0% compared to year-end 2021, which includes the effect of the agreement with KKR. **Revenues from customers** amounted to $6,749MM, a year-on-year increase of 16.4% ($5,800MM in 2021), mainly due to the excellent performance in all segments in both mobile and fixed services, with outstanding commercial activity in handset sales, revenues from the contract and prepaid services, fiber connectivity, and integrated solutions, with a year-on-year growth of 58.3%, mainly from fiber deployment services. **Revenues from handset sales** increased by 50.2% compared to 2021, leveraged primarily to the commercial strategy as a result of the offers in the market.

The **other operating income** line for $1,115MM presents an increase mainly due to the agreement with KKR during 2022. This transaction generated a net income of $747MM.

Operating costs and expenses amounted to $5,422MM at the end of 2022, an increase of 29.9% ($1,247MM) compared to 2021, mainly due to commercial costs for the sale of mobile terminals, B2B projects associated with higher revenues and fiber optic deployment services, sales commissions customer home equipment and macroeconomic impacts.

EBITDA - an indicator that measures performance and operating income before depreciation and amortization totaled $2,442MM at year-end 2022, up 40.4% versus 2021, when it totaled $1,739MM. **EBITDA growth** during 2022 is driven not only by the KKR agreement and good revenue performance, supported by increased mobile handset sales, fiber deployment, and efficiencies in non-trade costs and expenses.

Depreciation and amortization expenses during 2023 amounted to $1,392MM, a decrease of 0.7% ($10MM) compared to 2021. **The financial result net** was $481MM with a net increase of 12.3% year-on-year ($53MM), mainly due to the expenses associated with the obligation acquired in the renewal of the use of the spectrum in the 1,900 MHz band.

Net income for 2022 is -$79MM and includes **income tax expense** of $581MM (**net income** for 2021 was +$97MM).

2. Consolidated Statement of Financial Position

The **consolidated total assets** of Colombia Telecomunicaciones S.A. E.S.P. BIC and its subsidiary as of December 31, 2022, amounted to $14,812MM. **Current assets** total $3,066MM, and **non-current assets** total $11,745MM. The main changes in assets compared to the closing as of December 31, 2021, are summarized below:

Current assets present a net increase of 9.0% ($252MM) generated mainly by more significant commercial activity with corporate customers for integrated solutions, equipment, and connectivity services and in the residential segment for services over fiber optics. This had an impact on the growth of debtors and on the costs of obtaining and fulfilling contracts with customers, as well as an increase in the inventory stock to meet commercial offers. On the other hand, there was a decrease in cash and cash equivalents and the derecognition of assets held for sale due to the agreement with KKR.

Non-current assets increased by 10.8% ($1,147MM) mainly due to the renewal of the license to use the radio spectrum in the 1,900 MHz band until 2041, recognition of the long-term account receivable resulting from the agreement with KKR for $728MM as of December 31, 2022. Additionally, the Company has subscribed shares equivalent to a 40% interest in Alamo HoldCo S.L., which as of December 31, 2022, amounts to $63MM and on the other hand, the deferred asset decreases mainly due to the use of tax credits generated by the offset of the 2022 taxable income from the agreement with KKR.

Total consolidated liabilities amounted to $10,083MM at the end of December 31, 2022, and presented a net increase of 20.1% ($1,685MM). The main variations compared to the closing as of December 31, 2021, are summarized below:

Current liabilities amounted to $3,446MM, with a net increase of 30.7%, mainly due to an increase in suppliers for the acquisition of mobile terminals, deployment of mobile and fixed network and installation services due to the higher commercial activity during the year and in financial obligation corresponds to the recognition of 10% of the renewal of the license for the use of the radio electric spectrum in the 1,900 MHz band. Otherwise, decrease by offsetting tax liabilities related to VAT return and withholding tax due in 2021 with the balance in favor of 2020 income tax according to the authorization of the National Tax and Customs Directorate.

Non-current liabilities amounted to $6,637MM, presenting an increase, net of 15.2% ($876MM), mainly due to the recognition of the deferred liability for the exclusivity commitment of the Company generated by the agreement with KKR associated with the supply of connectivity services for the fiber optic network business for ten (10) years, the recognition of 70% for the renewal of the license for the use of the radio electric spectrum in the band 1. 900 MHz, the impact of the 20.8% devaluation of the peso against the dollar and the decrease due to the prepayment of the foreign currency loan with a financial institution for USD132 million.

The **consolidated net equity** at the end of December 31, 2022, amounted to $4,729MM with a net decrease of 5.7% (-$286MM) generated mainly by the payment of dividends to shareholders in December 2022 for $101MM, the net result of the year 2022 and the valuation of hedging instruments mainly due to the increase in the Libor and IBR curves associated with the swap instruments.

IV. Subsequent Events

The notes to the Financial Statements disclose information related to subsequent events.

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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 published Financial Statements and Notes to the Financial Statements. Financial indicators are included in such Financial Statements.

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

December 31, 2022 and 2021 with statutory auditor's report

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021

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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, 2023

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, 2022, 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. 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, 2022, 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, 2022, 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, 2022.

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 consolidated financial statements.

Colombia Telecomunicaciones S. A. E.S.P. BIC
NIT 830.122.566 - 1

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(figures expressed in thousands of Colombian pesos or unless otherwise stated)

	Notes	Year ended December 31, 2022	2021
Assets			
Current Assets			
Cash and cash equivalents	5	482.357.458	548.069.973
Financial Assets	6	114.473.812	58.679.746
Debtors and other receivables, net	7	1.242.801.246	866.557.853
Prepaid Expenses	8	333.365.146	227.665.541
Contractual Assets	9	11.509.945	8.403.507
Inventories	10	487.531.477	295.081.224
Taxes and Public Administration	11	394.385.624	574.550.585
Assets held for sale	12	-	235.248.343
Total current assets		**3.066.424.708**	**2.814.256.772**
Non-current assets			
Financial Assets	6	505.232.823	155.597.808
Debtors and other receivables, net	7	992.739.484	211.461.876
Investment in society	13	62.709.480	-
Prepaid Expenses	8	529.527.808	275.766.182
Contractual Assets	9	5.957.797	1.092.113
Right of use assets	14	962.738.324	802.845.757
Property, plant and equipment	15	4.209.906.007	4.445.105.434
Investment Properties		8.045.056	8.045.056
Intangibles	16	1.317.918.174	1.097.027.847
Goodwill	17	1.355.833.946	1.372.301.565
Taxes and Public Administration	11	403.634.509	322.900.595
Deferred Taxes, net	11	1.391.257.589	1.906.087.454
Total Non-current assets		**11.745.500.997**	**10.598.231.687**
Total assets		**14.811.925.705**	**13.412.488.459**
Liabilities			
Current liabilities:			
Financial Obligations	18	488.692.357	189.189.792
Suppliers and accounts payable	19	2.533.940.691	1.826.631.482
Contractual liabilities	9	145.259.250	96.334.508
Taxes and Public Administration	11	108.196.785	364.206.760
Deferred liabilities	20	2.590.540	2.590.789
Provisions and pension liabilities	21	167.337.608	157.970.460
Total current liabilities		**3.446.017.231**	**2.636.923.791**
Non-current liabilities			
Financial obligations	18	5.880.490.894	5.424.176.346
Suppliers and accounts payable	19	72.930.673	81.747.324
Contractual liabilities	9	419.849.081	1.949.300
Deferred liabilities	20	6.336.436	10.167.548
Provisions and pension liabilities	21	257.489.358	242.873.323
Total Non-current liabilities		**6.637.096.442**	**5.760.913.841**
Total Liabilities		**10.083.113.673**	**8.397.837.632**
Total equity, attributable to controlling interests	22	**4.728.812.032**	**5.014.650.827**
Total liabilities and shareholders' equity		**14.811.925.705**	**13.412.488.459**

Notes 1 to 33 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022 AND 2021
(figures expressed in thousands of Colombian pesos, except net income per share or unless otherwise stated)

		Year ended December 31,	
	Notes	**2022**	**2021**
Operating income			
Income from contracts with customers	23	6.749.205.400	5.800.477.375
Other operating income	24	1.114.852.339	114.066.451
		7.864.057.739	**5.914.543.826**
Operating costs and expenses	25	(5.422.388.489)	(4.175.571.254)
Operating profit before depreciation and amortization		**2.441.669.250**	**1.738.972.572**
Depreciation and amortization	26	(1.391.787.835)	(1.401.645.031)
Operational result		**1.049.881.415**	**337.327.541**
Interest expense, net	27	(481.285.256)	(428.722.102)
the equity method	13	(67.197.550)	-
Profit before taxes		**501.398.609**	**(91.394.561)**
Income and supplementary taxes	11	(580.531.034)	188.587.346
Net profit for the year		**(79.132.425)**	**97.192.785**
Items to be reclassified to the income statement			
Valuation of hedging derivative instruments, net of taxes	11 y 22	(98.259.922)	291.322.633
Actuarial result for post-employment benefits	11 y 22	(6.857.489)	475.573
Other comprehensive income		**(105.117.411)**	**291.798.206**
Items that are not reclassified to the income statement:			
Revaluation of real estate, net of taxes		-	59.447.224
Other comprehensive income		**(105.117.411)**	**351.245.430**
Net comprehensive income for the year		**(184.249.836)**	**448.438.215**

Notes 1 to 33 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Revaluation surplus and hedging derivatives	Results of post-employment benefit obligations	Accumulated results	Total Equity patrimonio
Balances as of December 31, 2020	**3.410.076**	**9.822.380.645**	**71.030.665**	**76.869.358**	**(13.338.881)**	**(5.394.139.251)**	**4.566.212.612**
Net profit for the year	-	-	-	-	-	97.192.785	**97.192.785**
Transfers(Note 22)	-	-	-	(24.224.877)	-	24.224.877	**-**
Other comprehensive income for the year (Note 22)	-	-	-	350.769.857	475.573	-	**351.245.430**
Balances as of December 31, 2021	**3.410.076**	**9.822.380.645**	**71.030.665**	**403.414.338**	**(12.863.308)**	**(5.272.721.589)**	**5.014.650.827**
Net profit for the year	-	-	-	-	-	(79.132.425)	**(79.132.425)**
constitution of reserves (Note 22)	-	-	101.588.959	-	-	(101.588.959)	**-**
Transferred to dividends payable (Note 22)	-	-	(101.588.959)	-	-	-	**(101.588.959)**
Transfers(Note 22)	-	-	-	(34.901.576)	-	34.901.576	**-**
Other comprehensive income for the year (Note 22)	-	-	-	(98.259.922)	(6.857.489)	-	**(105.117.411)**
Balances as of December 31, 2022	**3.410.076**	**9.822.380.645**	**71.030.665**	**270.252.840**	**(19.720.797)**	**(5.418.541.397)**	**4.728.812.032**

Notes 1 to 33 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. BIC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

		Year ended December 31,	
	Notes	**2022**	**2021**
Net cash flows from operating activities			
Cash received from customers		7.337.636.367	6.754.686.577
Cash paid to suppliers and other accounts payable		(5.941.236.051)	(4.309.255.082)
Net interest paid and other financial expenses		(357.297.464)	(356.457.342)
Self-withholding on income tax		(304.041.744)	(171.462.592)
Direct taxes paid		(293.262.451)	(379.401.549)
Interest paid on finance leases	18	(87.891.974)	(69.158.447)
Net cash provided by operating activities		**353.906.683**	**1.468.951.565**
Net cash flows used in investing activities			
Colletions for the sale of fiber optic business		643.982.294	-
Collections for the sale of real estate and equipment		364.016.582	40.917.192
Payments for investments in plant and equipment and intangibles		(431.256.827)	(713.838.692)
Net cash provided by (used in) investing activities		**576.742.049**	**(672.921.500)**
Net cash flows (used in) provided by financing activities			
Exchange rate hedging charges		23.035.653	62.215.303
Payment of financial debt	5 y 18	(526.326.240)	(1.652.404.118)
Finance lease payments	18	(286.273.911)	(266.465.997)
Payment of financial license		(111.027.359)	-
Payment of dividends	22	(95.769.390)	-
New financial debt		-	897.983.799
Net cash used in financing activities		**(996.361.247)**	**(958.671.013)**
Decrease net in cash and cash equivalents		**(65.712.515)**	**(162.640.948)**
Cash and cash equivalents as of January 1		548.069.973	710.710.921
Cash and cash equivalents at 31 December	5	**482.357.458**	**548.069.973**
Cash and cash equivalents as of January 1		**548.069.973**	**710.710.921**
Cash, accessible Cash and Banks		438.949.908	498.384.457
Temporary investments		109.120.065	212.326.464
Cash and cash equivalents at 31 December		**482.357.458**	**548.069.973**
Cash, accessible Cash and Banks		405.344.578	438.949.908
Temporary investments		77.012.880	109.120.065

Notes 1 to 33 are an integral part of these Consolidated 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, supply and exploitation of network activities and telecommunications 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, operation services of private and public telecommunication networks and total operations of information systems, services of provision and/or generation of contents and applications, information services and any other activity, product or service qualified as telecommunication and/or information and communication technologies (ICT) such as resources, tools, equipment, computer programs, applications, networks and media, which allow the provision and/or generation of contents and applications, information services and any other activity, product or service qualified as telecommunication and/or information and communication technologies (ICT) such as resources, tools, equipment, computer programs, applications, networks and means, which allow the compilation, processing, storage, transmission of information such as voice, data, text, video and images, including their complementary and supplementary activities, within the national territory and abroad and in connection with the 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 the performance of one or more of the activities provided for in Law 1341 of 2009, for providers of networks and services of information and communications technologies and other activities proper and complementary to the information and communications technologies sector. The term of the company is indefinite; the address registered as the domicile and main office is located at Calle 74 No. 57 - 35, 2nd floor (Barranquilla, Colombia).

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

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

On March 8, 2021, by means of Public Deed No. 0749 of Notary Office Eleven of the Bogota Circle, the amendment to the bylaws was notarized, consisting of the modification of articles one and four of the Company's by-laws regarding the "Name and Nature" and "Corporate Purpose," respectively. 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.

c) Transaction with Kohlberg Kravis Roberts ("KKR")

On January 11, 2022, after obtaining the necessary regulatory authorizations and the fulfillment of certain conditions agreed on July 16, 2021, the transactions approved by the Board of Directors of Colombia Telecomunicaciones S. A. E.S.P. BIC were completed. Consequently, Colombia Telecomunicaciones S. A. E.S.P. BIC perfected the sale of the fiber optic business (hereinafter FTTH) to Onnet Fibra Colombia S. A. S. ("Onnet") for an amount equivalent to USD 328.9 million ($1,307,473.1) million, which had the following effects:

i. The sale of the fiber optic assets business was received for the amount of USD 187.3 ($757,190.5) million in cash. As a result of the transaction, Colombia Telecomunicaciones S. A. E.S.P. BIC generated a net operating result of $746,894 million.

ii. An account receivable equivalent to $550,282.6 million (USD 141.63) million was recognized, on which, simultaneously, a portion was paid in equity instruments corresponding to 40%; therefore, Colombia Telecomunicaciones S. A. E.S.P. BIC subscribed shares equivalent to a 40% participation in the capital of Alamo HoldCo S.L., a Spanish company that owns 100% of the shares of Onnet Fibra Colombia S. A. S. for $183,409.2 (USD 47.2) million and will maintain an account receivable with Alamo HoldCo S.L., for the transaction of $366,873.4 million (USD 94.43) million. Additionally, the costs incurred in the acquisition of this minority participation for $13,775.5 million and the lower value for the transfer of control, affected by the syndicated financial debt acquired by Onnet Fibra Colombia S. A. S. for $67,277.7 million, are included as an increase in the value of the investment.

iii. With the closing of the sale of the fiber optic assets, the Company proceeded to derecognize from the consolidated financial statements the assets associated with the object of the transaction for $235,180,145 (Note 12).

iv. The price of the transaction is based on two concepts: the sale of assets and the exclusivity commitment of Colombia Telecomunicaciones S.A. E.S.P. BIC through the contract for the supply of connectivity services through the fiber optic network, the latter recognized in the contractual liability as of December 31, 2022, as follows: current portion for $36,666 million and non-current portion for $419,849 million. This exclusivity has a duration of ten (10) years. Therefore its deferral period is the same term on a straight-line basis, and at the date of these consolidated financial statements, the balance is $456,515 million (Note 9).

v. The negotiation included the agreement of an Earn-Out, which was agreed between the parties based on the analysis of the Master business plan. On March 23, 2022, the modification of the operation entered into with KKR was signed so that Colombia Telecomunicaciones S.A. E.S.P. BIC will be able to: (i) receive a higher income by way of an increase in the sale price of fiber optic assets in the amount of USD 50.00 million in cash in three payments over time and (ii) USD 33.33 million for capitalization in Alamo HoldCo Sp for a total of USD 83.33 million. The amendment will not alter the Company's interest in Alamo HoldCo S.L., equivalent to 40% of the capital stock.

Once the sale of the business is materialized, contracts are established between the Company and Onnet Fibra Colombia S. A. S., highlighting the following agreements:

i. Onnet Fibra Colombia S. A. S. will provide connectivity services to the Company (and other customers) regulated by the sale agreement signed between the parties. The service includes the provision of connectivity services through the infrastructure acquired by Onnet Fibra Colombia S. A. S.

ii. Onnet Fibra Colombia S.A.S. and the Company have agreed on a fiber optic network deployment plan, which includes a fiber optic network, a primary access network, and MBH (Mobile Backhaul) services. Onnet Fibra Colombia S. A. S. will own this network, and it is through this network that Onnet will provide PRST (Provider of Telecommunication Networks and Services) connectivity services to the Company and other operators.

iii. Operation and maintenance agreements, on which the Company will provide the O&M service at market value, on the fiber optic network of Onnet Fibra Colombia S. A. S. This service includes the operation, maintenance, and repair of the passive and active elements of the network.

d) Sale of Passive Infrastructure - Rooftop Towers.

On August 5, 2022, Colombia Telecomunicaciones S.A. E.S.P. BIC formalized the sale of 400 rooftop towers (elevation structures located on rooftops and terraces for the installation of telecommunications equipment) for a value of $117,687,600. 600, approved at the meeting of the Board of Directors held on May 3, 2022, and on September 30 formalized the sale of 627 rooftop towers (elevation structures on rooftops and terraces for the installation of telecommunications equipment) for a value of $188,100,000, approved at the meeting held on September 23, 2022, by the Board of Directors of Colombia Telecomunicaciones S.A. E.S.P. BIC.

e) Occasional Reserve - Distribution/payment of dividends.

The General Shareholders' Meeting of Colombia Telecomunicaciones S.A. E.S.P. BIC, at the ordinary meeting held on March 16, 2022, approved that the value of the profits obtained from the fiscal year 2021 shall be used to create an occasional reserve called "Occasional Reserve for the distribution of dividends to be made available to the shareholders in the future" in the amount of $101,588,959,413 pesos.

At an extraordinary meeting held on July 21, 2022, the General Shareholders' Meeting of Colombia Telecomunicaciones S. A. ESP BIC adopted, among other decisions, the following: (i) To release the amount of $101,588,959. 413 pesos from the "Occasional Reserve for the distribution of dividends at the future disposal of the shareholders" to be used for the payment of dividends; and (ii) Decree the payment of dividends equivalent to $29.79082159126490 per share on the 3,410,075,788 outstanding shares.

On December 9, 2022, dividends were paid to the Company's shareholders.

f) Infrastructure sharing with Colombia Móvil S.A. E.S.P.

Colombia Telecomunicaciones S.A. E.S.P. BIC and Colombia Móvil S.A. E.S.P. entered into an Alliance on December 2, 2013, to jointly execute the deployment of the Telecommunications Network under 4G LTE technology. On October 18, 2022, Addendum No. 5 to the Alliance was subscribed to extend its term until December 2, 2028.

g) Tax Reform 2022

On December 13, 2022, Law 2277, containing the tax reform, was issued. In the text of the reform, minimum taxation is established based on a 15% adjusted tax rate (TTD), which was calculated based on the adjusted accounting profit with the projections for the year 2023. 166 million and a TTD of -1.3%, an increase in the occasional profit tax rate from 10% to 15% as from the year 2023, and the elimination of the possibility of taking the Industry and Commerce Tax as a 50% discount, now the condition will be to take it as a 100% deduction, these issues were considered for the possible impacts according to the projections for the year 2023.

2. OPERATIONS

2.1. 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 $482.357.458, 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.

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.

2.2. Impacts of the Russia-Ukraine conflict

The development of events from the international context related to the conflict between Ukraine and Russia has had significant repercussions on the economic environment. Although the region in conflict is small in terms of population and GDP in the world economy, it is relevant in commodities, especially in those related to energy (oil and gas), the development of technological products and industrial processes, and the agri-food chain, adding new pressure to the industry.

The Group has implemented internal control measures through a protocol so that any transaction with third parties whose location is in Russia or third parties from other countries that were reached by the sanctions imposed by the European Union, United Kingdom, United States, and other countries, are authorized by the intervention area, internal audit, and compliance area.

