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

December 31, 2019 and 2018

Index

Statutory Auditor's Report On The Consolidated Financial Statements
(Free translation from the original in Spanish)

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

Opinion

I have audited the accompanying consolidated financial statements of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries, which include the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in the shareholders' equity and cash flows for the year then ended, and the summary of the main accounting policies and other explanatory notes.

In my opinion, the accompanying consolidated financial statements, faithfully taken from the consolidation records, present fairly, in all material respects, the financial position of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries as at December 31, 2019, and the results of its operations and cash flows for the year then ended, in accordance with the accounting and financial reporting standards accepted in Colombia.

Basis For The Opinion

I conducted my audit in accordance with the financial reporting auditing standards accepted in Colombia. My responsibility in accordance with these standards is described below in the section of the external auditor responsibility with respect to the audit of the consolidated financial statements of this report.

I am independent of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries, in accordance with the Code of Ethics for Professional Accountants in the International Ethics Standards Board for Accountants (IESBA) together with the requirements of ethics that are applicable to my audit of the financial statements in Colombia, and I have complied with the other responsibilities of ethics in accordance with these requirements and with the Code of Ethics of the IESBA.

I believe that the audit evidence that I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Issues

The key issues of the audit are those matters which, according to my professional judgment, have been the most significant in my audit of the financial statements of the period. These matters have been dealt with in the context of my audit of the financial statements as a whole and in the formation of my opinion on them, and not express a separate opinion on these matters.

Key Audit Issue	How Issues Have Been Dealt With In Audit
Recognition of revenue – services pending to bill The Company's and its subsidiaries' sales and services revenues are primarily derived from the provision of the various telecommunications services including traffic, periodic fees for network use, mobile and digital services, internet, content and other products and services. Revenues for products and services may be sold separately or together in commercial packages, assigned to each performance obligation based on the relation of the independent sales prices of each individual component to the total commercial price of the package, and they are recognized as the obligation is met. For those revenues whose billing cycle does not match the accounting closing, management is required to use accounting estimates to determine the amount to be recognized for services that are pending to be billed at the end of the year. These estimates are based on different data sources processed by the existing information systems.	We have conducted audit procedures with the participation of our specialist in information systems on the revenue recognition process, including: • Understanding and evaluation of accounting policies used by management in determining, calculating and recording recognized revenue. • Understanding of the control, evaluation and testing environment of relevant controls on the overall process and controls of information on the main systems and applications involved. • Evaluation of the reasonableness of the criteria used by management in estimating recognized income pending to be billed. • Tests of details on significant transactions using sampling tests and verifying evidence of such transactions. • Tests of details on the billing performed after the end of the year and its concordance with the accounting estimates made, using sampling tests • Verification of disclosures included in the consolidated financial statements.

Key Audit Issue	How Issues Have Been Dealt With In Audit
	Based on the procedures performed, we consider that the estimates made by management are reasonable in terms of the recognition of revenue for sales and services pending for billing at the end of the year.
Information Systems The Company and its subsidiaries have a large dependence on their accounting information system and technology structure, which present a large number and variety of applications. During the year ended December 31, 2019, the Company and its subsidiaries have been implementing plans to strengthen general information technology controls on some of the systems that support relevant financial information processes. An adequate internal control environment over the systems and applications that are part of that technological structure is critical to ensure the correct processing and integrity of the information of the figures in the consolidated financial statements. The control environment on access to data, programs and systems and on migration of systems has been one of the most important areas in our audit, especially when changes to information systems occur.	With the collaboration of our information systems specialists, our work has been to understand the internal control environment and to evaluate and check the general controls of relevant information technologies on the applications that support the financial information of the Company and its subsidiaries. Our procedures have included the analysis of the effectiveness of systems migration controls in both technological, financial information integrity and data aspects. Based on the procedures performed, we have not identified significant aspects that affect the financial information contained in the consolidated financial statements.

To the Shareholders of

Colombia Telecomunicaciones S. A. E.S.P

<table>
<tr><th>Key Audit Issue</th><th>How Issues Have Been Dealt With In Audit</th></tr>
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Goodwill Valuation

A relevant part of the Company's assets is goodwill arising from the various acquisitions of business over time. As of December 31, 2019, as detailed in note 18, goodwill's value amounts to COP1,372,301 million.

To determine whether goodwill is impaired, management performs an annual evaluation or when significant changes or events occur that indicate that the accounting value may not be fully recoverable.

As described in note 18, the determination of recoverable value is made by calculating the value in use of cash-generating units associated with goodwill based on strategic plans approved by management.

This is a relevant area of our audit, as we are faced with a complex calculation that requires the use of a high degree of judgment in the estimates of key assumptions, such as revenue growth, operating margin evolution, long-term investment ratio, discount rate, country risk rate and terminal growth rate. These hypotheses can be significantly affected by the evolution of the macroeconomic, competitive, regulatory and technical environment.
</td><td>
We have conducted audit procedures with the collaboration of our experts on the process carried out by management to determine the recoverable value of the cash-generating unit the goodwill is associated with, including:

• Understanding the control environment, analysis and check of relevant controls on goodwill's impairment assessment process.

• Verification of the consistency of the data used in the calculation of the value in use with strategic plans approved by management.

• Evaluation of key assumptions used for the determination of recoverable value, for which we have conducted verification tests of key assumptions based on market information.

• Evaluation of the reasonableness of sensitivity analyzes defined by management.

• Verification of disclosures included in the separate financial statements, in accordance with the applicable accounting standards.

Based on the procedures carried out, we consider that the evaluation carried out by management is reasonable. The estimation of the key hypotheses is within a reasonable range, and its conclusions on goodwill's valuation are consistent with the information contained in the consolidated financial statements.
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To the Shareholders of

Colombia Telecomunicaciones S. A. E.S.P

Key Audit Issue	**How Issues Have Been Dealt With In Audit**
Adoption Of New Lease Standard - IFRS 16 The company and its subsidiaries have a very high number of lease agreements as a lessee of various assets, mainly: towers, circuits, buildings, shops and land where their own towers are located. The project to implement the new criteria in the company is highly complex and subjective due to factors such as the high number of contracts affected and the diversity of systems where the data lie, as well as the need to make certain estimates such as the contract term, depending on the non-cancelable period and the periods covered by the renewal options, the discount rate based on the incremental funding rate for the estimated time and applicable guarantees. In 2019, the adoption of IFRS 16 - Leases has required management to assess its impact on financial information, recognition process update, preparation of the contract inventory and evaluation of which contracts are understood as lease contracts, as well as the introduction of additional applications. During the year ended December 31, 2019, the company recognized in the results of the year a lower profit of COP$272,028 billion at the date of the first application by the adoption of IFRS 16, as indicated in note 5.	We have conducted audit procedures with the collaboration of our experts on the process carried out by management to determine the value of the initial accounting adjustment for both assets and liabilities, including: • Understanding of the nature of lease agreements signed by the entity as a lessee or lessor, as well as any other type of contracts signed that may have a lease component. • Verification of the preliminary management plan and its rationale for using the various practical resources available for its implementation. • Evaluation of adjustments to the application of fixed assets for the administration and control of property lease agreements and for the calculation of depreciation. • Tests of details to review the terms and conditions of the entity's contracts (lease contracts or other contracts that may contain lease components) in order to analyze the impact of IFRS 16 on the consolidated financial statements, using sampling tests. • Verification of disclosures included in the consolidated financial statements in accordance with applicable regulations standards. Based on the procedures performed, we have not identified significant aspects that affect the financial information contained in the consolidated financial statements.

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

Responsibilities Of The Entity's Management And Managers On The Consolidated Financial Statements

Management is responsible for the adequate preparation and fair presentation of these consolidated financial statements, in accordance with the accounting and financial reporting standards accepted in Colombia, and for the internal control as management determines are necessary for the preparation of these consolidated financial statements to be free from material misstatement, due to fraud or error.

In the preparation of the consolidated financial statements, management is responsible for the assessment of the ability of the Entity to continue as a going concern, revealing, as appropriate, any matters relating to the principle of going concern, and using its accounting principle, except if management intends to liquidate the Entity or to cease its operations, or that there is no realistic alternative but to do so.

Those responsible for the management of the Entity are responsible for the oversight of its financial reporting process.

Responsibility Of The Statutory Auditor Regarding The Audit Of The Consolidated Financial Statements

My goal is to obtain a reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error, and issue an audit report that contains my opinion. "Reasonable Assurance" is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with the financial reporting auditing standards accepted in Colombia always detect a material misstatement when it exists. The misstatements may be due to fraud or error and are considered material if, individually or in aggregate form, it is possible to anticipate that they influence the economic decisions made by users based on the consolidated financial statements.

As part of an audit in accordance with the financial reporting auditing standards accepted in Colombia, I apply my professional judgment and maintain an attitude of professional skepticism throughout the audit. I also:

- Identify and appreciate the risks of material misstatement in the financial statements, due to fraud or error; design and apply audit procedures to respond to these risks; and obtain sufficient and appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement due to fraud is higher than a material misstatement due to error, because fraud may involve collusion, counterfeiting, deliberate omissions, intentionally wrong manifestations or internal control circumvention.

- Obtain an unerstanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the cirumstances.

- Assess the appropriateness of accounting policies applied, reasonableness of accounting estimates and the corresponding disclosures by management.

- Conclude on the appropriateness of the use by management of the accounting principle of going concern and, based on the audit evidence obtained, I conclude on whether or not there is a material uncertainty related to events or conditions that can generate significant doubts about the ability of the entity to continue as a going concern. If I conclude that there is a material uncertainty, it is required to call the attention in my audit report on the corresponding information disclosed in the consolidated financial statements or, if those disclosures are not adequate, I express a modified opinion. My conclusions are based on the audit evidence obtained to the date of my audit report. However, facts or future conditions may cause the entity to cease a going concern.

- Assess the overall presentation, structure and content of the consolidated financial statements, including the information disclosed, and whether the consolidated financial statements represent transactions and underlying facts so that the fair presentation is achieved.

- Communicate to those responsible for the management of the entity any issues related to scope and time planned of the audit and significant findings of the audit as well as any significant deficiency of internal control to be identified in the course of the audit.

I also provide those responsible for the management of the entity with a statement that I have fulfilled the requirements of ethics applicable in connection with independence and communicated to them about all the relations that can reasonably be expected to might affect my independence and, if any, the corresponding safeguards.

Among the issues that have been subject of communication with those responsible for the management of the entity, I determined the most significant in the consolidated financial statements audit for the current period and which, consequently, are the key issues for the audit. I describe these issues in my audit report, unless the legal or regulatory provisions prohibit publicly to disclose the issue or, in circumstances extremely rare, determine that a matter should not be communicated in my report because it was reasonable to expect that the adverse consequences of doing so would exceed the benefits of the public interest of the matter.

(Original in Spanish signed by:)

Javier Mauricio Enciso Rincón
Statutory Auditor
Professional card No. 80661-T
Appointed by PwC Contadores y Auditores Ltda.
February 21, 2020

Legal Representative and Public Accountant Certification

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

21 February 2020

The undersigned Legal Representative and Public Accountant of Colombia Telecomunicaciones S. A. E.S.P. (hereinafter "the Company") certify that for the issuance of the Consolidated Statement of Financial Position as of 31 December 2019, 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. This is in accordance with the regulations that are made available to the shareholders and third parties, the statements contained therein have been previously verified, and the figures have been faithfully taken from the books of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries. Such explicit and implicit statements are as follows

1. All assets and liabilities included in the consolidated financial statements of the Company and its subsidiaries as of 31 December 2019, exist and all transactions included in such consolidated financial statements have been carried out during the year ended.

2. All economic events carried out by the Company and its subsidiaries during the year ending 31 December 2019, have been recognized in the consolidated financial statements.

3. Assets represent the potential to produce economic benefits (rights), while liabilities represent the obligation to transfer the economic resource (obligations), obtained or payable by the Company and its subsidiaries as of 31 December 2019.

4. All elements have been recognized for their appropriate values, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia - (NCIF).

5. All economic matters affecting the Company and its subsidiaries have been properly classified, described and disclosed in the consolidated financial statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Juan Carlos Restrepo Díaz
Public Accountant
Professional Card No. 61851-T

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	As of December 31 2019	2018
		(COP$000)	
Assets			
Current assets:			
Cash and cash equivalents	6	411.083.341	123.696.866
Financial Assets	7	72.311.618	191.691.761
Debtors and other receivables, net	8	1.005.467.603	1.008.569.401
Prepaid expenses	9	179.613.852	111.648.316
Contractual assets	10	25.345.441	31.480.035
Inventories	11	197.129.274	189.869.531
Taxes and Public Administration	12	387.944.894	224.298.047
Assets held for sale	13	134.566.415	-
Total current assets		**2.413.462.438**	**1.881.253.957**
Non-current assets:			
Financial Assets	7	31.022.891	11.031.991
Debtors and other receivables, net	8	132.901.742	158.261.570
Prepaid expenses	9	168.804.209	151.621.057
Contractual assets	10	84.986	167.739
Right of use asset	14	619.920.941	-
Property, plant and equipment	15	5.088.524.608	4.984.366.349
Investment properties	16	7.542.910	6.886.439
Intangibles	17	1.761.923.054	2.135.779.889
Goodwill	18	1.372.301.565	1.372.301.565
Deferred taxes	12	1.680.411.370	1.865.723.965
Total non-current assets		**10.863.438.276**	**10.686.140.564**
Total assets		**13.276.900.714**	**12.567.394.521**
Liabilities			
Current liabilities:			
Financial obligations	19	410.047.634	347.175.021
Suppliers and accounts payable	20	1.781.446.479	1.568.249.082
Contractual liabilities	10	84.001.127	80.343.993
Taxes and Public Administration	12	118.144.838	105.306.962
Deferred liabilities	21	3.898.693	4.137.834
Provisions and pension liabilities	22	166.619.657	197.555.544
Total current liabilities		**2.564.158.428**	**2.302.768.436**
Non-current liabilities:			
Financial obligations	19	3.636.024.497	3.220.864.936
Suppliers and accounts payable	20	147.718.687	172.388.215
Contractual liabilities	10	47.439.744	55.325.402
Deferred liabilities	21	12.068.444	14.871.074
Provisions and pension liabilities	22	256.198.214	249.038.239
Total non-current liabilities		**4.099.449.586**	**3.712.487.866**
Total liabilities		**6.663.608.014**	**6.015.256.302**
Total equity, attributable to controlling interests	23	**6.613.291.997**	**6.544.232.913**
Equity attributable to non-controlling interests		**703**	**7.905.306**
Total liabilities and shareholders' equity		**13.276.900.714**	**12.567.394.521**

The accompanying notes are an integral part of these consolidated financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Year ended December 31 2019	2018
		(COP$000)	
Operating income:			
Income from contracts with clients	24	5.159.181.123	5.116.335.172
Other operating income	25	531.833.024	354.331.022
		5.691.014.147	**5.470.666.194**
Operating costs and expenses	26	(3.776.202.960)	(3.636.794.946)
Operating profit before depreciation and amortization		**1.914.811.187**	**1.833.871.248**
Depreciation and amortization	27	(1.422.459.493)	(1.349.104.547)
Operational result		**492.351.694**	**484.766.701**
Financial expense, net	28	(289.416.191)	(308.330.013)
Profit before taxes		**202.935.503**	**176.436.688**
Income and supplementary taxes	12	(179.504.673)	212.475.271
Net income for the year		**23.430.830**	**388.911.959**
Income attributable to:			
Controlling interests		23.437.040	394.278.730
Non-controlling interests		(6.208)	(5.366.771)
Net income for the year		**23.430.832**	**388.911.959**
Other comprehensive results:			
Items to be reclassified to the income statement			
Valuation of hedge derivatives		19.804.132	(24.996.894)
Actuarial results for post-employment benefits		136.433	(14.495.166)
		19.940.565	**(39.492.060)**
Items that are not reclassified to the income statement			
Revaluation of real estate		174.058.648	(7.159)
Other comprehensive		**193.999.213**	**(39.499.219)**
Comprehensive income for the year		**217.430.045**	**349.412.740**
Other comprehensive income attributable to:			
Controlling interests		193.998.689	(39.285.382)
Non-controlling interests		524	(213.837)
Other comprehensive income		**193.999.213**	**(39.499.219)**

	Notes	As of December 31 2019	2018
		(COP$000)	
Assets			
Current assets:			
Cash and cash equivalents	6	411.083.341	123.696.866
Financial Assets	7	72.311.618	191.691.761
Debtors and other receivables, net	8	1.005.467.603	1.008.569.401
Prepaid expenses	9	179.613.852	111.648.316
Contractual assets	10	25.345.441	31.480.035
Inventories	11	197.129.274	189.869.531
Taxes and Public Administration	12	387.944.894	224.298.047

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Assets held for sale	13	134.566.415	-
Total current assets		**2.413.462.438**	**1.881.253.957**
Non-current assets:			
Financial Assets	7	31.022.891	11.031.991
Debtors and other receivables, net	8	132.901.742	158.261.570
Prepaid expenses	9	168.804.209	151.621.057
Contractual assets	10	84.986	167.739
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Property, plant and equipment	15	5.088.524.608	4.984.366.349
Investment properties	16	7.542.910	6.886.439
Intangibles	17	1.761.923.054	2.135.779.889
Goodwill	18	1.372.301.565	1.372.301.565
Deferred taxes	12	1.680.411.370	1.865.723.965
Total non-current assets		**10.863.438.276**	**10.686.140.564**
Total assets		**13.276.900.714**	**12.567.394.521**
Liabilities			
Current liabilities:			
Financial obligations	19	410.047.634	347.175.021
Suppliers and accounts payable	20	1.781.446.479	1.568.249.082
Contractual liabilities	10	84.001.127	80.343.993
Taxes and Public Administration	12	118.144.838	105.306.962
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Provisions and pension liabilities	22	166.619.657	197.555.544
Total current liabilities		**2.564.158.428**	**2.302.768.436**
Non-current liabilities:			
Financial obligations	19	3.636.024.497	3.220.864.936
Suppliers and accounts payable	20	147.718.687	172.388.215
Contractual liabilities	10	47.439.744	55.325.402
Deferred liabilities	21	12.068.444	14.871.074
Provisions and pension liabilities	22	256.198.214	249.038.239
Total non-current liabilities		**4.099.449.586**	**3.712.487.866**
Total liabilities		**6.663.608.014**	**6.015.256.302**
Total equity, attributable to controlling interests	23	**6.613.291.997**	**6.544.232.913**
Equity attributable to non-controlling interests		**703**	**7.905.306**
Total liabilities and shareholders' equity		**13.276.900.714**	**12.567.394.521**

The accompanying notes are an integral part of these consolidated financial statements.

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COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
AS OF DECEMBER 31, 2019 AND 2018
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid capital	Issue premium	Reserves	Other euqity instruments	Surplus and hedging derivatives	Results from obligations for post-employment benefits	Accumulated results	Total	Share of minority shareholders	Total equity
					(COP$000)					
Balance as of December 31, 20117	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**599.612.227**	**1.972.731**	**(5.331.209.525)**	**6.395.321.415**	**9.331.568**	**6.404.652.983**
Adjustment for the adoption of IFRS 9 and IFRS 15	-	-	-	-	-	-	(59.001.726)	**(59.001.726)**	(254.535)	**(59.256.261)**
Balance as of January 1, 20118	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**599.612.227**	**1.972.731**	**(5.390.211.251)**	**6.336.319.689**	**9.077.033**	**6.345.396.722**
Coupon of perpetual equity instruments (Note 23)	-	-	-	-	-	-	(122.604.426)	**(122.604.426)**	-	**(122.604.426)**
Consolidation effect	-	-	-	-	-	-	(25.462.584)	**(25.462.584)**	-	**(25.462.584)**
Impacts assignment in Business	-	-	-	-	-	-	1.200.723	**1.200.723**	-	**1.200.723**
Net income of the year	-	-	-	-	-	-	394.278.730	**394.278.730**	(5.366.771)	**388.911.959**
Transactions with non-cotrolling interests and others	-	-	-	-	-	-	-	**-**	4.195.044	**4.195.044**
Trasfers (Note 23)	-	-	-	-	(122.961.172)		122.961.172	**-**	-	**-**
Other comprehensive income of year	-	-	-	-	(25.004.053)	(14.495.166)	-	**(39.499.219)**	-	**(39.499.219)**
Balance as of December 31, 20118	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**451.647.002**	**(12.522.435)**	**(5.019.837.636)**	**6.544.232.913**	**7.905.306**	**6.552.138.219**
Coupon of perpetual equity instruments (Note 23)	-	-	-	-	-	-	(140.816.313)	**(140.816.313)**	-	**(140.816.313)**
Consolidation reserve	-	-		-	-	-	-	**-**	-	**-**
Impacts alloction in business combination (Nota 3)	-	-	-	-	-	-		**-**	-	**-**
Net income of the year	-	-	-	-	-	-	23.437.040	**23.437.040**	(6.208)	**23.430.832**
Depreciation and retirement of revalued real estate, net	-	-	-	-		-		**-**		**-**
Transactions with non-cotrolling interests and other	-	-	-	-	-	-	(7.560.856)	**(7.560.856)**	(7.898.395)	**(15.459.251)**
Transfer (Note 23)	-	-	-	-	(116.317.899)		116.317.899	**-**	-	**-**
Other comprehensive income of year	-	-	-	-	193.862.780	136.433	-	**193.999.213**	-	**193.999.213**
Balance as of December 31, 20119	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**529.191.883**	**(12.386.002)**	**(5.028.459.866)**	**6.613.291.997**	**703**	**6.613.292.700**

The accompanying notes are an integral part of these consolidated financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
AS OF 31 DECEMBER, 2019 AND 2018
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	Year ended December 31 2019	2018
		(COP$000)	
Net cashflows from operating activities			
Cash received from clients		5.893.241.868	5.750.585.792
Cash paid to suppliers and other accounts payable		(4.463.062.989)	(3.809.482.625)
Net interest paid and other financial expenses		(241.030.139)	(370.662.385)
Direct taxes paid		(207.154.241)	(213.336.604)
Self-withholding on incometax		(133.224.471)	(180.185.509)
Interest paid on finance leases		(21.086.108)	-
Net cash provided by operating activities		**827.683.920**	**1.176.918.669**
Net cash flows provided by (usded in) investing activities			
Collections for the sale of movable and immovable property		855.385.756	224.061.329
Payments for investments in compaies	1	(14.973.984)	-
Collections for temporary financial invesment		-	523.838
Payments for investments in plant, equípment and intangibles		(782.434.341)	(796.790.268)
Net cash provided by (usded in) investing activities		**57.977.431**	**(572.205.101)**
Net cash flows used in financing activities			
New financial debt		328.672.804	204.930.841
Receipts from exchange rate hedges		136.020.765	86.396.095
Payment of financial debt		(1.238.861.609)	(966.111.427)
Local Bond issuance		500.000.000	-
Payment of coupon on pertual assets instruments	23	(140.816.313)	(122.604.425)
Lease payments		(183.290.523)	-
Net cash used in financing activities		**(598.274.876)**	**(797.388.916)**
Net increase (decrease) in cash and cash equivalents		**287.386.475**	(192.675.348)
Cash and cash equivalents as of 1 January		123.696.866	316.372.214
Cash and cash equivalents as of 31 December	6	**411.083.341**	**123.696.866**
Cash and cash equivalents as of 31 January		**123.696.866**	**316.372.214**
Cash, register and bank		95.291.295	214.421.757
Temporary investments		28.405.571	101.950.457
Cash and cash equivalents as of 31 December		**411.083.341**	**123.696.866**
Cash, register and bank		360.188.831	95.291.295
Temporary investments		50.894.510	28.405.571

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

a) Business Description

Colombia Telecomunicaciones S. A. E.S.P. (hereinafter "the Company"), was incorporated as a stock corporation in Colombia by means of public deed No. 1331 of 16 June 2003 with a duration until 31 December 2092 and with its main domicile in Bogotá D.C. located at transversal 60 No.114 A 55. The Company, whose capital is mainly owned by private individuals, is subject to the legal framework provided by Law 1341 of 2009 and other applicable regulations, and is thus classified as a public service company (P.S.C.).