2.3. Main Regulatory Matters

The main regulatory aspects as of December 31, 2022, are as follows:

a) Renewal of the 1,900Mhz Spectrum.

In 2022 the Colombian Ministry of Information and Communication Technologies (hereinafter MinTIC) modified the maximum spectrum caps per Telecommunication Networks and Services provider for use in terrestrial mobile services (IMT) where the caps were set at 50MHz for the low bands (below 1GHz), 100 MHz for the medium bands (between 1 GHz and below 3GHz) and 100 MHz for the high medium bands (between 3 GHz and 6 GHz).

On June 17, Resolution 2143 of the MinTIC was issued, which resolved the appeal for renewal of the 1,900 MHz spectrum permit for Colombia Telecomunicaciones S.A. E.S.P. BIC. The total value of the economic consideration for the access, use, and exploration of the radio-electric spectrum amounts to $555,137 million. The first payment was made during the third quarter of 2022, equivalent to 20% of the value foreseen in the resolution, as follows: Capital for $111,027 million and interest for $9,852 million; the second payment for 10% of the value of the resolution will be made during the first quarter of 2023, and payments of 5% will be deferred and will have to be made in the first quarter of each year starting in 2024 until 2037.

The application of the payments will have a financial impact due to its updating. The impact will be calculated with the average interest rate of the yield of the 10-year Treasury Securities TES Class B in pesos according to the current and official zero coupon curve of the Bank of the Republic of Colombia.

In accordance with the above, the Group recognized an intangible asset for $555,137 million for the spectrum license (Note 16), which was granted in the aforementioned renewal, as of December 31, 2022, presents a short-term account payable for $62,557 million and long-term for $437,902 million for a total obligation acquired with the Government (MinTIC) for $500,459 million (Note 18), recognizing in the income statement the financial indexation for $66,201 million (Note 27).

Moreover, in the month of December 2022, the ICT Ministry published the resolution of invitation to express interest in participating in the auction process for the granting of permits for the use of spectrum in 5G and other remaining bands, with the following amounts of spectrum available:

i. Up to 10 MHz in the 700 MHz band.
ii. Up to 10 MHz in the 1900 MHz band.
iii. Up to 30 MHz in the 2500 MHz band.
iv. Up to 400 MHz in the 3500 MHz band.
v. Up to 2.8 GHz in the 26 GHz band.

Additionally, in the action plan document published by the MINTIC in December 2022, it has been proposed to assign spectrum for 5G during 2023 as follows: i) structure the objective selection process in the first quarter, ii) publish the final resolution in the second quarter, and iii) carry out the objective selection process in the third quarter.

On December 29, 2022, within the term defined by the Ministry of Information and Communications Technologies, Colombia Telecomunicaciones submitted an expression of interest in participating in the 700 MHz, 1900 MHz, 2500 MHz, and 3500 MHz bands. The final decision to participate or bid for a given band will be made according to the conditions of the objective selection process implemented by the Ministry for the assignment of this spectrum.

b) Quality Control

In July 2022, the Communications Regulation Commission (hereinafter CRC) issued Resolution 6890, adjusting the quality control system, mainly in response to requests from the Asomóvil association. Among the main changes are:

1. The new crowdsourcing methodology to measure the quality of the mobile data service based on information from customer terminals, eliminating the use of probes, which are outdated and costly, as of April 1, 2023. The obligation to use probes was eliminated immediately for the Group, as the CRC selected a Group initiative within its Regulatory Sandbox exercise. It is mandatory to send an informative report for municipalities with less than 4,000 lines of 4G technology.

2. That the reporting of 3G mobile data indicators of latency, Jitter, packet loss, and throughput will be done in an informative manner. Compliance target values are eliminated.

3. The modification of the number of municipalities exempted from compliance with quality indicators in accordance with the aforementioned resolution for the Group remained at 320 municipalities.

4. The elimination of several indicator reports (fixed voice, Pay TV, closed TV transmission quality, 2G, 3G, and 4G core network elements) and the expanded report of services affectation.

c) 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 Communications Regulation Commission (hereinafter CRC).

On February 11, 2022, the CRC issued Resolution 6522, which adjusts the general interconnection rules. Among other provisions, it obliges to offer signaling used within each operator's network, and in case of disagreement, the SIP protocol (Session Initiation Protocol) prevails). Companies that provide VoLTE (multimedia communication) service to their users must allow VoLTE interconnection to third parties that request it and also include in the Basic Interconnection Offer at least one interconnection node with these capabilities. This is a good measure for technological modernization and future reduction of operating costs.

Regarding the modification of the national numbering plan, 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 60 prefixes were placed before all national fixed numbering, allowing the coexistence of the two systems until November 30, 2021. For incoming international calls, coexistence was stipulated from September 1, 2021, to January 31, 2022, and definitive establishment from February 1 to May 30, 2022. 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 obliged to include a telephone recording informing of the changes.

For its part, the tariff scheme for access charges between telecommunications operators is found in Resolutions 5050 of 2016, modified by Resolutions 5107 and 5108 of 2017, which regulated the price of National Automatic Roaming (hereinafter RAN) for voice, data, and SMS—the volume of discounts and the methodology of the base price to charge mobile virtual operators, respectively. CRC Resolution 7007 of December 2022 established a new adjustment in the pricing conditions for interconnection in mobile networks and the prices of Automatic National Roaming and adjusted the rules for prices to be charged to Mobile Virtual Network Operators (hereinafter MVNOs). We highlight the adoption of the Bill and Keep (B&K) scheme as of 2025. The decision will likely favor users by reducing and, in some cases eliminating wholesale interconnection costs since final prices were reduced more slowly than the initial proposal.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

3.1. Professional Accounting Standards Applied

3.1.1. Basis of Presentation

The Group prepares its financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, officially translated and authorized by the International Accounting Standards Board (IASB), until 2018, not including IFRS 17 (Insurance Contracts). Regulated in Colombia by Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, 2270 of 2019, 1432 of 2020, 938 of 2021, and 1611 of 2022 by which the technical annex of the Financial Reporting Standards of the Sole Regulatory Decree of the Accounting, Financial Reporting and Information Assurance Standards, Decree 2420 of 2015 is amended and other provisions are issued. 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 basis except for land, buildings, investment properties, 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 13, 2023, according to Minute No. 65, and approved for issuance by the Board of Directors on February 17, 2023, according to Minute No. 154. 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 its assets, liabilities, and the operations carried out during the year, excluding those operations carried out between the Company and its subsidiary.

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. Investments in Associates

The equity method accounts for investments in associates in which the Group has significant influence. 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 associate after the elimination of unrealized intercompany profits. The cash distribution of the profits of these companies is recorded as a reduction in the value of the investment.

Additionally, the proportional participation in the variations in other equity accounts of the associates, other than income for the period, is also recorded as an increase or decrease in the value of the investments indicated above, with a credit or debit to the equity method surplus account.

In a transaction involving an associate or a joint venture, the extent to which the gain or loss is recognized depends on whether the assets sold or contributed constitute a business:

- When the entity: sells or contributes assets, which constitute a business, to a joint venture or associate; or loses control of a subsidiary that contains a business but retains control or significant influence; the gain or loss from that transaction is recognized in full.

- Conversely, when the entity: sells or contributes assets that do not constitute a business to a joint venture or associate; or loses control of a subsidiary that does not contain a business but retains joint control or significant influence in a transaction involving an associate or joint venture; the gain or loss resulting from that transaction is recognized only to the extent of the unrelated investor's interest in the joint venture or associate, the entity's share of the gain or loss is eliminated.

Therefore, in accordance with the terms of the contract for the sale of the fiber optic assets, Colombia Telecomunicaciones S.A. E.S.P. BIC has subscribed shares equivalent to a 40% interest in Alamo HoldCo S.L. and considering that the operation constitutes the sale of a business with subsequent investment in an associate, in the presentation of these consolidated financial statements, the profit or loss arising from this transaction will be recognized in full.

3.1.4. Estimaciones y juicios contables

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.

- Post-employment employee benefits, the present value of pension obligations, and other post-employment benefits depend on certain factors that are determined on an actuarial basis using several assumptions.

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 $4.810,20 and $3.981,16 per US$1 on December 31, 2022, and 2022, 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	25
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 asset's carrying value, the excess is recognized in the income statement. The financial cost of restatement of these liabilities is recognized in the income statement 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 those assets that the Group has in their current conditions for immediate sale, based on a highly probable sale plan. They are recorded at the lower net book value and fair value less costs to sell and will not be subject to depreciation while they are classified as held for sale. The Group will measure the costs to sell at their present value when the sale is estimated to occur beyond one year. Any increase in the current value of the cost of sales arising in the course of the sale will be 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.

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

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. Qualifying Securities

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	Expiration Date	Type of Permit
Resolution 597 of 2014 Renewal of Band 850 and 1900.	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
Resolution 2803 of 2021 Amended by Resolution 2143 of 2022 Band 1900	October 20, 2021	October 19, 2041	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 2022 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 Lives

The Group amortizes its intangible assets as follows:

Description	Minimum Useful Life (Years)	Maximum Useful Life (Years)
Licenses and spectrum renewal	10	20
Network and office equipment software	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 the leased asset is available for use by the Group. 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-ofuse 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:

Assets for rights of use	Minimum term	Maximum term
Land and buildings	1	25
Technical installations	1	12
Transportation equipment	1	5

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 2022 and 2021, a nominal percentage rate calculated in pesos of 12.20% and 10.79%, 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, equipment, and materials of the fixed operation with an age of>360 days, 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, 2022, and 2021, 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 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.

The Group recognizes in its Financial Statements the conditions of the plan, upon compliance with the established requirements.

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. Dividends

The Shareholders' Meeting is the authorized body of the Company to decree and establish the conditions for the payment of dividends to the shareholders.

3.2.20. 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.

3.2.21. 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 allocated assets and liabilities individually as required by IFRS 8.

Any of the business areas or lower components such as local and long-distance telephone, 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.) Likewise, said similarity or complementarity between the different components has been experiencing a growing trend due to the process of packaging and convergence of products such as duos, trios, and integrated offers that involve the aforementioned business areas and the assets used. Taking into account the requirements of the NCIF in relation to the identification of the segments and based on the information available, the Group's Management has determined a single business segment

3.2.22. Revenue Recognition

3.2.22.1. Contract 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. Contract costs 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.

3.2.22.2. Pasivos de contratos

Contract liabilities are the Group's obligation to transfer goods or services to a customer, for which consideration or payment has been received by the Group 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 term of the contract and will be derecognized when performance obligations are satisfied.

The irrevocable rights of use - IRUS recorded in liabilities at the end of the fiscal year 2022 have the following characteristics:

IRUS No.	Start Date	Expiration Date	IRU Type
One (1)	From year 2009	Until 2023	Capacity / Fiber optic ring

3.2.23. Ingresos de actividades ordinarias procedentes de contratos con clientes

The application of IFRS 15 establishes the criteria for the recognition of revenue from contracts with customers. It 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 revenues considering those generated by the mobile service, the fixed service, and other operating revenues, 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.

3.2.24. 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, 1432 of 2020 and 1611 of 2022, 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 they could have on the financial statements.

Amendment to IAS 16 Property, Plant and Equipment - Amounts Obtained Prior to 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 to operate 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 modification; 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 modifications 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.

Reference 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, term spread and credit spread adjustments may need to be applied to allow the two benchmark 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. The alternatives relate to hedge accounting and have the effect that the reforms generally should not cause hedge accounting to end. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the widespread nature of hedges involving interbank rate-based contracts (IBORs), the alternatives will affect companies in all industries.

Accounting policies related to hedge accounting should be updated to reflect 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 the impact they may have on the financial statements

Annual Improvements to IFRS Standards 2018-2020 cycle

The following improvements were completed in May 2022:

- IFRS 9 Financial Instruments: clarifies which fees should be included in the 10% test to de-recognition financial liabilities.
- IFRS 16 Leases: modifies 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 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 impact from this modification. However, 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;

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events, or conditions that are not otherwise addressed in the accounting standards will be required to apply the revised Framework as of January 1, 2023. These entities will need to consider whether their accounting policies continue to be appropriate under the revised Framework.

4.2 New standards incorporated into the accounting framework accepted in Colombia, whose application is mandatory as of January 1, 2024

Decree 1611 of 2022 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 938 of 2021, 2270 of 2019, and 1432 of 2020, which considered the regulations incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2019.

Disclosure of accounting policies: Amendments to IAS 1 and the IFRS 2 Practice Paper

The IASB amended IAS 1 to require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments define "material accounting policy information" and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information need not be disclosed. If disclosed, it should not contain obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2, Making Judgments about Materiality, to guide how to apply materiality to accounting policy disclosures.

Classification of liabilities as current or non-current: Amendments to IAS 1.

The limited scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current, depending 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 (e.g., receipt of a waiver or breach of a covenant). The amendments also clarify the meaning of IAS 1 when it refers to the "settlement" of a liability.

The amendments could affect the classification of liabilities, particularly in the case of entities that previously took into account management's intentions in determining the classification and in the case of some liabilities that may be converted to equity.

They should be applied retrospectively in accordance with the normal requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates, and Errors.

Since adopting these amendments, the IASB has issued an exposure draft proposing additional changes and deferral of the amendments until at least January 1, 2024.

Definition of Accounting Estimates: Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish accounting policy changes from accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events. Still, changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period.

Deferred tax related to assets and liabilities arising from a single transaction: Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognize deferred taxes on transactions that, on initial recognition, result in equal amounts of taxable and deductible temporary differences. Generally, they will apply to transactions such as tenant leases and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that they can probably be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration, similar liabilities, and the corresponding amounts recognized as part of the cost of the respective assets.

The cumulative effect of the recognition of these adjustments is recognized in retained earnings or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the on-balance sheet tax effects of leases and similar transactions, and various approaches were considered acceptable. Some entities may have already accounted for such transactions in accordance with the new requirements. These entities will not be affected by the amendments.

Amendment to IAS 16 Leases - Considerations related to COVID-19

The amendment includes the retrospective application for rent reductions related to Covid-19, recognizing the cumulative initial effect as an adjustment to the opening balance of retained earnings.

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

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts issued with discretionary participation components. The objective is to ensure that entities provide relevant information in a 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 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.

Sale or contribution of assets between an investor and its associate or joint venture: Amendments to IFRS 10 and IAS 28

The IASB has made limited-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-cash assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 Business Combinations).

When nonmonetary assets constitute a business, the investor recognizes the entire gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the investor recognizes the gain or loss only to the extent of the other investor's interest in the associate or joint venture. These amendments are applied prospectively.

In December 2015, the IASB decided to defer the date of application of this amendment until the IASB had completed its research project on the equity method.

5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of December, 31	
	2022	**2021**
Cash	11.854	5.523
Temporary investments (1)	77.012.880	109.120.065
Banks in national and foreign currency	405.332.724	438.944.385
	482.357.458	**548.069.973**

The net decrease corresponds mainly to the prepayment of financial obligations for $526,326 million due to the payment to suppliers, taxes, and public administrations, which is partially offset by collections from customers and resources received from the sale of fiber optic assets (Note 1 (c)).

Cash and cash equivalents include balances in foreign currency and its equivalent in thousands of pesos as of December 31, 2022, was USD 849 thousand ($4,083,860) respectively, and as of December 31, 2021, for USD 20,405 thousand ($81,235,570) respectively (Note 28). As of December 31, 2022, and December 31, 2021, restricted securities in banks amount to $12,276,033 and $8,667,403, respectively.

(1) Includes investments in collective funds whose rates for the year ended December 31, 2022, and 2021 ranged between 6.03% and 7.62% and between 0.82% and 1.43%, respectively. As of December 31, 2021, there was a Time Deposit of USD 16 million ($63,698,560). The yields on temporary and bank investments recognized during the years ended December 31, 2022, and 2021 were $1,654,034 and $1,816,000, respectively (Note 27).

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

6. FINANCIAL ASSETS

The balance of financial assets as of December 31, 2022 is as follows:

	At fair value through profit or loss	Total financial assets at fair value	At amortized cost	Total financial assets
Current financial assets				
Investments in commercial papers (1)	-	-	79.696.222	79.696.222
Hedging instruments (2)	34.492.848	34.492.848	-	34.492.848
Deposits and guarantees (3)	-	-	284.742	284.742
	34.492.848	**34.492.848**	**79.980.964**	**114.473.812**
Non-current financial assets				
Hedging instruments (2)	487.534.552	487.534.552	-	487.534.552
Deposits and guarantees (3)	-	-	17.638.271	17.638.271
Other financial assets	-	-	60.000	60.000
	487.534.552	**487.534.552**	**17.698.271**	**505.232.823**
	522.027.400	**522.027.400**	**97.679.235**	**619.706.635**

(1) Corresponds to tax refund certificates (TIDIS) as part of refunding the income tax credit balance for the 2021 fiscal year notified in December 2022 by resolution of the DIAN.

(2) As of December 31, 2022, there is a net increase in the valuation of derivative instruments, mainly due to the devaluation of 20.82% of the exchange rate compared to the closing of the previous year (as of December 31, 2022, for $4.810,2 and as of December 31, 2021, for $3,981.16), additionally due to increases in the Libor and IBR curves associated to hedging instruments

(3) 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, 2021, is as follows:

	At fair value through profit or loss	Total financial assets at fair value	At amortized cost	Total financial assets
Current financial assets				
Deposits and guarantees	-	-	317.972	**317.972**
Hedging instruments	37.119.411	58.361.774	-	**58.361.774**
	37.119.411	**58.361.774**	**317.972**	**58.679.746**
Non-current financial assets				
Hedging instruments	139.176.134	140.258.850	-	**140.258.850**
Deposits and guarantees	-	-	15.278.958	**15.278.958**
Other financial assets	-	-	60.000	**60.000**
	139.176.134	**140.258.850**	**15.338.958**	**155.597.808**
	176.295.545	**198.620.624**	**15.656.930**	**214.277.554**

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

7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	As of december, 31	
	2022	**2021**
Current		
Customers by sale and provision of services (1)	908.902.211	799.300.127
Portfolio by equipment sold at installments (2)	353.246.808	195.653.155
Other debtors (3)	226.292.747	179.407.272
Related parties (4) (Note 29)	176.682.226	36.403.454
Portfolio with national and international operators (5)	66.693.267	60.901.348
Commercial agents and distribution channels	19.182.475	19.871.557
Portfolio Impairment (6)	(508.198.488)	(424.979.060)
	1.242.801.246	**866.557.853**
Non-current:		
Related parties (4) (Note 29)	728.217.757	-
Customers by sale and provision of services(1)	92.111.667	110.865.855
Portfolio by equipment sold at installments (2)	84.194.258	-
Portfolio with national and international operators (5)	48.319.174	48.319.174
Other debtors (3)	40.999.916	52.276.847
Portfolio Impairment (6)	(1.103.288)	-
	992.739.484	**211.461.876**
	2.235.540.730	**1.078.019.729**

Debtors and other accounts receivable include balances in foreign currency at December 31, 2022 for USD 8.920 thousand ($42.906.984) and at December 31, 2021 for USD 10.192 thousand ($40.575.983) (Note 28)

(1) As of December 31, 2022, the growth in the current portion is mainly in the residential and small business segments as a result of the increase in the commercial offer of fiber optic services. On the other hand, the wholesale segment increased mainly due to link and circuit rental services. The decrease in the non-current portion corresponds mainly to the transfer to the short term of the portfolio with corporate customers in accordance with the contractually established terms.

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

	As of december, 31	
	2022	**2021**
Massive residential	420.276.253	340.125.723
Companies - Corporations and Government	183.102.552	214.939.522
Customers pending invoice	178.798.741	151.038.811
Bussines - Pymes	94.538.622	74.094.409
Wholesale customers	27.766.601	13.368.702
Other third parties	4.419.442	5.732.960
	908.902.211	**799.300.127**
Portfolio impairment	(396.281.298)	(382.373.443)
	512.620.913	**416.926.684**

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

(2) The portfolio for equipment sold at installments presents an increase mainly due to commercial strategies (physical and digital stores) that generated an increase in the sale of mobile terminals and wifi repeaters. The non-current portion at the end of 2022 corresponds to installments that will be payable to customers as of January 2024. At the end of 2021, the terminal portfolio was sold.

(3) The current portion presents a net increase, mainly due to the portfolio generated through other financing channels for mobile terminals and a decrease in the portfolio for fiber optic deployment projects. The non-current portion presents a variation due to portfolio transfers for the sale of real estate in the short term.

As of December 31, 2022, and 2021, it includes trust rights for $33,451,319 and $32,629,465, respectively, of the Biannual Plan III (Note 19). Financial yields from fiduciary assignments generate an increase.

(4) The increase corresponds mainly to the provision of services for the deployment of optical fiber. The non-current portion is generated by the sale of fiber optic assets (Note 1).