The Company's principal corporate purpose is the organization, operation, provision, supply and operation of telecommunications activities, networks and services, such as basic local, extended local and long distance national and international switched public telephone services, cellular mobile telephone services in any territorial order, national or international, carriers, tele-services, telematics, value added services, satellite services in their different modalities, television services in all their modalities including cable television, broadcasting services, wireless technologies, video, computer application hosting services, data center services, private and public telecommunications network operation services and total information system operations, services for the provision and/or generation of content and applications, information services and any other activity, product or service qualified as telecommunications and/or information and communication technologies (ICT), such as resources, tools, equipment, software, applications, networks, and media, which enable compilation, processing, storage, transmission of information such as voice, data, text, video, and images, including their complementary and supplementary activities, within the national territory and abroad and in connection with the outside, using their property, assets, and rights or exercising the use and enjoyment of property, assets, and rights of third parties. Likewise, the Company may carry out the commercial activities that have been defined in its articles of association.

On September 27, 2017, the Company acquired the majority shares in 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. As a result, Telefónica S. A. acquired control of these companies through Colombia Telecomunicaciones S.A. E.S.P. and on November 8 and 9, 2017, the aforementioned control situation was registered with the Bucaramanga and Barranquilla Chamber of Commerce, respectively. On April 9, 2018, the Company registered the Company's Business Group, 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.

The companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P. own 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom". The position of control over Optecom is held by Telefónica S.A., which it registered with the Barranquilla Chamber of Commerce on November 8, 2018.

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. – "Telebucaramanga"

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - "Telebucaramanga" (formerly Empresas Públicas de Bucaramanga S. A. E.S.P.), was established on November 21, 1972 by Agreement 51 of the Bucaramanga Council. In accordance with public deed number 1435 dated May 23, 1997, it is a mixed public service provider, structured under the scheme of a joint stock company regulated under the terms established in Law 142 of 1994 and other rules governing these services. The term of the company is indefinite. The address registered as domicile and main office is Calle 36 No 14 -71 (Bucaramanga - Colombia).

The corporate purpose of "Telebucaramanga" is the provision of public home telecommunications services, telematics, and other complementary, value-added activities derived and/or related to such services. It also makes strategic alliances, shared partnerships, enter into administrative agreements and contracts, to market services provided by third parties, to carry out activities of administration, marketing and operation of the property and real estate and to participate in public tenders.

Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - "Metrotel"

Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. ¬- "Metrotel", was established in accordance with Colombian law on May 9, 1994 as a corporation, through Public Deed No. 1.586 of Notary 5 of Barranquilla. The term of the company expires on January 12, 2028. The address registered as domicile and main office is Calle 74 No. 57-35 (Barranquilla - Colombia).

Metrotel's main corporate purpose is the provision and operation of all types of telecommunications services, authorizations and concessions, including the study, design, construction, assembly, installation, improvement, maintenance, lease, administration and operation of telecommunications services and networks.

Empresa Operaciones Tecnológicas y Comerciales S. A. S

The Company Operaciones Tecnológicas y Comerciales S. A. S - "Optecom" was incorporated under Colombian law on October 22, 2013 as a simplified stock company (S. A. S.). The term of the company is indefinite, the address registered as domicile and main office is Via 40 No. 73-290 Office 409 (Barranquilla - Colombia)

The main corporate purpose is to carry out one or more of the activities provided for in Law 1341 of 2009, for providers of information and communications technology networks and services and other activities specific to and complementary to the information and communications technology sector.

b) Arbitration Award - Reversal of Cellular Telephone Infrastructure

The Company was granted a general authorization on November 28, 2013, terminating the concession contracts for mobile cellular telephone services and requesting the renewal of the permits to use the spectrum associated with such services. As a result, the Colombian Ministry of Information Technology and Communications (MinTic) issued a resolution in March 2014 to renew the licenses for the 850 MHz to 1900 MHz bands for an additional 10 years.

In the context of the liquidation of the concession contracts, the reversion of certain assets related to the provision of mobile voice services (other than radio frequencies) and their scope were discussed, given that the concessions were executed taking into account the provisions of Article 4 of Law 422 of 1998 and Article 68 of Law 1341 of 2009, which provided that the reversion would only be of the frequencies; this had been the understanding between the parties, although Ruling C-555 of 2013 was issued, which declared the conditional enforceability of these provisions, The revision of the provisions of the legal framework for contracts was also ordered. The discussions on the matter ended without agreement in February 2016 and the MinTic convened the Arbitration Court, in accordance with the concession contract.

On July 25, 2017, the Company, which is 67.5% owned by Telefónica and 32.5% by the Colombian Nation, and another telecommunications operator were notified of the arbitration award issued in the arbitration initiated by MinTic. This arbitration award was not favorable to the co-defendants and as a result the Company made a payment of $1,651,012 on August 29, 2017, in compliance with the terms and conditions established in the arbitration award and reserving the right to exercise the legal actions and remedies available to it. This economic compensation for the reversion of assets established in the arbitration award was integrated as a greater value of the current license as it was a necessary and unavoidable cost to be able to continue making use of it and, therefore, to continue providing the service. (Note 17).

On August 18, 2017, the Company filed an appeal for annulment, to challenge the arbitration award before the Council of State of Colombia, the highest court of the contentious-administrative field. It was dismissed by a judgment of May 24, 2018. Additionally, on December 18, 2017, a constitutional action (acción de tutela) was filed, in order to protect their constitutional rights compromised by the arbitration award. On March 15, 2018, the constitutional action was denied. Colombia Telecomunicaciones S. A. E.S.P. filed an appeal against this decision on April 18, 2018, which was dismissed on May 24, 2018. Finally, on November 26, 2018 the Constitutional Court announced that it had not selected the constitutional action (acción de tutela) for review, thus terminating that instance.

c) Modification of the Investment Framework Agreement

On September 18, 2017, Amendment No. 2 to the Investment Framework Agreement in force between the shareholders was signed. This modified the exit rights of the current shareholders (the Nation) in the following terms:

1. The Colombian government could, at any time, offer Telefónica all or part of its shares and the latter would be obliged to acquire them (directly or through one of its subsidiaries) provided that Colombia Telecomunicaciones, S.A. E.S.P. has had an EBITDA growth of less than 5.75% in the measurement periods, and provided that during the twelve (12) months following the date of the Ordinary Meetings in which the measurement is made, at least one of the following situations occurs: 1) that Colombia Telecomunicaciones, S.A. E.S.P. has made payments to the Strategic Associate of Brand Fee or any other type of payment to the Strategic Associate for the use of its brands; or 2) it decrees and/or pays dividends with the affirmative vote of the Strategic Associate. This right expired on March 22, 2019.

2. The Nation may sell, transfer, pledge, encumber, and deliver in usufruct or dispose of through any legal mechanism allowed, all or part of the shares of its property. If, as a consequence of the foregoing, the Nation's share is reduced below 13%, before the completion of the transfer, the bylaws of Colombia Telecomunicaciones, S.A. E.S.P. will be amended to reflect the termination of the Framework Agreement on Investment and the Nation's privileges contained in the bylaws.

3. At any time, the Nation may demand that the Strategic Associate vote in favor of the decision to register the shares of Colombia Telecomunicaciones, S.A. E.S.P. in the Colombian public stock market. The foregoing does not imply an obligation for Colombia Telecomunicaciones, S.A. E.S.P. to make a share issue, nor does it imply an obligation for the Strategic Associate to sell any of its shares.

If, as a result of the exercise of the right to leave the Nation, a third party that is not a Public Entity acquires a shareholding equal to the Nation's shareholding at the date the respective transfer process is initiated, less any shareholding that was acquired by members of the joint and several sector in a process governed by Law 226 of 1995, provided that such shareholding is not less than 25% of the capital of Colombia Telecomunicaciones, S.A. E.S.P. The Investment Framework Agreement will terminate without the need for any declaration, and ii) if the third party acquiring the participation maintains a shareholding equal to the national shareholding at the date of the respective transfer process, less any participation that was acquired by members of the joint and several sector in a process governed by Law 226 of 1995, provided that such participation is not less than 25% of the capital of Colombia Telecomunicaciones, S.A. E.S.P, the Strategic Associate will sign a new framework investment agreement with the third party.

d) Decision of the Nation to dispose of its shares in Colombia Telecomunicaciones S.A. E.S.P.

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

On April 20, 2018, an Extraordinary Shareholders' Meeting was held at which the reform of the Company's bylaws was approved to reflect the de-materialization of the share certificates and to incorporate some provisions of the Country Code (government recommendations aimed at raising corporate standards and practices).

On April 30, 2018 the Company requested the Financial Superintendence of Colombia - SFC, the permanent registration of Colombia Telecomunicaciones S. A. E.S.P. and its shares in the National Registry of Securities and Issuers - RNVE which was authorized by resolution of May 10, 2018.

On the occasion of the registration of the Company in the National Registry of Securities and Issuers - RNVE, as of May 23, 2018, the Company is subject to the control of the Superintendence of Finance of Colombia and therefore, it shall comply with the provisions of Title Four, Articles 5.2.4.1.2 and 5.2.4.1.3 of the Sole Decree 2555 of 2010 of the Superintendence of Finance of Colombia, and is also obliged to present separate and consolidated financial statements that include the participation in subsidiary companies.

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

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

With the publication of this public offering notice and the pronouncement of the BVC dated May 23, 2018, the suspensive conditions previously determined for the registration of the Company's ordinary shares were met. These shares are therefore registered with the BVC as from August 2, 2018, and this registration produces all the legal effects that derive from this circumstance.

Consequently, the requirements set out in Paragraphs 1 and 2 of Article 1.3.3.2 of the BVC's General Regulations regarding the percentage of shares held by persons other than those who make up the same beneficial owner and the minimum number of shareholders were definitively met.

The duration of the Disposal Program is one year, starting on July 13, 2018. The Nation may extend the term for up to one additional year, suspend it or terminate it early. The Nation did not extend the term of the Program of Disposal.

e) Program for the disposal of common shares held by the Metropolitan Area of Barranquilla in Metrotel S. A. E.S.P.

By means of Metropolitan Agreement No. 005-18 dated September 19, 2018, the Metropolitan Board authorized the director of the Barranquilla Metropolitan Area to sell 512,098,849 shares that he holds in Empresa Metropolitana de Telecomunicaciones S.A.E.S.P. - Metrotel, equivalent to 10.20% of the subscribed and paid-in capital of said company.

In the development of Metrotel's Share Disposal Program and in accordance with its Regulations, through Resolution No. 116-19 of April 30, 2019, 1,041,371 ordinary shares of Metrotel were awarded during the first phase to recipients of special conditions and through Resolution No. 172 of June 28, 019, 511,057,478 were awarded during the second phase of the disposal program common shares of Metrotel to Colombia Telecomunicaciones S. A. E.S.P. for a value of $14,973,984, which were paid by the Company according to the disposition regulations, that is, a first payment on June 14, 2019 for the amount of $7,875,449 and a second payment on June 27, 2019 for the amount of $7,098,535 for the remaining shares. Registration in the Stock Registry Book and issuance of the stock certificate in favour of Colombia Telecomunicaciones S.A. E.S.P. was made on 15 July 2019.

f) Subsidiary Integration and Merger Process

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

The next step is expected to be legal integration. To this end, the following activities have been advanced:

(i) In the Board of Directors No. 128 of June 12, 2019, the Company's Management proposed to carry out a merger by absorption through which Colombia Telecomunicaciones S.A. E.S.P. will absorb Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. The Board of Directors decided the following:

- To propose to the Company's General Shareholders' Meeting for its consideration and subsequent approval, the merger by which the Company will absorb Empresa Metropolitana de Telecomunicaciones S.A.E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P., prior to the completion of the independent valuation and special purpose financial statement preparation processes, as well as compliance with applicable legal and corporate provisions.

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

(ii) At extraordinary meetings held on August 29, 29 and 30, 2019, respectively, the General Shareholders' Meetings of Colombia Telecomunicaciones S.A. E.S.P., Metropolitana de Telecomunicaciones S.A. E.S.P. (Metrotel) and Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. (Telebucaramanga) approved the Merger Commitment by absorption, by virtue of which Colombia Telecomunicaciones S.A. E.S.P, as the absorbing company, will absorb (i) Metrotel, and (ii) Telebucaramanga, as absorbed companies, as stated in Act No. 66 of Colombia Telecomunicaciones S.A. E.S.P., Act No. 046 of Metrotel and Act No. 52 of Telebucaramanga.

(iii) On October 9, 2019, the General Assembly of Holders of Ordinary Bonds of the Company was held, in which the merger operation between Colombia Telecomunicaciones S.A. E.S.P. and the companies Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. and Metropolitana de Telecomunicaciones S.A. E.S.P. was approved, in compliance with the special majorities established in articles 6.4.1.1.22 and 6.4.1.1.42 of Decree 2555 of 2010. According with the approvals granted by the General Shareholders Meetings of the Absorbing Company and the Absorbed Companies, as well as with the Meeting of Holders of Ordinary Bonds of the issue made by Colombia Telecomunicaciones S. A. E.S.P. in May 2019, the Company filed on October 9, 2019 with the Superintendence of Finance of Colombia, the request for the authorization to carry out the merger by absorption of Colombia Telecomunicaciones S. A. E.S.P. and the Absorbed Companies.

g) Issuance of Ordinary Bonds

The General Assembly of Shareholders, in meetings held on March 1 and 28, 2019, authorized an issue of Ordinary Bonds for up to five hundred billion pesos (COP$ 500,000,000) and delegated to the Company's Board of Directors the approval of the Issuance and Placement Regulations.

The Company's Board of Directors, in a meeting held on April 5, 2019, approved the regulations for the issue and placement of bonds and the registration of the issue in the National Registry of Securities and Issuers and in the Colombian Stock Exchange.

As authorized, on May 29, 2019 the Group carried out an issue of ordinary bonds in the local capital market, achieving 100% of the total value of the issue, $500 billion in two series: i) 5-year fixed rate and ii) 10-year CPI indexed, with a proportion of 70% and 30% respectively. With the result of the issuance, the objectives of extending the average life of the debt, achieving competitive and lower financing rates than the debt subject to replacement, diversifying financing sources and beginning to build a long-term relationship with the local capital market were achieved.

2. OPERATIONS

Principal Regulatory Aspects

a) Sectoral Authorities

The sectoral authorities with which the Company has links at a regulatory, inspection and surveillance level are, among others: i) Ministry of Information and Communication Technologies - (hereinafter MinTic); ii) Communications Regulation Commission - (hereinafter CRC); iii) National Agency of the Spectrum - ANE; iv) Superintendence of Industry and Commerce and v) Financial Superintendence of Colombia - SFC.

b) Information and Communication Technologies Sector Scheme

Law 1341 of July 30, 2009 defines the principles and concepts applicable to information societies and the organization of information and communication technologies (ICT), creates the National Agency of the Spectrum and lays down other provisions, establishes the general framework for the formulation of public policies in the Information and Communication Technologies sector and defines the principles and concepts on the information society and the organization of these technologies, producing a transformation in the telecommunications sector as a result of the evolution in the technological and market trends, giving way to a broader sector that involves the use and appropriation of ICTs in all business issues.

In turn, this regulation was reformed by Law 1978 of July 25, 2019, which modernizes the ICT sector, distributes competences, and creates a single regulator. Article 10 of Law 1978 establishes the general authorization regime for the provision of telecommunications networks and services, including subscription television services. This authorization is understood to be formally granted when the interested party is registered in the ICT registry, as provided for in Article 15 of Law 1341 of 2009 , In the same way, this article maintains, for telecommunications services, their status as public services at the expense of the State.

In accordance with the provisions of Article 11 of Law 1341 of 2009, the use of the spectrum requires prior express permission granted by MinTic. Likewise, in accordance with the provisions of Article 13, the granting or renewal of the permit to use a segment of the radio spectrum will give rise to the payment, in favor of the Single Fund for Information and Communications Technologies and at the expense of the permit holder, of a fee whose amount was set by Resolution 290 of 2010, amended by Resolution 2877 of 2011, of MinTic.

Article 68 of Law 1341 of 2009 establishes the transition regime for companies established at the time of the Law's issuance, stating that it will respect their enabling titles (concessions, licenses, permits, authorizations) until the end of their duration and under the conditions provided in their particular regimes. In addition, it establishes that such operators will be able to benefit from the general authorization regime, which gives them the right to renew the permits for the use of the spectrum only once, after which the general regime for the renewal of permits for telecommunications will be applicable, as provided for in Article 11 of the aforementioned Law. This transitional regime also applies to subscription television operators wishing to avail themselves of the general authorization regime to provide that service, in accordance with Article 32 of Law 1978 of 2019.

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

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

c) Qualifications for the Provision of Telecommunication Services

As of November 8, 2011, the Company is generally authorized to provide telecommunications networks and services. In relation to the provision of cellular mobile telephone service, on November 28, 2013, the Company submitted a statement of acceptance of the General Authorization Regime, under the terms of Law 1341 of 2009 and Decree 2044 of 2013, and as a result the concession contracts that enabled the provision of this service were terminated; In the same way, the corresponding ICT registry was modified, which, according to mail received by the Ministry of ICT, was approved on December 17, 2013, the date from which the new general authorization regime was applied and the right to renew the spectrum use permits under the terms of their enabling title, permits and authorizations was generated up until March 28, 2014, which occurred with the issuance of Resolution 597 of 2014, which became final on March 31, 2014. Through said resolution the permit for the use of the spectrum in the bands 835,020 MHz to 844,980 MHz, 846,510 MHz to 848,970, 880,020 to 889,980 MHz, 891,510 MHz to 893,970 MHz, 1870 MHz to 1877.5 MHz and 1950 MHz to 1957.5 was renewed until March 28, 2024.

The Company has permission to provide mobile services with 15 MHz of spectrum in the 1900 MHz band awarded in accordance with the conditions of the process provided in Resolution 1157 of 2011. With this assignment, the Company has a total of 55 MHz of spectrum to provide mobile services distributed as follows: 30 MHz in the 1900 band and 25 MHz in the 850 band. The duration of the permit granted in 2011, for the use of 15 MHz in the 1900 band is 10 years from October 20, 2011.

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

d) Television Concession

The Company had concession agreement No.17 of January 2007 granted by the National Television Commission - today liquidated, which was extended through the other if No. 3 on February 22, 2017 for 10 more years, by the National Television Authority - today in liquidation. The purpose of this concession was to operate and exploit the satellite television service (DBS) or direct-to-home television (DTH), as well as the marketing and installation of equipment to receive signals from a space segment and collect the rights.

Subsequently, Article 39 of Law 1978 of 2019 abolished and liquidated the National Television Authority - ANTV as of its effective date. From that date, all regulatory and inspection, surveillance and control functions in relation to content are exercised by the CRC; the other inspection, surveillance and control functions are exercised by MinTic. Likewise, the functions of competition protection and consumer protection are exercised by the SIC, except for those expressly assigned in the aforementioned standard.

On July 26, 2019, Colombia Telecomunicaciones S.A. E.S.P. expressed to MinTic its interest in taking advantage of the general authorization regime to provide the subscription television service, as allowed by Article 32 of Law 1978 of 2019. This implies that the concession contract with ANTV (in liquidation) was terminated early, and as from that date the Company applies the telecommunications consideration regime of 2.2% of gross revenues, instead of the subscription television regime of approximately 4.5% of gross revenues.

The license to provide Internet Protocol Television (IPTV) is now the TIC registry, which manages MinTic and allows the Company to provide the service in technological neutrality, both by Direct to Home (DTH) and by cable Internet Protocol Television (IPTV).

e) Interconnection

According to Law 1341 of 2009, network providers must allow the interconnection of their networks and access and use of their facilities to any provider who requests it. The interconnection regime under which the Company has its interconnection contracts in effect is found in Title IV of Resolution 5050 of 2016 of the CRC. The current scheme of access charges between telecommunications operators is found in Resolution 5050 of 2016 as amended by Resolution 5108 of 2017.

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Applied Professional Accounting Standards

3.1.1. Basis of Presentation

The Group's financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia, based on International Financial Reporting Standards (IFRS), together with their interpretations, conceptual framework, basis for conclusion and the application guides authorized and issued by the International Accounting Standards Board (IASB) published in Spanish until 2017 (excluding IFRIC 23 and IFRS 17); and other legal provisions defined by supervisory bodies that may differ in some respects from those established by other government control bodies.

The consolidated financial statements were authorized by the Audit Committee on February 17, 2020 and approved for issuance by the Board of Directors on February 20, 2020 pursuant to Minute No. 133. They can be modified and must be approved by the Shareholders' Meeting.

These consolidated financial statements have been prepared on the basis of the historical cost model except for land, buildings, investment property 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 to record changes in fair values attributable to the risks being hedged in the respective effective hedging relationships.

3.1.2. Consolidated Financial Statements

The Group prepares its Consolidated Financial Statements, which include the information of the Group as a single company, by means of the full integration methodology, adding up assets, liabilities and the operations carried out in the period excluding those operations carried out between the Company and its subsidiaries. According to the Company's bylaws, the Group companies perform a hard close on their accounts and prepare financial statements annually.

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

3.1.3. Investments in Subsidiaries

Investments in subsidiary companies in which the Company has control through direct or indirect ownership of more than 50% of the capital stock are accounted for by the equity method.

Under this method, investments are initially recorded at cost and subsequently adjusted, with a credit or charge to income as appropriate, to recognize the share of profits or losses in subsidiaries, after eliminating intercompany unrealized gains. Cash distribution of these companies' earnings is recorded as a reduction in the value of the investment.

Below are the percentages of participation of Colombia Telecomunicaciones S. A. E.S.P.

		Share participation, as of 31 December	
Company	**Country / City**	**2019**	**2018**
Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P.	Colombia / Bucaramanga	99,99	94,58
Metropolitana de Telecomunicaciones S.A. E.S.P.	Colombia / Barranquilla	99,97	87,45
Operaciónes Tecnológicas y Comerciales S.A.S.	Colombia / Barranquilla	99,98	90,26

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

Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. (Note 1)

The financial information is presented below:

	As of 31 December	
	2019	**2018**
	(COP$000)	
Total assets	378.658.127	393.347.598
Total liabilities	267.887.647	280.453.982
Total equity	110.770.480	112.893.616
Results of the year	(6.256.191)	(26.321.102)

Metropolitana de Telecomunicaciones S.A. E.S.P. (Note 1)

The financial information is presented below:

	As of 31 December	
	2019	**2018**
	(COP$000)	
Total assets	271.804.891	291.124.123
Total liabilities	270.388.772	272.846.361
Total equity	1.416.119	18.277.762
Results of the year	(19.046.097)	(19.556.471)

Operaciones Tecnológicas y Comerciales S.A.S (Note 1)

The financial information is presented below:

	As of 31 December	
	2019	**2018**
	(COP$000)	
Total assets	13.522.776	14.455.140
Total liabilities	11.564.781	12.744.400
Total equity	1.957.995	1.710.740
Results of the year	247.255	90.763

3.2. Accounting Policies

The principal accounting policies used in the preparation of these consolidated financial statements are described below:

3.2.1. Foreign Currency Transactions

Functional and Presentation Currency

The items included in the Group's consolidated financial statements are expressed in the currency in which the entity operates (functional currency) and are presented in Colombian pesos, which is the Group's functional and presentation currency. All values have been rounded to the nearest thousand (COP$000), unless otherwise indicated.

Foreign Currency Conversion

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction or valuation dates when the items are revalued. Balances denominated in foreign currency are expressed in Colombian pesos at the representative exchange rates of $3,277.14 and $3,249.75 per US$1 as of December 31, 2019 and 2018, respectively. Exchange gains or losses resulting from the payment of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the Consolidated Statement of Income, except when deferred in equity in Other Comprehensive Income for transactions that qualify as cash flow hedges.

Exchange differences related to loans are presented in the Consolidated Statement of Comprehensive Income under the heading "financial income or expense", depending on the result. Likewise, any other gain or loss generated by other concepts is presented in the Consolidated Statement of Income.

Non-monetary items that are measured by historical cost in foreign currency are translated using the exchange rates in effect at the date of the transactions. Non-monetary items that are measured by their fair value in foreign currency are translated using the exchange rates at the date that the fair value is determined. Gains or losses arising from the translation of non-monetary items are recognized on the basis of the gain or loss on the item that gave rise to the translation difference. Therefore, translation differences on items whose gain or loss is recognized in other consolidated comprehensive income or in earnings are also recognized in other consolidated comprehensive income or in earnings, respectively.

3.2.2. Property, Plant and Equipment

Property, plant and equipment are valued at the cost of acquisition, less accumulated depreciation and any impairment losses, except for land and buildings, which are recognized at revalued cost. Land is not subject to depreciation.

The cost of acquisition includes external costs plus internal costs made up of the consumption of warehouse materials, direct labor costs employed in the installation and an allocation of indirect costs necessary to carry out the investment. The acquisition cost includes the estimate of the costs associated with the dismantling or removal of the element and the rehabilitation of its location, only when they constitute contractual obligations incurred as a result of the use of the element. The costs of expansion, modernization or improvement, which represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalized as an increased 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 from cash flow hedges used for foreign currency purchases.

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

For significant property, plant and equipment components that must be replaced periodically, the Group records the removal of the replaced component and recognizes the new component with its corresponding useful life and depreciation. Similarly, when an inspection is performed, the cost of the inspection 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 Consolidated Statement of Income as incurred.

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

Description	Useful Life Minimum (Years)	Useful Life Maximum (Years)
Construction	10	40
Switching, access and transmission	2	20
Furniture	10	10
Information processing equipment	4	5
Transport equipment	7	7

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

3.2.2.1. Property revaluation

As from the convergence to the Financial Reporting Standards (FRS), the Group has performed the subsequent measurement under the revalued cost policy for land and buildings, taking as fair value the revalued value less the accumulated depreciation and the accumulated amount of impairment losses. The revaluation surplus of land and buildings included in equity is transferred directly to accumulated results when the asset is derecognized. At the end of each period, the Group transfers from the surplus reserve to retained earnings to the extent of the use of the revalued assets.

Any revaluation increase is recognized in Other Comprehensive Income and is accumulated in equity in the asset revaluation reserve, unless such increase reverses a revaluation decrease in the same asset previously recognized in the Consolidated Statement of Income.

The frequency of revaluations depends on the changes in the fair values of the land and buildings being revalued. Where the fair value of the revalued asset differs significantly from its carrying amount, a further revaluation is required, and in any event at least every three years.

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

3.2.2.2. Construction in progress

Construction in progress or assets under construction are carried at cost less any impairment losses. 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 applies to the transferred category.

3.2.2.3. Decommissioning Costs

The initial estimate of the costs of decommissioning and removal of the asset, as well as the rehabilitation of the site on which it is located, are included as part of the costs of the property, plant and equipment or right of use. The Group determines and recognizes in its Consolidated Financial Statements the estimate of minimum removal or relocation costs when it has been defined at a contractual or regulatory level, but in no case do they include those corresponding to the relocation of the equipment to a new site for further use.

In the particular case of improvements made to buildings that are not owned by the Group but are leased, the following specific treatment applies; if the lease agreements provide for the return of the building in the same condition as it was assigned at the beginning of the lease period, at the time the work and installations are carried out, a provision is made for its dismantling and incorporates as an addition to the cost of the property, plant and equipment and as a balancing entry the recognition of a dismantling liability.

Cash flows are discounted at a current pre-tax market rate, reflecting the risks specific to the liability. Recognition of the discount is accounted for as an expense as it is incurred and recognized in the income statement as financial costs or other operating expenses, as appropriate. Estimated future decommissioning and retirement costs are reviewed annually and added to or subtracted from the cost of the related asset.

3.2.3. Investment Properties

Investment properties are real estate held for the purpose of obtaining rental income or to achieve 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 for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value through profit or loss.

The cost includes expenses that are directly attributable to the acquisition of the investment properties. The cost of assets built by the Group includes the cost of materials and direct labor, any other costs directly attributable to making the asset fit for purpose and capitalisable borrowing costs.

Any gain or loss on the sale of an investment property (calculated as the difference between the considerations obtained on disposal and the carrying value of the asset) is recognized in income. When an investment property that was 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 a property changes so that it is reclassified as property, plant and equipment, at the date of reclassification its fair value becomes the cost for accounting purposes.

3.2.4. Non-Current Assets Held for Sale

The non-current assets held for sale relate to land and buildings that the Group has in its current condition for immediate sale, based on a highly probable sales plan. They are carried at the lower of net book value and fair value less costs to sell and will not be subject to depreciation while they are classified as held for sale.

When the sale is expected to occur beyond the one-year period, the entity measures the costs of sale at their present value. Any increase in the present value of the cost of sales that arises in the course of the year shall be presented in the income statement as a financing cost.

3.2.5. Jointly controlled operations

Joint ventures 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 venture. Recognition of the agreements requires the Group 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 through the use of 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 assets and obligations with respect to liabilities, related to the agreement and accounts for each asset, liability and transaction, including those held or incurred jointly, in relation to the operation in accordance with the percentage of ownership in the respective agreement.

The Group has entered into contractual agreements with other participants to carry out joint activities that do not give rise to a jointly controlled entity. These arrangements sometimes involve the joint ownership of assets dedicated to the purposes of each company, but do not create a jointly controlled entity, and therefore the participants derive direct benefits from the activities, rather than 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, income and expenses generated, which are measured in accordance with the terms of each agreement, generally based on each participant's interest.

3.2.6. Leases

Policy applicable from January 1, 2019

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

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

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.

3.2.6.1. Lessee’s accounting

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

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

Lease liabilities include the net present value of the following lease payments

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

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental debt rate.

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

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

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

The lessee's incremental borrowing rate shall 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 interest rate curves available to the Telefónica Group and based on the conditions of each of the leases.

3.2.6.2. Lessor's accounting

When assets are leased under a finance lease, 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 account receivable is recognized as financial income.

The account receivable is amortized by allocating each payment between interest income and capital amortization in each accounting period so that the recognition of interest income reflects, in each period, a constant rate of return on the lessor's net investment in the finance lease.

When assets are leased out under an operating lease, 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 term of the lease on a straight-line basis.

- **Leasing activities**

The Group leases various properties, equipment and vehicles. Lease contracts are normally for fixed periods of 1 year. Lease conditions are negotiated individually and contain a wide range of different terms and conditions. The leases do not impose any covenants, but the leased assets are not used as collateral for loan purposes.

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

On initial adoption and during 2019, no leases were recorded that should be measured under IFRS 16, as described above.

- **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.

- **Terms of the leases**

In determining the term of the lease, the Group considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. During 2019, there were no extension and termination options recorded under the leases.

Policy applicable until December 31, 2018

3.2.6.3. Lessee's accounting

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Property, plant and equipment leases in which the Company has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each payment under a finance lease is allocated between the liability and finance costs. The obligations of a finance lease, net of the finance charge, are presented as current or non-current liabilities (financial obligations) depending on whether or not the royalty payments are due within 12 months. Finance costs are charged to income over the lease period so as to provide a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under a financial lease is depreciated over the shorter of the asset's useful life and the lease term.

3.2.6.4. Lessor's accounting

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

When assets are leased under a finance lease, 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 account receivable is recognised as finance income.

The account receivable is amortized by allocating each royalty between finance income and capital amortization in each accounting period so that the recognition of finance income reflects a constant rate of return on the lessor's net investment in the finance lease in each period.

When assets are leased out under an operating lease, 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 term of the lease on a straight-line basis.

3.2.7. Rights of Use Assets

IFRS 16 establishes a global and methodological framework for the recognition of right of use assets registered by the Group. Rights of use assets are assets that represent the right of 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, and adjusted for any re-measurement of the lease liability to reflect new measurements or modifications.

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

The Group depreciates right of use assets by applying the straight-line method in accordance with the minimum non-cancellable period of each contract in force, as detailed below:

Rights of Use Assets	Minimum term	Maximum term
Land and buildings	1	10
Technical installations	1	10
Transport equipment	1	2

3.2.8. Intangible Assets

Separately acquired intangible assets are recorded at acquisition cost, less accumulated amortization and any accumulated impairment loss, 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 any accumulated amortization (where assigned a defined useful life) and any accumulated impairment loss, if any.

The methods and periods of depreciation applied are reviewed at year-end and, if appropriate, adjusted prospectively. The gain or loss arising from the removal of an intangible asset is measured as the difference between the net income from the sale and the carrying amount of the asset and is recognized in the Consolidated Statement of Comprehensive Income when the respective asset is removed. Costs associated with maintaining computer programs are recognized as an expense when incurred.

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

Below is a list of the main intangibles held by the Group, indicating its measurement and recognition procedures:

3.2.8.1. Qualifying Titles

It represents the acquisition price of the 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 permit, in which case they may be automatically renewed.

Amortization is carried out on a straight-line basis from the time of commencement of commercial exploitation of the licenses and permits, over the period of their validity.

3.2.8.2. Office equipment software

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

3.2.8.3. Irrevocable Rights of Use (IRU)

Infrastructure use rights are recognized at acquisition cost and amortized on a straight-line basis. The Group has the right to use the capacity during the term and with the contractually specified bandwidth.

3.2.8.4. Current Projects - Computer Applications

Current projects include technological investments in the process of development which are required for commercial systems, sales force, Big Data and digitalization.

3.2.8.5. Estimated Useful Lives

The Group amortizes its intangible assets as follows:

Description	Minimum Life Span (Years)	Maximum Life Span (Years)
Qualifying titles	10	10
Software for network and office equipment	3	5
Irrevocable Rights of Use (IRU)	10	20

3.2.9. Goodwill

Goodwill is initially measured at cost, represented by the excess of the sum of consideration transferred and the amount recognized for non-controlling interest, over the net of 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.

3.2.10. Impairment of Non-Current Assets

At the end of each reporting period, the presence or absence of impairment indicators is assessed on non-current assets, including goodwill, intangible assets and property, plant and equipment. If such indicators exist or in the case of assets whose nature requires an annual impairment analysis, the Group estimates the recoverable value of the asset, which is the higher of fair value less disposal costs and 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 amount or financial valuation of an asset is below its net book value, it is considered to be impaired. In this case, the book value is adjusted to the recoverable value, recording the loss in the Consolidated Statement of Income. Depreciation charges for future periods are adjusted to the new book value over the remaining useful life.

For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows and the strategic plan and financial projections are used for this purpose. Such a strategic plan generally covers a three-year period. For longer periods, from the fifth year forward, projections based on such strategic plans are used, applying a zero growth or decline rate.

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

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

In addition, the discount rates used to determine the recoverable value are based on available financial information and are adjusted for the corresponding country risk and business risk rate. Thus, in fiscal years 2019 and 2018 a nominal percentage rate calculated in pesos of 10,17% and 11,24%, 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 with changes in other comprehensive income - ORI (debt instrument), at fair value with changes in income, at amortized cost or fair value with changes in 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 give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal.

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 obtain the contractual cash flows and sell, and the contractual terms result in specified dates to receive cash flows that are only payments of principal and interest on outstanding principal. A financial asset that is not measured at amortized cost or 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 and loss

A financial asset (debt instrument) is measured at fair value through profit and loss when it is not classified in model 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 and 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

At the end of each reporting period, the Group establishes a model of expected credit losses for the recognition of impairment of financial assets. The expected credit loss model is applied to financial assets that are debt instruments, measured at amortized cost or at fair value through other comprehensive income (includes accounts receivable, contractual assets within the scope of IFRS 15 Customer Contracts, receivables and other payables).

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 over the life of the asset.

The application of the simplified model is developed through provision matrices, which are built up from historical default rates over the expected life of the trade accounts receivable and through: i) appropriate groupings of trade accounts based on shared credit risk characteristics, ii) representative collection harvest history and iii) time horizon in accordance with the collection management policy for each type of account.

For accounts receivable in installments from customers, such as financed sales of terminals or other types of equipment, the policy is based on using historical uncollectibility ratios to predict customer behavior throughout the life of the contract, i.e., at the maturity of each monthly installment, it allows for an approximate estimate of the percentage of debt that will ultimately remain unpaid (expected loss), to be recorded at the outset.

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

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 income for the period when the financial liability is derecognized and through the amortization process.

b) Financial liabilities at fair value

Financial liabilities that are managed and assessed for performance on a fair value basis, such as derivatives, are classified as financial instruments at fair value through profit and 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 is a financial liability designated as at fair value through profit and loss and the Group is required to present the effects of changes in the credit risk of the liability 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 its liabilities, the instrument has no priority over other rights to the assets of the entity on liquidation, the distribution to the holders of an equity instrument shall be 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.

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

The transaction costs associated with the issue of the equity instrument are recognized as a deduction from equity, for an amount 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 Consolidated Statement of Income, nor will it adjust (i.e., be deducted from) the Group's earnings for the calculation of earnings per share.

3.2.11.4. Recognition and Measurement

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

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

Gains or losses on a debt instrument that is subsequently measured at amortized cost and is 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 using the effective interest method.

The Effective Interest Method is the method used to calculate the amortized cost of a financial asset or liability and to allocate the 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, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

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

3.2.11.5. Financial Instrument Clearing

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when there is a legally enforceable right to set off the recognized amounts and 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 reporting period end, the fair value of financial instruments that are 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 that are not traded on active markets, fair value is determined using valuation techniques appropriate to the circumstances. Such techniques may include the use of recent market transactions between knowledgeable, willing parties acting on an arm's length basis, reference to the fair values of other financial instruments that are substantially similar, analysis of discounted cash flow values and other appropriate valuation models.

3.2.12. 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 the derivative financial instruments do not qualify for recognition through the hedge accounting treatment, they are recorded at fair value through the Consolidated Statement of Income. Any changes in the fair value of these derivatives are immediately recognized in the Consolidated Statement of Comprehensive Income as "Financial income or expense", net.

Whether they are designated as hedges, the method of recognizing the gain or loss resulting from changes in the fair values of derivatives depends on the nature of the risk and the 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, as well as its risk management objectives and strategy supporting its hedging transactions. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged 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 to changes in cash flows attributable to the hedged risk.

The Group designates its hedges as follows:

Fair Value Hedges: when they cover 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 Consolidated 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 Consolidated Statement of Comprehensive Income as "financial income or expense," as is the ineffective portion that is also recognized in the Consolidated 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 profit or loss 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 Consolidated Statement of Comprehensive Income as finance income or finance cost, 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 the corresponding gain or loss recognized in the Consolidated Statement of Comprehensive Income as finance income or expense, as appropriate.

Cash flow hedges: when they hedge the risk of changes in cash flows attributed either to a particular risk associated with a recognized asset or liability or to a highly probable forecast transaction, or to foreign exchange 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 income statement as "other gains / (losses), net".

The amounts accumulated in the Consolidated Statement of Changes in Equity are transferred to the Consolidated Statement of Comprehensive Income in the periods in which the hedged item affects them, however, when the hedged forecast transaction results in the 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. Capitalized amounts are ultimately recognized in cost of sales when the products sold are sold if they are inventories or in depreciation if they are property, plant and equipment.

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

b) Hedges via Options

Foreign exchange options are derivative instruments used to hedge foreign exchange; 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 it is allocated, while changes in the fair value of the temporary portion are recorded in the consolidated income statement. The difference between the allocated portion and the fair value of the intrinsic portion is recorded in the Consolidated Statement of Income.

c) Classification of Items in Current and Non-Current

Derivative instruments are separated into current and non-current portions based on an assessment of 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 longer than twelve months from the end of the reporting period, the derivative is classified as non-current (or divided 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 consistently with the cash flows of the host contract.

3. Derivatives that are 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 a non-current portion only if such allocation can be made reliably.

3.2.13. Inventories

Inventories of goods for sale, as well as materials in storage for installation in investment projects, are valued at the lower of cost or net realizable value. Obsolete, defective or slow-moving products have been reduced to probable net realizable value. The calculation of the recoverable value of inventories is based on the age of the inventories and their turnover. To estimate the cost of sales, the Company values inventories at the weighted average cost.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include transfers from equity of gains or losses on cash flow hedges for purchases of inventories when so defined.

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 revenues are being generated. These costs are amortized over the shorter of the useful life of the item delivered and the average life of the customer.

b. Customer contract compliance costs correspond mainly to equipment installation services 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. Annual payments for the use of the radio spectrum for the provision of telecommunications services, which are amortized over the same period of time.

d. Payments for irrevocable rights of use over capacity which are amortized over a period of 15 years.

e. Support and maintenance costs of computer platforms and applications, which are amortized over the term of the contract.

f. Other prepaid expenses are represented by licenses, insurance policies, leases, and contributions which are amortized over the term of the contract or period covered by the pre-payment.

g. Global Share Purchase Plan for Telefónica employees that provides the opportunity to buy shares of Telefónica S.A., through direct and monthly deductions from their salaries. In July 2019, the plan was launched and ends in July 2021.

3.2.15. Contractual Assets and Liabilities

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue from ordinary activities and its amount, and this determination generates impacts that give rise to a contractual asset or liability.

The Group presents the contract with the customer in the Statement of Financial Position as a contractual asset or liability, depending on the relationship between the time of transfer of the goods and/or services by the Group companies and payment by the customer as such:

a. If the Group transfers goods and/or services to the customer before the customer pays the consideration or before payment is due, the Group presents the contract with the customer as a contractual asset, excluding from this item the amounts presented as receivables. The Group assesses a contractual asset for impairment in accordance with IFRS 9. An impairment of a contractual asset is measured, presented and disclosed in the same way as a financial asset that is within the scope of IFRS 9.

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

3.2.16. Cash and Cash Equivalents

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

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

3.2.17. Share Capital

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 tax, if any.

3.2.18. Current and Deferred Tax

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

3.2.18.1. Current Income Tax

Current income tax assets and liabilities are calculated on the basis of tax laws enacted or substantially enacted at the date of the Statement of Financial Position. Management periodically evaluates the positions assumed in the tax returns filed with respect to situations in which the tax laws are subject to interpretation. When applicable, provisions are made for amounts expected to be paid to the tax authorities.