(5) As of December 31, 2022, there is a net increase, mainly due to an increase in international roaming traffic, partially offset by the reduction in regulated tariffs and traffic with domestic operators. The long-term balance corresponds to a portfolio with an operator undergoing business reorganization.

(6) During the years ended December 31, 2022, and 2021, net portfolio impairment was recognized for $95,108,531 and recovery of $(41,968,531), respectively (Note 25). The increase in the portfolio impairment expense in 2022 is mainly due to the rise in commercial activity. In 2021 there was a portfolio recovery with Grupo de Teléfonos de Bogotá SA E.S.P. The non-current portion corresponds to the impairment of the long-term portfolio for equipment sold in installments.

The movement of the impairment of the portfolio is as follows:

	Year ended December 31,	
	2022	**2021**
Opening balance	**(424.979.060)**	**(562.373.167)**
Impairment to results (Note 25)	(96.425.179)	(73.957.066)
Recuperación de deterioro (Note 25)	1.316.648	115.925.597
Punishment of portfolio (1)	10.806.666	96.372.474
Collection of portfolio punished	(9.591)	(11.657)
Impairment recovery of contractual assets	(11.260)	(935.241)
Balance as of December 31, 2022	**(509.301.776)**	**(424.979.060)**

(1) Portfolio write-offs as of December 31, 2022, correspond to equipment portfolio for $6,111,200, consumer portfolio for $4,624,965, national operators for $67,620, and sundry debtors for $2,881. As of December 31, 2021, the portfolio write-offs correspond to the subsidies and contributions portfolio for $38,528,471, equipment for $36,768,539, national operators for $19,710,499, and the consumer and corporate portfolio for $1,364,965, with no effect on the statement of income for the year.

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 2022 is presented below:

Expiration	Residencial(1)	Business	Companies	Wholesalers	Other third parties	Customers pending invoice (2)	As of December 31, 2022
To beat	81.562.408	26.056.543	93.986.858	17.176.116	77.581	178.798.741	**397.658.247**
1 - 30	23.171.134	9.408.031	15.798.937	2.627.263	498.163	-	**51.503.528**
31 - 60	10.873.440	3.429.132	8.478.924	1.251.759	622.069	-	**24.655.324**
61 - 90	7.857.379	2.007.058	1.995.422	604.372	42.460	-	**12.506.691**
91 - 120	6.363.131	1.540.155	1.643.872	984.128	537.837	-	**11.069.123**
121 - 180	5.232.070	2.522.114	1.541.418	964.926	88.261	-	**10.348.789**
181 - 360	27.474.728	6.107.386	6.732.240	954.406	157.568	-	**41.426.328**
> 360	257.741.963	43.468.203	52.924.881	3.203.631	2.395.503	-	**359.734.181**
	420.276.253	**94.538.622**	**183.102.552**	**27.766.601**	**4.419.442**	**178.798.741**	**908.902.211**

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

(1) At the end of 2022, there was an increase in new customers, mainly in fiber optic offerings in the residential segment.

(2) The increase in customers' pending billing corresponds mainly to the provision of services in the corporate segment.

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 2021 is presented below:

Expiration	Residencial	Business	Companies	Wholesalers	Other third parties	Customers pending invoice (1)	As of December 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**
	340.125.723	**74.094.409**	**214.939.522**	**13.368.702**	**5.732.960**	**151.038.811**	**799.300.127**

(1) At the end of 2022, growth is primarily due to corporate projects.

8. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of December, 31	
	2022	**2021**
Current:		
Costs of obtaining contracts with clients (1)	106.738.475	57.785.556
Cost of equipment in customer's home (2)	103.143.589	69.094.957
Cost of compliance with customer contracts (3)	64.563.919	48.699.570
Corporate projects (4)	25.394.219	11.349.706
Support and maintenance (5)	23.697.526	28.923.790
Insurance policies	6.703.077	5.110.888
Irrevocable rights of use - capacity (6)	3.124.341	6.701.074
	333.365.146	**227.665.541**
Non-current:		
Costs for obtaining contracts with customers (1)	211.572.593	122.901.285
Cost of equipment in customer's home (2)	205.644.826	85.008.529
Cost of compliance with customer contracts (3)	106.488.111	55.403.298
Support and maintenance (5)	3.937.756	6.127.481
Insurance policies	1.855.575	1.718.245
Irrevocable rights of use - capacity (6)	28.947	4.607.344
	529.527.808	**275.766.182**
	862.892.954	**503.431.723**

(1) The increase corresponds mainly to more significant commercial activity, increasing the commissions for acquiring new clients, which grew 10% compared to the previous year. Amortization for the year ended December 31, 2022, was $89,625,015 and $40,058,765, respectively (Note 25).

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

(2) Amortization for the years ended December 31, 2022, and 2021 for customer premises equipment costs was $99,997,444 and $100,248,047, respectively (Note 25). The current and non-current portion increases due to higher equipment delivered to customers' homes as a result of the increase in commercial activity by 36%, generating higher additions compared to 2021 and, additionally, due to higher costs by 14% due to the technological transition from copper to fiber optics and from DTH (Direct To Home) to IPTV - television through fiber optics.

(3) Amortization for the years ended December 31, 2022, and 2021 was $70,106,291 and $66,846,026, respectively (Note 25). The installation services of equipment increase the current and non-current portion in customers' homes due to the increased commercial activity in 2022.

(4) As of December 31, 2022, the increase corresponds mainly to the network deployment project under the contract for the sale of fiber optic assets.

(5) As of December 31, 2022, includes network equipment licensing, support, and maintenance services. The decrease corresponds mainly to the amortization of security licenses with a 3-year term associated with the service for corporate clients.

(6) The variation in current assets corresponds to the amortization of the transnational cable costs during the year 2022 in relation to the rights of use with Group companies and completion in the year 2023. The balance of non-current assets corresponds to a right-of-use contract with termination in 2024.

9. CONTRACTUAL ASSETS AND LIABILITIES

The changes in contractual assets and liabilities for the year ended December 31, 2022 are as follows:

	As of December 31, 2021	High	Amortization	Transfers	Reversal	As of December 31, 2022
Current contractual asset (1)						
Contractual asset	8.441.180	12.190.293	(14.147.183)	5.044.460	-	11.528.750
Impairment corrections	(37.673)	(20.057)	-	-	38.925	(18.805)
	8.403.507	**12.170.236**	**(14.147.183)**	**5.044.460**	**38.925**	**11.509.945**
Non-current contractual asset (1)						
Contractual asset	1.093.263	9.917.752	-	(5.044.460)	-	5.966.555
Impairment corrections	(1.150)	(8.422)	-	-	814	(8.758)
	1.092.113	**9.909.330**	**-**	**(5.044.460)**	**814**	**5.957.797**
Total contractual asset	**9.495.620**	**22.079.566**	**(14.147.183)**	**-**	**39.739**	**17.467.742**
Current contractual liabilities (2)	96.334.508	644.062.534	(603.674.430)	8.536.638	-	145.259.250
Non-current contractual liability (2)	1.949.300	426.436.419	-	(8.536.638)	-	419.849.081
	98.283.808	**1.070.498.953**	**(603.674.430)**	**-**	**-**	**565.108.331**

(1) The increase in current and non-current contractual assets corresponds mainly to the rise of 14% in the additions of the corporate segment.

(2) The increase corresponds mainly to the agreement for the sale of fiber optic assets made on January 11, 2022, to Onnet Fibra Colombia S. A. S.-Onnet (Note 1 (c)). The transaction price is based on two concepts: the sale of fiber optic assets and the exclusivity commitment of the associate through the contract for the supply of connectivity services through the fiber optic network. This agreement has a term of 10 years, and therefore the period for the recognition of this performance obligation is the same term. Net amortization during the year ended December 31, 2022, was $34,861 million, as follows: Other operating income of $70,237 million (Note 24) and other financial expenses of $35,376 million (Note 27). As of December 31, 2022, the balance is $456,515 million, as follows: short-term $36,666 million and long-term $419,849 million. Additionally, the short-term balance increases due to commercial agreements with interconnection operators and commercial agents.

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

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**
Current contractual asset						
Contractual asset	24.975.592	10.666.107	(30.581.575)	3.381.056	-	8.925.586
Impairment corrections	(974.064)	(5.034)	-	1.853	939.572	(71.763)
	24.001.528	**10.661.073**	**(30.581.575)**	**3.382.909**	**939.572**	**8.853.823**
Non-current contractual asset						
Contractual asset	341.254	4.133.064	-	(3.381.056)	-	1.093.262
Impairment corrections	-	-	-	- 1.853	703	-1.150
	341.254	**4.133.064**	**-**	**(3.382.909)**	**703**	**1.092.112**
Total contractual asset	**24.342.782**	**14.794.137**	**(30.581.575)**	**-**	**940.275**	**9.945.935**
Current contractual liabilities	89.850.211	584.682.690	(580.833.572)	2.635.179	-	96.334.508
Non-current contractual liability	4.584.479	-	-	(2.635.179)	-	1.949.300
	94.434.690	**584.682.690**	**(580.833.572)**	**-**	**-**	**98.283.808**

10. INVENTORIES

The balance of inventories is as follows:

	As of December, 31	
	2022	**2021**
Mobile phones and accessories (1)	283.990.364	158.749.397
Materials and equipment (2)	128.957.521	73.568.070
Equipment in transit (3)	50.838.093	41.669.082
IT equipment	27.282.653	26.025.091
	491.068.631	**300.011.640**
Provision for obsolescence (4)	(3.537.154)	(4.930.416)
	487.531.477	**295.081.224**

During the years 2022 and 2021, the consumption of inventories carried at the cost of sales was recognized for $1,245,000,795 and $864,238,939, respectively (Note 25).

(1) The increase as of December 31, 2022, is mainly generated in mobile terminal equipment to meet the related commercial demand.

(2) The increase as of December 31, 2022, corresponds mainly to modems, equipment for corporate services, and location equipment required to meet the growth of commercial activity.

(3) The increase as of December 31, 2022, corresponds mainly to equipment in the process of nationalization to attend to customers' home installations and commercial offers of mobile equipment.

(4) During the years ended December 31, 2022, and 2021, a recovery of $1,393,262 and a provision of $120,769, respectively, were recognized (Note 25).

As of the first quarter of 2022, the accounting estimate of the provision for obsolescence was changed from 50% for terminals older than 180 days to 100% for terminals older than 360 days, unifying the criteria for mobile and fixed terminals older than 360 days. This impacted the results of a provision recovery of $1,437 million and a net provision during the year ended December 31, 2022, of $44 million.

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

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

Balance as of December 31, 2020	**(4.809.647)**
Provision against profit or loss for the year (Note 25)	(120.769)
Balance as of December 31, 2021	**(4.930.416)**
Net recovery of provisions with credit to the year's results (Note 25)	1.393.262
Balance as of December 31, 2022	**(3.537.154)**

11. TAXES AND GENERAL GOVERNMENT

The balance of tax and government assets is presented below:

	As of December, 31	
	2022	**2021**
Balance for (1)	309.571.203	503.413.747
Tax discount (2)	57.517.915	48.427.397
Advances, withholdings and self-withholdings of ICA (3)	24.980.528	22.570.091
Sales tax withholdings (4)	2.315.978	139.350
	394.385.624	**574.550.585**
Non-Current		
Tax discounts (2)	403.634.509	322.900.595
	403.634.509	**322.900.595**

(1) The balance in favor of income decreases at the end of 2022 due to the compensation for the refund of the balance in favor of the year 2021 for $271,771,594. The balance in favor recorded is composed of self-withholdings calculated on income, mainly from the sale of fiber optic assets and withholdings made by financial entities.

(2) The current tax discount at the end of 2022 corresponds to 50% of the ICA paid during the year, and the non-current tax discount corresponds to the VAT on the acquisition of real productive fixed assets. This tax discount increases compared to 2021 due to the purchase of this type of assets during 2022 and has not been used to determine the tax payable.

(3) This item corresponds to self-withholdings and ICA withholdings that will be applied in the annual Industry and Commerce tax returns.

(4) The balance corresponds to VAT withholdings made by financial entities, which will be applied in the VAT return for the sixth two-month period.

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

	As of December, 31	
	2022	**2021**
Sales tax - VAT (1)	29.962.115	145.916.990
Withholdings and self-withholdings (1)	66.583.036	199.906.178
Other current taxes (2)	9.091.300	4.715.964
National consumption tax (2)	2.560.334	9.098.800
Import taxes (3)	-	4.568.828
	108.196.785	**364.206.760**

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

(1) The decrease in 2022 compared to 2021 corresponds to the recognition and compensation of the credit balance with the amount payable for sales tax. As of December 31, the balance is composed of withholdings at source pending presentation and the net value for recognition of the vat generated and deductible vat for the sixth two-month period.

(2) The balance corresponds mainly to public lighting and telephony taxes.

(3) As of December 31, 2022, there are no pending import obligations.

Provision for Income and Complementary Taxes

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

	Year ended December, 31	
	2022	**2021**
Current income tax	(36.391.861)	(31.647.535)
Occasional earnings tax	(25.574.748)	(801.231)
Current income and supplementary tax (1)	**(61.966.609)**	**(32.448.766)**
Deferred tax:		
Deductible temporary differences (2)	(96.513.882)	3.734.711
Taxable temporary differences (3)	108.039.130	70.821.968
Tax credits (4)	(530.089.673)	146.479.433
Deferred income tax	**(518.564.425)**	**221.036.112**
Income tax and supplementary	**(580.531.034)**	**188.587.346**

(1) The current tax, occasional and complementary gains as of December 31, 2022, presents a variation compared to 2021, mainly due to the sale of fiber optic assets. The portion of net income is included as the occasional gain.

(2) As of December 31, 2022, the sale of fiber optic assets is considered, which generated the net recognition of the Earnout for approximately USD 55 million, applying a rate of 35%.

(3) The deferred tax presents variation due to deductible temporary differences originated in the accounting recognition of the effects of the sale of fiber optic assets as of December 31, 2022 (Note 1 (c)), due to the impact of the exclusivity and useful lives of the assets sold. The effect on deferred tax assets and liabilities is recognized at a rate of 35% (according to tax reform Law 2155 of September 14, 2021). Additionally, the updating of the taxable rates for fixed assets is recognized.

(4) For the closing of December 2022, the use of the Group's tax credits, derived from offsetting tax losses with the year's taxable income, was recognized. The effect of the sale of fiber optic assets generated an increase in the use of these tax losses for the year 2022.

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

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

	Year ended December, 31			
	2022		2021	
Profit before tax	100%	**501.398.609**	**100%**	**(91.394.561)**
Profit before tax at nominal rate	(35)%	(177.798.000)	31%	28.332.314
Income tax and accounting deferred	(114)%	(580.531.034)	206%	188.587.346
Difference between nominal tax and accounting tax	**(79)%**	**402.733.034**	**175%**	**(160.255.032)**
Permanent Difference Tax	(34)%	171.309.622	(64)%	59.057.623
Tax on deductible temporary differences unrecognized	(22)%	109.796.396	33%	(30.436.134)
Use (recognition) of deferred tax on deductible temporary differences	(2)%	8.276.947	77%	(70.821.968)
Difference tax update temporary and tax losses	-	-	130%	(118.855.784)
Update of tax losses due to correction of income tax year 2020	(16)%	80.251.722	-	-
Updated-rate rent correction 2022	(1)%	7.523.599	-	-
Occasional income tax	(5)%	25.574.748	(1)%	801.231
	(80)%	**402.733.034**	**175%**	**(160.255.032)**

The current tax provisions applicable to the Group stipulate that:

Income tax in 2021 is calculated at the nominal rate of 35% in accordance with article 240 of the National Tax Statute, based on net income. The nominal rate for 2022 and subsequent years is 35%.

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

	Year ended December, 31	
	2022	2021
Profit before tax	**501.398.609**	**(91.394.561)**
Items that increase accounting profit:		
Accounting depreciation and amortization(Note 26)	1.391.787.835	1.401.645.031
Accounting effect of derivatives valuation and difference in change valued	54.717.706	(495.999.096)
Tax effect on senior bond financial yields	-	13.137.865
Impairment of accounting portfolio, net of recovery (Note 25)	95.108.531	(41.968.531)
Levy on financial movement	12.414.198	9.668.970
Items that decrease accounting profit:		
Tax depreciation and amortization	(1.232.940.245)	(1.173.825.455)
Impairment of fiscal portfolio	-	24.710.966
Other non-deductible items	544.680.678	795.983.990
Tax profit	**1.367.167.312**	**441.959.179**
Tax Loss Compensation (1)	(1.514.541.928)	(339.936.105)
Taxable income tax base	**(147.374.616)**	**102.023.074**
Current income tax	(36.391.861)	(31.647.535)
Occasional earnings tax	(25.574.748)	(801.231)
Income tax and supplementary tax	**(61.966.609)**	**(32.448.766)**

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

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

Tax on occasional profits

	Year ended December, 31	
	2022	**2021**
Occasional earnings revenue	448.287.642	46.673.790
Less - Occasional earnings costs	(192.540.166)	(38.661.477)
Occasional taxable earnings	255.747.476	8.012.313
Tax rate	10%	10%
Occasional income tax	**25.574.748**	**801.231**

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

	Year ended December, 31	
	2022	**2021**
Accounting equity	**4.728.812.032**	**5.014.650.827**
Items increasing the book equity		
Accounting and tax portfolio provision difference	129.273.966	283.250.082
Estimated liabilities and other items	200.585.258	43.869.280
Decommissioning provision	58.750.975	48.464.140
Deferred tax liability	129.113.533	36.334.213
Government grant income	12.114.208	13.747.705
Items that diminish the book accounting equity		
Deferred tax asset	(1.520.371.122)	(1.942.421.667)
investments in subsidiaries	(65.247.344)	891.580
Valuation of hedging	(571.016.773)	228.125.567
other items	12.657.806	(35.298.248)
Fiscal net worth	**3.114.672.539**	**3.691.613.479**

Deferred Tax Assets and Liabilities

At the end of December 31, 2022, the Group's strategic plan (2022 - 2024) and projected results (2023 - 2031) will support the deferred tax asset on temporary differences and tax losses.

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, 2022, amounts to $516,079,243

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

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

	As of december, 31	
	2022	**2021**
Deferred tax assets:		
Intangibles y propiedades, planta y equipo	283.631.376	174.976.503
Hedging operations	301.252.239	-
Other assets	3.404.068	4.019.811
Deferred tax asset on deductible temporary differences(1)	**588.287.683**	**178.996.314**
Deferred tax asset for tax losses (2)	**1.233.335.678**	**1.763.425.353**
Total deferred tax asset	**1.821.623.361**	**1.942.421.667**
Deferred tax liability:		
Taxable temporary differences	430.365.772	36.334.213
Total deferred tax liability (1)	**430.365.772**	**36.334.213**
Total net deferred tax	**1.391.257.589**	**1.906.087.454**

(1) At the closing of December 31, 2022, deferred tax assets and liabilities include the effect generated by the update of income tax rates to 35%, in accordance with the nominal statutory tax rate in force. Additionally, the impacts from the sale of fiber optic assets are recognized, as well as the hedge valuation operation and unrealized exchange difference, the deferred tax liability, and the asset, which presents variation due to the taxable and deductible temporary differences originated by: the accounting recognition for the sale of fiber assets, that is, impacts on useful lives, exclusivity commitment for ten (10) years, amortizations and Earn-Out and the effect of the valuation made to the hedging operations as well as to the different assets and liabilities in recognition of the valued exchange difference.

(2) Corresponds to the balance of the use of tax credits generated by the compensation of the tax profit calculated at the end of 2022.

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

	Year ended December, 31	
	2022	**2021**
Valuation of hedging instruments (1)	(101.994.485)	295.057.195
Deferred tax of valuation of hedging instruments (2)	3.734.563	(3.734.562)
Total of valuation of hedging instruments, net of tax	**(98.259.922)**	**291.322.633**
Actuarial calculation of post-employment benefits	(6.857.489)	475.573
Revaluation of real estate	-	91.517.187
Deferred tax of real estate (2)	-	(32.069.963)
	(6.857.489)	**59.922.797**
	(105.117.411)	**351.245.430**

(1) The variation is presented by the decrease in the valuation of hedging instruments, resulting from the devaluation of exchange rates of 20.8% during 2022 and increases in the Libor and IBR curves associated with swap instruments.

(2) During the period of 2021, the Company recognized a rate adjustment from 32% to 35% in accordance with the provisions of Law 2155 of 2021 for the revaluation of real estate.

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

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.