The carrying amount of current tax assets and liabilities for the current and prior periods represents the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax regulations used in the calculation of such amounts are those in effect at the balance sheet date, including the income tax rate.

3.2.18.2. Deferred Income Tax

The amount of the deferred taxes is obtained from the analysis of the statement of financial position considering the temporary differences, which are reverted in time, between the tax values of assets and liabilities and their respective accounting values.

Deferred tax assets are recognized to the extent that it is probable that the temporary differences will be recovered in the future, the carrying value of the 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 from a transaction that is not a business combination and at the time of the transaction did not affect accounting profit or taxable income (loss).

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

- The controller, investor, joint venture participant or joint operator is able to control the timing of the reversal of the time difference; and

- The time difference is unlikely to reverse in the foreseeable future.
  Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities, and when the deferred tax assets and liabilities arise from income taxes levied by the same tax authority on the same entity or taxpayer, or on different entities or taxpayers, but the Group intends to settle the current tax assets and liabilities on a net basis, or to realize the tax assets and liabilities simultaneously.

The main temporary differences arise from differences between the tax and accounting values of property, plant and equipment, intangible assets, estimated liabilities and provisions, portfolio impairment, actuarial calculations of post-employment benefit obligations, deferred income, valuation of hedges, as well as differences between the fair values of the 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 date of reversal. At each balance sheet date, the carrying amount of the deferred tax assets recognized is analyzed and the necessary adjustments are made if there are doubts as to their future recoverability. Deferred tax assets not recognized in the Statement of Financial Position are assessed at each balance sheet date and are recognized to the extent that their recovery with future taxable profit becomes probable.

Deferred income tax is determined using tax rates that have been enacted as of the date of the Statement of Financial Position and that 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 recognized directly in equity if the tax relates to items that are charged or credited directly to equity.

3.2.19. Employee Benefits

a. Applicable Regime

All the Group's employees are covered by Law 50 of 1990, since the Group began 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 system and other complementary regulations. The labor laws provide for the payment of deferred compensation to certain employees on the date of their retirement from the Group. The amount each employee receives depends on the date of entry, type of contract and salary. In accordance with the IFRS, the liability for such obligations is recorded 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 law and the comprehensive social security system to cover both social benefits and future pension obligations and, therefore, the Group has no actuarial obligations to employees in this connection.

The Group records liabilities related to terminations, 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 approximate number of employees whose services are to be terminated; b) termination benefits for each class of employment or function; and c) the time at which the plan will be implemented.

b. Salaries and Short-Term Benefits

Salaries and short-term benefits for current employees are recognized in the Consolidated Statement of Comprehensive Income when the employees render their services.

c. Performance Bonuses

The Group recognizes liabilities and expenses for profit sharing allowances received by employees for compliance with indicators defined by the Group, recognizing a provision when contractually obliged 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. Stock-Based Payment Plans

Group executives receive compensation in the form of share-based payments, whereby they provide services as consideration for equity instruments (stock options on shares of Telefónica S.A., the Company's ultimate parent company).

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

The cumulative expense recognized for equity-settled share-based payment transactions at each reporting date and until the date of consolidation (vesting) reflects the extent to which the vesting period has expired and the Telefónica Group's best estimate of the number of equity instruments that will ultimately be retained as consolidated profit. The expense or credit in the income statement for the period represents the movement in the cumulative expense recognized at the beginning and end of the period.

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

f. Long Term Employee Benefits

Long-term employee benefits shall be measured, at a minimum, at the end of the accounting period at the present value of the defined benefit obligation, calculated using the market rate of the TES issued by the National Government with terms similar to those estimated for the payment of the obligations.

For this purpose, and depending on the type of benefit, variables such as salaries, employee turnover and cost trends in the benefits granted shall be considered in order to measure the present value of the long-term benefit obligations, as well as the cost related to the current period, an actuarial measurement method shall be applied, benefits shall be distributed among the periods of service and actuarial assumptions shall be made. The recognition of the present service cost, the cost for past services and the interest on the liability will affect the result of the period, on the other hand, the actuarial gains and losses and the return on the assets of the benefit plan will affect the integral result.

g. Post-Employment Benefits

Benefits other than those for termination of employment or contract that are paid after completion of the period of employment in the Group shall be recognized as post-employment benefits.

These benefits include pension’s payable by the Group and other post-employment benefits such as life and health insurance.

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

The recognition of present service cost, past service cost and interest on the liability will affect the result of the period. Actuarial gains and losses and the additional return on benefit plan assets will affect equity and will be presented in other comprehensive income.

3.2.20. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when a present obligation, legal or constructive, exists as a result of a past event that will probably require an outflow of economic resources to settle the obligation and its amount can be reliably estimated.

In cases where the provision is expected to be reimbursed in whole or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset only in cases where such reimbursement is virtually certain. The expense for any provision is presented in the Consolidated Statement of Comprehensive Income on the line that best reflects the nature of the provision, net of any related reimbursement, to the extent that it is virtually certain.

If the effect of the time value of money is significant, provisions are discounted using a current pre-tax market rate that reflects, where appropriate, the specific risks of the liability. When the discount is recognized, the increase in the provision resulting from the passage of time is recognized as a financing cost in the Consolidated Statement of Income.

A contingent liability is not recognized in the consolidated financial statements, but rather is disclosed in the notes, except in cases where the possibility of a possible outflow of resources to settle the liability is remote. For each type of contingent liability at the respective closing dates of the reporting periods, the Group discloses (i) a brief description of the nature of the liability and, where possible, (ii) an estimate of its financial effects; (iii) an indication of the uncertainties relating to the amount or timing of the related outflow of resources; and (iv) the possibility of obtaining any reimbursement.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognized in the consolidated financial statements, but is disclosed in the notes, but only if an inflow of economic benefits is probable.

3.2.21. Segment information

Group management prepares sufficient financial and management information to assess profitability, risk and assets employed at the Group level. Although the Group prepares certain financial and management information for each of the business areas, this information 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 assigned assets and liabilities individually as required by IFRS 8.

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

3.2.22. Income Recognition

a. Income from ordinary activities from contracts with client

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

- Determination of the time for compliance with performance obligations,
- Determination of the transaction price assigned to such obligations,
- Determination of individual sales prices.

The Group has adopted this new standard using one of the two alternative transition methods allowed: retroactively with the cumulative effect of the initial application recognized as an adjustment to the opening balance of "Accumulated Results" on the date of first application, January 1, 2018. The new standard also allows certain practical solutions to be adopted to reduce the complexity of applying the new criteria. The main practical solutions applied by the Group are

- Completed contracts: the Group does not apply the new criteria retrospectively to contracts that were completed prior to January 1, 2018.

- Grouping of contracts: the Group applies the requirements of the standard to groups of contracts with similar characteristics (mass customer, where a standard offer is marketed). For contracts with corporate customers, all obligations transferred and agreed through the non-standard offer are identified.

b. Other operating income

The Group recognizes in other operating income transactions that, although not 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 movable and immovable property used in the operation, support from manufacturers, breach of contract and government subsidies, among others. .

For presentation purposes, the Group reflects in the statement of comprehensive income the operating revenues considering those generated by mobile service, fixed service and other operating revenues, including the headings and subtotals necessary to allow a fair presentation to understand the Group's financial performance.

c. Government subsidies

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 income on a systematic basis over the periods in which the Company 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 income and recognized in earnings 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 and their counterpart is recognized in the Statement of Income as a reduction of the depreciation expense in accordance with the useful life of the asset.

3.2.23. Cost and expense recognition

Costs and expenses are recorded in the Consolidated Statement of Comprehensive Income on an accrual basis, i.e. when the actual receipt or delivery of the goods and services that 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 a decrease in an asset or an increase in a liability, which can be measured reliably.

3.2.24. Critical Accounting Estimates

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

The estimates and judgments used are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances.

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

- **Impairment of non-monetary assets**

The Group assesses annually whether its property, plant and equipment, intangibles, goodwill and rights of use are impaired in accordance with the policy indicated in Note 3.

- **Useful lives of property, plant and equipment**

The determination of the economic useful life of property, plant and equipment is subject to the estimate of the Group's management regarding the level of use of the assets, as well as the expected technological evolution and the valuations carried out by the Group's technical areas. Based on the above, at the end of each year the Group reviews its depreciation rates to take into account any changes with respect to the level of use, technological framework and future development, which are events that are difficult to predict, and if appropriate they are adjusted prospectively.

- **Provisions**

The Group makes estimates of amounts to be settled in the future, including the related contractual obligations, pending litigation or other liabilities. These estimates are subject to interpretation of current events and circumstances, future projections and estimates of the financial effects of those events.

- **Taxes**

The Group is subject to Colombian tax regulations. Significant judgment is required in the determination of provisions for taxes. There are transactions and calculations for which the determination of taxes is uncertain in the ordinary course of business. The Group evaluates the recognition of liabilities for discrepancies that may arise with the tax authorities based on estimates of additional taxes to be paid. The amounts provided for income tax are estimated by management based on its interpretation of current tax regulations.

Actual liabilities may differ from the amounts provided for and have a negative effect on the Group's results and net position. When the final tax result of these situations is different from the amounts that were initially recorded, the differences impact current and deferred income tax assets and liabilities in the period in which this fact is determined.

The Group assesses the recoverability of deferred tax assets based on estimates of future taxable income and the ability to generate sufficient income over the periods in which the deferred tax assets are deductible. Deferred tax liabilities are recorded on the basis of estimates of net assets that will not be tax deductible in the future.

- **Fair value of financial instruments**

The fair value of financial assets and liabilities for the purposes of their initial recognition and presentation of financial information is estimated by discounting the contractual future cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets is based on market prices at the balance sheet date. The quoted market price used for financial assets is the current price of the buyer. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group applies its judgement to select a variety of methods and makes assumptions that are primarily based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of other financial instruments.

It is assumed that the carrying amount less the provision for impairment of receivables approximates their fair value.

- **Impairment of receivables**

Measurement of Impairment for Expected Credit Loss

Measuring the expected credit loss provision for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customer defaults and resulting losses).

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

- Determine the criteria for a significant increase in credit risk;
- Properly choosing models and assumptions for measuring expected credit loss;
- Establishing the number and relative weights of prospective scenarios for each product/market type and the associated expected credit loss; and
- Establish groups of similar financial assets for the purpose of measuring expected credit loss.

- **Post-Employment Employee Benefits**

The present value of pension liabilities and other post-employment benefits depends on certain factors that are determined on an actuarial basis using a number of assumptions. The assumptions used to determine the cost of pensions include mortality tables, escalation factors, and the discount rate. Any change in these assumptions will have an effect on the carrying amount of post-employment benefit obligations.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCEPTED ACCOUNTING FRAMEWORK IN COLOMBIA

Decree 2270 of 2019 compiled and updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, which had been incorporated by Decrees 2420 of 2015, 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018, including a new interpretation issued by the International Accounting Standards Board (IASB), to make them applicable as of January 1, 2020, although their application could be made earlier.

New interpretation incorporated into the accounting framework accepted in Colombia, whose application must be evaluated as of January 1, 2020, but which can be applied in advance.

4.1. IFRIC 23 Uncertainty in Income Tax Treatment

ISRIC 23 was issued in May 2017. This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatments. In this circumstance, an entity recognizes and measures its current or deferred tax asset or liability by applying the requirements of IAS 12 on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this Interpretation.

The Group will assess the potential impact of this interpretation on its financial statements, but no situations have yet been identified that might require changes to the financial statements.

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

4.2. 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 form 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 applies for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

The Group does not expect any impact from this standard, taking into account that it has not identified that it develops insurance contracts.

5. ACCOUNTING CHANGES DUE TO THE ADOPTION OF NEW STANDARDS

5.1. Accounting changes due to the adoption of new standards effective 1 January 2018

As of January 1, 2018, the Company has adopted the following standards for the preparation of its financial statements:

5.1.1. IFRS 15 Revenue from Ordinary Activities under Customer Contracts

IFRS 15 established a comprehensive framework for determining when to recognize revenue from ordinary activities and for what amount. The basic principle is that an entity should recognize revenue from ordinary activities in a manner that represents the transfer of committed goods or services to the customer in exchange for an amount that reflects the consideration to which the entity expects to be entitled in return for those goods or services.

The most relevant impacts relate to the recognition of contractual assets and liabilities. Under IFRS 15, this leads to an acceleration in the recognition of revenue from the sale of equipment, an acceleration or deferral of revenue from services and the activation and deferral of incremental costs related to obtaining contracts, which under IFRS 15 entails a deferral in the recording of customer acquisition expenses. The implementation impact was reflected in the financial statements for the year ended December 31, 2018.

5.1.2. IFRS 9 Financial Instruments

FRS 9 established the criteria for the recording and measurement of financial assets and liabilities. The main impact of IFRS 9 on the Company was presented by the new impairment loss model, which uses the expected credit loss model, replacing the incurred loss model applied until December 31, 2017.

The difference between the carrying values of financial assets and liabilities resulting from the first application of the new criteria was recognized in "retained earnings" in the financial statements for the year ended December 31, 2018.

5.2. IFRS 16 Finance Leases

The Group adopted IFRS 16 Leases starting on January 1, 2019. In accordance with the transition provisions of IFRS 16, the new standard was adopted retrospectively with the cumulative effect of the initial application of the new standard recognized on January 1, 2019. Comparative figures for 2018 have not been restated.

Until 2018, property, plant and equipment leases where the Group, as lessee, did not have substantially all the risks and rewards of ownership were classified as operating leases and those where they did were classified as finance leases.

On adoption of IFRS 16, the Group recognized lease liabilities related to leases that were previously classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate from January 1, 2019. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities at January 1 was 6,41% ADP

The impact of the application is shown below:

	Impacts of firts-time application accounting of changes - IFRS16 at January 1 de 2019
	(*COP$000*)
Assets	
Right of use assets:	
Land and buildings	373.692.244
Technical installations	237.218.831
Transport equipment	7.930.713
	618.841.788
Trasfer of trasport equiment (1)	3.532.392
	622.374.180
Prepaid expenses (2)	**(4.200.232)**
	618.173.948
Liability	
Short-term finance lease	170.096.774
Long-term leasing	448.077.174
	618.173.948

(1) This relates to the transfer of prepaid expenses for leases recognized before January 1, 2019 to assets for rights of use.

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

Assets related to rights of use were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments recognized in the statement of financial position at December 31, 2018. Non-current assets (Rights of Use Assets) increased by $622,374,180 on January 1, 2019, prepayments decreased by $4,200,232. The adoption of IFRS 16 had no impact on retained earnings at January 1, 2019.

In applying IFRS 16 for the first time, the Group used the following practical options permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months at January 1, 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of rights of use assets at the date of initial application, and
- The use of hindsight in determining the term of the lease where the lease contains options to extend or terminate the lease.

The impact of the application on the Consolidated Statement of Financial Position is shown below:

	As of 31 December 2019		
	IFRs 16	**IAS 17**	**Impact IFRs 16**
		(COP$000)	
Assets			
Current assets:			
Cash and cash equivalents	411.083.341	411.083.341	-
Financial Assets	72.311.618	72.311.618	-
Debtors and other receivables, net	1.005.467.603	1.005.467.603	-
Prepaid expenses	179.613.852	179.613.852	-
Contractual assets	25.345.441	25.345.441	-
Inventories	197.129.274	197.129.274	-
Taxes and Public Administration	387.944.894	387.944.894	-
Assets held for sale	134.566.415	134.566.415	-
Total current assets	**2.413.462.438**	**2.413.462.438**	**-**
Non-current assets:			
Financial Assets	31.022.891	31.022.891	-
Debtors and other receivables, net	132.901.742	132.901.742	-
Prepaid expenses	168.804.209	168.804.209	-
Contractual assets	84.986	84.986	-
Right of use assets	619.920.941	-	619.920.941
Property, plant and equipment	5.088.524.608	5.101.542.118	(13.017.510)
Investment properties	7.542.910	7.542.910	-
Intangibles	1.761.923.054	1.761.923.054	-
Goodwill	1.372.301.565	1.372.301.565	-
Deferred taxes	1.680.411.370	1.680.411.370	-
Total non-current assets	**10.863.438.276**	**10.256.534.845**	**606.903.431**
Total assets	**13.276.900.714**	**12.669.997.283**	**606.903.431**
Liabilities			
Current liabilities:			
Financial obligations	410.047.634	207.572.893	202.474.741
Suppliers and accounts payable	1.781.446.479	1.785.935.148	(4.488.669)
Contractual liabilities	84.001.127	84.001.127	-
Taxes and Public Administration	118.144.838	118.144.838	-
Deferred liabilities	3.898.693	3.898.693	-
Provisions and pension liabilities	166.619.657	166.619.657	-
Total current liabilities	**2.564.158.428**	**2.366.172.356**	**197.986.072**
Non-current liabilities:			
Financial obligations	3.636.024.497	2.955.078.708	680.945.789
Suppliers and accounts payable	147.718.687	147.718.687	-
Contractual liabilities	47.439.744	47.439.744	-
Deferred liabilities	12.068.444	12.068.444	-
Provisions and pension liabilities	256.198.214	256.198.214	-
Total non-current liabilities	**4.099.449.586**	**3.418.503.797**	**680.945.789**
Total liabilities	**6.663.608.014**	**5.784.676.153**	**878.931.861**
Total equity, attributable to controlling interests	**6.613.291.997**	**6.885.320.427**	**(272.028.430)**
Equity attributable to non-controlling interests	**703**	**703**	**-**
Total liabilities and shareholders' equity	**13.276.900.714**	**12.669.997.283**	**606.903.431**

The impact on the Consolidated Statement of Comprehensive Income is presented below:

	Year ended December 31		
	IFRs 16	**IAS 17**	**Impact IFRs 16**
		(COP$000)	
Operating income:			
Income from contracts with clients	5.159.181.123	5.159.181.123	-
Other operating income	531.833.024	793.209.382	(261.376.358)
	5.691.014.147	**5.952.390.505**	**(261.376.358)**
Operating costs and expenses	(3.776.202.960)	(3.968.011.889)	191.808.929
Operating profit before depreciation and amortization	**1.914.811.187**	**1.984.378.616**	**(69.567.429)**
Depreciation and amortization	(1.422.459.493)	(1.240.454.187)	(182.005.306)
Operational result	**492.351.694**	**743.924.429**	**(251.572.735)**
Financial expense, net	(289.416.191)	(268.960.496)	(20.455.695)
Profit before taxes	**202.935.503**	**474.963.933**	**(272.028.430)**
Income and supplementary taxes	(179.504.673)	(179.504.673)	-
Net income for the year	**23.430.830**	**295.459.260**	**(272.028.430)**

The Group has assessed the leases and has established the contracts over which it does not apply IFRS 16, as follows:

Short-term contracts for $34.267.694 corresponding to contracts with periods of less than one year and low-value contracts for $561.419 corresponding to office services, which are recognized in the Separate Statement of Comprehensive Income - Operating costs and expenses.

The Group recognized during 2019 the impact of sale and leaseback of towers and buildings, which are included as right of use assets at December 31, 2019. (Note 25) and recognized as interest expense arising from financial lease liabilities the amount of $20.455.695 (Note 28).

5.3. Characteristics of Advance Cancellation with Negative Compensation (Amendments to IFRS 9)

Concrete financial assets with early termination characteristics that may result in fair negative compensation for early termination of the contract are eligible to be measured at amortized cost or at fair value through other comprehensive income, rather than at fair value through profit or loss.

5.4. Long-term Investments in Associates and Joint Ventures (Amendments to IAS 28)

It is clarified that entities shall account for long-term interests in an associate or joint venture to which the equity method is not applied by using IFRS 9 before accounting for impairment losses or losses by applying IAS 28 Investments in Associates and Joint Ventures.

5.5. Annual Improvements to IFRS Standards Cycle 2015-2017

Contains amendments to IFRS 3 Business Combinations, IFRS 11 Joint Ventures, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

- The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint venture, it shall remeasure the interest held in that business.
- The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, it shall remeasure the interest held in that business.
- The amendments to IAS 12 clarify that an entity accounts for all income tax consequences of dividends in the same way regardless of how the tax arises.

- The amendments to IAS 23 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats the outstanding loans made to obtain that qualifying asset as part of general loans.

5.6. New IFRS Practice Paper No. 2 Making Judgements on Materiality or Relevance

IFRS Practice Paper No. 2 Making Judgements about Materiality or Materiality provides guidance on how to make judgements about materiality or materiality when preparing your financial statements so that those statements focus on information that is useful to investors. The IFRS Practice Paper brings together all the materiality requirements in IFRSs and adds guidance and practical examples that you may find useful in deciding whether information is material. IFRS Practice Paper No. 2 is not mandatory and does not change requirements or introduce new ones.

6. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of 31 December	
	2019	**2018**
	(COP$000)	
Register	5.044	39.736
Banks in national and foreign currency	357.367.050	95.205.246
Temporary invesments (1)	50.894.510	28.405.571
Special funds	2.816.737	46.313
	411.083.341	**123.696.866**

Cash and cash equivalents include foreign currency balances at December 31, 2019 of US$ 5,411 thousand ($17,732,605) and at December 31, 2018 of US$ 8,404 thousand ($27,310,899). At December 31, 2019 and 2018, restricted bank securities are $6,308,246 and $995,295, respectively.

1) Includes investments in collective funds whose rates for 2019 vary between 3.78% and 4.98%; Time Deposit constituted by US$ 5,000 thousand equivalent to December 31, 2019 to $16,385,700 (2018 - $16,248,750). Income recognized during the year ended December 31, 2019 was $3,371,133 (2018 - 447,740) (Note 28).

7. FINANCIAL ASSETS

The balance of financial assets at December 31, 2019 is as follows:

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			COP$000		
	At fair valeu though profit or loss	**At fair value with changes in OCI**	**Total financial assets at fair value**	**At amortized cost with changes in results**	**Total financial assets**
Current fiancial assets:					
Hedging intruments (1)	44.749.554	27.054.571	**71.804.125**	-	**71.804.125**
deposits and guarantees (2)	-	-	**-**	507.493	**507.493**
	44.749.554	**27.054.571**	**71.804.125**	**507.493**	**72.311.618**
Non-current financial assets:					
deposit and guarantees (2)	-	-	**-**	11.075.931	**11.075.931**
Hedging instrumens (1)	-	19.886.960	**19.886.960**	-	**19.886.960**
Other holdings	-	-	**-**	60.000	**60.000**
	-	**19.886.960**	**19.886.960**	**11.135.931**	**31.022.891**
	44.749.554	**46.941.531**	**91.691.085**	**11.643.424**	**103.334.509**

The balance of financial assets at 31 December 2018 is as follows:

	At fair valeu though profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
			COP$000		
Current fiancial assets:					
Hedging intruments (1)	44.749.554	27.054.571	**71.804.125**	-	**71.804.125**
deposits and guarantees (2)	-	-	**-**	507.493	**507.493**
	44.749.554	**27.054.571**	**71.804.125**	**507.493**	**72.311.618**
Non-current financial assets:					
deposit and guarantees (2)	-	-	**-**	11.075.931	**11.075.931**
Hedging instrumens (1)	-	19.886.960	**19.886.960**	-	**19.886.960**
Other holdings	-	-	**-**	60.000	**60.000**
	-	**19.886.960**	**19.886.960**	**11.135.931**	**31.022.891**
	44.749.554	**46.941.531**	**91.691.085**	**11.643.424**	**103.334.509**

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

2) Corresponds to deposits constituted by court order and maturing until their resolution.

8. DEBTORS AND OTHER RECEIVABLES, NET

The balance of debtors and other receivables is as follows:

	As of December 31	
	2019	**2018**
	(COP$000)	
Current:		
Customens for sales and services (1) (3)	1.011.856.252	1.262.673.479
Other debtors (2)	182.280.588	250.686.271
Portfolio with national operators	94.582.003	72.820.340
Related parties (Nota 30)	54.124.732	74.235.975
Commercial agents and distribution channels (3)	21.085.243	149.720.698
Portfolio by financed teams	13.102.607	27.981.901
Portfolio impairment	(371.563.822)	(829.549.263)
	1.005.467.603	**1.008.569.401**
Not current:		
Portfolio with national operators (4)	134.610.499	134.610.499
Sales and servicces customers	92.803.745	118.165.658
Related parties (Nota 30)	39.781.586	39.449.359
Grants and contributions portfolio (5)	38.111.870	38.111.870
Portfolio impairment	(172.405.958)	(172.075.816)
	132.901.742	**158.261.570**
	1.138.369.345	**1.166.830.971**

Debtors and other accounts receivable include foreign currency balances at December 31, 2019 of US$ 66,402 thousand ($217,608,650) and at December 31, 2018 of US$ 88,057 thousand ($286,163,236).

(1) A summary of balances with customers for sales and services rendered, net of impairment are the following:

	As of December 31	
	2019	**2018**
	(COP$000)	
Mass residential	528.195.102	747.376.381
Companies - Corporations and Government	272.017.670	211.014.037
Clients to be billed	125.097.805	119.380.138
Business - SMEs	60.154.593	167.521.921
Wholesale customers	21.287.274	12.970.397
Other third parties	5.103.808	4.410.605
	1.011.856.252	**1.262.673.479**
Portfolio Impairment	(234.081.135)	(618.896.331)
	777.775.117	**643.777.148**

(2) Includes portfolio balances from property sales, commercial support, roaming, international operators, advances and advances delivered.

(3) Portfolio write-offs as of December 31, 2019 correspond to equipment sold at installments $13,954,720, mass and corporate consumption portfolio $437,783,774, international operators $840,176 and agents and distribution channels $125,746,332.

(4) Corresponds to the balance receivable for access charges with Empresa de Teléfonos de Bogotá (ETB), for which the administration is advancing the legal procedures that allow its recovery. This portfolio is 100% provisioned.

(5) Corresponds to the portfolio with the Government for subsidies and contributions, which is 100% provisioned.

The detail, by age, of trade receivables for sales and services for the year ended December 31, 2019 is as follows:

Expiration	Residential	Business	Companies	Wholesalers	Other third parties	Clients to be billed	As of December 31
				(COP$000)			
To expire	195.344.604	20.266.283	39.652.542	4.696.242	2.644.423	125.097.805	387.701.899
1 - 30	45.990.823	7.528.696	25.096.854	9.144.722	122.565	-	87.883.660
31 - 60	16.575.181	3.934.252	39.839.181	3.011.545	33.068	-	63.393.227
61 - 90	11.693.861	2.065.880	6.535.159	1.551.640	-	-	21.846.540
91 - 120	7.055.256	1.766.914	241.688	989.884	-	-	10.053.742
121 - 180	15.651.553	2.238.309	3.344.328	194.873	-	-	21.429.063
181 - 360	49.552.199	6.204.158	1.102.787	1.385.450	-	-	58.244.594
> 360	186.331.625	16.150.101	156.205.131	312.918	2.303.752	-	361.303.527
	528.195.102	**60.154.593**	**272.017.670**	**21.287.274**	**5.103.808**	**125.097.805**	**1.011.856.252**

The detail, by age, of trade receivables for sales and services for the year ended December 31, 2018 is as follows

Expiration	Residential	Business	Companies	Wholesalers	Other third parties	Clients to be billed	As of December 31
				(COP$000)			
To expire	265.662.635	24.387.145	75.710.377	4.522.085	704.630	119.380.138	490.367.010
1 - 30	42.683.706	9.174.257	14.413.113	4.976.335	133.514	-	71.380.925
31 - 60	13.390.019	2.918.689	6.775.703	1.693.643	-	-	24.778.054
61 - 90	12.886.651	1.841.920	2.015.457	346.171	-	-	17.090.199
91 - 120	6.256.399	1.403.505	1.533.984	738.084	173.237	-	10.105.209
121 - 180	22.662.785	2.490.289	6.426.978	143.673	-	-	31.723.725
181 - 360	22.323.334	6.469.461	9.478.148	196.494	9.027	-	38.476.464
> 360	361.510.852	118.836.655	94.660.277	353.912	3.390.197	-	578.751.893
	747.376.381	**167.521.921**	**211.014.037**	**12.970.397**	**4.410.605**	**119.380.138**	**1.262.673.479**

The movement of deterioration is as follows:

	(COP$000)
Balance as of December 31, 2017	**(947.225.807)**
Initial impact of application of IFRS 9 at January 1, 2018	(62.025.377)
Registration of companies	8.335.537
Impairment of profit for the year (Note 26)	(35.270.833)
Portfolio punishment	34.553.980
Impairment of portfolio due to interest on arrears of clients	7.421
Balance as of December 31, 2018	**(1.001.625.079)**
Impairment losses for the year (Note 26)	(89.930.694)
Portfolio punishment (a)	555.468.512
Impairment of portfolio due to financial expenses	(7.882.519)
Balance as of December 31, 2019	**(543.969.780)**

(a) The portfolio write-offs as of December 31, 2019 correspond to the portfolio of equipment sold to quotas, mass and corporate consumption portfolio, international operators and agents and distribution channels.

9. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of December 31	
	2019	**2018**
	(COP$000)	
Current:		
Cost of equipment in customers home	100.644.364	55.470.381
Cost of compliance with customer contracts (1)	54.161.214	30.005.550
Support and maintenence (2)	12.171.158	11.694.762
Irrevocable nights of use - capacity	6.916.285	6.916.285
Insurance polices	4.358.528	4.213.024
Leases (3)	1.103.117	2.079.791
Others (4)	259.186	1.268.523
	179.613.852	**111.648.316**
Non current:		
Cost of equipment in customers home	93.708.954	76.414.055
Cost of compliance with customer contracts (1)	47.323.089	41.529.630
Irrevocable nights of use - capacity	19.950.528	27.220.481
Support and maintenence (2)	5.453.183	4.605.271
Insurance polices	2.368.455	1.851.620
	168.804.209	**151.621.057**
	348.418.061	**263.269.373**

(1) Amortization recognized as contract compliance cost in 2019 was $46,860,555 (2018 - $19,254,412). (Note 26).

(2) Includes mainly support for equipment and customer platforms, for connectivity equipment and Microsoft licensing.

(3) During 2019, advances on leases paid in 2018 were reclassified to rights of use as a result of the adoption of IFRS 16 from January 1, 2019.

(4) Includes prepaid shares of Telefónica S.A. for the employee share plan launched in 2019.

10. CONTRACTUAL ASSETS AND LIABILITIES

The movement in contractual assets and liabilities at December 31, 2019 is as follows:

	As of December 31, 2018	Registration	Amortization	Transfers	Reversal	As of December 31, 2019
			(COP$000)			
Current contractual assets						
Contractual Asset	32.120.909	39.504.311	(46.920.290)	1.364.028	-	26.068.958
Corrections for impairments	(640.874)	(724.883)	-	-	642.240	(723.517)
	31.480.035	**38.779.428**	**(46.920.290)**	**1.364.028**	**642.240**	**25.345.441**
Non-current contractual assets						
Contractual Asset	167.739	1.281.275	-	(1.364.028)	-	84.986
	31.647.774	**40.060.703**	**(46.920.290)**	**-**	**642.240**	**25.430.427**
Current contractual liabilities	80.343.993	580.810.118	(585.038.642)	7.885.658	-	84.001.127
Non-current contractual liabilities	55.325.402	-	-	(7.885.658)	-	47.439.744
	135.669.395	**580.810.118**	**(585.038.642)**	**-**	**-**	**131.440.871**

The movement in contractual assets and liabilities at December 31, 2018 is as follows:

	Impact of first application - IFRS 15 at January 1,2018	Registration	Amortization	Transfers	Reversal	As of December 31, 2019
			(COP$000)			
Current contractual assets						
Contractual Asset	14.715.967	42.060.145	(38.792.008)	14.136.805	-	32.120.909
Corrections for impairments	(699.972)	(350.997)	410.095	-	-	(640.874)
	14.015.995	**41.709.148**	**(38.381.913)**	**14.136.805**	**-**	**31.480.035**
Non-current contractual assets						
Contractual Asset	183.500	3.197.165	-	(3.212.926)	-	167.739
	14.199.495	**44.906.313**	**(38.381.913)**	**10.923.879**	**-**	**31.647.774**
Current contractual liabilities	8.020.685	335.527.111	(283.469.402)	20.265.599	-	80.343.993
Non-current contractual liabilities	5.836.560	1.390.992	(5.946.554)	54.044.404	-	55.325.402
	13.857.245	**336.918.103**	**(289.415.956)**	**74.310.003**	**-**	**135.669.395**

The movement in contractual assets and liabilities includes the impact generated by contracts with customers. In the mass offer, obligations (benefits and discounts) transferred in goods and services programmed at the beginning of the contract are considered, with explicit validity of 12 months for fixed products and for its campaigns directed to mobile products the implicit validity is up to 6 months.

For corporate clients the permanence is implicit considering the time in which the benefits granted in each business case are expected to be transferred.

11. INVENTORIES

The balance of inventories net of provision is as follows:

	As of December 31	
	2019	**2018**
	(COP$000)	
Mobile phones and accessories	123.068.612	96.293.517
Materials and equipment (1)	59.447.192	46.398.856
Equipment in transit	16.867.483	50.426.072
Computer equipment	3.316.894	2.375.274
	202.700.181	**195.493.719**
Provision for obsolescence	(5.570.907)	(5.624.188)
	197.129.274	**189.869.531**

(1) Includes modems, equipment for corporate services, location equipment and equipment for customer homes (broadband, basic line and television), among others.

Consumption of inventories carried at cost of sales in 2019 was $738.682.128 (2017 - $570.486.582) (Note 26).

The movement in the provision for obsolescence was as follows:

	(COP$000)
Balance as of December 31 2018	**(4.838.350)**
Inventory Casualty	69.982
Provision with a charge to income for the year (Note 26)	(1.323.166)
Business combination effect	467.346
Balance as of December 31 2018	**(5.624.188)**
Recovery of provision charged to income for the year (Note 26)	53.281
Balance as of December 31 2019	**(5.570.907)**

12. TAXES AND PUBLIC ADMINISTRATIONS

The balance of tax and general government assets is presented below:

	As of December 31	
	2019	**2018**
	(COP$000)	
Balance in favor (1)	206.919.307	198.523.286
Tax discount (2)	160.952.716	8.224.000
Advances, deductions and self-withholdings from ICA	19.902.848	16.970.803
Sales tax withholdings	170.023	579.958
	387.944.894	**224.298.047**

(1) Corresponds to the balance in favor of self-withholdings and income deductions made during the period.

(2) Tax discounts associated to 50% of the industry and commerce tax, notices and boards effectively paid and the sales tax - VAT in the purchase of fixed assets in accordance with the provisions of Articles 86 and 95 respectively of Law 2010 of 27 December 2019.

The balance of liabilities for taxes and general government is presented below:

	As of December 31	
	2019	**2018**
	(COP$000)	
Withholdings and self-withholdings	65.056.530	38.858.445
Sales tax - VAT	35.200.934	53.435.924
Municipal taxes	9.345.084	5.312.473
Import taxes	5.051.137	2.929.790
National consumption tax	3.491.153	4.770.330
	118.144.838	**105.306.962**

Provision for Income and Complementary Tax

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

	Year ended December 31	
	2019	**2018**
	(COP$000)	
Current income tax	(25.680.367)	(222.057)
Occasional income tax	(26.571.252)	-
Current income and supplementary taxes	**(52.251.619)**	**(222.057)**
Deferred tax:		
Deductible temporary differences	(83.733.356)	90.776.919
Tax Credits	(43.901.159)	109.794.247
Taxable temporary differences	381.461	12.126.162
Deferred income tax	**(127.253.054)**	**212.697.328**
Income and supplementary taxes	**(179.504.673)**	**212.475.271**

In 2019, income tax and complementary tax expense corresponds to the use of deductible temporary differences for useful lives, use of deferred tax losses to offset taxable income for the year and calculation of occasional income tax generated by the profit on sale of fixed assets. For 2018, the activation of tax credits and temporary differences generated a positive impact.

The reconciliation of the income tax rate is presented below:

	Year ended December 31			
	2019		**2018**	
	(COP$000)			
Profit before tax		**202.935.503**		**176.436.688**
Profit before tax at nominal rate	33%	(66.968.717)	37%	(62.296.911)
Income tax and deferrend accounting	88%	(179.504.673)	(120)%	212.475.271
Difference between nominal tax and accounting tax	**55%**	**112.535.956**	**(157)%**	**(274.772.182)**
Tax on permanent differences	35%	72.056.590	(13)%	(23.608.461)
Tax on unrecognized decuctible temporary differences	(53)%	(109.444.630)	87%	153.646.309
Use (recognition) of deferred tax on deductible temporary differences	47%	96.909.636	(15)%	(25.919.849)
Update of tax on diffrences temporary and tax losses	13%	26.432.888	(216)%	(378.890.181)
Occasional income tax	13%	26.581.472	0%	
	55%	**112.535.956**	**(157)%**	**(274.772.182)**

The current tax provisions applicable to the Group stipulate that:

The provision for income tax in 2019 is calculated at the nominal rate of 33% under Article 240 of the National Tax Statute by the causation method on the basis of liquid income. For 2018, a nominal rate of 37% was applied, which includes an income tax rate of 33% and a surcharge of 4%.

In 2019, the Constitutional Court declared Law 1943 of 2018 unconstitutional; however, this did not generate fiscal impacts on the Group on the understanding that it had suspensive effects until December 31, 2019; Considering the above, the National Government filed a bill to solve this situation, which was approved by the Congress of the Republic, enacting Law 2010 of 2019, which included the text of the regulations declared unconstitutional.

Below is a summary of the main tax effects on income tax in Law 2010 of 2019:

a. Income tax rates for legal entities are maintained as follows: for the taxable year 2019 it is 33%, for the year 2020 it will be 32%, for the year 2021 it will be 31% and for the year 2022 and subsequent years it will be 30%.

b. The tax regime in the Income Tax for mega investments is reiterated, stabilizing the rate for said tax at 27% for 20 years once the tax stability contract is signed on the projects that qualify and prior to the co

mmitment of:

i. Investment in property, plant and production equipment in a maximum period of 5 years (2020 - 2025) and for a minimum amount of 30.000.000 UVT (UVT value for 2019 $35, minimum investment amount in 2020 of $1.068.210).

ii. Payment of a premium of 0,75% on the value of the investment to be made during the 5 years (minimum amount in payment of the premium of $8.011.575, UVT value 2020).

iii. Generation of 250 new direct jobs, which must be maintained during the benefit period of the rate (20 years), applicable to the companies in the sectors with a high technological component.

c. The tax on industry and commerce, notices and boards may be taken as a deduction or 50% as a tax discount on the value actually paid during the taxable year. From 2022 onwards the tax discount will be 100%.

d. VAT paid on the acquisition, construction or formation and import of real productive fixed assets may be deducted from Income Tax in the year in which it is paid, or in any of the following periods.

Income tax is determined in accordance with the technical accounting standards in force in Colombia, when the tax law expressly refers to them and in cases where the law does not regulate the matter, as established in Article 21-1 of the National Tax Statute.

The tax reconciliation established in Decree 1998 of 2017, is an integral annex in the determination of the income tax provision.

Pursuant to Article 73 of Law 1341 of 2009 and Article 24 of Law 142 of 1994, telecommunications companies are excluded from presumptive income. This exclusion applies to Colombia Telecomunicaciones, Metrotel and Telebucaramanga and does not apply to Optecom.

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

	Year ended December 31	
	2019	**2018**
	(COP$000)	
Profit before tax	**202.935.503**	**176.436.688**
Items that increase the accounting profit		
Depreciation and amortization for accounting purposes (Note 27)	1.422.459.493	1.349.104.547
Accounting effect of valuation of derivatives - future flows	136.673.462	56.849.723
Impairment of accounting portfolio, net of recovery	89.813.930	34.387.499
Effect, in perpetual equity instruments	117.889.126	25.886.057
Tax on financial movement	9.257.770	10.551.535
Other non-deductible items	(140.423.250)	(33.071.653)
Items that decrease accounting profit:		
Tax depreciation and amortization	(1.087.993.845)	(1.034.435.003)
effect,taxation of the derivative fund	-	(39.268.319)
Accounting provisions	(23.216.999)	(13.003.907)
income from government	(3.278.602)	(3.153.093)
Portfolio	(533.935.964)	-
Tax profit	**190.180.624**	**530.284.074**
Compensation for losses and excess presumptive income (1)	(118.580.723)	(529.611.174)
Taxable income tax base	**71.599.901**	**672.900**
current income tax	(25.680.367)	(222.057)
occaional income tax	(26.571.252)	-
Income tax	**(52.251.619)**	**(222.057)**

(1) Offsetting of tax profits with tax losses and excess presumptive income, generated by Colombia Telecomunicaciones S. A. E.S.P. in 2010 and Telebucaramanga S. A. E.S.P. in 2017.

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

	As of December 31	
	2019	**2018**
	(COP$000)	
Accounting equity (a)	**6.613.292.700**	**6.552.138.219**
Items that increase equity:		
Difference in accounting and tax portfolio provision	442.751.346	927.200.109
Difference in property, plant and equipment lives	-	266.337.605
Decommissioning provision	53.982.184	36.005.613
Government subsidies	10.187.682	12.459.565
Estimated liabilities and other items	(21.171.793)	555.016.464
Items that decrease equity:		
Deferred tax assets, net	(1.680.411.370)	(1.865.723.965)
Financial instruments - bonds	(1.488.419.721)	(1.274.990.894)
Difference in intangible and deferred life	(628.218.281)	(942.767.201)
Difference in exchange valued without tax effect	5.917.432	(209.790.723)
Hedge valuation	(54.815.872)	(174.670.568)
Deferred income	(23.217.000)	(19.508.647)
Fiscal liquid equity	**3.229.877.307**	**3.861.705.577**

(a) Includes equity of non-controlled holdings.

Deferred Tax Assets and Liabilities

The deferred tax asset on temporary differences and tax losses is supported by the Group's strategic plan (2020 - 2022) and projected results (2023 - 2029).

Deferred tax on temporary differences is measured at the tax rates expected to apply in the periods in which the differences will reverse; deferred tax on tax losses is measured at the tax rate applicable at the time the tax losses are expected to be carried forward.

The unrecognized deferred tax asset for deductible temporary differences as of December 31, 2019 amounts to $451.068.707.

The balance of the deferred tax asset and liability is presented below:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Deferred tax asset:		
Intangibles, plant and equipment properties	221.729.021	311.480.892
Employee Benefits	7.994.409	7.526.783
Accounts Receivable	17.859.827	16.865.617
Estimated liabilities and provisions	-	1.405.816
Other assets	4.563.298	5.492.542
Deferred tax asset on deductible temporary differences	**252.146.555**	**342.771.650**
Deferred tax assets from tax losses	1.632.140.822	1.704.262.943
	1.884.287.377	**2.047.034.593**
Real estate revaluation	(112.236.955)	(99.692.360)
Total deferred tax assets	**1.772.050.422**	**1.947.342.233**
Deferred tax liability:		
Temporary differences affecting results	91.639.052	81.618.268
Total net deferred tax	**1.680.411.370**	**1.865.723.965**

Reclassifications in comparative information

For presentation purposes, the Group reclassified the balances of deferred tax liabilities in the statement of financial position as of December 31, 2018, offsetting the deferred tax assets which are those collected by the same tax authority and taking into account that there is a legal right to offset current tax assets with current tax liabilities. This had no material impact on the items of deferred tax assets and liabilities, or on the consolidated statements of comprehensive income, changes in equity, or cash flows.