As a result of the provisions of Ruling 25444 of June 30, 2022, issued by the Council of State Contentious Administrative Chamber, the Company proceeded to recalculate the tax losses generated in the Income Tax up to 2017, where an unrecognized deferred tax asset was determined in the amount of $214,192 million

Below is the summary of tax losses at the closing of December 31, 2022:

Tax	Year of origin	Adjusted Losses	Compensation losses	previous year adjustment	Balance losses	Expiration date
Income	2007	190.635.384	-	-	190.635.384	Ilimitadas
	2008	233.131.768	-	-	233.131.768	Ilimitadas
	2009	255.303.697	-	-	255.303.697	Ilimitadas
	2010	43.145.382	-	-	43.145.382	Ilimitadas
	2011	159.271.720	-	-	159.271.720	Ilimitadas
	2012	117.177.333	-	-	117.177.333	Ilimitadas
	2013	120.494.028	-	-	120.494.028	Ilimitadas
	2015	118.419.555	-	-	118.419.555	Ilimitadas
	2017	3.503.179.016	(1.514.541.928)	(67.670)	1.988.569.418	Año 2029
		4.740.757.883	**(1.514.541.928)**	**(67.670)**	**3.226.148.285**	
CREE	2015	297.667.938	-	-	297.667.938	
		5.038.425.821	**(1.514.541.928)**	**(67.670)**	**3.523.816.223**	

The following is a summary of the tax loss as of the end of December 31, 2021:

Tax	Year of origin	Adjusted Losses	Compensation losses	Balance losses	Expiration date
Renta	2007	190.635.384	-	190.635.384	Ilimitadas
	2008	233.131.768	-	233.131.768	Ilimitadas
	2009	255.303.697	-	255.303.697	Ilimitadas
	2010	43.145.382	-	43.145.382	Ilimitadas
	2011	159.271.720	-	159.271.720	Ilimitadas
	2012	117.177.333	-	117.177.333	Ilimitadas
	2013	120.494.028	-	120.494.028	Ilimitadas
	2015	118.419.555	-	118.419.555	Ilimitadas
	2017	3.843.115.122	(339.936.105)	3.503.179.017	Año 2029
		5.080.693.989	**(339.936.105)**	**4.740.757.884**	
CREE	2015	297.667.938	-	297.667.938	
		5.378.361.927	**(339.936.105)**	**5.038.425.822**	

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

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:

Tax	Taxable period	Review close date
Renta	2020	April 2026
Renta	2018	July 2025
Renta	2017	july 2030

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 2022 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 2022 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 sale and purchase agreement for the fiber optic assets owned by the Group with a Colombian company ("InfraCo") controlled by Kohlberg Kravis Roberts ("KKR") (Note 1 (c)).

As of December 31, 2021, 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

At the closing of the sale of the fiber optic assets, as indicated in (Note 1 (c)), the Group proceeded to derecognize in the consolidated financial statements the assets associated with the object of the transaction for $235,180,145 and $68,198 returned to fixed assets warehouse prior to the closing of the sale.

13. INVESTMENTS IN COMPANIES

Investments in the Company's companies are as follows:

Associated	Type of investment	Country / City	As of december, 31 2022 Direct Participation	Investment
Alamo HoldCo S.L. (1)	Significant influence	España / Madrid	40%	62.709.480
				62.709.480

(1) In accordance with the conditions of the contract for the sale of the fiber optic assets, Colombia Telecomunicaciones S.A. E.S.P. BIC has subscribed shares equivalent to a 40% participation in Alamo HoldCo S.L. for $183,409.2, a Spanish company that owns 100% of the shares of Onnet Fibra Colombia S.A. S. Additionally, the costs incurred in the acquisition of this minority shareholding for $13,775.5 million are included as an increase in the value of the investment and the lower value for the transfer of control for $67,277.7 million is recognized (Note 1 (c)) and a loss from the equity method for the year 2022 for $67,197.5 million.

Equity method

The equity method accounts for investments in associated companies in which the Group has a direct equity interest.

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

The main figures of the company to which the equity method was applied in 2022 and 2021 were as follows:

Subsidiary / Associated	Assets		Liabilities		Results	
	As of december, 31 2022	As of december, 31 2021	As of december, 31 2022	As of december, 31 2021	Year ended December, 31 2022	2021
Alamo HoldCo S.L.	2.115.372.871	-	1.806.532.006	-	(167.993.876)	-
	2.115.372.871	**-**	**1.806.532.006**	**-**	**(167.993.876)**	**-**

The effect of the application of the equity method on income for the year is presented below:

Subsidiary / Associated Subsidiary	Participation	Results		Method of Participation	
		As of december, 31			
		2022	2021	2022	2021
Alamo HoldCo S.L.	40%	(167.993.876)	-	(67.197.550)	-
		(167.993.876)	-	**(67.197.550)**	-

14. ACTIVOS POR DERECHOS DE USO

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

Concept	As of december, 31 of 2022			As of december, 31 of 2021		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
Land and buildings (1)	1.171.972.807	(580.506.058)	591.466.749	861.535.850	(414.666.218)	446.869.632
Technical installations(1)	673.096.782	(306.899.830)	366.196.952	537.733.613	(189.384.557)	348.349.056
Transport equipment(2)	18.690.748	(13.616.125)	5.074.623	20.475.612	(12.848.543)	7.627.069
	1.863.760.337	**(901.022.013)**	**962.738.324**	**1.419.745.075**	**(616.899.318)**	**802.845.757**

For the years ended December 31, 2022, and 2021, the depreciation expense recognized in the statements of comprehensive income was $287,600,733 and $242,936,486, respectively (Note 26).

(1) The increase in cost as of December 31, 2022, corresponds to the subscription, renewal, and increases in lease fees for land and sites for technical facilities (900 new contracts), thus generating higher depreciation expense for the year ended December 31, 2022, compared to the previous year.

(2) The decrease during the year ended December 31, 2022, corresponds mainly to the termination of depreciation of assets associated with vehicle leasing contracts that ended their term.

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

The movements during 2022 of the items comprising the cost and depreciation of right-of-use assets are as follows:

Concept	As of december, 31 of 2021	High	Low	As of december, 31 of 2022
Cost:				
Land and buildings	861.535.850	310.436.957	-	1.171.972.807
Technical installations	537.733.613	135.363.169	-	673.096.782
Transport equipment	20.475.612	2.984.592	(4.769.456)	18.690.748
	1.419.745.075	**448.784.718**	**(4.769.456)**	**1.863.760.337**
Accumulated depreciation:				
Land and buildings	(414.666.218)	(165.268.667)	(571.173)	(580.506.058)
Technical installations	(189.384.557)	(116.795.029)	(720.244)	(306.899.830)
Transport equipment	(12.848.543)	(5.537.037)	4.769.455	(13.616.125)
	(616.899.318)	**(287.600.733)**	**3.478.038**	**(901.022.013)**
	802.845.757	**161.183.985**	**(1.291.418)**	**962.738.324**

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

Concept	As of december, 31 of 2021	High	Low	As of december, 31 of 2022
Cost:				
Land and buildings	779.513.226	82.022.624	-	861.535.850
Technical installations	490.703.578	58.304.176	-	537.733.613
Transport equipment	14.394.193	6.081.419	-	20.475.612
	1.284.610.997	**146.408.219**	**-**	**1.419.745.075**
Accumulated depreciation:				
Land and buildings	(263.350.136)	(157.346.333)	6.030.251	(414.666.218)
Technical installations	(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)
	(386.253.823)	**(242.936.485)**	**12.290.990**	**(616.899.318)**
	898.357.174	**(96.528.266)**	**12.290.990**	**802.845.757**

15. PROPERTY, PLANT, AND EQUIPMENT

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

	As of december, 31 of 2022			As of december, 31 of 2021		
Concept	cost	Accumulated depreciation	Net value in books	cost	Accumulated depreciation	Net value in books
Land and buildings (1)	2.952.468.750	(1.694.785.461)	1.257.683.289	3.056.482.879	(1.699.093.671)	1.357.389.208
Switching, access and transmission (2)	8.391.031.003	(6.291.104.435)	2.099.926.568	8.281.521.400	(5.818.218.169)	2.463.303.231
Assets under construction (3)	690.534.628	-	690.534.628	413.267.460	-	413.267.460
Furniture, information and transport equipment	565.235.636	(403.474.114)	161.761.522	545.979.353	(334.833.818)	211.145.535
	12.599.270.017	**(8.389.364.010)**	**4.209.906.007**	**12.297.251.092**	**(7.852.145.658)**	**4.445.105.434**

For the years ended December 31, 2022 and 2021 the depreciation expense recognized in income was $601,336,726 and $641,284,852 (Note 26)

(1) The decrease in cost as of December 31, 2022, corresponds mainly to the sale of rooftop towers as approved by the Board of Directors (Note 1(d)), generating a decrease of $61,464,165. Includes provision for decommissioning of sites as of December 31, 2022, and 2021 for $58,750,975 and $48,499,953, respectively (Note 21).

(2) The net decrease corresponds mainly to the depreciation of the year 2022 for $489,689,357, partially offset by the activation of works associated with the deployment of a 4G mobile network, fiber optic network, and infrastructure and communications networks for corporate clients for $128,591,704.

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

(3) The variation corresponds to new acquisitions of goods and services for the construction of assets mainly related to the deployment of a 4G mobile network, optical fiber, datacenter, and infrastructure for corporate clients' projects.

The movements during 2022 of the items comprising the cost and depreciation of property, plant, and equipment are as follows:

Concept	As of december, 31 of 2021	High	Low	Transfers	Revaluation	As of december, 31 of 2022
Cost:						
Land and buildings	3.056.482.879	9.970.207	(79.991.974)	2.887.862	(36.880.224) (a)	2.952.468.750
Switching, access and transmission	8.281.521.400	46.116.155	(19.082.101)	82.475.549	-	8.391.031.003
Assets under construction	413.267.460	407.255.912	(435.714)	(129.553.030)	-	690.534.628
Furniture, information and transport equipment	545.979.353	5.598.667	(845.645)	14.503.261	-	565.235.636
	12.297.251.092	**468.940.941**	**(100.355.434)**	**(29.686.358)**	**(36.880.224)**	**12.599.270.017**
Accumulated depreciation:						
Land and buildings	(1.699.093.671)	(28.151.108)	42.330.253	409	(9.871.344) (b)	(1.694.785.461)
Switching, access and transmission	(5.818.218.169)	(489.689.357)	16.803.091	-	-	(6.291.104.435)
Furniture, information and transport equipment	(334.833.818)	(69.339.463)	699.167	-	-	(403.474.114)
	(7.852.145.658)	**(587.179.928)**	**59.832.511**	**409**	**(9.871.344)**	**(8.389.364.010)**
	4.445.105.434	**(118.238.987)**	**(40.522.923)**	**(29.685.949)**	**(46.751.568)**	**4.209.906.007**

(a) Corresponds to disposals of real estate during the year.

(b) Includes depreciation of revalued building assets of ($14,156,798) and write-offs of $4,285,454.

The net effects of lower depreciation expense of technical installations and machinery (optical fiber) for three (3) years and the impact for 2022 are presented below.

Concept	Typology	useful life previuos	useful life current	As of December 31, 2022	2023	2024	2025
Instalaciones técnicas y maquinaria	Fibra óptica terrestre	20	25	6.635.296	5.982.792	5.924.103	5.924.103
				6.635.296	**5.982.792**	**5.924.103**	**5.924.103**

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 of 2020	High	Low	Transfers	Revaluation	As of december, 31 of 2021
Costo:						
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
	12.071.954.725	**506.932.293**	**(36.959.637)**	**(313.206.002)**	**68.529.713**	**12.297.251.092**
Accumulated depreciation:						
Land and buildings	(1.667.535.650)	(29.554.391)	5.228.974	1.367.793	(8.600.397) (b)	(1.699.093.671)
Switching, access and transmission	(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)
	(7.312.069.345)	**(629.736.515)**	**20.678.573**	**77.582.026**	**(8.600.397)**	**(7.852.145.658)**
	4.759.885.380	**(122.804.222)**	**(16.281.064)**	**(235.623.976)**	**59.929.316**	**4.445.105.434**

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

(a) Corresponds to revaluation restatement as of December 31, 2021 of $91,517,187 and write-offs of ($22,987,473).

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

The movements for the year 2022 of land and buildings recognized under the cost method are as follows:

Concept	As of december, 31 of 2021	High	Low	Transfers	As of december, 31 of 2022
Cost:					
Land and buildings	2.460.256.999	9.991.758	(79.932.062)	2.888.271	2.393.204.966
Accumulated depreciation:					
Constructions	(1.649.211.163)	(28.134.927)	42.236.648	-	(1.635.109.442)
	811.045.836	**(18.143.169)**	**(37.695.414)**	**2.888.271**	**758.095.524**

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

Concept	As of december, 31 of 2020	High	Low	Transfers	As of december, 31 of 2021
Cost:					
Land and buildings	2.476.965.363	10.534.385	(17.883.667)	(9.359.082)	2.460.256.999
Accumulated depreciation:					
Constructions	(1.626.280.659)	(29.527.883)	6.597.379	-	(1.649.211.163)
	850.684.704	**(18.993.498)**	**(11.286.288)**	**(9.359.082)**	**811.045.836**

The movements for the year 2022 of land and buildings recognized at revalued value are as follows:

Concepto	Balance as of December 31, 2021	Increases	Decreases	As of december, 31 of 2022
Cost:				
Land	309.180.481	-	(18.058.556)	291.121.925
Constructions	286.963.537	-	(18.821.678)	268.141.859
	596.144.018	**-**	**(36.880.234)**	**559.263.784**
Accumulated depreciation:				
Constructions	(49.804.676)	(14.157.202)	4.285.858	(59.676.020)
	546.339.342	**(14.157.202)**	**(32.594.376)**	**499.587.764**
Deferred income tax	(113.923.579)	-	11.850.002	(102.073.577)
Net deferred tax revaluation	**432.415.763**	**(14.157.202)**	**(20.744.374)**	**397.514.187**

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

Concepto	As of december, 31 of 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
	527.614.304	**91.517.187**	**(22.987.473)**	**596.144.018**
Accumulated depreciation:				
Constructions	(41.204.279)	(11.548.337)	2.947.940	(49.804.676)
	486.410.025	**79.968.850**	**(20.039.533)**	**546.339.342**
Deferred income tax	(89.216.609)	(32.069.963)	7.362.993	(113.923.579)
Net deferred tax revaluation	**397.193.416**	**47.898.887**	**(12.676.540)**	**432.415.763**

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

Fully Depreciated Property, Plant, and Equipment

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

	As of december, 31	
	2022	**2021**
Switching, access and transmission	3.016.559.458	2.803.066.199
Constructions	239.952.512	250.060.048
Furniture, information and transport equipment	134.807.847	123.263.021
	3.391.319.817	**3.176.389.268**

The increase corresponds to assets that completed their depreciation period during the year.

16. INTANGIBLES

The cost and accumulated amortization of intangibles are presented below:

	As of December 31, 2022			As of December 31, 2021		
Concept	**Cost**	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net value in books**
Enabling Titles (1)	2.762.446.279	(1.847.612.566)	914.833.713	2.296.177.445	(1.615.707.162)	680.470.283
Software network and office equipment	1.269.239.036	(902.100.330)	367.138.706	1.100.635.127	(723.306.346)	377.328.781
Rights (3)	63.225.312	(27.279.557)	35.945.755	63.225.314	(23.996.531)	39.228.783
	4.094.910.627	**(2.776.992.453)**	**1.317.918.174**	**3.460.037.886**	**(2.363.010.039)**	**1.097.027.847**

For the years ended December 31, 2022, and 2021, the amortization expense recognized in income was $502,850,376 and $517,423,693 (Note 26).

(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. The increase corresponds to the mobile operation renewal of the 1900 Mhz spectrum for $555,136,796 (Note 2.3. (a)).

(2) The net decrease as of December 31, 2022, is presented by amortization of the year 2022 for ($178,654,862), offset by the acquisition of software and licenses mainly for Datacenter, 4G network equipment, DWDM technology transmission equipment - wavelength division multiplexing for fiber optic deployment, IPTV platform - television through optical fiber and office equipment.

(3) Mainly includes Irrevocable Rights of Use - IRU's of optical fiber. The decrease as of December 31, 2022, corresponds to the amortization for the period.

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

The movements in intangible assets during 2022 are presented below:

Concept	As of December 31, 2021	highs / Amortization expenses	Low	Transfers	Al 31 de diciembre de 2022
Cost:					
Enabling Titles	2.296.177.445	555.136.796	(88.867.962)	-	2.762.446.279
Software network and office equipme	1.100.635.127	138.917.960	-	29.685.949	1.269.239.036
Rights	63.225.314	-	-	(2)	63.225.312
	3.460.037.886	**694.054.756**	**(88.867.962)**	**29.685.947**	**4.094.910.627**
Accumulated depreciation					
Enabling Titles	(1.615.707.162)	(320.773.367)	88.867.962	1	(1.847.612.566)
Software network and office equipme	(723.306.346)	(178.793.985)	-	1	(902.100.330)
Rights	(23.996.531)	(3.283.024)	-	(2)	(27.279.557)
	(2.363.010.039)	**(502.850.376)**	**88.867.962**	**-**	**(2.776.992.453)**
	1.097.027.847	**191.204.380**	**-**	**29.685.947**	**1.317.918.174**

The movements in intangible assets during 2021 are presented below:

Concept	As of December 31, 2020	Altas / Gasto de amortización	Low	High Company	As of December 31, 2021
Cost:					
Enabling Titles	2.296.177.445	-	-	-	2.296.177.445
Software network and office equip	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)	-	-
	3.349.282.867	**160.754.878**	**(57.771.883)**	**7.772.024**	**3.460.037.886**
Accumulated depreciation					
Enabling Titles	(1.301.885.117)	(313.822.045)	-	-	(1.615.707.162)
Software network and office equip	(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	-	-
	(1.902.058.679)	**(517.423.693)**	**56.495.108**	**(22.775)**	**(2.363.010.039)**
	1.447.224.188	**(356.668.815)**	**(1.276.775)**	**7.749.249**	**1.097.027.847**

Fully Amortized Intangibles

The cost of fully amortized intangibles is presented below:

	As of December 31,	
Concepto	**2022**	**2021**
Computer applications	446.241.631	339.204.202
Rights	7.237	7.237
Enabling Titles (1)	-	88.867.962
	446.248.868	**428.079.401**

The variation is mainly generated by the termination of the amortization based on the useful life.

(1) In 2022, the 1900 MHz spectrum license right was terminated (Note 2.3 (a)).

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

17. GOODWILL

The movement of Goodwill during the year 2022 is presented below:

	As of December 31, 2021	Low	As of December 31, 2022
Goodwill	1.372.301.565	(16.467.619)	1.355.833.946

Colombia Telecomunicaciones S. A. E.S.P. BIC 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 is incorporated.

On January 11, 2022, the sale of fiber optic assets was formalized (Note 1 (c)), generating a decrease in goodwill and a lower value in goodwill of $16,467,619. On December 31, 2022, the impairment analysis was performed with the following variables:

Cash Generating Units - CGU

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.

Regarding the calculation of the CGU value, the existence of a correlation between assets and liabilities incorporated in this value and those concepts that have been considered for the calculation of the business plan and their corresponding inclusion in the calculation of the discounted cash flows must be taken into account.

Main Assumptions Used in Value in Use Calculations

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

The plan is in line with the three-year average of analysts' estimates in terms of revenues, 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 growing data consumption in rational markets, although very competitive in certain segments..

Discount Rate

At year-end 2022 and 2021, a nominal percentage rate calculated in pesos of 12.20% and 10.79%, respectively, was used.

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

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

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 with current market data and estimates of the equilibrium levels (according to standard econometric modeling) in which the interest rates should be located. Thus, adjusting the returns at low rates due to the high influence on the term premiums of public debt purchases carried out by central banks.

- Political Risk Premium: incorporates the risk of insolvency inherent to the country due to political and/or financial events, based on quotations of instruments called "Credit Default Swap" for each country or, failing that, the EMBI+ index, published by JP Morgan, depending on the information available 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 by a combination of historical (ex-post) approaches supported by external publications and studies of past performance series, and forward-looking (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: is the multiplier of the market risk premium, considered as systemic risk. It is estimated from series of historical share prices of comparable listed companies, determining the correlation between the profitability of the companies' shares and the profitability of the general index representative of the stock exchange of the country where the company is listed.

Sensitivity to Changes in Assumptions

In accordance with the asset recoverability review process based on internal and external factor reviews, the WACC as of December 2022 has been determined. The model sensitivities were performed with a step of +/-1% for the discount rate and +/-5% for the net assets with a WACC rate of 12.20%. The sensitivity analysis shows that the net book value of assets and liabilities subject to impairment is lower than the financial valuation, and therefore no impairment indicators were identified.