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

	Year ended Decembre 31	
	2019	**2018**
	(COP$000)	
Valuation of Hedge Instruments	37.702.032	(24.996.894)
Deferred tax hedge valuation	(17.897.900)	-
Hedge valuation results, net of tax	**19.804.132**	**(24.996.894)**
Real estate revaluation	214.220.284	-
Deferred real estate tax	(40.161.636)	(7.159)
Surplus from revaluation of land and buildings, net of tax	**174.058.648**	**(7.159)**
Actuarial results on post-employment benefit obligations	-	(12.274.469)
Actuarial losses for post-employment benefits	136.433	(2.220.697)
Deferred tax actuarial results	**136.433**	**(14.495.166)**
	193.999.213	**(39.499.219)**

Fiscal Losses

Income tax returns from 2010 to 2016 may be reviewed by the tax authorities within 5 years from the date of filing or correction, considering that the returns presented tax losses or compensation for tax losses; the income tax return for 2017 and 2018 may be reviewed for a term of 12 years from the date of filing as established in Law 1819 of 2016.

In the tax returns filed as from the year 2020, the general term of finality will be 3 years; however, in the returns in which tax losses are determined or compensated or operations subject to the transfer pricing regime are carried out, the term of finality will be 5 years in accordance with the provisions of Law 2010 of 2019.

Management estimates that there are no significant differences that imply the modification of the tax liquidated, nor the imposition of sanctions that imply the recognition of contingencies in the Financial Statements.

According to the tax legislation in force, losses generated in income and complementary taxes and/or in income tax for equity - CREE before 2017, shall be compensated with the liquid income obtained in 2017 and following periods, taking into account the formula established in numeral 5, article 290 of Law 1819 of 2016. The tax losses determined may not be adjusted for tax purposes.

The tax losses originated in this way:

Tax	Year of origin	Adjusted losses(1)	loss compensation	Loss balance	Expiration date
			(COP$000)		
Income	2008	203.775.156	(203.775.156)	-	Unlimited
	2009	516.343.197	(325.469.839)	190.873.358	Unlimited
	2010	258.283.984	-	258.283.984	Unlimited
	2011	384.978.215	-	384.978.215	Unlimited
	2012	147.254.932	-	147.254.932	Unlimited
	2013	152.496.301	-	152.496.301	Unlimited
	2015	148.816.013	-	148.816.013	Unlimited
	2017	3.910.927.051	(366.179)	3.910.560.872	Year 2029
	2018	5.952.546	-	5.952.546	Year 2029
		5.728.827.395	**(529.611.174)**	**5.199.216.221**	
CREE (income tax for equity)	2015	374.074.669	-	374.074.669	
		374.074.669	-	374.074.669	
		6.102.902.064	**(529.611.174)**	**5.573.290.890**	

1) Balances expressed in the income tax returns and adjusted according to numerals 5 and 6 of Article 290 of Law 1819 of 2016

The following table summarizes the status of Colombia Telecomunicaciones S. A. E.S.P.'s CREE income tax and equity tax returns, which may be subject to review by the tax authorities:

Tax	Taxable Period	Closing date for review
Income	2018	December 2031
Income	2017	April 2030
CREE Income tax for equity	2016	April 2022
Income	2016	April 2022
CREE Income tax for equity	2015	April 2021
Income	2015	April 2021
CREE Income tax for equity	2014	April 2022
Income	2014	April 2022
Income	2013	September 2020
Income	2012	April 2020

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

Tax	Taxable Period	Closing date for review
Income	2010	Abril 2021

The following is the status of the income tax returns and CREE of Telebucaramanga S. A.E.S.P., Metrotel S. A. E.S.P. and Optecom S. A. S., companies that were incorporated in the consolidated by Colombia Telecomunicaciones S. A. E.S.P., which may be subject to review by the tax authorities:

Tax	Taxable period	Closing date for review
Income	2016	April 2019
CREE Income tax for equity	2016	April 2019
Income	2017	April 2030

Occasional Income Tax

The occasional income tax is caused at the rate of 10% for the sale of fixed assets held for 2 years or more; from the resulting profit at the time of sale, the liquid income for recovery of accumulated depreciation must be imputed in the first instance and the remaining profit, if any, constitutes the occasional profit.

The determination of the occasional income tax is presented below:

	Yead ended December 31	
	2019	2018
	(COP$000)	
Occasional income	659.677.938	119.076
Less - Costs for occasional gains	(393.863.222)	(119.076)
Occasional taxable income	265.814.716	-
Tax rate	10%	10%
Occasional income tax	**26.581.471**	**-**

Transfer Pricing

The Group is required to file a declaration and study of transfer prices, with the objective of declaring and analyzing the operations it has carried out with its economic affiliates or related parties abroad.

Independent advisors prepare the transfer pricing statement and documentation required by tax provisions, in order to demonstrate that the operations with foreign economic affiliates or related parties were carried out at market values. For this purpose, the Group will prepare the return and its supporting documentation for the taxable year 2019 within the terms established by the National Government. Non-compliance with the transfer pricing regime may result in monetary 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 2019 income tax provision.

13. NON-CURRENT ASSETS HELD FOR SALE

In accordance with the approval of the Board of Directors of Colombia Telecomunicaciones S.A.E.S.P., at the end of December 31, 2019, the Group entered into a framework agreement on the property of the administrative headquarters, which regulates, among other aspects, the terms and conditions that will be applicable to (i) the transfer of the property for purchase and sale and (ii) the signing of a lease agreement on a portion of the property.

The framework agreement will be in force until the full satisfaction of the activities regulated in the object. In accordance with the above, the property recorded under the land and buildings heading was transferred to the assets held for sale heading.

The cost and revaluation of assets held for sale is as follows:

Concept	Cost	Revaluation	As of December 31 2019
		(COP$000)	
Land	18.024.116	83.143.889	101.168.005
Construction	39.727.377	7.220.118	46.947.495
Switching, access and transmission	169.193	-	169.193
	57.920.686	**90.364.007**	**148.284.693**
Depreciations	(13.187.639)	(530.639)	(13.718.278)
	44.733.047	**89.833.368**	**134.566.415**

14. RIGHTS OF USE ASSETS

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

Concept	As of December 31 2019		
	Cost	Accumulated amortization	Net accounting book value libros
		(COP$000)	
Land and buildings	492.853.207	(125.511.590)	367.341.617
Technical installations	296.555.853	(52.129.164)	244.426.689
Transport equipment	14.250.142	(6.097.507)	8.152.635
	803.659.202	**(183.738.261)**	**619.920.941**

The movements for the year 2019 of the items that make up the cost and amortization of the assets for rights of use are as follows:

Concept	First-time application impact - IFRS 16 at January 1, 2019	Registration	Downloads	Transfers	As of December 31, 2019
			(COP$000)		
Cost:					
Land and buildings	373.692.244	119.266.688	(105.725)	-	492.853.207
Technical installations	237.218.831	59.682.994	(345.972)	-	296.555.853
Transport equipment	7.930.713	1.549.972	(8.651.938)	13.421.395	14.250.142
	618.841.788	**180.499.654**	**(9.103.635)**	**13.421.395**	**803.659.202**
Accumulated depreciation:					
Construction	-	(125.709.472)	197.882	-	(125.511.590)
Technical installations	-	(52.145.577)	16.413	-	(52.129.164)
Transport equipment	-	(4.860.444)	8.651.940	(9.889.003)	(6.097.507)
	-	**(182.715.493)**	**8.866.235**	**(9.889.003)**	**(183.738.261)**
	618.841.788	**(2.215.839)**	**(237.400)**	**3.532.392**	**619.920.941**

15. PROPERTY, PLANT AND EQUIPMENT

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

Concept	As of December 31, 2019			As of December 31, 2018		
	Cost	Accumulated depreciation	Net accounting book value	Cost	Accumulated depreciation	Net accounting book value
			(COP$000)			
Land and building	2.927.247.837	(1.606.206.278)	1.321.041.559	3.293.796.465	(1.789.557.515)	1.504.238.950
Switching, access and transmission	8.392.266.076	(5.399.820.145)	2.992.445.931	9.761.019.324	(6.712.360.013)	3.048.659.311
Assets under construction	634.097.738	-	634.097.738	265.731.660	-	265.731.660
Subsidized projects	(9.156.908)	-	(9.156.908)	(5.755.940)	-	(5.755.940)
Furniture, information and transport equipment	392.566.523	(242.470.235)	150.096.288	796.764.129	(625.271.761)	171.492.368
	12.337.021.266	**(7.248.496.658)**	**5.088.524.608**	**14.111.555.638**	**(9.127.189.289)**	**4.984.366.349**

The movements for the year ended December 31, 2019 in the items comprising the cost and depreciation of property, plant and equipment are as follows:

Concept	As of December 31, 2018	Registration	Downloads	Transfers	Revaluation	As of December 31, 2019
			(COP$000)			
Cost:						
Land and building	3.293.796.465	17.901.258	(476.774.689)	16.183.465	76.141.338	2.927.247.837
Switching, access and transmission	9.761.019.324	420.206.624	(1.915.099.859)	126.139.987	-	8.392.266.076
Assets under construction	265.731.660	538.243.926	(272.264)	(169.605.584)	-	634.097.738
Subsidized projects	(5.755.940)	(3.400.968)	-	-	-	(9.156.908)
Furniture, information and transport equipment	796.764.129	27.518.183	(446.060.864)	14.345.075	-	392.566.523
	14.111.555.638	**1.000.469.023**	**(2.838.207.676)**	**(12.937.057)**	**76.141.338**	**12.337.021.266**
Accumulated depreciation:						
Construction	(1.789.557.515)	(46.256.982)	236.492.676	(474.989)	(6.409.468) (a)	(1.606.206.278)
Switching, access and transmission	(6.712.360.013)	(598.712.522)	1.910.776.654	475.736	-	(5.399.820.145)
Furniture, information and transport equipment	(625.271.761)	(59.921.273)	442.722.799	-	-	(242.470.235)
	(9.127.189.289)	**(704.890.777)**	**2.589.992.129**	**747**	**(6.409.468)**	**(7.248.496.658)**
	4.984.366.349	**295.578.246**	**(248.215.547)**	**(12.936.310)**	**69.731.870**	**5.088.524.608**

(a) Includes depreciation of revalued land and buildings ($14.142.922) and revaluation write-offs of $7.733.454.

During 2019, the Company reviewed and prospectively updated its useful lives as defined by the accounting standards. The change in this accounting estimate generated effects on depreciation expense, its respective accumulated depreciation and the net book value for the 2019 period, as well as in future periods.

Below are the net effects of lower depreciation expense according to its concept and class of asset, projected for a range of 3 years and the impact for the year 2019:

Concept	Typology	Previous Useful Life	Current Useful life	Year ended December 31, 2019	2020	2021	2022
					(COP$000)		
Construction	Civil Works	15	40	12.630.444	5.047.501	4.392.462	3.281.096
	Posts	15	20	3.481.870	3.480.958	3.480.958	-
				16.112.314	**8.528.459**	**7.873.420**	**3.281.096**
Technical installations and machinery	Network Equipment	7	10	11.236.681	11.236.515	10.759.308	8.149.132
	Transmission Antennas	10	8	(4.066.782)	(3.131.225)	(1.922.767)	(1.748.600)
	Battery Banks	10	15	1.845.481	1.845.017	1.845.017	1.845.017
				9.015.380	**9.950.307**	**10.681.558**	**8.245.549**
				25.127.694	**18.478.766**	**18.554.978**	**11.526.645**

The movements for the year 2019 of land and construction recognized under the cost method are as follows:

Concept	Balance as of December 31, 2018	Registration	Downloads	Transfers	Balance as of December 31, 2019
			(COP$000)		
Cost:					
Land and buildings	2.675.675.584	17.901.255	(386.616.867)	16.183.465	2.323.143.437
Accumulated depreciation:					
Construction	(1.757.397.319)	(46.256.983)	236.168.227	(474.989)	(1.567.961.064)
	918.278.265	**(28.355.728)**	**(150.448.640)**	**15.708.476**	**755.182.373**

The movements for 2019 in land and buildings recognized at revalued value are as follows:

Concepto	As of December 31 2018	Increases	Decreases	Balance as of December 31, 2019
		(COP$000)		
Cost:				
Land	372.302.081	36.149.227	(81.940.858)	326.510.450
Building	245.771.625	87.050.580	(55.481.619)	277.340.586
	618.073.706	**123.199.807**	**(137.422.477)**	**603.851.036**
Accumulated depreciation:				
Constructions	(32.113.021)	(13.612.283)	7.733.454	(37.991.850)
	585.960.685	**109.587.524**	**(129.689.023)**	**565.859.186**
Deferred Income tax (Nota 13)	(102.852.123)	(40.076.249)	27.514.044	(115.414.328)
Net deferred tax revaluation	**483.108.562**	**69.511.275**	**(102.174.979)**	**450.444.858**

The movements for the year ended December 31, 2018 in the items comprising the cost and depreciation of property, plant and equipment are as follows:

Concept	As of December 31 2017	Registration	Downloads	Transfer	Revaluation	As of December 31 2018
			(COP$000)			
Cost:						
Land and buildings	3.389.247.850	31.628.651	(46.878.188)	20.796.256	(100.998.104)	3.293.796.465
Switching, access and transmission	9.013.018.024	369.803.133	(18.728.327)	396.926.494	-	9.761.019.324
Assets under construction	452.091.030	202.613.138	1.329.338	(390.301.846)	-	265.731.660
Subsidized Projects	-	(5.755.940)	-	-	-	(5.755.940)
Furniture, information and transport equipment	766.972.610	27.868.035	(2.571.349)	4.494.833	-	796.764.129
	13.621.329.514	**626.157.017**	**(66.848.526)**	**31.915.737**	**(100.998.104)**	**14.111.555.638**
Accumulated depreciation:						
Construction	(1.718.374.334)	(80.947.614)	16.399.292	(666.992)	(5.967.867) (a)	(1.789.557.515)
Switching, access and transmission	(6.068.201.448)	(628.400.040)	16.742.048	(32.500.573)	-	(6.712.360.013)
Furniture, information and transport equipment	(566.806.889)	(66.361.023)	2.262.813	5.633.338	-	(625.271.761)
	(8.353.382.671)	**(775.708.677)**	**35.404.153**	**(27.534.227)**	**(5.967.867)**	**(9.127.189.289)**
	5.267.946.843	**(149.551.660)**	**(31.444.373)**	**4.381.510**	**(106.965.971)**	**4.984.366.349**

(a) Includes depreciation of revalued land and buildings $(13.378.565) and revaluation write-offs $7.410.697.

Movements for the year 2018 of land and buildings recognized under the cost method are as follows:

Concepto	Balance as of December 31, 2017	Registration	Downloads	Transfers	Balance as of December 31, 2018
			(COP$000)		
Cost:					
Land and buildings	2.670.843.028	24.404.653	(46.672.000)	27.099.903	2.675.675.584
Accumulated depreciation:					
Construction	(1.692.315.138)	(80.814.481)	16.399.292	(666.992)	(1.757.397.319)
	978.527.890	**(56.409.828)**	**(30.272.708)**	**26.432.911**	**918.278.265**

The movements at December 31, 2018 in land and construction recognized at revalued value are as follows:

Concept	**As of December 31 2017**	**Increases**	**Decreases**	**Balance as of December 31, 2018**
		(COP$000)		
Cost:				
Land	417.736.366	-	(45.434.285)	372.302.081
Building	301.335.444	-	(55.563.819)	245.771.625
	719.071.810	**-**	**(100.998.104)**	**618.073.706**
Accumulated depreciation:				
Constructions	(26.145.153)	(13.378.565)	7.410.697	(32.113.021)
	692.926.657	**(13.378.565)**	**(93.587.407)**	**585.960.685**
Deferred Income tax (Note 12)	(130.153.314)	7.159	27.294.032	(102.852.123)
Net deferred tax revaluation	**562.773.343**	**(13.371.406)**	**(66.293.375)**	**483.108.562**

Fully Depreciated Property, Plant and Equipment

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

	As of December 31,	
	2019	**2018**
	(COP$000)	
Plant, machinery and other assets	2.568.815.172	3.951.987.088
Furniture, information and transport equipment	54.425.309	469.912.299
Construction	239.240.351	266.156.273
	2.862.480.832	**4.688.055.660**

The variation is mainly generated by the review of the asset classes and subsequent downgrading, which had no impact on the income statement.

16. INVESTMENT PROPERTIES

The value of investment properties is presented below:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Land	6.219.324	5.648.679
Buildings	1.323.586	1.237.760
	7.542.910	**6.886.439**

The movement of investment properties is detailed below:

	Balance as of December 31, 2018	Revaluation	Balance as of December 31, 2019
		(COP$000)	
Land	5.648.679	570.645	6.219.324
Buildings	1.237.760	85.826	1.323.586
	6.886.439	**656.471**	**7.542.910**

Below are the balances and movements of the 2019 revaluation item:

	Balance as of December 31, 2018	Increases	Balance as of December 31, 2019
		(COP$000)	
Cost:			
Land	-	570.645	570.645
Buildings	-	85.826	85.826
	-	**656.471**	**656.471**
Deferred income tax (Note 12)	-	(85.387)	(85.387)
Revaluation net of deferred tax	**-**	**571.084**	**571.084**

17. INTANGIBLES

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

Concept	As of December 31, 2019			As of December 31, 2018		
	Cost	Accumulated depretiation	Net accounting book value	Cost	Accumulated depretiation	Net accounting book value
			(COP$000)			
Qualifying files	2.322.417.046	(994.946.134)	1.327.470.912	2.337.806.459	(692.538.126)	1.645.268.333
Software for network and office equipme	759.141.464	(363.580.411)	395.561.053	1.963.934.650	(1.555.125.090)	408.809.560
Rights (1)	34.486.520	(17.430.483)	17.056.037	85.208.766	(36.129.354)	49.079.412
Client List	46.107.000	(24.271.948)	21.835.052	667.662.372	(635.039.788)	32.622.584
	3.162.152.030	**(1.400.228.976)**	**1.761.923.054**	**5.054.612.247**	**(2.918.832.358)**	**2.135.779.889**

(1) Includes mainly Irrevocable Right of Use - IRU's of fiber optic sections and rings.

Movements in intangible assets at December 31, 2019 are presented below:

Concept	As of December 31, 2018	Registration / Amortization expenses	Downloads	Company highs	Transfers	As of December 31, 2019
			(COP$000)			
Cost:						
Qualifying titles	2.337.806.459	-	(15.389.413)	-	-	2.322.417.046
Software for network and office equipment	1.963.934.650	134.066.021	(1.380.535.055)	-	41.675.848	759.141.464
Rights	85.208.766	-	(21.983.455)	-	(28.738.791)	34.486.520
Client list (1)	667.662.372	-	(621.555.372)	-	-	46.107.000
	5.054.612.247	**134.066.021**	**(2.039.463.295)**	**-**	**12.937.057**	**3.162.152.030**
Accumulated depreciation:						
Qualifying titles	(692.538.126)	(317.797.420)	15.389.412	-	-	(994.946.134)
Software for network and office equipment	(1.555.125.090)	(188.840.764)	1.380.386.190	-	(747)	(363.580.411)
Rights	(36.129.354)	(3.284.585)	21.983.456	-	-	(17.430.483)
Client list (1)	(635.039.788)	-	621.555.372	(10.787.532)	-	(24.271.948)
	(2.918.832.358)	**(509.922.769)**	**2.039.314.430**	**(10.787.532)**	**(747)**	**(1.400.228.976)**
	2.135.779.889	**(375.856.748)**	**(148.865)**	**(10.787.532)**	**12.936.310**	**1.761.923.054**

(1) Variation corresponds mainly to the decrease in fully amortized intangibles which had no impact on the income statement.

Movements in intangible assets as of December 31, 2018 are presented below:

Concept	As of December 31, 2017	Registration / Amortization expenses	Downloads	Company registration	As of December 31, 2018
			(COP$000)		
Cost:					
Qualifying titles	2.337.806.459	-	-	-	2.337.806.459
Software for network and office equipme	1.872.808.627	112.495.862	(21.369.839)		1.963.934.650
Rights	85.208.766	-	-	-	85.208.766
Client list	690.063.337	-	(22.400.965)	-	667.662.372
	4.985.887.189	**112.495.862**	**(43.770.804)**	**-**	**5.054.612.247**
Accumulated depretiation					
Qualifying titles	(374.740.705)	(317.797.421)	-	-	(692.538.126)
Software for network and office equipme	(1.371.618.794)	(204.627.788)	21.121.492		(1.555.125.090)
Rights	(32.872.140)	(3.506.032)	248.818	-	(36.129.354)
Client list	(629.032.021)	(7.547.830)	1.540.063		(635.039.788)
	(2.408.263.660)	**(533.479.071)**	**22.910.373**	**-**	**(2.918.832.358)**
	2.577.623.529	**(420.983.209)**	**(20.860.431)**	**-**	**2.135.779.889**

Fully Amortized Intangibles

The cost of fully amortized intangibles is presented below:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Concept		
IT applications	44.120.357	1.176.317.267
List of clients	-	621.555.372
Licenses	-	15.389.413
Rights	7.237	21.983.455
	44.127.594	**1.835.245.507**

The variation is mainly generated by the review of the classes of intangibles and subsequent downgrading, which had no impact on the income statement.

18. GOODWILL

The goodwill recorded as of December 31, 2019 and 2018 amounts to $1.372.301.565.

Colombia Telecomunicaciones S. A. E.S.P. recognized in its Opening Financial Statement under IFRS 1 the remediation of goodwill, from the time of the acquisition of Empresa Celular de Colombia S. A. - COCELCO S. A., based on IFRS 3. In September 2017, the Company acquired control of the subsidiaries. Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Telecomunicaciones S. A. E.S.P., recognizing new goodwill for the acquisition of control of these subsidiaries.

As of December 31, 2019, the Group assessed the carrying value of goodwill generated in the business acquisition and the business combination process and based on the above, the recoverable amount was determined considering the fair value less disposal costs using the present value of future cash flows. The information source considered the Company's financial projections derived from the business plans approved by the Board of Directors, which are developed on long-term macroeconomic factors such as price and margin curves and fundamental assumptions.

In addition, sensitivity analyses (between -0,5% and +1,0%) have been performed on reasonably possible changes in the main valuation variables and the recoverable value remains above the net book value. 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 rates. At the end of 2019 and 2018 a nominal percentage rate calculated in pesos of 10,17% and 11,24% respectively was used.

As a result of the analysis, the Group did not identify the need to recognize impairment on goodwill.

19. FINANCIAL OBLIGATIONS

The balance of financial obligations is presented below:

	As of December 31,	
	2019	2018
	(COP$000)	
Current:		
Financial leasing (1)	203.312.650	898.249
Financial obligations	132.298.878	290.402.886
Interest payable	37.661.309	39.161.483
Hedging instruments	36.774.797	16.712.403
	410.047.634	**347.175.021**
Non Current:		
Senior Bond	2.454.906.101	2.433.325.724
Financial leasing (1)	682.319.662	2.274.981
Local bond	498.698.319	-
Financial obligations	-	732.800.936
Hedging instruments	100.415	52.463.295
	3.636.024.497	**3.220.864.936**
	4.046.072.131	**3.568.039.957**

These financial obligations and bonds generated interest expense at December 31, 2019 of $196,701,988 (2018 - $223,762,147).

The valuation of hedging instruments with changes in results is presented by its net value in Note 28.

The following table presents the movement of the financial lease liability for the year ended December 31, 2019:

	Impacts of first-time application of accounting changes - IFRS 16 as of January 1, 2019	Registrations	Payments	Transfers	Downloads	As of December 31, 2019
			(COP$000)			
Short term:						
Financial leasing	169.198.525	42.848.766	(202.642.958)	193.228.339	(155.931)	202.476.741
Financial liabilities - renting	898.249	474.230	(1.437.677)	901.107	-	835.909
	170.096.774	**43.322.996**	**(204.080.635)**	**194.129.446**	**(155.931)**	**203.312.650**
Long term						
Financial leasing	445.802.194	428.371.934	-	(193.228.339)	-	680.945.789
Financial liabilities - renting	2.274.980	-	-	(901.107)	-	1.373.873
	448.077.174	**428.371.934**	**-**	**(194.129.446)**	**-**	**682.319.662**
	618.173.948	**471.694.930**	**(204.080.635)**	**-**	**(155.931)**	**885.632.312**

The following are the maturities of the financial obligations as of December 31, 2019:

	Current	Non-current						
Maturities	2020	2021	2022	2023	2024	Following Years	Total non current	Total
				(COP$000)				
Senior Bond(1)	-	-	2.454.906.101	-	-	-	2.454.906.101	2.454.906.101
Local Bond (2)	-	-	-	-	346.685.097	152.013.222	498.698.319	498.698.319
Finanical Obligation	132.298.878	-	-	-	-	-	-	132.298.878
Financial Leasing	203.312.650	161.230.457	74.129.761	70.654.802	68.531.280	307.773.362	682.319.662	885.632.312
Hedging Instrument	36.774.797	100.415	-	-	-	-	100.415	36.875.212
Interest	37.661.309	-	-	-	-	-	-	37.661.309
	410.047.634	**161.330.872**	**2.529.035.862**	**70.654.802**	**415.216.377**	**459.786.584**	**3.636.024.497**	**4.046.072.131**

(1) Senior bond:

As of December 31, 2019, the face value of the bond outstanding was US$ 750 million, equivalent to US$ 2,454,906 million, net of transaction costs of US$ 2,949 million measured at amortized cost (2018 US$ 750 - US$ 2,437,312 million and transaction costs of US$ 3,987 million measured at amortized cost).

The characteristics of the issue are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of the issue	Total amount issued	Max. Redemption term	Issue date	Expire date	Rate/Payment	Use of resources
R144/RegS	*USD$000*	Zero	750.000	750.000	10 years	27-sep-12	27-sep-22	5,375% Half-yearly	Replacement of financial liabilities

During 2019, interest payable on the bonds amounted to $34.495.312, (2018 - $34.207.004).

(2) Local bond:

As of December 31, 2019, it had a face value of $500 billion and associated transaction costs of $1.302 million.

The characteristics of the issue are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of the issue	Total amount issued	Max. Redemption term	Issue date	Expire date	Rate/Payment	Use of resources
C10	*COP$000*	Zero	152.410.000	152.410.000	10 years	29-may-19	29-may-29	IPC + 3,39% Half-yearly	Prepayment of local debt
A5	*COP$000*	Zero	347.590.000	347.590.000	5 years	29-may-19	29-may-24	6,65% Half-yearly	
			500.000.000	**500.000.000**					

As of December 31, 2019, interest payable on the bond amounted to $3.028.981.

The breakdown and composition of the main financing operations in force in each period are as follows:

	As of December 31							
	2019				2018			
Short term:	Value	Fee			Value	Fee		
Financials in local currency		Base	Spread	Amortization		Base	Spread	Amortization
					(COP$000)			
Credits	128.956.962	IBR 3M	1,28%	Quarterly	130.872.248	IBR 3M	2,80%	Quarterly
Credits	-				30.366.130	FIJA	7,25%	Quarterly
	128.956.962				**161.238.378**			
Financials in foreign currency								
Credits	3.341.916	LIBOR 6M	0,21%	Half-yearly	31.204.631	LIBOR 6M	0,18%	Half-yearly
	3.341.916				**31.204.631**			
Other short-term obligations								
Financial leasing (a)	203.312.650				100.825.541			
Interest payable	37.661.309				37.194.068			
Derivative instruments	36.774.797				16.712.403			
	277.748.756				**154.732.012**			
	410.047.634				**347.175.021**			
Long term:								
Financials in local currency								
Crédits	-				533.569.277	IBR 3M	2,80%	Quarterly
Crédits	-				195.915.325	IBR 3M	2,85%	At maturity
	-				**729.484.602**			
Financials in foreign currency								
Crédits	-				3.316.331	LIBOR 6M	0,21%	Half-yearly
	-				**3.316.331**			
Other short-term obligations								
Senior Bond	2.454.906.101	FIJA			2.433.325.724			
Financial leasing (a)	682.319.662				2.274.984			
Local Bond	498.698.319	FIJA / IPC	6,65% /+3,39%		-			
Derivative instruments	100.415				52.463.295			
	3.636.024.497				**2.488.064.003**			
	3.636.024.497				**3.220.864.936**			
	4.046.072.131				**3.568.039.957**			

(a) As of December 31, 2019 includes finance leases under the IFRS 16 framework.

The financing contracts between Colombia Telecomunicaciones S. A. E.S.P. and the European Investment Bank (EIB) are backed by commercial guarantees issued by Banco Santander in favor of the EIB.

20. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of December 31	
	2019	2018
	(COP$000)	
Current:		
Creditors and suppliers (1)	942.010.772	1.048.231.872
Suppliers of fixed assets	644.059.766	270.331.063
Related parties (4) (Note 30)	149.783.763	198.442.900
Unpaid labor salaries	36.728.228	41.477.716
Para-fiscal contributions	5.360.590	5.492.424
Other accounts payable	3.503.360	4.273.107
	1.781.446.479	**1.568.249.082**
Non- Current		
Creditors and suppliers - spectrum Licenses (2)	111.251.160	139.103.177
Government grants (3)	31.945.769	31.340.192
Related parties (4) (Note 30)	4.521.758	1.907.435
Other accounts payable	-	37.411
	147.718.687	**172.388.215**
	1.929.165.166	**1.740.637.297**

Suppliers and accounts payable include foreign currency balances as of December 31, 2019 for US$144.936 thousand ($474.975.563) and as of December 31, 2018 for US$ 132.686 thousand ($431.196.328).

Reclassifications in comparative information

For presentation purposes, the Group reclassified in the statement of financial position as of December 31, 2018, the amounts invoiced to customers on behalf of third parties from the deferred liabilities item to the suppliers and accounts payable item to reflect their degree of enforceability in relation to their payment to third parties. The aforementioned did not have a material impact on the liability items, or on the consolidated statements of comprehensive income, changes in equity or cash flows.

(1) The balance of creditors and suppliers are as follows:

	As of December 31	
	2019	**2018**
	(COP$000)	
Creditors (a)	273.641.461	301.272.872
Terminal Suppliers	162.036.187	157.795.533
Equipment maintenance	143.641.741	166.483.261
Content providers	54.987.023	67.753.718
Operating leases	60.968.883	62.296.720
Renting and third party activities to clients	48.483.197	53.862.555
Interconnection	41.266.513	52.510.876
Advertising	35.342.887	45.199.622
Third-party securities (b)	28.380.492	32.995.869
Customer services	26.699.075	24.106.653
Sales commissions	21.828.356	29.805.044
Obligations to undertake	21.283.252	18.089.928
IT services	10.657.246	19.616.371
Roaming	8.429.109	11.586.250
Tributes and considerations	2.745.970	3.050.644
Energy service	1.225.775	1.365.294
Travel	393.605	440.662
	942.010.772	**1.048.231.872**

(a) Includes commitments with third parties mainly for central credit risk consulting, insurance, technical service, utilities, storage and security services, legal and tax advice, billing, collection and collection services.

(b) Includes the items invoiced by the Group on behalf of and in order of third parties.

(2) Includes the balances of obligations for the 15 MHz expansion in 2011 for cellular telephony, spectrum renewal for the provision of cellular telephony service in March 2014 for 10 years and concession rights for the operation and exploitation of satellite TV service for 10 years from February 2017.

(3) In 2010, Colombia Telecomunicaciones S. A. E.S.P. signed an agreement with the National Government, known as Plan Biannual III, aimed at developing the necessary transport infrastructure to provide fixed broadband services in social strata 1, 2 and SMEs, in rural and urban areas, and at capturing demand for high-speed Internet in coverage areas specified in the plan and replacing obsolete wireless systems. The resources of the Biannual Plan III are administered through a Trust Fund and are presented as rights in trust.

(4) Stock-Based Payments

The Plan consists of the possibility for the Company's executives to receive a certain number of shares of Telefónica, S.A. after a period of three years, through the prior assignment of a certain number of theoretical shares or units, which will serve as the basis for determining the number of ordinary shares in the share capital of Telefónica S.A. that may be delivered under the Plan as variable remuneration and depending 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) mutually independent cycles with a measurement period of three (3) years each, in accordance with the following measurement schedule

Each Cycle will be conditioned by and determined according to the fulfillment of economic-financial objectives, of value creation for the shareholder and, if applicable, of 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 by and determined by the incentive multiplier coefficient: a percentage which will be calculated according to the level of compliance with the

objectives established by the Company, based on 2 objectives TSR (Total Shareholder's Return) 50% and FCF (Free Cash Flow) 50%.

As of December 31, 2019, the current cycles are as follows:

	N° of Initial Actions	Unit Value TSR	Unit Value FCF	Completion Date
Cycle – January 1, 2018	104.234	4,5160 Euros	6,463 Euros	December 31, 2020
Cycle - January 1, 2019	131.664	4,4394 Euros	6,144 Euros	December 31, 2021

Talent for the future Share Plan (TFSP)

The Board of Directors of Telefónica, S.A., at its meeting held on June 8, 2018, agreed to launch a long-term incentive plan in shares called the Talent for the Future Share Plan (the "TFSP" or the "Plan"), aimed at certain company employees who are invited to participate in the plan.

The Plan consists of the possibility that the employees invited to participate in the Plan receive a certain number of shares of Telefónica, S.A. 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 the share capital of Telefónica S.A. that may be delivered under the Plan as variable compensation and depending on the fulfillment of the objectives established for each of the cycles into which the Plan is divided.

The number of shares to be received at the end of each cycle will be determined by the degree of compliance with the Plan's objectives (TRS 50% and FCF50%).

The shares will be delivered, when applicable, after the consolidation date of each cycle.

As of December 31, 2019, the current cycles are as follows:

	N° of initial actions	Unit Value TSR	Unit Value FCL	Completion Date
Cycle – January 1, 2018	29.500	4,5160 Euros	6,463 Euros	December 31, 2020
Cycle – January 1, 2019	33.000	4,4394 Euros	6,144 Euros	December 31, 2021

21. DEFERRED LIABILITIES

The balance of deferred liabilities is presented below:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Current:		
Income received in advance		
Other deferred income (1)	1.931.545	2.170.686
Government grants (2)	1.967.148	1.967.148
	3.898.693	**4.137.834**
Non Current		
Income received in advance		
Government grants (2)	8.220.534	10.492.417
Other deferred income (1)	3.847.910	4.378.657
	12.068.444	**14.871.074**
	15.967.137	**19.008.908**

(1) Includes received lease fees.

(2) Includes income received from government subsidies (Schools, localities and educational institutions).

22. PENSION PROVISIONS AND LIABILITIES

The balance of provisions and pension liabilities are as follows:

	As of December 31	
	2019	**2018**
	(COP$000)	
Current:		
For tributes and considerations (1)	98.302.465	113.293.180
For employee benefits (2)	31.739.747	35.661.342
Pension liabilities (6)	18.538.941	17.786.725
For voluntary retirement (3)	11.400.475	15.651.453
For Third-party and labor claims (Note 31)	6.638.029	15.162.844
	166.619.657	**197.555.544**
Non Current		
Pension liabilities (6)	195.513.261	199.336.233
For decommissioning (4)	53.982.184	36.005.613
For third-party and labor claims (Note 31)	6.229.936	13.696.393
For liabilities with subsidiaries (5)	472.833	-
	256.198.214	**249.038.239**
	422.817.871	**446.593.783**

The following is the movement in provisions and pension liabilities for the year 2019

	Balance as of December 31, 2018	**Endowment**	**Application**	**Reversal**	**Financial Update**	**Transfers**	**Balance as of December 31, 2019**
				(COP$000)			
Corriente							
Pension liabilities	17.786.725	-	-	-	752.216	-	18.538.941
Provision for taxes and charges	113.293.180	332.284.152	(339.723.977)	(7.550.890)	-	-	98.302.465
Provision for employee benefits	35.661.342	51.676.269	(38.177.885)	(3.218.423)	-	(14.201.556)	31.739.747
Provision for third party and labour claims	15.162.844	2.854.454	(9.654.425)	(1.724.844)	-	-	6.638.029
Voluntary retirement provision	15.651.453	14.620.235	(18.899.401)	-	-	28.188	11.400.475
	197.555.544	**401.435.110**	**(406.455.688)**	**(12.494.157)**	**752.216**	**(14.173.368)**	**166.619.657**
Non- Current							
Pension liabilities	199.336.233	14.276.083	(17.557.000)	-	(542.055)	-	195.513.261
Decommissioning provision	36.005.613	15.566.161	(231.072)	-	2.641.482	-	53.982.184
Provision for third party and labour claims	13.696.393	12.081.459	(12.271.940)	(7.275.976)	-	-	6.229.936
For responsibilities with subsidiaries	-	472.833	-	-	-	-	472.833
	249.038.239	**42.396.536**	**(30.060.012)**	**(7.275.976)**	**2.099.427**	**-**	**256.198.214**

1) Includes the provision of the industry and commerce tax (ICA), considerations to the Ministry of Information Technology and Communications of Colombia - MinTic and the VAT not collected, it is expected to settle most of this value in the next period to meet tax obligations and considerations.

2) Includes the employee incentive for compliance and performance, expected to be settled in the first half of 2020

3) The Group included provision for voluntary retirement. It corresponds to a formal plan, identifying functions, approximate number of employees, disbursements to be made and estimated dates of the plan.

4) Corresponds to the estimate of costs associated with dismantling or removing the property, plant and equipment element. There is no expected schedule for the outflow of resources since there is no schedule for the delivery of technical sites.
5) Includes responsibilities associated with subsidiaries.

6) The balance of the pension liability is as follows:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Current portion	18.538.941	17.786.725
Non-current portion	195.513.261	199.336.233
	214.052.202	**217.122.958**

The detail of the movement in pension liabilities is as follows:

	As of December 31,	
	2019	**2018**
	(COP$000)	
Balance at start of period	217.122.958	215.799.959
Interest expense	14.276.082	14.228.221
Payments made for the plan	(17.744.821)	(17.943.091)
Actuarial losses on the obligations (1)	253.607	2.220.698
	213.907.826	**214.305.787**
Assessed contributions receivable	(44.065)	2.802.302
Retirement pensions payable	188.441	14.869
	144.376	**2.817.171**
Balance at the end of the period	**214.052.202**	**217.122.958**

1) As of December 31, 2019, includes actuarial calculation update recognized in Other Comprehensive Income for $136,433 (2018 $2,220,698) and severance payments recognized in income for $117,174.

The Group recognizes post-employment benefits corresponding to retirement pensions, which include pension and health allowance. The actuarial calculation includes retired personnel totally in charge of the Group, with a pension shared with the ISS and expected to be 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 by an independent actuary, using the Projected Credit Unit costing method. The discount rate, pension increase, inflation rate and expenses are taken into account in the assumption. In other hypotheses with respect to mortality it takes into account the table of renters of the Superintendence of Finance, men and women with a mortality improvement factor. Actuarial gains and losses arising from adjustments based on actuarial assumptions for post-employment benefit are recorded in other comprehensive income for the period. The above is subject to the provisions of Law 100 of 1993, Law 797 of 2003, Legislative Act 01 of 2005 and Decree 1748 of 1995.

The post-employment benefit plan in effect at the date does not have any type of asset related to it.

The updating of the actuarial calculation is made at the end of each accounting period and was quantified according to an inflation of 3.50% and a real rate of 3.1858% equivalent to the monthly average of securities from October 2018 to September 2019 recorded in the electronic trading system - SEN-First step- CONH, for 16-year TFIT securities.

Additionally, future cash flows up to 2025 and the sensitivity analysis as of December 31, 2019 are included.

Future Cash Flows (*)

The future cash flows for the payment of the obligations are as follows:

Year	*COP $(000)*
2020	18.350.501
2021	18.992.769
2022	19.657.516
2023	20.345.529
2024	21.057.622
2025	21.794.639

Sensitivity Analysis (*)

The following sensitivity analysis presents the effect of these possible changes on the obligation, all other assumptions being constant, as of December 31, 2019:

	Interest rate	*COP $(000)*
Discount rate	6,797%	211.105.524
-50 basic points	6,297%	220.613.535
+50 basic points	7,297%	202.330.142
Inflation rate	3,50%	211.105.524
-50 basic points	3,00%	201.609.318
+50 basic points	4,00%	221.329.094

(*) Information taken from the "Valuation of the mathematical reserve for retirement pensions as of December 31, 2019" prepared by Loredana Helmsdorff, actuary.

The population considered in the study is 726 people, 610 with calculations of mathematical reserves for retirement pensions and 116 pension bonds.

23. EQUITY, NET

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

Share Capital

	(COP$000)
Authorized capital	1.454.870.740
Subscribed and paid-in capital	3.410.059
Nominal value (in pesos)	1

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

The equity participation is presented below:

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

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

Reserves

a) For tax purposes: The Company, in accordance with tax regulations, when it requests depreciation allowances in its income tax return that exceed the value of the allowances recorded in the accounts, constitutes a non-distributable reserve equivalent to 70% of the highest value requested as a deduction.

When the depreciation claimed for tax purposes is less than that recorded in the accounts, the Company may release from this reserve an amount equal to 70% of the difference between the claimed value and the recorded value; the profits released from the reserve may be distributed as non-income income. As of December 31, 2019, and 2018, reserves amounted to $26.298.376.

With the issuance of Law 1819 of 2016 (Tax Reform), the regulation that established this reserve was repealed, so that, as of the taxable year 2017, it will not be mandatory to constitute such reserve.

b) Legal reserve: The reserve constituted by the Company as of December 31, 2019 and 2018 is $6.045.751.

c) For future expansions: A reserve constituted by the Company for future expansions, which is not distributable. As of December 31, 2019 and 2018, the balance of this reserve amounts to $3.730.162.

d) For repurchase of shares: Reserve established by the Company for the repurchase of shares, non-deliverable, the balance of which as of December 31, 2019 and 2018 amounts to $31.322.

Other Perpetual Equity Instruments

On March 30, 2015, the Group issued perpetual subordinated debentures for a total amount of US$500 million ($1.278.425.000) redeemable at the option of Colombia Telecomunicaciones S.A. E.S.P. from the fifth year from the date of issue. The bonds will bear interest on the principal as follows:

i. From March 30, 2015 (included) until March 30, 2020 (excluded) (the "first call option date"), the Notes will bear an annual coupon of 8,5% payable semi-annually at the maturity of each interest period; and

ii. From the date of the first redemption option (included) until the date of redemption (excluded), if any, for each review period the Notes will bear interest equal to the applicable 5-year swap rate expressed as a percentage plus the initial margin (6,96 percent); and

a) in respect of the review period beginning on or after the date of first call option: 0,25%;

b) for review periods beginning on or after 30 March 2035: plus 2,75% (unless the issuer's credit rating by Standard & Poor's has been upgraded to investment grade and is effective as at 30 March 2035, then the 2,75% upgrade is effective only for review periods beginning on or after 30 March 2040).

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

This obligation is presented within equity in the account "Other equity instruments" in the Statement of Changes in Equity.

Format	Issuing currency	Premiums and discounts	Total amount of the issue	Total amount issued	Minimum term of redemption	Issue date	Fee /Payment	Use of Resources
R 144A/ Reg S	USD	Zero	500 million	500 million	Perpetual NC 5	30 March 2015	8.5% / Half-yearly	Prepayment of local debt

Characteristics: (i). Possibility of deferring coupons at the discretion of the issuer. ii) Redemption option from year 5 and in each payment of semi-annual income due.

As of December 31, 2019, interest coupons were paid for a total net amount of $140.816.313 (2018 - $122.604.425), these values are recognized in the Consolidated Statement of Changes in Equity under accumulated results.

Other Integral Results

The Group recognized net income in Other Comprehensive Income as of December 31, 2019 of $193.999.213 (2018 net loss of $39.499.219).

Revaluation surplus net of taxes

For the year ended December 31, 2019 and 2018, the Group transferred directly to retain earnings the write-offs and the value equal to the depreciation made on the revalued assets and their corresponding impact on deferred taxes of $116.317.899 and $122.961.172, respectively

Reclassifications in comparative information

The effects of transactions with shareholders and impacts of reciprocal shareholdings between subsidiaries that had been reflected as a result of the consolidation process in the statement of changes in equity in the reserve accounts amounted to $14,682,182 as of December 31, 2017 and ($25,462. 585) in 2018, were transferred to the retained earnings accounts to present in the reserves account only the amounts of profit appropriation made by the Shareholders' Meeting of Colombia Telecomunicaciones S.A. E.S.P. including legal and occasional reserves in the amount of $36,105,611. The aforementioned had no material impact on the value of total equity or on the consolidated statement of comprehensive income, or cash flows.