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

18. FINANCIAL LIABILITIES

The balance of financial obligations is presented below:

	As of December 31 2022			As of December 31 2021		
	value	rate		value	rate	
		Base	Spread		Base	Spread
Current:						
Financial institutions in national currency						
other obligations						
Financial leasing (1)	343.901.701			115.801.389		
Interest payable	63.377.231			50.616.499		
Hedging instruments (2)	18.856.031			22.771.904		
	426.134.963			**189.189.792**		
Spectrum supplier (3)	62.557.394			-		
	488.692.357			**189.189.792**		
Non-current:						
Financial institutions in national currency						
Financial obligations	1.397.418.961	Fixed 5,745% IBR3M	1,1% - 2%	1.397.156.510	Fixed 5,774% IBI	1,6% - 2%
	1.397.418.961			**1.397.156.510**		
Spectrum supplier (3)	437.901.760			-		
	1.835.320.721			**1.397.156.510**		
Financial institutions in foreign currency						
Obligaciones financieras (4)	-			525.513.120	LIBOR3M	1,75%
	-			**525.513.120**		
other obligations						
Senior Bond (5)	2.394.141.649	Fixed 4,95%		1.978.169.143	Fixed 4,95%	
Financial leasing (1)	1.111.281.686			1.024.146.769		
Local bond (6)	499.435.677	Fixed 6,65% - IPC	3,39%	499.190.804	Fixed 6,65% - IP(	3,39%
Hedging instruments (2)	40.311.161			-		
	4.045.170.173			**3.501.506.716**		
	5.880.490.894			**5.424.176.346**		
	6.369.183.251			**5.613.366.138**		

Financial liabilities include balances in foreign currency on December 31, 2022, of USD 511,275 thousand ($2,459,335,005) and on December 31, 2021, of USD 643,333 thousand ($2,561,211,606) (Note 28).

(1) The increase in finance leases is mainly associated with renewals and new contracts in 2022. Includes subscription of land lease fees, sites for technical installations, and sale and leaseback of rooftop towers and, additionally, due to increases in rents in accordance with the Consumer Price Index (CPI).

The movement in the finance lease liability for the year ended December 31, 2022 is presented below:

	As of December 31, 2021	High	Payments (a)	Transfers	Others (b)	As of December 31, 2022
Current						
Leasing	115.394.649	142.689.828	(373.588.255)	481.768.727	(22.517.475)	343.747.474
Financial liabilities - Renting	406.740	317.280	(577.630)	7.837		154.227
	115.801.389	**143.007.108**	**(374.165.885)**	**481.776.564**	**(22.517.475)**	**343.901.701**
Non-current:						
Leasing	1.024.138.932	568.911.481	-	(481.768.727)	-	1.111.281.686
Financial liabilities - Renting	7.837	-	-	(7.837)	-	-
	1.024.146.769	**568.911.481**	**-**	**(481.776.564)**	**-**	**1.111.281.686**
	1.139.948.158	**711.918.589**	**(374.165.885)**	**-**	**(22.517.475)**	**1.455.183.387**

(a) Corresponds to capital lease payments during the year 2022 for $286,273,911 and interest for $87,891,974.

(b) Corresponds to payment by crossing accounts between liabilities and financial assets.

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

	As of December 31, 2020	High	Payments (a)	Transfers	Others (b)	As of December 31, 2021
Corriente						
Arrendamiento financiero	273.284.743	110.302.445	(334.577.929)	88.724.658	(22.339.668)	115.394.249
Pasivo financiero - Renting	888.402	105.224	(1.006.115)	419.629	-	407.140,000
	274.173.145	**110.407.669**	**(335.584.044)**	**89.144.287**	**(22.339.668)**	**115.801.389**
Non-current:						
Arrendamiento financiero	947.927.769	164.935.821	-	(88.724.658)	-	1.024.138.932
Pasivo financiero - Renting	427.466	-	-	(419.629)	-	7.837
	948.355.235	**164.935.821**	**-**	**(89.144.287)**	**-**	**1.024.146.769**
	1.222.528.380	**275.343.490**	**(335.584.044)**	**-**	**(22.339.668)**	**1.139.948.158**

(a) Corresponds to capital lease payments during the year 2021 for $266,465,997 and interest for $69,158,447.
(b) Corresponds to payment by means of crossover between financial liabilities versus financial assets.

(2) The variation is mainly due to the valuation of interest rate swaps due to the increase in the Libor curve.

(3) Corresponds to the obligation acquired with the Ministry of Information Technologies and Communications of Colombia (MinTIC) for the renewal of the 1,900 Mhz spectrum for 20 years with a balance of $444,109 million and the recognition of the financial indexation payable for $56,350 million, classified between short and long term according to the established payment dates.

(4) The decrease in the non-current portion as of December 31, 2022, corresponds to the prepayment in January 2022 of the obligation in dollars for USD 132 million ($526,326 million).

(5) Senior bond: As of December 31, 2022, and December 31, 2021, the face value of the outstanding senior bond was USD 500 million, equivalent to $2,405,100 million and $1,990,580 million and associated transaction costs of $10,958 million and $12,411 million, respectively, measured at amortized cost.

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
R144/RegS	*USD$000*	Cero	500.000	500.000	10 años	17-jul-20	17-jul-30	4,95% Semiannual	Replacement of Senior Bonus by USD750 millions

During the years ended December 31, 2022, and 2021 interest payable on the bond amounted to $54,235 million and $44,887.6 million, respectively

(6) Local Bond: As of December 31, 2022, and December 31, 2021, the face value of the local bond is $500,000 million, and transaction costs of $564 and $809 million, respectively, measured at amortized cost.

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*	Cero	152.410.000	152.410.000	10 años	29-may-19	29-may-29	IPC + 3,39% Semiannual	Local debt prepayment
A5	*COP$000*	Cero	347.590.000	347.590.000	5 años	29-may-19	29-may-24	6,65% Semiannual	
			500.000.000	**500.000.000**					

As of December 31, 2022, and 2021, interest payable on the bond amounted to $4,125.8 million and $3,126.8 million respectively

The following are the maturities of the financial obligations as of December 31, 2022:

	Current	Non-current						
Expirations	**2023**	**2024**	**2025**	**2026**	**2027**	**Following years**	**Total Non-current**	**Total**
Senior bond	-	-	-	-	-	2.394.141.649	2.394.141.649	2.394.141.649
Financial Lease	343.901.701	229.865.555	141.225.386	103.475.150	97.259.334	539.456.261	1.111.281.686	1.455.183.387
Financial obligations	-	298.000.000	1.099.418.961	-	-	-	1.397.418.961	1.397.418.961
Spectrum supplier	62.557.394	31.278.697	31.278.697	31.278.697	31.278.697	312.786.972	437.901.760	500.459.154
Local bond	-	349.604.974	-	-		149.830.703	499.435.677	499.435.677
Interests	63.377.231	-	-	-	-	-	-	63.377.231
Hedging instruments	18.856.031	(150.850.205)	(25.537.811)	30.601.772	26.293.775	159.803.630	40.311.161	59.167.192
	488.692.357	**757.899.021**	**1.246.385.233**	**165.355.619**	**154.831.806**	**3.556.019.215**	**5.880.490.894**	**6.369.183.251**

The following are the maturities of the financial obligations as of December 31, 2021:

	Current	Non-current						
Expirations	**2022**	**2023**	**2024**	**2025**	**2026**	**Following years**	**Total Non-current**	**Total**
Senior bond	-	-	-	-	-	1.978.169.143	1.978.169.143	1.978.169.143
Financial obligations	-	525.513.120	298.000.000	1.099.156.510	-	-	1.922.669.630	1.922.669.630
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
Local bond	-	-	347.023.560	-	-	152.167.244	499.190.804	499.190.804
Interests	50.616.499	-	-	-	-	-	-	50.616.499
Hedging instruments	22.771.904	-	-	-	-	-	-	22.771.904
	189.189.792	**742.363.579**	**833.457.325**	**1.232.394.755**	**98.250.914**	**2.517.709.773**	**5.424.176.346**	**5.613.366.138**

19. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of December 31,	
	2022	**2021**
Current:		
Creditors and suppliers (1)	1.797.935.888	1.393.896.503
Immobilization Providers (2)	437.390.429	207.653.597
Related Parties (3) (Note 29)	227.009.827	155.254.693
Remuneration payable (4)	37.965.212	36.896.515
Spectrum License supplier (5)	25.434.509	21.538.056
Parafiscal Contributions	8.204.826	11.392.118
	2.533.940.691	**1.826.631.482**
Non-current:		
Spectrum License supplier (5)	34.661.586	46.976.903
Government grants	33.451.319	32.629.465
Related Parties (3) (Note 29)	4.817.768	2.140.956
	72.930.673	**81.747.324**
	2.606.871.364	**1.908.378.806**

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

Suppliers and accounts payable include balances in foreign currency at December 31, 2022 of USD $187,811 thousand ($903,408,472) and at December 31, 2021 of USD $129,199 thousand ($514,361,891), (Note 28)

(1) The balance of accounts payable and accounts payable is as follows:

	As of December 31,	
	2022	**2021**
Terminal providers(a)	513.764.899	393.965.904
Renting and third-party activities to customers (b)	366.996.249	209.516.401
Content providers (c)	160.963.165	116.295.463
Equipment maintenance (d)	155.836.325	144.188.416
Creditors (e)	121.305.672	123.421.311
Operating leases (f)	107.837.108	104.792.912
Interconnection and roaming (g)	95.026.212	80.406.119
Sales commissions (h)	84.667.638	63.800.292
Computer services (i)	65.839.899	42.610.702
Advertising (j)	56.809.540	51.435.991
Other minors	36.345.678	35.586.399
Customer service (k)	32.543.503	27.876.593
	1.797.935.888	**1.393.896.503**

(a) At the end of 2022, commercial activity grew mainly due to the acquisition of mobile terminals (smartphones) to meet the year-end offer and the 20.08% increase in the peso's devaluation against the dollar.

(b) The growth in 2022 compared to the same period of 2021 is due to the acceleration of the deployment of the fiber optic network, from 2,143 thousand homes passed in 2021 to 3,561 thousand in 2022 (availability for fiber optic connection) and the development of corporate solutions projects.

(c) Includes OTT digital platform services (streaming services), TV, and value-added services.

(d) Includes outside plant maintenance services and platform support, technical assistance, and network and customer failures.

(e) The increase corresponds mainly to the inflationary impact of services related to insurance, technical assistance, utilities, security, legal and tax advisory, billing, collection, and collection services.

(f) Includes mainly commitments acquired for submarine cable capacity, media rental, and last mile rental.

(g) Includes domestic interconnection and roaming traffic services.

(h) The increase corresponds to the higher commercial activity in fixed (FTTH - IPTV) and postpaid mobile services presented during 2022.

(i) The increase as of December 31, 2022, corresponds mainly to support services, developments, and platform licenses for IT processes.

(j) Corresponds to media advertising services for TV, press, audiovisual media campaigns, sponsorships, events, and commercial promotion.

(k) The increase corresponds to the higher management volume for retention and loyalty campaigns and the growth in call center customer service.

(2) The increase corresponds mainly to the acquisition of materials for network deployment, equipment for mobile and fixed networks, and installation services at the end of 2022.

(3) The increase in the short term corresponds mainly to the provision of wholesale connectivity services related to the deployment of optical fiber.

(4) Corresponds to the consolidated liability for employee severance and vacations.

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

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:

First Cycle: From January 1, 2020, to December 31, 2022.
Second Cycle: From July 1, 2021, to December 31, 2023.
Third Cycle: From January 1, 2022, until December 31, 2024.

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, 2022, the cycles in force are as follows

	No. of Initial Shares	**TSR Unit Value**	**FCF/CO2 emission unit value**	**Completion Date**
Cycle -1 January 2021	376.917	2,6465 euros	3,1598 euros	December 31, 2023
Cycle -1 July 2022	324.884	2,4316 euros	2.9515 euros	December 31, 2024

Co-Investment Plan 22-24

Long-term compensation plan aimed at incentivizing and retaining key senior executives for the Group through the delivery of shares subject to the fulfillment of certain conditions and where the executive contributes a percentage of his annual bonus.

100 GESP Plan

A plan that allows employees to acquire Telefónica S.A. shares through payroll deductions for 12 months. The Group (provided they hold the shares for an additional six (6) months) will reward them with one free share for each share acquired, subject to the Plan's limits. In addition, to commemorate the 100th anniversary of Telefónica, S. A., each participant will receive 100 additional shares free of charge. The unit fair value, in this case, amounts to EUR 4.23 per share.

(5) Includes the balances of obligations to do for the renewal of spectrum for the provision of cellular telephony service in March 2014 for ten (10) years and interadministrative contract with the Metropolitan Area of Barranquilla until 2028. Quarterly payments present the net decrease between current and non-current liabilities during the year 2022 in accordance with the commitments acquired with the Nation.

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

20. DEFERRED LIABILITIES

The balance of deferred liabilities as of December 31, 2022, and 2021 is as follows:

	As of December 31,	
	2022	**2021**
Current:		
Government Grants	1.967.148	1.967.148
Deferred Income	623.392	623.641
	2.590.540	**2.590.789**
Non-current:		
Government Grants (1)	6.336.436	10.167.548
	6.336.436	**10.167.548**
	8.926.976	**12.758.337**

(1) The decrease as of December 31, 2022, corresponds mainly to the systematic depreciation of assets associated with the projects of localities and educational institutions.

21. PROVISIONS AND PENSION LIABILITIES

The balance of pension provisions and liabilities is as follows:

	As of December 31,	
	2022	**2021**
Current:		
For tributes and considerations (1)	100.082.064	101.603.316
For employee benefits (2)	34.738.064	30.161.385
Pension Liabilities (3)	21.550.558	19.563.650
For contingencies (4) (Note 30)	6.701.584	2.607.434
For tax claims	2.202.959	1.389.555
For voluntary retirement	2.062.379	2.645.120
	167.337.608	**157.970.460**
Non-current:		
Pension Liabilities (3)	184.046.743	184.296.084
For dismantling (5)	58.750.975	48.499.954
For contingencies (4) (Note 30)	14.691.640	10.077.285
	257.489.358	**242.873.323**
	424.826.966	**400.843.783**

(1) Includes the provision for industry and commerce tax (ICA), considerations to the Ministry of ICT, and uncollected VAT from the client portfolio.

(2) Includes the employee incentive for compliance and performance, which is expected to be paid in the first half of 2023. The estimate was based on the current headcount and the estimated compliance percentages with objectives.

(3) The Group recognizes post-employment benefits corresponding to retirement pensions. The post-employment benefit plan in force at that date does not have any type of asset related to it.

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

The classification of pension liabilities at the end of 2022 and 2021 is presented below:

	As of December 31,	
	2022	**2021**
Current	21.550.558	19.563.650
Non-current	184.046.743	184.296.084
	205.597.301	**203.859.734**

Below is the movement in pension liabilities as of December 31, 2022:

	Year ended December, 31	
	2022	**2021**
Balance at the beginning of the year	203.859.734	210.252.836
Interest expense	13.122.917	12.045.152
Payments made by the plan	(18.571.217)	(17.784.012)
Actuarial losses on obligations (1)	6.857.489	(475.573)
	205.268.923	**204.038.403**
Parts receivable fees	328.378	(178.669)
Balance at the end of the period	**205.597.301**	**203.859.734**

1) As of December 31, 2022, and 2021 correspond to the restatement of the actuarial calculation recognized in Other Comprehensive Income.

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

The actuarial calculation is measured 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 Colombian mortality table for annuitants' experience 2005 - 2008 for men and women approved by the Financial Superintendence of Colombia through Resolution 1555 of July 2010 and the Colombian mortality table for invalids contemplated in Resolution 0585 of 1994 of the Financial Superintendence. Actuarial gains and losses arising from adjustments based on actuarial assumptions of the post-employment benefit are recorded in other comprehensive income for the year. 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, 2022, the estimated value of installments receivable from other entities is $2,574,164.

The actuarial calculation is updated at the end of each accounting period and was quantified according to the estimate of the implicit inflation of 9.586% and the real rate of 3.750%."

Additionally, future cash flows up to 2026 and the sensitivity analysis as of December 31, 2022, are included.

Future Cash Flows (*)

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

Year	*COP $(000)*
2023	21.550.558
2024	23.616.296
2025	25.880.046
2026	28.360.788
2027	31.079.324
2028	34.058.445

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, 2022:

	Interest rate	***COP $(000)***
Discount rate	13,695%	203.023.138
-50 puntos básicos	13,195%	210.732.080
+50 puntos básicos	14,195%	195.840.304
Inflation rate	9,586%	203.023.138
-50 puntos básicos	9,086%	202.623.370
+50 puntos básicos	10,086%	203.422.978

(*) Source: "Report on the valuation of the mathematical reserve for retirement pensions as of December 31, 2022, prepared by Loredana Helmsdorff, actuary.

The population considered in the study is 694 people, 579 with mathematical reserve calculation for retirement pensions and 115 pension bonds

(4) As of December 31, 2022, the increase corresponds mainly to processes related to customer complaints and claims (PQR), which are in the process of discussion with the regulator. It also includes civil and administrative proceedings.

(5) Includes the costs associated with dismantling or removing property, plant, and equipment when this has been contractually agreed. In this regard, there is no expected schedule for the disposal of resources since the Group does not estimate the disposal of such sites at this date (Note 15). The increase during 2022 corresponds mainly to the update of macroeconomic indicators (devaluation and CPI).

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

The following is the change in provisions as of December 31, 2022:

	Balance as of December 31, 2021	**Endowment**	**Application**	**Reversal**	**Financial update**	**Balance as of December 31, 2022**
Current						
Provision for tributes and considerations	101.603.316	487.800.176	(489.321.428)	-	-	100.082.064
Provision for employee benefits	30.161.385	54.455.713	(47.986.322)	(1.892.710)	-	34.738.066
Pension liability	19.563.650	-	-	-	-	21.550.558
Provision for Third Party and Labor Claims (Note 30)	2.607.434	7.113.418	(2.725.500)	(293.768)	-	6.701.584
For tax claims	1.389.555	1.596.701	(783.298)	-	-	2.202.958
Voluntary retirement provision	2.645.120	2.232.989	(2.815.731)	-	-	2.062.378
	157.970.460	**553.198.997**	**(543.632.279)**	**(2.186.478)**	**-**	**167.337.608**
Non-Current						
Pension liability	184.296.084	7.185.867	(18.571.218)	-	13.122.918	184.046.743
Provision for dismantling	48.499.954	4.766.306	-	-	5.484.715	58.750.975
Provision for third party and labor claims (Note 30)	10.077.285	18.624.308	(6.965.068)	(7.044.885)	-	14.691.640
	242.873.323	**30.576.481**	**(25.536.286)**	**(7.044.885)**	**18.607.633**	**257.489.358**

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**
Current						
Provision for tributes and considerations	101.651.989	181.803.256	(181.851.929)	-	-	101.603.316
Provision for employee benefits	34.247.276	47.997.484	(43.698.285)	(8.385.090)	-	30.161.385
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
For tax claims	1.457.463	809.969	(877.877)	-	-	1.389.555
	174.448.142	**258.817.767**	**(266.290.227)**	**(8.974.402)**	**(30.820)**	**157.970.460**
Non-Current						
Pension liability	190.658.366	12.045.152	(17.784.011)	-	(623.423)	184.296.084
Provision for dismantling	57.139.640	178.533	(162.142)	(12.521.016)	3.864.939	48.499.954
Provision for third party and labor claims (Note 30)	10.672.639	4.406.648	(3.066.774)	(1.935.228)	-	10.077.285
	258.470.645	**16.630.333**	**(21.012.927)**	**(14.456.244)**	**3.241.516**	**242.873.323**

22. SHAREHOLDERS' EQUITY, NET

The authorized, subscribed, and paid-in capital as of December 31, 2022 and 2021 is presented below:

Authorized capital	1.454.870.740
Subscribed and paid-in capital	3.410.076
Nominal value (in pesos)	1

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

The equity interest as of December 31, 2022, and 2021, 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%
	3.410.075.788	**100,0000000%**

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, 2022 and 2021 its value is $9,822,380,645.

Reserves

The following is the movement as of December 31, 2022:

	As of december, 31, 2021	constitution of reserves	Dividends decreed and paid	As of december, 31, 2022
Reserves:				
Voluntary reserves (1)	38.686.537	101.588.959	(101.588.959)	38.686.537
Statutory reserves (2)	26.298.376	-	-	26.298.376
Legal reserve (3)	6.045.752	-	-	6.045.752
	71.030.665	**101.588.959**	**(101.588.959)**	**71.030.665**

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

a) Occasional reserve: the Shareholders' Meeting by Act No. 068 of March 16, 2020, constituted a reserve for $34,925,054 corresponding to profits obtained during 2019, and by Act No.074 of March 16, 2022, constituted a new reserve for $101,588,959, corresponding to profits obtained during 2021. On July 21, 2022, the Stockholders' Meeting decreed to pay dividends as follows: direct payment to the stockholders for $95,769,390 in December 2022 and $5,819,569 for withholding at the source for the payment of dividends to the stockholders. This amount was transferred to the National Tax and Customs Office for a total of $101,588,959.

b) Reserve for future expansions: Reserve created by the Company for future expansions, which is not distributable. The balance of this reserve as of December 31, 2022, and 2021 amounts to $3,730,162.

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

c) Reserve for share repurchase: Reserve constituted by the Group for share repurchase, non-distributable and whose balance as of December 31, 2022, and 2021 is $31,321.

(2) For tax provisions: The Company, 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, constitutes 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 non-income taxable income. As of December 31, 2022, and 2021, the reserve amounted to $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 a reserve.

(3) Legal Reserve: The Reserve constituted by the Company as of December 31, 2022, and 2021 is $6,045,752.

Other Comprehensive Income

The Company recognized net (loss) income in Other Comprehensive Income (OCI) on December 31, 2022, for $105,117,411 and in 2021 for $351,245,430.

The decrease during 2022 is mainly due to: i) the valuation of hedging derivative instruments net of taxes for $98,259,922, which mainly corresponds to the devaluation of the peso against the dollar with an impact on the Libor and IBR interest curves; ii) actuarial loss for post-employment benefits for $6,857,489.

Revaluation surplus net of taxes

The Company for the year ended December 31, 2022, and 2021 transferred directly to retained earnings the write-offs and the value associated with the realized depreciation of revalued assets and the corresponding deferred tax of $34,901,576 and $24,224,877, respectively.

23. OPERATING INCOME

Income from contracts with customers is presented below:

	Year ended December, 31	
	2022	**2021**
Mobile services (1)		
Data services	1.494.057.434	1.478.433.587
Voice services	661.270.656	593.274.301
Added value services	196.465.094	204.633.408
Roaming out	42.649.728	44.601.061
	2.394.442.912	**2.320.942.357**
Fixed services (1)		
Technological capabilities and solutions	978.662.572	618.085.560
Data services	800.269.910	737.252.772
Television revenue	287.549.857	243.468.036
Fixed voice services	193.277.707	257.498.019
	2.259.760.046	**1.856.304.387**
Sale of terminal equipment (2)	1.096.179.236	729.908.999
Digital services (3)	575.345.775	519.633.340
Interconnection services (4)	285.209.515	289.347.670
Sale of equipment for fixed services (5)	71.317.169	31.325.628
Other data - virtual mobile operator	36.588.426	38.734.308
Roaming services (6)	30.362.321	14.280.686
	2.095.002.442	**1.623.230.631**
	6.749.205.400	**5.800.477.375**

Revenues from contracts with customers are generated by the provision of services and the sale of goods continuously throughout the period.

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

As of December 31, 2022 and 2021 include operating income with related parties of $420,713,428 and $51,787,413, respectively (Note 29).

(1) The increase in revenues during the year 2022 is mainly due to the strengthening of the commercial dynamics that allow the growth of accesses in the service lines, both in corporate and mass customers, through the deployment of fiber optics and integrated solutions.

(2) During 2022, there will be an increase in the sale of mobile equipment compared to the same period of 2021 as a result of the commercial strategies implemented, guaranteeing the availability of terminals in the different sales channels and new financing options through strategic allies.

(3) The increase corresponds mainly to security, capacity, and storage revenues with the technological and information solutions provided to corporate customers.

(4) The decrease during 2022 corresponds to the impact of tariff adjustments made by the regulator for interconnection services.

(5) The growth corresponds mainly to the increase in coverage of internet services provided over fiber through the use of Wifi amplifiers.

(6) The increase during the year 2022 is due to the rise in traffic, mainly due to greater international mobility of customers compared to the year 2021.

24. OTHER OPERATING INCOME

Other operating revenues are presented below:

	Year ended December, 31	
	2022	2021
Sale of movable and immovable property (1)	932.070.606	9.669.484
Other operating income (2)	138.943.538	65.820.087
Work carried out for fixed assets (3)	43.677.028	38.445.390
Leasing investment property (4)	161.167	131.490
	1.114.852.339	**114.066.451**

(1) The growth corresponds mainly to the sale of fiber optic assets to Onnet Fibra Colombia S. A. S. (Note 1(c)), which generated a net income of $746,894 million, as follows: (i) income from the sale of assets for $1,307,473 million, (ii) Earn Out for $308,898 million, (iii) write-offs from the sale of assets for ($235. 180) million, (iv) write-off of Goodwill ($16,468) million, (v) control premium of ($67,278) million, (vi) deferral of contract exclusivity of ($397,472) million and Earn-Out of ($93,905) million, (vii) transaction structure expenses and exchange rate hedges of ($59,174) million. Additionally, the year-end includes the sale of assets, mainly rooftop towers and real estate, for a net amount of $166,001.

(2) The increase corresponds mainly to the amortization of the exclusivity income during the year 2022 for $70,237 million in accordance with the commitment acquired in the connectivity contract for the transaction of the sale of fiber optic assets (Note 1(c)). Additionally, income from logistical and commercial support services, administrative platforms, and income for breach of contract of third parties are included.

(3) The increase during 2022 corresponds mainly to work performed by the Group's direct personnel, who perform work related to the development and start-up of fixed assets.

(4) Corresponds to rental income from investment properties that, as of December 31, 2022, and 2021 present a balance in the statement of financial position of $8,045,056.

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

25. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Year ended December, 31	
	2022	**2021**
Equipment Cost (1) (Notes 8 y 10)	1.344.998.239	964.486.986
Renting & third party activities to customers(2)	490.809.307	330.448.161
Labor costs (3)	478.039.534	436.542.915
Renting media and other network infrastructures (4)	435.009.789	239.620.079
Other operating costs and expenses(5)	422.328.391	346.336.847
Interconnection and roaming	347.395.611	336.124.270
Content providers (6)	294.962.388	240.415.188
Tributes and considerations (7)	277.988.075	245.123.519
Equipment and facility maintenance	260.467.764	256.583.943
Sales and contract fees (8)	256.747.724	189.944.804
Energy service (9)	225.266.524	177.870.951
Advertising (10)	185.902.251	163.249.745
Computer services	156.069.940	152.038.024
Impairment (recovery) of the portafolio(11) (Note 7)	95.108.531	(41.968.531)
Cost of fulfilling contracts (Note 8)	70.106.291	66.846.026
Customer service	66.802.347	59.409.354
Other costs and expenses and non-recurring (12)	15.779.045	12.378.204
(Recovery) Inventory provision(13) (Note 10)	(1.393.262)	120.769
	5.422.388.489	**4.175.571.254**

The net variation presented between the years ended December 31, 2022, and 2021 corresponds mainly to: i) an increase due to the execution of new contracts for integral solutions with corporate clients; ii) an increase in the cost of sales due to commercial activity, mainly of mobile terminals by 12.14% and materials for the execution of fiber optic deployment projects; iii) network infrastructure services generated by increased commercial activity mainly in corporate projects; and, iv) higher impairment of accounts receivable due to growth in additions in accordance with commercial activity.

During the years ended December 31, 2022, and 2021, operating expenses with related parties are included for $503,242,722 and $318,525,605, respectively (Note 29).

(1) During the years 2022 and 2021, consumption of inventories carried at the cost of sales of $1,245,000,795 and $864,238,939 (Note 10) and amortization of customer premises equipment costs of $99,997,444 and $100,248,047 (Note 8), respectively, were recognized. The increase during the year ended December 31, 2022, corresponds to higher commercial activity, mainly in mobile terminals, customer premises equipment, and materials for the execution of fiber optic deployment projects, compared to the same period of 2021.

(2) The increase during the year ended December 31, 2022, corresponds mainly to the execution of new integrated solutions contracts with corporate clients.

(3) The variation during the year ended December 31, 2022, corresponds mainly to the increase in compensation to direct personnel, including the increase in commissions directly related to the commercial activity of the year 2022.

(4) The variation during the year ended December 31, 2022, compared to the same period of 2021, corresponds mainly to new connectivity projects and digital services for the business segment.

(5) The increase during the year ended December 31, 2022, corresponds mainly to collection management related to the commercial portfolio and execution of corporate projects, compared to the same period of 2021.

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

(6) The growth is mainly due to the acquisition of entertainment platforms for customers.

(7) The increase during the year 2022 corresponds mainly to the liability as taxpayers of current taxes such as public lighting, telephone tax, and municipal surtaxes compared to the year 2021, where tax exemptions were in force due to the pandemic. Additionally, in the year 2022, there is an increase in the levy on financial movements and an increase in the ICA tax generated by income growth.

(8) During the years ended December 31, 2022, and 2021, includes the amortization of costs of obtaining contracts for $89,625,015 and $40,058,765, respectively (Note 8). The increase corresponds to higher commercial activity during 2022.

(9) The increase during the year ended December 31, 2022, corresponds mainly to the volume of consumption and tariff increases in public services.

(10) The increase during the year ended December 31, 2022, corresponds mainly to a higher volume of media campaigns such as ElegiApps and fiber optic services in homes.

(11) The increase in spending in 2022 is mainly due to the rise in commercial activity. In 2021 there was a portfolio recovery with Empresa de Teléfonos de Bogotá SA E.S.P.

(12) At the closing of December 31, 2022, there was an increase in litigation, petitions, complaints, and claims (PQR) from clients before the Superintendence of Industry and Commerce.

(13) The decrease during the year ended December 31, 2022, is mainly due to the change in the accounting estimate of the provision going from 50% with an age of more than 180 days to 100% with an age of more than 360 days, unifying the criteria for mobile and fixed terminals (Note 10).

26. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are presented below:

	Year ended December, 31	
	2022	**2021**
Depreciation of properties, plant and equipment (Note 15)	601.336.726	641.284.852
Amortization of intangible assets (Note 16)	502.850.376	517.423.693
Depreciation of assets by rights of use (Note 14)	287.600.733	242.936.486
	1.391.787.835	**1.401.645.031**

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

27. FINANCIAL EXPENSES, NET

Financial expenses, net are presented below:

	Year ended December, 31	
	2022	**2021**
Income:		
Financial income for transactions with related company (1)	56.615.959	-
Clients' interest in arrears (2)	26.885.673	19.075.571
Income from temporary investments and bank loans (Note 5)	1.654.034	1.816.000
	85.155.666	**20.891.571**
Expenses:		
Interest on loans, financial obligations and bonds (3)	(261.009.081)	(195.213.795)
Financial expenses for leases (4)	(89.014.210)	(72.077.673)
Interest hedging transactions, net (5)	(72.778.679)	(123.405.769)
Expenses for loans from spectrum suppliers (6)	(66.201.488)	
Other financial expenses (7)	(58.529.951)	(42.770.080)
Financial update of liabilities (8)	(18.603.969)	(14.428.929)
Tax on financial transactions	(915.021)	(557.626)
	(567.052.399)	**(448.453.872)**
Exchange difference gain (loss), net	611.477	(1.159.801)
	(566.440.922)	**(449.613.673)**
	(481.285.256)	**(428.722.102)**

The net increase is explained by: (i) interest associated with the renewal of the mobile radio spectrum license (Note 2.3 (a)), (ii) the increase in interest on financial obligations caused by the impact of the 20,82% devaluation of the Colombian peso against the US dollar, (iii) lower hedging expenses associated with the prepayment of the US dollar debt in January 2022, increase in interest rate curves positively affects the valuation of IBR swaps instruments.

(1) The increase in 2022 corresponds to the interest on the long-term loan with the associated company Alamo Hodlco established in the framework contract for the sale of fiber optic assets made in January 2022.

(2) During the year ended December 31, 2022, there is an increase with respect to 2021 in interest on late payments generated by the management of portfolio recovery with customers.

(3) Mainly includes interest on the senior bond for the year ended December 31, 2022, and 2021 for $106,140,906 and $93,249,698, on the local bond for $40,219,812 and $31,577,682 and financial obligations for $114,648,363 and $70,386,415 respectively, the increase is due to increases in interest rates and the impact of the devaluation of the peso against the U.S. dollar.

(4) During the year ended December 31, 2022, there is an increase with respect to 2021 due to renewals and subscriptions of new sales contracts with leaseback.

(5) The decrease during the year 2022 is mainly due to the benefit in settlement of hedging operations associated with the debt in dollars prepaid in January 2022.

(6) Corresponds to financial indexation for renewing the 1,900 MHz spectrum for 20 years (Note 2.2 (a)).

(7) The increase during 2022 corresponds mainly to the recognition of the financial component of the long-term exclusivity contract related to optical fiber for $35,376 million (Note 29.3). Additionally, it includes the indexation of the obligations to make financial commissions.

(8) As of December 31, 2022, and 2021, it includes the expense for the restatement of the pension liability for $13,122,918 and $12,045,152 and the restatement of the provision for decommissioning of fixed assets for $5,481,051 and $2,383,777, respectively.

28. GESTIÓN DE RIESGOS

The most significant risks and uncertainties faced by the Group that could affect the business, its financial position, results, and/or cash flows are described below and should be considered together with the information contained in these condensed consolidated interim financial statements.

They are presented below and grouped into four categories: business, operational, financial, and legal and regulatory compliance

28.1. Risks related to the business

The Group's competitive position in the market could be affected by the evolution of competition and market consolidation.

The Group operates in highly competitive markets, so there is a risk that it may not be able to market its products and services efficiently or react adequately to the various commercial actions carried out by competitors, failing to meet its growth and customer retention objectives, putting its future revenues and profitability at risk.

Increased competition and the entry of new competitors may affect the Group's competitive position, negatively impacting revenue performance, customer share, or increasing costs. In addition, changes in competitive dynamics, with aggressive customer acquisition offers, including unlimited data and discounts on certain services, among others, may affect the competitive position and efficiency of the Group's operations.

If the Group were not able to successfully meet these challenges, the business, financial position, operating results, and/or cash flows could be adversely affected. However, the Group's management has adequate resources and processes in place to enable it to respond in the timeliest manner to each of these situations.

The Group requires licenses and permits for the provision of most of its services and for the use of spectrum, which is a scarce and costly resource.

The telecommunications sector is subject to specific sector regulations. The fact that Group's highly regulated business affects revenues, operating income before depreciation and amortization (EBITDA), and investments.

Many of the Group's activities (such as the provision of telephone services, pay television, installation, and operation of telecommunications networks, etc.) require licenses or authorizations from governmental authorities, which generally require the Group to meet certain obligations, including specified minimum quality levels, service and coverage conditions. Failure to comply with any of these obligations could result in consequences such as financial or other penalties, which, in the worst case, could affect business continuity. Exceptionally, in certain jurisdictions, license grants may be modified prior to expiration, or new obligations may be imposed at the time of renewal or even non-renewal of licenses.

Access to new spectrum licenses.

The Group needs a sufficient spectrum to offer its services. Failure to obtain sufficient spectrum capacity to operate, or its inability to bear the related costs, could have an adverse impact on its ability to maintain the quality of existing services and its ability to launch and provide new services, which could materially adversely affect the Group's business, financial condition, results of operations and/or cash flows.

The intention is to have the necessary spectrum capacity to maintain services and expand them, specifically through participation in spectrum auctions expected to take place in the coming years, which will require possible cash outflows to obtain additional spectrum or to meet the coverage requirements associated with some of these licenses

In Colombia, both the 5G Plan and the Spectrum Public Policy 2020-2024 and the Spectrum Allocation Framework Plan 2020-2024 were published, announcing that actions will be taken to carry out auctions of the remaining spectrum in the 700 MHz, 1,900 MHz, and 2,500 MHz bands, without indicating an approximate date. Additionally, the Ministry of Information and Communications Technologies (MinTic) announced the spectrum auction in the 3.5 GHz band, which has been postponed without setting a specific date for the process. The Group has requested the Ministry of Information and Communications Technologies (MinTic) to delay any spectrum auction until the review of the spectrum valuation methodology is completed, to align its costs to the spectrum value generation capacity, and that measures are established to avoid resource hoarding by operators.

Existing licenses: renewal processes and modification of service operating conditions.

The revocation or non-renewal of the Group's existing licenses, authorizations, concessions, or any challenge or modification of their terms, could significantly affect the business, financial position, results of operations, and/or cash flows.

The Group, in April 2021, requested the renewal of one of the permits for 15 MHz of spectrum in the 1,900 MHz band, which was valid until October 18, 2021. The MinTic adopted a resolution on October 15, 2021, establishing the conditions for the renewal of such a license. The Group appealed against the resolution to reduce the amount proposed for the license renewal. The Ministry decided with resolution 2143 of June 17, 2022, to renew the 15 MHz for 20 years, to revoke the technological update obligations, accepting that these obligations must be valued and be part of the price, which generates a positive precedent for future renewal and/or spectrum assignment processes. It also modified the renewal value to a value 19% lower than that of October 2021.

The Group depends on a network of suppliers.

The existence of critical suppliers in the supply chain, especially in areas such as network infrastructure, information systems, or terminals with a high concentration of a small number of suppliers, poses risks that could affect the Group's operations, as well as cause eventual legal contingencies or damage to the Group's image in the event of practices that do not meet acceptable standards or in a manner that does not meet the Group's performance expectations of any participant in the supply chain. This includes delays in the completion of projects or deliveries, poor quality execution, cost deviations, and inappropriate practices.

As of December 31, 2022, the Group had 12 suppliers of mobile terminals (none of them located in China). In addition, the Group has 30 infrastructure suppliers. The amount awarded for mobile terminals corresponds to 20% of the total awards made in the third quarter of 2022 and 10% for infrastructure providers. The mobile terminals supplier with the highest share of the amount awarded for this category is 27%. For infrastructure providers, the one with the highest share is 58% of the amount awarded to these providers. These suppliers can, among other things, extend delivery times, raise prices and limit supply due to a lack of stock and business requirements or other reasons.

If suppliers are unable to supply their products within the agreed deadlines or such products and services do not meet the requirements, this could jeopardize the network deployment and expansion plans, which in some instances could affect compliance with the terms and conditions of the securities under which the Group operates or compromise business and operating results. In this regard, the possible adoption of protectionist measures in certain parts of the world, including those resulting from the outcome of trade tensions between the United States and China and/or the adoption of containment or other restrictive measures as a result of the COVID-19 pandemic or any other crisis or pandemic, could adversely affect some of the Group's suppliers and other operators in the sector.

The semiconductor industry, in particular, is facing a number of challenges mainly as a result of global supply issues, which in turn are affecting multiple sectors (including technology) through delivery delays and price increases, which could affect the Group or other actors relevant to its business, including its customers, suppliers, and partners. During 2022 and 2021, the Group has conducted specific monitoring, and action plans have been developed with respect to supply chain challenges resulting from the COVID-19 pandemic, as well as the potential disruption to the use of certain suppliers as a result of the conflict between the United States and China.

The imposition of trade restrictions and any supply chain disruptions, such as those related to international transportation, may result in higher costs and lower margins or affect the Group's ability to offer its products and services and could adversely affect the Group's business, financial condition, operating results and/or cash flows.

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, obliging us to update them constantly. 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 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 before these new players in the sector

Consequently, it could be costly for the Group to develop the products and technologies necessary to continue competing efficiently with current or future competitors. It is therefore important 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, increase processing and data storage capacities, and increase 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.

One of the technologies that telecommunications operators, including the Group, are currently investing in is the new FTTxtype networks, which offer high-performance broadband access over fiber optics. However, the deployment of such networks, in which fiber optics replaces all or part of the copper in the access loop, involves high investments. There is a growing demand for the services offered by the new networks to end customers; however, the high level of investment requires continuous analysis of the return on investment, and there is no certainty as to the profitability of these investments.

Additionally, the adaptability of the Group's information systems, both operational and support, to adequately respond to the Group's operational needs is a relevant factor to consider in business development, customer satisfaction, and business efficiency. While automation and other digital processes can lead to significant cost savings and efficiency gains, there are significant risks associated with such process transformation.

Any failure by the Group to develop or implement IT systems that adequately respond to the Group's changing operational requirements could have a negative impact on the business, financial position, operating results, and/or cash generation.

28.2 Operational risks.

Information technology is a relevant element of our business and is exposed to cybersecurity risks.

Cybersecurity is among the most relevant risks for the Group due to the importance of information technology for its ability to successfully carry out operations. Despite progress in modernizing the network and in replacing old systems pending technological renewal, the Group operates in an environment of growing cyber threats, and all its products and services, such as, among others, mobile Internet or pay TV services, are intrinsically dependent on information technology systems and platforms that are susceptible to cyber-attack. Successful cyber-attacks can impede the effective marketing of products and services to customers, so further progress is needed in identifying technical vulnerabilities and security weaknesses in operational processes, as well as in the ability to detect and react to incidents. This includes the need to strengthen security controls in the supply chain (e.g., placing greater focus on the security measures adopted by partners and other third parties) and ensuring the security of cloud services.

Some of the main measures adopted by the Group to mitigate these risks are the early detection of vulnerabilities, the application of access controls to systems, the proactive review of security logs in critical components, the segregation of the network into zones, and the deployment of protection systems such as firewalls, intrusion prevention systems, and virus detection, among other physical and logical security measures. In the event that preventive and control measures do not prevent all damage to systems or data, there are backup systems designed to recover all or part of the information.

Risks Associated with Unplanned Network or System Outages

Network interruptions are situations inherent to the operation of any element that constitutes it, which affect the service, causing dissatisfaction among users due to the impossibility of communication, as well as 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 risks on unforeseen network interruptions is focused on being able to guarantee a periodic and efficient 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.

It should also be noted that natural disasters, climate change, and other factors beyond the Group's control can cause network failures, service interruptions, or loss of quality.

Unforeseen service interruptions may occur due to system failures, natural disasters caused by natural or meteorological phenomena, power failures, network failures, hardware or software failures, theft of network elements, or a cyber-attack. All of these can affect the quality or cause an interruption in the provision of services.

Changes in temperature and precipitation patterns associated with climate change can increase the energy consumption of telecommunications networks or cause service interruption due to extreme temperature waves, floods, or extreme weather phenomena, for which we have processes in place that allow us to respond in the timeliest manner to each of these situations.

28.3 Financial risks.

The economic or political environment deterioration may adversely affect the Group's business.

The Group is exposed to local legislation, as well as to the political and economic environment of the country. The mere uncertainty or possible variations in exchange rates or sovereign risk and increasing geopolitical tensions may adversely affect the Group's business, financial position, cash flows, and results of operations and/or the evolution of some or all of the Group's financial aggregates.

Colombia is exposed not only to changes in the global economy due to its vulnerability and exposure to abrupt movements in commodity prices but also to an unexpected tightening of global financial conditions.

The deteriorating fiscal situation resulting from COVID-19 and its macroeconomic effects could adversely affect future economic performance and social stability to the extent that fiscal consolidation drives further tax reforms or adjustments in the trajectory of social spending. The acceleration of inflation threatens to be more persistent than expected, generating a fierce reaction from the central bank, which could eventually result in an excessive deterioration of local financing conditions.

The Group faces risks related to its level of financial indebtedness, funding capacity, and ability to carry out the business plan.

The operation, expansion, and improvement of the Group's networks, the development and distribution of services and products, the execution of the overall strategic plan, the development and implementation of new technologies, the renewal of licenses, and expansion may require substantial financing.

The Group is a relevant and frequent debt issuer in the capital markets. As of December 31, 2022, and 2021, financial debt amounted to $6,369,183 million and $5,613,366 million, respectively (Note 18).

A decrease in the Group's liquidity, a difficulty in refinancing debt maturities, or in raising new funds as debt or equity could force the Group to use resources already allocated to investments or other commitments for the payment of its financial debt, which could have a negative effect on the Group's business, financial position, operating results and/or cash flows.

Financing could become more complex and costly in the event of a significant deterioration of conditions in international or local financial markets, due, for example, to monetary policies set by central banks, both due to possible interest rate hikes and decreases in the supply of credit, increased global political and commercial uncertainty and oil price volatility, or a possible deterioration in solvency or operating performance.

In addition, given the interrelationship between economic growth and financial stability, the materialization of any economic, political, and exchange rate risk factors mentioned above could adversely affect the Group's ability and cost to obtain financing and/or liquidity. This, in turn, could have a material adverse effect on the business, financial condition, operating results, and/or cash flows.

Finally, any downgrade in credit ratings could lead to an increase in borrowing costs and limit its ability to access credit markets.

The Group's financial condition and results could be affected if we do not effectively manage our exposure to foreign currency exchange rates or interest rates.

Interest rate risk arises principally from changes in interest rates affecting: (i) the interest costs of floating rate debt (or debt with short-term maturities and foreseeable rollover); and (ii) the value of long-term liabilities with fixed interest rates.

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. No significant impacts were identified in the financial risk assessment process.

Interest Rate Risk

Arises mainly from variations 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 risks

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

Credit risk

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

As of December 31, 2022, 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	USD
Senior Bonus	-	-	500	1.498.700	-	500	1.000
Debt in USD$/COP	-	-	-	600.000	152.410	-	-
Business Accounts	98	31	-	-	-	-	-
Future cash flows	12	-	-	-	-	-	-
	110	**31**	**500**	**2.098.700**	**152.410**	**500**	**1.000**

NDF: Non delivery forwards
IRS: Interest rate swap
CCIRS: Cross currency interest rate swap

As of December 31, 2021, 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	USD
Senior Bonus	-	-	500	1.498.700	-	500	500
Debt in USD$/COP	132	-	-	600.000	152.410	-	-
Business Accounts	40	11	-	-	-	-	-
Future cash flows	(52)	-	-	-	-	-	-
	120	**11**	**500**	**2.098.700**	**152.410**	**500**	**500**

Exchange Rate Risk

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

As of December 31, 2022, and 2021, the Group's debt in US dollars, including the senior bond maturing in 2030, is equivalent to USD 500 million and USD 632 million, respectively.

Additionally, considering the normal 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) 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:

Figures in thousands of US dollars:

	As of December 31,	
	2022	**2021**
Active		
Cash and cash equivalents (Note 5)	849	20.405
Debtors and other receivables (Note 7)	6.986	8.663
Related parties ((Note 29)	1.934	1.529
Total assets	**9.769**	**30.597**
Liabilities		
Financial obligations (Note 18)	511.275	643.333
Suppliers and accounts payable (Note 19)	156.931	114.551
Related parties (Note 29)	30.880	14.648
Total liabilities	**699.086**	**772.532**
Liabilities, net position	**(689.317)**	**(741.935)**

Figures in thousands of pesos:

	As of December 31,	
	2022	**2021**
Active		
Cash and cash equivalents (Note 5)	4.083.860	81.235.570
Debtors and other receivables (Note 7)	33.604.057	34.488.789
Related parties ((Note 29)	9.302.927	6.087.194
Total assets	**46.990.844**	**121.811.553**
Liabilities		
Financial obligations (Note 18)	2.459.335.005	2.561.211.606
Suppliers and accounts payable (Note 19)	754.869.496	456.045.859
Related parties (Note 29)	148.538.976	58.316.032
Total liabilities	**3.362.743.477**	**3.075.573.497**
Liabilities, net position	**(3.315.752.633)**	**(2.953.761.944)**

Interest Rate Risk

After hedging, the variable rate exposure is 23% 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, 2022, the fixed and variable rate debt was as follows:

Figures in millions of pesos

	Financial Obligations		
Fixed-rate obligations	**Value (1)**	**Participation**	**Index**
Debt in COP	1.400.000	32,53%	Tipo fijo
Senior Bonus	1.924.080	44,71%	Tipo fijo
	3.324.080	**77,24%**	
Variable-rate obligations			
Senior Bonus	481.020	11,18%	Flotante
Debt in COP	498.000	11,57%	Ibr3M
	979.020	**22,75%**	
	4.303.100	**100%**	

(1) Interest rate exposure after hedging.

As of December 31, 2021, 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

Figures in millions of pesos

	Financial Obligations		
Fixed-rate obligations	**Value (1)**	**Participation**	**Index**
Debt in COP	1.400.000	31,72%	Tipo fijo
Senior Bonus	1.592.464	36,08%	Tipo fijo
	2.992.464	**67,80%**	
Variable-rate obligations			
Senior Bonus	398.116	9,02%	Flotante
Debt in USD	525.513	11,91%	Libor3M
Debt in COP	498.000	11,28%	Ibr3M
	1.421.629	**32,21%**	
	4.414.093	**100%**	

Derivative Financial Instruments and Risk Management Policy

The breakdown of the Group's derivatives at December 31, 2022, 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:

		Notional Value (2) - Expirations *(Figures in millions of pesos)*	
Derivatives	**Fair value (1)**	**2023**	**Total**
Interest rate hedges:			
Cash flow hedges	(334.123)	-	-
	(334.123)	**-**	**-**
Exchange rate hedges:			
Cash flow hedges	5.757	58.499	58.499
Fair value hedges	19.720	631.586	631.586
	25.477	**690.085**	**690.085**
Interest rate and exchange rate coverage			
Cash flow hedges	771.506	-	-
	462.860	**690.085**	**690.085**

(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, 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:

		Notional Value (2) - Expirations *(Figures in millions of pesos)*		
Derivatives	**Fair value (1)**	**2022**	**Following**	**Total**
Interest rate hedges:				
Cash flow hedges	(105.136)	-	3.981.160	3.981.160
	(105.136)	**-**	**3.981.160**	**3.981.160**
Exchange rate hedges:				
Cash flow hedges	35.812	236.518	-	236.518
Fair value hedges	16.598	203.909	-	203.909
	52.410	**440.427**	**-**	**440.427**
Interest rate and exchange rate coverage				
Cash flow hedges	228.575	-	4.241.690	4.241.690
	175.849	**440.427**	**8.222.850**	**8.663.277**

(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.

Country Risk

Economic activity, measured through the *Indicador de Seguimiento a la Economía* (monthly proxy of GDP), showed a growth of 3% YoY as of November 2022, moderating compared to the rates recorded in the second and third quarters of the year, of 12.8% and 7%, respectively. The Colombian economy has been showing signs of deceleration, accentuated in the last quarter of the year, due to the deterioration of household purchasing power, the increase in the cost of credit, and the exhaustion of the impulse coming from pent-up demand. In addition, the prolonged winter affected agricultural production activity. Despite the above, economic activity levels remain high, and in November, they were 8.24% higher than the level recorded in February 2020, the pre-pandemic period.

Inflation continued to increase and closed the year at 13.12%, the highest in over two decades and well above the figure recorded at the end of the third quarter (11.4%). The sharp increase in food prices accounted for a large part of the inflation accumulated during the year; however, inflationary pressures have been generalized across the board, reflecting pressures from the depreciation of the exchange rate, the increase in regulated tariffs, and solid demand. In the fourth quarter of 2022, responding to the escalation of inflation, the de-anchoring of inflationary expectations, the tightening of global financial conditions, the increase in the local risk premium, and solid economic growth results, the Central Bank increased its benchmark rate to 12%, +200 bps with respect to September.

The exchange rate closed the year at $4,810.2 pesos per dollar, depreciating 20.8% for the close of 2021 ($3,981.16) and 4.8% for the close of the previous quarter. There was high volatility in the last quarter of 2022; the exchange rate reached over $5,000 pesos and reached historical highs in November 2022 in the context of the global strengthening of the dollar as a result of the aggressive rate hike cycle undertaken by the FED, high-risk aversion worldwide due to growing concerns of recession in developed countries and political uncertainty at the local level, associated with the evolution of the discussions of the tax reform, which was approved in December 2022, and the structural changes initially proposed by the incoming Government.

28.4 Legal and compliance risks

Legal proceedings.

The Group operates in highly regulated sectors and is party and maybe party in the future to litigation, regulatory proceedings, tax assessments, and others that arise in the ordinary course of its business whose outcome is unpredictable.

Management evaluates these situations based on the probable, possible, and remote nature of their occurrence and the amounts involved to decide on the amounts recognized and/or disclosed in the consolidated financial statements.

Further details of litigation, fines, and penalties can be found in Note 30 to the consolidated financial statements as of December 31, 2022.

An adverse outcome or an out-of-court settlement of these or other current or future litigation or disputes could impact the Group's financial position, results of operations, or cash generation

The Group is exposed to risks in relation to compliance with anti-corruption legislation and economic sanctions programs.

In Colombia, anti-corruption legislation establishes a series of specific obligations and prohibitions, both for companies and their partners, administrators, managers, and collaborators, established under Laws 599 of 2000 (Criminal Code), 1474 of 2011 (Anti-Corruption Statute), 1778 of 2016 (Law against Transnational Bribery) and 2195 of 2022.

Among other conducts, such rules prohibit offering any object of value to public or private officials to obtain or maintain business or secure any undue business advantage. Likewise, keeping books and records that do not adequately and accurately reflect transactions is prohibited.

However, with the issuance of Law 2195 of 2022, there was an expansion of the range of conducts considered as acts of corruption that includes crimes against public administration, the environment, economic and social order, financing of terrorism and organized crime groups, administration of resources related to terrorist activities and organized crime, those enshrined in Law 1474 of 2011 or any punishable conduct related to public assets. In this order and in accordance with the meaning given by the legislator, corruption includes various punishable conducts ranging from agreements restricting competition to environmental pollution, including the crimes of private corruption and unfair administration.

In this sense, due to the nature of its activity and the broad scope of what is understood as acts of corruption in Colombia, the Group's exposure to this risk has increased and, consequently, its probability of occurrence within the framework of the relationship between the Group and its different stakeholders.

In particular, this risk is especially relevant in the relationship between the Group and public officials and/or entities in the institutional, regulatory (it is a regulated activity in different orders), operational (in the deployment of its network, it is subject to obtaining multiple activity permits) and commercial (it provides services directly and indirectly to Public Administrations) areas.

In addition to having high exposure to the risk of corruption, the Group is subject to the authority of different regulators and compliance with various national or extra-territorial regulations, sometimes with shared competencies, making it very difficult to quantify the potential impact of any non-compliance, taking into account that such quantification must consider not only the economic amount of sanctions, but also their potential negative impact on the business, reputation and/or brand, and even, if applicable, on the ability to contract with the Public Administrations.

On the other hand, the Group is committed to developing its activity in compliance with the international sanctions regimes that may be applicable at any time and, consequently, to respect the restrictions and/or prohibitions that are imposed by governments, regulators, and/or other international organizations against governments/countries, individuals, entities and/or sectors of activity on the occasion of the development of activities that represent a danger to international security, peace or human rights, among others.

To this effect, the Board of Directors of the Telefónica Group published the Corporate Regulations on sanctions (November/2022), whose purpose is to define the main control elements to ensure compliance with such regimes in the framework of the relationship with its counterparties, including due diligence processes and controls of payments to suppliers and/or third parties, protection through contractual clauses, training and advice and monitoring of the control model.

Although the Group has internal policies and procedures in place to ensure compliance with the aforementioned anti-corruption and sanctions laws, it cannot guarantee that these will eliminate sources of risk or that the Group's employees, directors, officers, partners, agents and service providers will not act in violation of the policies and procedures (or, for that matter, in violation of the relevant anti-corruption and sanctions laws). For this reason, the Group currently cooperates with governmental authorities (where appropriate, by conducting the corresponding internal investigations) regarding requests for information potentially related, directly or indirectly, to possible violations of anti-corruption laws. The Group considers that any potential sanctions in the framework of these specific requests would not materially affect the Group's financial position, considering its size.

Notwithstanding the above, non-compliance with anti-corruption laws and sanctions could result not only in financial penalties but also in the termination of public contracts, revocation of authorizations and licenses, and the generation of a material adverse effect on the Group's reputation or business, and its financial condition, operating results and/or cash flows

29. 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 2022 and 2021, the Group made payments to the Colombian Government for contributions to the Ministry of Communications and Information Technologies (MINTIC) for $97,471,373 and $93,938,058 and the Communications Regulation Commission (CRC) for $6,964,311 and $6,548,999 respectively, on income obtained from the provision of network and telecommunications services

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

29.1. Accounts Receivable

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

Current

a) Shareholders

	As of December 31, 2022	As of December 31, 2021
From outside		
Telefónica Hispanoamerica S.A. (1)	16.282.486	4.152.844
	16.282.486	**4.152.844**

b) Economic relationships

National	As of December 31, 2022	As of December 31, 2021
Tiws Colombia II S.A.S.	6.848.683	19.347.173
Telxius Cable Colombia S.A.	578.032	910.344
Telefonica Cybersecurity Tech Colombia	153.685	54.740
Wayra Colombia S.A.S.	40.006	37.955
	7.620.406	**20.350.212**

	As of December 31, 2022	As of December 31, 2021
From outside		
TIWS II	7.513.974	5.694.385
Telefónica Móviles España S.A.	1.052.367	1.057.133
Telefónica Global Roaming GmbH	875.785	-
Otecel S.A.	702.603	1.740.371
Telefónica Móviles de Chile S.A.	322.050	151.585
Telefonica Brasil S.A	321.563	67.907
Telefónica Móviles Argentina S.A.	297.818	347.118
Telefónica del Perú S.A.	292.358	392.447
Telefónica Venezolana C.A.(a)	195.007	660.927
Telefonica Germany GMBH & CO OHG	147.445	247.262
Pegaso Pcs. S.A. de C.V.	144.199	283.195
Terra Networks Mexico S.A. de CV	79.943	57.182
Telefónica S.A.	24.751	398.787
Telefónica Móviles Uruguay S.A.	21.097	5.227
Tele Cybersecurity & Cloud	-	550.487
Telefónica Móviles El Salvador S.A.	-	82.044
	11.990.960	**11.736.057**
	19.611.366	**32.086.269**

(*) Corresponds to operator that as of 2022 is not part of Telefónica S. A. Group.

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

c) Associated Companies

	As of December 31,	
National	**2022**	**2021**
Onnet Fibra Colombia S.A.S. (3)	140.559.521	-
Telefónica Factoring Colombia S.A.	-	111.563
	140.559.521	**111.563**
From outside		
O2 T. UK Limited	228.853	52.778
	140.788.374	**164.341**
	176.682.226	**36.403.454**

Non-current

	As of December 31,	
	2022	**2021**
Alamo HolCo S.L.(4)	423.489.359	-
Onnet Fibra Colombia S.A.S. (3)	304.728.398	-
	728.217.757	**-**
Total receivables with related parties (Note 7)	**904.899.983**	**36.403.454**

(1) Increase at year-end 2022 includes charges for direct personnel providing support services, support, and regional consulting services.

(2) As of December 31, 2022, it includes cloud services, data, and a VPN connection. The decrease with respect to the end of 2021 corresponds mainly to portfolio collections.

(3) On December 31, 2022, the current portion includes $76,182 million corresponding to the Earn-Out generated by the sale of fiber optic assets and $78,781 million for fiber deployment services. The non-current portion corresponds to the Earn-Out with maturities in the long term.

(4) Corresponds to the portfolio generated by the sale of fiber optic assets, as follows: loan for $366,873,400 (Note 1(c)) and financial interest for $56,615,959.

The balances in foreign currency of domestic accounts receivable from related parties as of December 31, 2022, and 2021 are USD 1,934 thousand ($9,302,927) and USD 1,529 thousand ($6,087,194), respectively (Note 28).

29.2. Accounts payable

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

Current

a) Shareholders

	As of December 31,	
	2022	**2021**
From outside		
Telefónica Hispanoamerica S.A. (1)	9.622.788	-
	9.622.788	**-**

Nacionales

	As of December 31,	
	2022	**2021**
Telefonica Cybersecurity Tech Colombia	38.857.323	32.817.967
Telxius Cable Colombia S.A.	19.025.875	11.443.467
Tiws Colombia II S.A.S.	17.477.719	21.061.230
	75.360.917	**65.322.664**

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

b) Economic related parties

	As of December 31,	
	2022	**2021**
From outside		
TIWS II	31.182.254	23.008.723
Telefónica S.A.	19.647.698	19.306.362
Telefónica Digital España S.A.	17.466.888	14.501.390
Telefónica Global Technology	15.032.224	1.566.673
Telefónica USA Inc.	5.731.688	3.411.043
Telefónica Compras Electrónicas	4.173.282	3.502.888
Telefonica IOT & Big Data Tech, S.A	3.066.449	1.917.266
Telefónica Móviles España S.A.	2.029.992	770.137
Terra Networks Mexico S.A. de CV	1.388.772	1.458.743
Telefónica del Perú S.A.	1.071.005	571.738
Pegaso Pcs. S.A. de C.V.	966.155	875.551
Telefónica Servicios Audiovisuales	924.163	688.682
Otecel S.A.	523.189	1.722.820
Telefónica Global Roaming	399.247	1.178.426
Telefónica Brasil S.A	355.764	71315
Telefónica Venezolana C.A.	270.335	388.608
Telefónica Móviles Argentina S.A.	230.849	9.076.851
Telefónica Móviles de Chile	183.853	262.255
Telefónica Ingeniería de Seguridad	118.488	98.996
O2 Germany GMBH & CO OHG	69.894	79.345
Telefónica Móviles Uruguay S.A.	35.072	7.682
Telefonica Cibersecurity Tech S.L	-	124.620
Media Network Latin América	-	829.080
Telefonica Educacion Digital	-	29.731
E-Plus Mobilfunk GMBH & CO	-	317
Telefónica de Argentina S.A.	-	4.160.152
Telefónica Móviles El Salvador S.A.	-	7.104
	104.867.261	**89.616.498**

(*) Corresponds to operator that as of 2022 is not part of Telefónica S. A. Group.

Associated Companies

	As of December 31,	
	2022	**2021**
National		
Onnet Fibra Colombia (2)	37.025.755	-
From outside		
O2 T. UK Limited	133.106	315.531
	37.158.861	**315.531**
	142.026.122	**89.932.029**
Total suppliers and accounts payable with related parties (Note 19)	**227.009.827**	**155.254.693**

Non-current

	As of December 31,	
	2022	**2021**
Share-based payments		
Telefónica S.A.	4.817.768	2.140.956
Total suppliers and accounts payable with related parties (Note 19)	**4.817.768**	**2.140.956**

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

The balances in foreign currency of accounts payable in relation to related parties as of December 31, 2022, are USD 38,880 thousand ($148,538,976) and as of December 31, 2021, are USD 14,648 thousand ($58,316,032) (Note 28)

(1) The increase in 2022 includes charges for the provision of support services, support, and regional advisory services of direct personnel.

(2) Corresponds mainly to the use and access to the fiber optic network for connectivity.

29.3. 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	
	2022	2021	2022	2021
From outside				
Telefónica Hispanoamerica S.A.	18.492.995	4.152.844	8.379.832	-
	18.492.995	**4.152.844**	**8.379.832**	**-**

b) Financial Related Parties

	Year ended December 31,			
	Income		Costs and expenses	
	2022	2021	2022	2021
National				
Tiws Colombia II S.A.S.	18.890.622	25.348.898	24.699.337	27.325.373
Telxius Cable Colombia S.A.	4.894.770	2.294.311	46.563.710	40.163.464
Wayra Colombia S.A.S.	479.532	473.603	-	-
Telefonica Cybersecurity Tech Colombia	433.708	208.669	39.449.702	42.332.806
	24.698.632	**28.325.481**	**110.712.749**	**109.821.643**

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

	Year ended December 31,			
	Income		Costs and expenses	
	2022	2021	2022	2021
From outside				
TIWS II	18.905.235	23.195.181	58.536.612	50.701.893
Telefonica On The Spot Services	11.665.936	184.275	1.203.843	976.588
TEF Hispanoamerica	2.202.201	-	-	9.532.876
Pegaso Recursos Humanos S.A. de C.V.	1.964.289	-	-	-
Media Network Latin América	1.668.707	1.416.619	2.407.339	933.235
Telefónica Móviles España S.A.	1.119.523	442.529	211.425	60.551
Telefónica Móviles de Chile	777.052	1.244.782	487.289	1.083.091
Telefónica Brasil S.A	582.082	121.330	244.942	186.601
Telefónica del Perú S.A.	558.595	196.019	443.815	124.082
Otecel S.A.	251.282	131.156	319.027	185.275
Telefónica Móviles Argentina S.A.	220.066	148.383	3.305.808	2.648.396
Telefónica Educación Digital, S.L.U.	166.828	350.032	1.676.384	781.339
Terra Networks Mexico S.A. de CV	52.558	-	20.135.220	23.258.712
Pegaso Pcs. S.A. de C.V.	43.635	24.017	71.203	9.386
Telefónica Digital España S.A.	29.731	19.536	-	-
Telefónica Móviles Uruguay S.A.	11.643	5.009	305.050	84.177
Telefónica Ingeniería de Seguridad	11.231	1.939.952	64.542.064	58.079.561
Telefónica S.A.	155	187.154	245.411	75.915
Telefonica Germany GMBH & CO OHG	-	706.129	19.492	-
Telefónica Venezolana C.A.	-	1.599.142	-	-
Telefónica Empresas Chile S.A.	-	1.069.559	-	22.591
Telefónica Móviles El Salvador S.A.	-	550.487	98.949	4.595.671
Telefonica Cibersecurity Tech S.L	-	456.540	8.638.154	6.164.858
Telefónica Global Roaming	-	88.689	-	-
Telefonica Chile S.A.	-	12.692	8.719.962	8.006.878
Telefónica Compras Electrónicas	-	3.359	8.389.614	7.468.640
Telefónica USA Inc.	-	-	-	18.636
Telefónica de Costa Rica	-	-	-	-
E-Plus Mobilfunk GMBH & CO	-	-	23.522.527	24.343.508
Telefónica Global Technology	-	-	5.746.472	5.746.472
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	1.974.239	1.974.239
Telxius Cable	-	-	1.433.686	1.445.086
Telefónica Servicios Audiovisuales	-	-	-	144.124
Telefonica de Contenidos SAU	-	-	-	32.000
Telefonica Argentina S.A.	-	-	-	-
	40.230.749	**34.092.571**	**212.678.527**	**208.684.381**
	64.929.381	**62.418.052**	**323.391.276**	**318.506.024**

(*) Corresponds to operators that as of 2022 are not part of Telefónica S. A. Group.

c) Associated Companies

	Year ended December 31,			
	Income		Costs and expenses	
	2022	2021	2022	2021
National				
Onnet Fibra Colombia S.A.S. (1)	1.956.351.351	-	171.435.128	-
Telefónica Factoring Colombia S.A.	431.066	404.168	-	-
Alamo HolCo S.L.	-	-	-	-
	1.956.782.417	**404.168**	**171.435.128**	**-**
From outside				
O2 T. UK Limited	419.456	271.715	36.486	19.581
	419.456	**271.715**	**36.486**	**19.581**
	2.040.624.249	**67.246.779**	**503.242.722**	**318.525.605**

(1) The growth in revenues during 2022 corresponds mainly to the sale of fiber optic assets to Onnet Fibra Colombia S. A. S. (Note 1(c)) for $1,307,473 million, Earn Out revenues for $214,993 million, exclusivity revenues generated in the fiber optic master agreement for $70,239 million and deployment, operation and maintenance services for $363,646 million.

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

The growth in expenses during 2022 corresponds mainly to the use and access to the fiber optic network for connectivity during the period.

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

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

Operating Income:

	Year ended December 31,	
	2022	**2021**
Fixed services (1)	383.666.384	26.461.429
Roaming revenue (2)	16.904.062	3.046.998
Fixed interconnection	13.790.096	14.062.204
Digital services	5.673.052	6.225.506
Mobile services	670.335	293.169
Sale of terminal equipment	9.499	1.698.107
	420.713.428	**51.787.413**
Other operating income (3)	1.619.910.821	15.459.366
	2.040.624.249	**67.246.779**

(1) Mainly includes basic line services, connectivity, international long-distance, circuit rental, and international data.

(2) Increase in international roaming traffic mainly related to Telefónica Global Roaming Gmbh, Telefónica Móviles de Chile, Telefónica Móviles España S. A., Telefónica Móviles de Chile.

(3) The main increase is due to services associated with the exclusivity generated in the sale of fiber optic assets for $1,307,473 million. Additionally, it includes support services, regional support and advisory services, and fees for professional services.

Financial Income:

During 2022 financial income corresponds to interest generated on loan to Alamo Holdco linked to the sale of fiber optic assets for $56,615 million (Note 27), a financial restatement on the Earn-Out right for $2,771 million, and the net benefit from exchange rate fluctuation with related economic parties for $6,409 million.

Operating Costs and Expenses:

	Year ended December 31,	
	2022	**2021**
Media rental (1)	254.068.652	91.691.500
Advertising	62.078.273	54.062.844
Renting and third-party activities to customers	47.763.561	40.081.342
Interconnection and roaming	45.879.001	36.120.525
Other operating costs and expenses (2)	40.308.179	36.082.058
Other non-recurring costs and expenses (3)	24.376.144	39.891.352
Content providers	11.183.800	10.177.776
Terminal cost	9.874.499	2.398.620
Maintenance	3.866.643	3.332.434
Labor expenses	3.568.645	4.153.272
Sales commissions	275.325	533.882
	503.242.722	**318.525.605**

(1) The increase at year-end 2022 includes mainly service charges for use and access to the fiber optic network for connectivity.

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

(2) The increase in 2022 includes charges for the provision of support services, support, and regional advice from direct personnel.

(3) Includes charge for the provision of support services, support, and regional advisory services of direct personnel.

Financial Costs:

2022 corresponds to the financial component of the long-term exclusivity contract related to the sale of fiber optic assets for $35,376 million (Note 27).

Remuneration information for key management personnel

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

	Year ended December 31,	
	2022	**2021**
Wages, salaries and other benefits	16.060.335	15.203.863
Remuneration plan for managers (shares and annual bonus)	4.440.458	4.424.081
Institutional plans	2.967.855	6.949.275
Other benefits	461.082	435.177
Bonus for voluntary retirement	-	1.969.499
	23.929.730	**28.981.895**

30. CONTINGENCIES

The Group is subject to claims for regulatory proceedings, labor, tax settlements, and others arising in the ordinary course of business. The Group evaluates these situations based on the probable, possible, and remote nature of their occurrence and the amounts involved to decide on the amounts recognized and/or disclosed in the consolidated financial statements. This analysis, which may require considerable judgment, includes reviewing legal proceedings instituted against any claims yet to be initiated, all supported by reports and evaluation of the Group's legal advisors. A provision is recognized when the Group has a present obligation due to a past event, an outflow of resources will probably be required to settle the obligation, and a reliable estimate can be made of the obligation amoun.

As of December 31, 2022, 2,446 processes are in progress, of which 150 correspond to probable contingencies, 955 are classified as possible, and 1,341 are classified as remote

1. Probable Proceedings

The following details the proceedings classified as highly probable (Note 21).

	As of December 31,			
	2022		**2021**	
	Quantity	**Value**	**Quantity**	**Value**
Currents:				
Investigaciones administrativas de usuarios (1)	54	6.701.584	21	2.607.434
	54	**6.701.584**	**21**	**2.607.434**
Non-current:				
Legal processes (2)	54	4.890.737	47	6.992.227
Labor proceses	27	2.069.195	29	2.045.500
Administrative, regulatory and competency investigations (3)	15	7.731.708	11	1.039.558
	96	**14.691.640**	**87**	**10.077.285**
	150	**21.393.224**	**108**	**12.684.719**

1. Includes processes related to requests, complaints, and claims (PQR) from customers, which are in the process of being discussed with the regulator.

2. Includes mainly civil and administrative process petitions.

3. Includes mainly requests for administrative and regulatory processes through the superintendence of industry and commerce and the Ministry of Information and Communications Technologies of Colombia.

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 494 open processes classified as possible for a value of $120,751,142. 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 376 open lawsuits classified as possible for an amount of $47,618,832

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 $2,834,844.

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 $6,248,393.

iii. Regulatory: Administrative proceedings initiated by oversight and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 14 possible proceedings for $5,508,451.

31. 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. E.S.P. entered into an Alliance on December 2, 2013, to jointly execute the deployment of the Telecommunications Network, under 4G LTE technology. 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 their telecommunications services under conditions of freedom and competition without sharing or ceding the spectrum. On October 18, 2022, Addendum No. 5 to the alliance was signed to extend its term until December 2, 2028.

Significant Contracts

Below is a detail of the contracts entered into with suppliers in force as of December 31, 2022, and which are considered significant:

	Contractor	Object of the contract	Completion Date	Contract value (COP$000)
1	ATP FIBER COLOMBIA SAS	The purpose of the contract is to establish the terms and conditions that will be applicable between the parties in relation to the provision of connectivity services through a network.	21/05/2030	717,102,015
2	ATC Fibra de Colombia S. A. S.	The purpose of the contract is to establish the terms and conditions applicable between the parties in relation to the provision of the connectivity service ATC is obliged to supply with the periodicity in the place and the quantity requested on a network pon.	18/12/2029	566,114,047
3	PHOENIX TOWER INTERNATIONAL COLOMBIA	Lease of tower space	29/05/2029	552,077,199
4	ENERGIA INTEGRAL ANDINA S. A.	Provision of carrier services through its submarine fiber optic cable system network called San André Islas - Tolú Colombia.	30/06/2030	477,705,739
5	CISCO SYSTEMS INC	Cisco Colombia equipment agreement for Cisco goods and services customers.	28/02/2025	465,161,857
6	NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	The purpose of the contract will be to supply by the contractor for networks and/or fixed access equipment Nokia brand owned by the contractor and/or third parties with whom the contractor enters into contracts and/or agreements for the construction, operation, and maintenance of telecommunications networks and related activities.	31/12/2023	365,884,329
7	INTELSAT GLOBAL SALES & MARKETING LTDA	satellite capacity service	30/06/2023	352,543,974
8	ARRIS SOLUTIONS INC	Supply of HD-DTH STB and IPTV decoders in fob modality.	31/12/2023	332,493,742
9	ATC SITIOS DE COLOMBIA S. A. S.	Rights of use and enjoyment of the towers and grant on gratuitous bailment or loan of use of the areas.	30/06/2023	330,460,740
10	SEGURIDAD ATLAS LTDA	To provide private security services for the contractor's assets, infrastructure, and facilities.	30/06/2023	309,650,092
11	ENERGIA INTEGRAL ANDINA S. A.	Supply of transport capacities in submarine cable san andres- (ii) subscription of lease contract.	31/03/2032	308,588,761
12	PHOENIX TOWER INTERNATIONAL COLOMBIA	Sale of infrastructure sites	21/09/2024	286,858,576
13	ACTIVIDADES DE INSTALACIONES Y SERVICIOS COBRA, S. A.	Customer loop service consisting of integrated installation and maintenance of telecommunications equipment, infrastructure, and networks.	31/05/2025	270,397,133
14	MITRASTAR TECHNOLOGY CORPORATIONS	Supply of vdsl modems - iad - light, iad-plus, ont hgu, and baseport in dap fob modality.	31/12/2024	264,643,327
15	COMFICA SOLUCIONES INTEGRALES SL	Customer loop services consisting of the installation and maintenance of integrated infrastructure equipment and telecommunications networks in the area known as bogotá 1.	30/06/2025	246,916,603

	Contractor	Object of the contract	Completion Date	Contract value (COP$000)
16	HUMAX DIGITAL GMBH	Supply of hd iptv wifi decoders in fob and dap mode.	31/12/2023	233,555,313
17	LITEYCA DE COLOMBIA S A S	Service called loop consisting of the integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	224,630,073
18	HUAWEI TECHNOLOGIES COLOMBIA S. A. S.	Supply of goods and services necessary to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the sigres platform, training, and technical support, which will allow the expansion of the adsl 2+ ports.	31/12/2023	223,050,257
19	OPERACION Y GESTION INTEGRAL S. A. S.	Services called customer loop consisting of (i) the integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	219,858,649
20	INMEL INGENIERIA SAS	Customer loop service consisting of the integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	196,978,536
21	OPERACIONES TECNOLÓGICAS Y COMERCIALES OPTECOM S. A. S.	Design, supervision, and auditing services of network projects for deploying the ftth network. | Services for network projects.	31/12/2024	195,346,757
22	ASKEY COMPUTER CORP.	Supply of vdsl. iad. vdsl plus modems in dap and fob modality.	31/12/2024	187,543,437
23	ATC SITIOS DE COLOMBIA S. A. S.	Rights of use and enjoyment of the towers and grant on gratuitous bailment or loan of use, the areas.	23/06/2023	178,939,440
24	HP COLOMBIA S. A. S.	Supply, on a regular basis, at the place and in the amount indicated by the contracting party, computer equipment with associated software, printers, accessories, and pos (point of sales solutions) for the computer workstation customer (pdti) and the computer sales and purchase customer.	31/03/2025	173,454,034
25	CARIBEMAR DE LA COSTA SAS ESP	Supply of electricity through the unregulated market for the Group's facilities.	31/12/2024	172,481,329
26	WESTCON GROUP COLOMBIA LTDA	Supply the following goods with the periodicity in the place and quantity indicated by the contractor. utm firewall, web content filter, anti-malware system, and proxy, in addition to granting the licensing of the use of software for the goods that apply on the checkpoint and blue coat brands to provide support services.	30/04/2025	168,251,877
27	INFINERA COLOMBIA SAS	To provide, with the periodicity in the place and the quantity indicated by the contractor, supply of technology equipment (hereinafter the bs) and integration services, operation and maintenance of technology equipment dwdm comprising: demands/capacities of 100/10/1eg/fc/sdh	31/12/2024	164,383,966
28	EMCOMUNITEL S. A. S.	Customer loop service consisting of integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	147,443,570
29	OPERACIONES TECNOLÓGICAS Y COMERCIALES OPTECOM S. A. S.	Customer loop service, consisting of (i) the integrated installation and maintenance of infrastructure equipment and telecommunications networks.	31/05/2025	138,935,913
30	YEAPDATA SAS	To supply goods, licenses, design, configuration, implementation, maintenance, and support services for the telecommunications solutions required by the contractor's end customers under the Avaya brand. And to supply managed services for Avaya-branded telecommunications solutions and complementary products.	31/12/2025	137,723,289

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

32. 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,	
	2022	**2021**
Net profit for the period	(79.132.425)	97.192.785
More:		
Depreciation and amortization (Note 26)	1.391.787.835	1.401.645.031
Financial expense, net (Note 27)	481.285.256	428.722.102
Participation method equity (Note 13)	67.197.550	-
Income and complementary taxes (Note 11)	580.531.034	(188.587.346)
EBITDA	**2.441.669.250**	**1.738.972.572**

EBITDA: corresponds to income before depreciation and amortization, financial expense, equity method, 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,	
	2022	**2021**
a) Total indebtedness level (1)	68,074%	62,612%
b) Short-term indebtedness level (2)	34,176%	31,400%

(1) The level of total indebtedness increased mainly due to the acquisition of the financed spectrum, the increase in interest rates, the devaluation of the peso against the dollar, and the acquisition of goods and services to meet the commercial offer.

(2) The level of short-term indebtedness increases mainly due to finance leases and commitments with suppliers and accounts payable generated by the increased commercial activity and the execution of CapEx at the end of 2022.

2.2. Solvency Ratios:

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

	As of December 31,	
	2022	**2021**
Solvency Index (1)	1,469 v	1,597 v

(1) The solvency ratio measures a company's ability to pay its debts. As of December 31, 2022, there is a decrease mainly due to the effects of the devaluation of the peso against the dollar and the commitments with suppliers and accounts payable generated by the increased commercial activity and execution of CapEx at the end of 2022.

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

2.3. Profitability ratios:

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,	
	2022	**2021**
a) Operational margin (1)	13,350%	5,703%
b) EBITDA Margin (2)	31,048%	29,402%

(1) The improvement during 2022 corresponds mainly to the sale of fiber optic assets to Onnet Fibra Colombia S. A. S. (Note 1 (c)). Excluding this impact, the adjusted operating margin is 3.0%, presenting a decrease due to the impact of the peso's devaluation against the dollar, mainly due to commercial costs related to the higher commercial activity.

(2) The improvement during 2022 corresponds mainly to the sale of fiber optic assets to Onnet Fibra Colombia S. A. S. (Note 1 (c)). Excluding this impact, the adjusted EBITDA margin is 22.8%. Its variation corresponds mainly to the commercial costs related to the higher commercial activity, partially offset by the positive results of business revenues and higher margins in mobile terminals.

2.4. Liquidity ratios

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

	As of December 31,	
	2022	**2021**
a) Net working capital	(379.592.523)	177.332.981
b) Ordinary reason	0,890	1,067
c) Acid test	0,748	0,955

These indicators are static measures of the resources available at a given time to meet short-term obligations. The variation corresponds mainly to the increase in obligations in dollars due to the 20.8% devaluation and payment of 20% of the spectrum acquisition in the 1900MHz band. In this sense, the analysis of short-term liquidity and solvency must consider the cash flow projections made by the Group, which guarantee a going concern.

2.5. Organizational Capacity

	Year ended December 31,	
	2022	**2021**
a) Return on equity - ROE (1)	(1,673%)	1,938%
b) Return on assets- ROA (1)	7,088%	2,515%
c) Net profitability (1)	(1,006%)	1,643%

(1) The decrease corresponds to the tax impact from the recognition of the use of tax credits, derived from offsetting tax losses against taxable income for the year, mainly generated by the sale of fiber optic assets.

The improvement in this indicator at the end of 2022 is due to the profit obtained mainly from the sale of the fiber optic assets (Note 1 (c)) and the good performance of the business, net of costs due to increased commercial activity.

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

2.6. Interest coverage

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

	Year ended December 31,	
	2022	**2021**
Interest Rate Coverage (1)	3,209 v	1,728 v

(1) The net increase in this indicator at the end of 2022 is mainly due to the improvement in operating results.

3) Operational Information

3.1. Access

	2022				2021		
	dec-31	**sep-30**	**jun-30**	**mar-31**	**dec-31**	**sep-30**	**jun-30**
				(Unidades 000)			
End Clients Access	**23.970**	**23.354**	**23.004**	**22.073**	**21.924**	**21.024**	**20.321**
Basic Line (1)	1.421	1.414	1.414	1.414	1.410	1.411	1.419
Data	1.318	1.272	1.232	1.207	1.183	1.170	1.166
TV	704	659	620	586	554	535	527
Mobile Services	20.527	20.009	19.738	18.866	18.777	17.908	17.209
Prepaid	*15.088*	*14.609*	*14.534*	*13.759*	*13.792*	*13.043*	*12.477*
Postpaid	*5.439*	*5.400*	*5.204*	*5.107*	*4.985*	*4.865*	*4.732*

(1) Incluye los accesos “fixed wireless” y de voz sobre IP.

3.2. ARPU (Average revenues per user)

	2022				2021		
	dec-31	**sep-30**	**jun-30**	**mar-31**	**dec-31**	**sep-30**	**jun-30**
				(COP$)			
LB-BA-TV (1)	33.394	32.268	32.528	31.652	31.626	31.801	33.451
Total Mobile (2)	10.657	10.546	10.965	11.391	11.539	11.645	11.931
Prepaid	*2.689*	*2.519*	*2.553*	*2.964*	*2.934*	*2.690*	*2.714*
Postpaid	*32.530*	*32.437*	*34.324*	*34.040*	*35.318*	*35.522*	*38.141*

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

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

33. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Between January 1, 2023, and the date of issuance of the financial statements, no significant events have occurred that could affect the Company's financial position.