24. OPERATING INCOME

Revenues from customer contracts are presented below:

.

	Years ended December 31	
	2019	**2018**
	(COP$000)	
Mobile services:		
Services and data transmission - connectivity	1.419.449.140	1.333.320.042
Basic charges and airtime	656.710.100	827.355.895
Sale of terminal equipment	537.400.474	468.448.199
Value-added services (1)	192.337.741	182.812.193
Interconnection and roaming	225.419.889	178.063.922
Carrier services (2)	61.812.265	70.485.700
	3.093.129.609	**3.060.485.951**
Fixed services:		
Data transmission services	896.211.314	887.082.854
Local and long distance telephony	425.988.791	496.144.547
Satellite TV	383.265.597	310.020.584
Business Solutions (3)	304.035.563	297.037.586
Interconnection	53.578.749	63.899.569
Sale of equipment	2.786.963	1.397.550
Leasing investment properties	184.537	266.531
	2.066.051.514	**2.055.849.221**
	5.159.181.123	**5.116.335.172**

As of December 31, 2019 and 2018, include income with related parties of $67.094.518 and $63.223.921 respectively (Note 30).

1) Includes application downloads, text messages, re-connection fees, preferred subscription and space in communication channels for advertisers.

2) Includes services provided to the Mobile Virtual Network Operator Virgin Mobile.

3) Includes, consulting project development services, administration of applications, equipment and communication infrastructure and security management.

Reclassifications in comparative information

For presentation purposes, the Group reclassified in the Statement of Comprehensive Income under the heading of operating income, that is the income from the lease of investment properties that were in the heading of other operating income to the heading of income related to sales of goods and services. The aforementioned had no material impact on the consolidated statements of comprehensive income, changes in equity, or cash flows.

25. OTHER OPERATING INCOME

The Group's other operating income is presented below:

.

	Years ended December 31	
	2019	2018
	(COP$000)	
Sale of movable and immovable property (1)	331.724.076	209.531.311
Other operating income (2)	134.339.560	91.416.493
Work carried out for fixed assets (3)	65.769.388	53.383.218
	531.833.024	**354.331.022**

1) In the development of the asset optimization strategy, it includes the sale of tower infrastructure in 2019 for $323.190.527 (2018 - $127.409.400) and of land and buildings in 2019 for $8.533.549 (2018 - $82.121.911), for the provision of telecommunications services, which are part of the program for the efficient allocation of resources through the divestiture of non-strategic assets that will allow the Group to achieve greater financial flexibility.

2) Includes mainly: support from suppliers, reimbursement of expenses and fees with Group companies, lease of physical space, collection of compensation for breach of contract and government subsidies.

3) Corresponds to work carried out by Group personnel, which due to its characteristics is directly related to the development and implementation of fixed assets.

26. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

.

	Years ended December 31	
	2019	2018
	(COP$000)	
Cost of inventories (Note 11)	738.682.128	570.486.582
Labor costs	438.233.260	438.840.532
Rental of media and other network infrastructure (2)	243.416.987	374.974.868
Other operating costs and expenses (1)	312.008.873	328.110.333
Sales commissions	262.630.551	265.046.782
Tributes and considerations	247.823.610	284.701.137
Equipment maintenance	294.117.984	265.015.628
Interconnection and roaming	274.309.465	231.272.803
Content providers	199.874.870	180.277.876
Energy	169.148.253	165.765.679
IT services	159.970.354	144.205.764
Renting and third party activities to customers	101.873.634	136.031.996
Advertising costs	123.433.496	114.329.620
Services - customer service	65.926.278	69.061.239
Deterioration (3)	89.813.930	34.387.499
Cost of compliance with contracts	46.860.555	19.254.412
Other and non-recurring costs and expenses (4)	8.132.013	13.709.030
(Recovery) provision for inventories (5)	(53.281)	1.323.166
	3.776.202.960	**3.636.794.946**

As of December 31, 2019, and 2018 include related party expenses of $265.025.456 and $209.426.126, respectively (Note 30).

(1) Includes mainly operating costs and expenses for banking services, document printing and distribution fees, logistics services, leases, legal, tax and labor advice, transportation, security, insurance and travel expenses.

(2) As of January 1, 2019, the Group adopted IFRS 16 on leases, which affected the accounting recognition of operating leases (technical and administrative sites and towers) until 31 December 2018.

(3) Includes impairment for doubtful collection debts of $89.930.694 (2018 - $35.270.833), recovery of written-off portfolio from prior periods of $199.406 (2018 - $824.237) and impairment of contractual asset of $82.642 (Note 8).

(4) Includes legal contingencies and cable replacement costs.

(5) For the year ended December 31, 2019, recovery of prior years' provision is generated for the marketing of 100% provisioned equipment.

27. DEPRECIATIONS AND AMORTIZATIONS

Depreciations and amortizations are presented below:

	Years ended December 31,	
	2019	2018
	(COP$000)	
Depreciation of property, plant and equipment (Note 15)	(719.033.699)	(789.087.242)
Amortization of intangible assets (Note 17)	(520.710.301)	(560.017.305)
Amortization of right of use assets (Note 14)	(182.715.493)	-
	(1.422.459.493)	**(1.349.104.547)**

28. FINANCIAL EXPENSES, NET

Financial income (expense), net is presented below:

	Years ended December 31,	
	2019	2018
	(COP$000)	
Income:		
Clients' interest in arrears	25.389.744	19.334.549
Income from short-term investments and bank loans (Note 6)	3.371.133	447.740
	28.760.877	**19.782.289**
Expenses:		
Interest on loans, debentures and bonds (1) (Note 19)	(196.701.988)	(223.762.147)
Interest rate hedges, net	(61.805.100)	(67.815.810)
Finance lease expenses (Note 5)	(20.455.695)	-
Other financial expenses (2)	(19.143.293)	(15.132.204)
Financial restatement of liabilities (3)	(16.861.233)	(16.182.422)
Taxation of financial transactions	(3.756.087)	(2.586.901)
	(318.723.396)	**(325.479.484)**
Exchange Gain (Loss), net	546.328	(2.632.818)
	(318.177.068)	**(328.112.302)**
	(289.416.191)	**(308.330.013)**

1) Includes interest on the senior bond for the year ended December 31, 2019 of $132.692 (2018 - $120.318) respectively and on the local bond of $19.577 in 2019.

2) During 2019 it includes mainly financial expenses for sale of portfolio.

3) Corresponds to financial restatement of liabilities for spectrum licenses, obligations to make, dismantling of assets and pension liabilities.

29. FINANCIAL RISK MANAGEMENT

29.1. Risk Management Policy

The Group could be exposed to various financial market risks as a result of: i) the normal course of its business and ii) the financial debt contracted to finance its business. The main risks are exchange rate, interest rate, liquidity and credit risks.

Exchange Rate Risk

It arises mainly from the obligations and rights that the Group has in currencies other than the Colombian peso.

Interest Rate Risk

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

Liquidity Risks

The Group is exposed to liquidity risk mainly due to imbalances between fund requirements and fund sources.

Credit risks

Credit risk arises from cash and cash equivalents (deposits in banks and financial institutions), as well as from credit exposure to wholesale and retail customers, which includes outstanding balances of accounts receivable and committed transactions. With respect to banks and financial institutions, only institutions with an independent risk rating of at least 'A' are accepted. Independent ratings of wholesale customers are used to the extent available. If there are no independent risk ratings, the portfolio rating assesses the credit quality of the client, taking into consideration its financial position, past experience and other factors. Individual credit limits are established in accordance with the limits set by the board of directors based on internal or external ratings. The use of credit limits is monitored regularly. Sales to customers in the retail segment are made primarily on a cash basis. Credit limits were not exceeded during the reporting year and management does not expect the Group to incur any losses from the performance of its counterparts.

Price Risk

The Group is exposed to the price risk of the goods and services it acquires for its operations, for which it conducts purchasing negotiations with small and large suppliers (including global suppliers) to ensure a continuous supply. This model, through which important savings are achieved in local and regional negotiations, makes it possible to avoid a high risk of concentration and dependence, which could lead in the medium and long term to a dependence that would be difficult to overcome due to the lack of alternative suppliers who could manage pressure levers to avoid non-compliance with product quality, delivery times, unagreed price increases or margins of maneuver that could not be solved by having a single supplier in some of the layers of the network.

Country Risk

Economic activity registered a significant recovery in growth in 2019, growing 3,3% year-over-year in 3Q19 alone versus 2,6% in the same quarter of the previous year, mainly explained by better performance in household consumption and investment. The Group's internal analyses and the consensus of analysts expect that in the consolidated year 2019 growth will be around 3.2%, significantly better than the 2,6% in 2018.

Despite slight upward pressure, inflation remained within the target range of Banco de la República (BR). In 2019 annual inflation was 3,80%, higher by 0,63 percentage points (p.p.) than the 3,18% in 2018. The acceleration of annual inflation was due to pressures on the prices of food and tradable goods and services. In both cases, the depreciation of the Colombian peso was transferred due to the increase in the price of imported goods. In the case of food prices, the acceleration of annual inflation was exacerbated by landslides, which blocked transport routes to meat-producing regions. On the other hand, prices of regulated services and non-tradable goods and services offset part of the acceleration in annual inflation.

The Bank of the Republic has maintained the intervention interest rate at 4,25% since April 2018. Economic growth below its potential level (estimated at 3,5% yoy) and inflation in the target range tipped the balance of risks to allow the Banco de la República to maintain the intervention interest rate at the level it considers slightly expansive.

Along 2019 a long period of Colombian Peso depreciation was recorded, on average the quotation of the exchange rate was $3.281 pesos, over $2.956 of 2018. The depreciation occurred in the midst of a strengthening of the dollar at a global level, caused mainly by the escalation of commercial tensions between the United States and China, exacerbated by falls in oil prices and an increase in the country risk premium.

In May 2019, Fitch and Moodys ratified their credit ratings for Colombia at two levels above investment grade (BBB and Baa2, respectively).

Risk Management

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

At the end of 2019 the Group had the following portfolio of financial derivatives on exchange rates and interest rates expressed in their currency of origin:

Figures in millions	NDF		IRS Libor	IRS IPC	CIRS (margin)	Options
Underlying	USD	EUR	USD	COP	USD	USD
Senior Bonds	750	-	750	-	750	-
Debt in US$/COP$	1	-	-	152.410	-	-
Commercial accounts	82	4	-	-	-	-
Future cash flows	171	-	-	-	-	64
	1.004	**4**	**750**	**152.410**	**750**	**64**

NDF: Non delivery forwards
IRS: Interest rate swap
CCIRS: Cross currency interest rate swap
At the end of 2018, the Group had the following portfolio of financial derivatives on exchange rates and interest rates, expressed in their currency of origin:

Figures in millions	NDF		IRS Libor	IRS IBR	CIRS (margen)	CIRS
Underlying	USD	EUR	USD	COP	USD	USD
Senior Bonds	750	-	750	-	750	-
Debt in US$/COP$	6	-	-	739.851	-	4
Commercial accounts	43	6	-	-	-	-
Future cash flows	27	-	-	-	-	-
	826	**6**	**750**	**739.851**	**750**	**4**

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

Exchange Rate Risk

The fundamental objective of the exchange rate risk management policy is to protect the value of asset and liability records denominated in dollars and euros against changes in the exchange rate of the Colombian peso against these currencies.

At December 31, 2019, the Group's debt in US dollars, including the senior bond maturing in 2022, was equivalent to US $762 million (2018 - US $761 million). In addition, considering the ordinary flow of the Group's business, hedges were made for commercial accounts, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency that were recorded in the Consolidated Statement of Financial Position. Finally, highly probable future cash flow hedges were contracted through NDF (Non Delivery Forwards) and term options up to one year to cover a portion of the OPEX and CAPEX in foreign currency of the following year's budget

The following is the detail of active and passive balances held in dollars:

	As of December 31,	
	2019	2018
	(USD$000)	
Assets		
Cash and cash equivalents	5.411	8.404
Debtors and other accounts receivable	66.402	88.057
Related parties	21.529	20.318
Total, assets	**93.342**	**116.779**
Liabilities		
Financial obligations	761.564	760.692
Suppliers and accounts payable	144.936	132.686
Related parties	17.118	72.263
Total, liabilities	**923.618**	**965.641**
Passive position, net	**(830.276)**	**(848.862)**

The following is the detail of the balances of assets and liabilities held in dollars and expressed in Colombian pesos:

	As of December 31,	
	2019	2018
Assets	(COP$000)	
Cash and cash equivalents	17.732.605	27.310.899
Debtors and other accounts receivable	217.608.650	286.163.236
Related parties	70.553.547	66.028.421
Total, assets	**305.894.802**	**379.502.556**
Liabilities		
Financial obligations	2.495.751.847	2.472.058.827
Suppliers and accounts payable	474.975.563	431.196.328
Related parties	56.098.083	234.836.685
Total, liabilities	**3.026.825.493**	**3.138.091.840**
Passive position, net	**(2.720.930.691)**	**(2.758.589.284)**

Interest Rate Risk

After hedging, exposure to floating rates is 87% 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 the end of December 2019, fixed and floating rate debt was as follows:

	Financial Obligations (1)		
	(COP$000)		
Fixed-rate bonds		**Participation**	**Index**
Debt in COP	498.698.319	12,33%	fixed rate
Other debts	74.536.521	1,84%	fixed rate
Fixed total	**573.234.840**	**14,17%**	
Variable rate bonds			
Senior Bond (1)	2.454.906.101	60,67%	Floating COP
Debt in USD	3.341.915	0,08%	Libor 6M
IFRS 16	885.632.312	21,89%	IPC
Debt in COP	128.956.963	3,19%	IBR
Total variable	**3.472.837.291**	**85,83%**	
Total debt (Note 17)	**4.046.072.131**	**100,00%**	

At the end of December 2018, the fixed and variable rate debt was as follows:

	Financial Obligations (1)		
	(COP$000)		
Fixed-rate bonds		**Participation**	**Index**
Debt in COP	30.366.130	0,9%	fixed rate
Other debts	214.701.906	6,0%	fixed rate
Fixed total	**245.068.036**	**6,9%**	
Obligaciones a tipo variable			
Senior Bond (1)	2.433.325.724	68,2%	IBR 3M
Debt in USD	31.204.631	0,9%	Libor 6M
Debt in COP	858.441.566	24,1%	IBR/DTF/IPC
Total variable	**3.322.971.921**	**93,2%**	
Total debt (Note 19)	**3.568.039.957**	**100%**	

(1) Interest rate exposure after hedging

Sensitivity of debt and derivatives to interest rate changes

For derivatives, a positive and negative movement in the valuation curve of 100 bps was sensitized.

For periods in which the rates were less than 1%, sensitivity was not considered in order to avoid negative rates; for the calculation of sensitivity in equity, only cash flow hedging transactions were considered, taking into account that they are the only transactions whose effect of the interest rate is recorded in equity; likewise, for sensitivity in results, only fair value hedging transactions were considered, taking into account that they are the only transactions whose effect of the valuation interest rate is recorded in results.

The sensitivity result was as follows:

	Impact on results	Impact on equity
	(COP$000)	
+ 100 pb	(8.852.254)	48.345.887
- 100 pb	8.852.242	50.155.418

Derivative Financial Instruments and Risk Management Policy

The breakdown of the Group's derivatives as of December 31, 2019, their fair value at that date and the expected maturity schedule by notional amount and type of hedge is as follows:

		Notional Value (2) - Maturity *(Figures in millions of pesos)*			
Derivatives	**Fair Value (1)**	**2020**	**2021**	**Subsequent**	**Total**
Interest Rate Hedges					
Cash flow hedges	**38.241**	**-**	**-**	**4.915.710**	**4.953.951**
Exchange Rate Hedges					
Cash flow hedges	(9.402)	758.669	9.342	-	758.609
Fair value hedges	32.820	2.744.361	-	-	2.777.181
	23.418	**3.503.030**	**9.342**	**-**	**3.535.790**
Interest rate hedges and rate of change					
Cash flow hedges	(6.844)	-	-	152.410	145.566
	54.815	**3.503.030**	**9.342**	**5.068.120**	**8.635.307**

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

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

The breakdown of the Group's derivatives as of December 31, 2018 and their fair value at that date and the expected maturity schedule by notional amount and type of hedge is as follows:

		Notional Value (2) - Maturity (Figures in millions of pesos)			
Derivatives	**Fair Value (1)**	**2019**	**2020**	**Subsequent**	**Total**
Interest Rate Hedges					
Cash flow hedges	**36.282**	**47.032**	**68.210**	**67.872**	**219.396**
Exchange Rate Hedges					
Cash flow hedges	(8.756)	-	-	-	(8.756)
Fair value hedges	(152.316)	91.340	(2.055)	10.149	(52.882)
	(161.072)	**91.340**	**(2.055)**	**10.149**	**(61.638)**
Interest rate hedges and rate of change					
Cash flow hedges	271	(323)	884	(14.544)	(13.712)
	(124.519)	**138.049**	**67.039**	**63.477**	**144.046**

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

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

The breakdown of the Group's interest rate and exchange rate derivatives as of December 31, 2019, as well as their notional amounts at that date and the value in foreign currency to be received and paid, is as follows:

		Receive (Figures in thousands of particular currency)		Pay	
Type of risk	**Counter value**	**Value**	**Currency**	**Value**	**Currency**
Interest rate swaps in COP					
From fixed to floating (COP/COP)	152.410.000	152.410.000	COP	152.410.000	COP
Interest rate swaps in foreign currencies					
From fixed to fixed (USD/COP)	2.457.855.000	750.000	USD	2.457.855.000	COP
From fixed to floating (USD/USD)	2.457.855.000	750.000	USD	750.000	USD
Options					
(USD/COP)	208.098.390	63.500	USD	208.098.390	COP
Forwards					
(USD/COP)	3.595.115.149	1.097.028	USD	3.595.115.149	COP
(COP/USD)	306.022.381	306.022.381	COP	93.381	USD
(EUR/USD)	15.181.197	4.140	EUR	4.632	USD

The distribution of derivatives by half-life is as follows:

Underlying cover	Nocional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	lore than 5 yea
			(COP$000)		
With underlying					
In local currency	152.410.000	-	-	-	152.410.000
In foreign currency	3.344.285	3.344.285	-	-	-
Bonds and Obligations					
In foreign currency	2.457.855.000	2.457.855.000	-	-	-
Coupons in foreign currency	4.915.710.000	-	4.915.710.000	-	-
Other Underlying					
Forwards	843.074.680	833.732.400	9.342.281	-	-
Options	208.098.390	208.098.390	-	-	-

The breakdown of the Group's interest rate and exchange rate derivatives as of December 31, 2018, as well as their notional amounts at that date and the value in foreign currency to be received and paid, is as follows:

		Receive		pay	
		Figures in thousands of particular currency			
Type of risk	**Counter value**	**Value**	**Currency**	**Value**	**Currency**
Interest rate swaps in COP					
From fixed to floating (USD/USD)	633.569.277	633.569.277	COP	633.569.277	COP
Interest rate swaps in foreign currencies					
From fixed to fixed (USD/COP)	2.437.312.500	750.000	USD	2.437.312.500	COP
From fixed to floating (USD/USD)	2.437.312.500	750.000	USD	750.000	USD
Exchange rate swaps					
Floating to fixed (USD/COP)	13.434.648	4.134	USD	13.434.648	COP
Forwards					
(USD/COP)	2.808.884.040	864.339	USD	2.808.884.347	COP
(COP/USD)	122.353.088	122.353.088	COP	37.650	USD
(EUR/USD)	20.843.766	5.600	EUR	6.414	USD

The distribution of derivatives by half-life is as follows:

Underlying cover	Nocional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
			(COP$000)		
With underlying					
In local currency	633.569.277	-	211.749.247	158.392.319	263.427.711
In foreign currency	34.520.957	34.520.957	-	-	-
Bonds and Obligations					
In foreign currency	2.437.312.500	2.437.132.500	-	-	-
Coupons in foreign currency	4.874.625.000	-	4.874.625.000	-	-
Other Underlying					
Forwards	207.288.683	186.490.283	20.798.400	-	-

29.2. Other Risks and Uncertainties facing the Group.

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

Risk due to legal regulations

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

For its part, the CRC is the body responsible for promoting and regulating free competition, preventing unfair conduct and restrictive business practices, by means of general regulations or specific measures, and may propose differential rules of conduct depending on the position of the suppliers, once the existence of a market failure has been determined. Among its most relevant functions are: i) To issue all regulations of a general and particular nature in matters related to the competition regime, technical and economic aspects related to the obligation of interconnection and access and use of essential facilities; as well as remuneration for access and use of networks and infrastructure, wholesale prices, invoicing and collection conditions; the regime for access and use of networks; quality of service parameters; criteria for efficiency in the sector and the measurement of sectoral indicators for progress in the information society; and dispute resolution , iii) Regulating access to and use of all networks and access to the markets for telecommunications services, open television broadcasting and sound broadcasting, towards regulation by markets.

Risks Inherent to the Activity Sector in which the Group Operates

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

In October 2011, after an auction process with the participation of other mobile operators, Colombia Telecomunicaciones S.A. E.S.P. obtained the allocation of 15 MHz of spectrum in the 1900 MHz band. This spectrum assignment was materialized in Resolution MinTic 002105 of September 15, 2011, with respect to which it is worth noting the following aspects:

1. The duration of the permit is 10 years from October 20, 2011.

2. The amount to be paid in exchange was US$47,700 thousand which was paid as follows:

   (a) 50% in cash (US$23,850 thousand) six months after the date on which the act of assignment of the spectrum becomes final.
   (b) 50% through compliance with the obligation to do so (coverage of 36 locations and service to educational institutions).

3. Obligation of 3G coverage in all municipal head offices where the Group had coverage, by April 18, 2012.

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

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

In the 4G auction process, the Group obtained 30 MHZ of spectrum in the band from 1710 MHZ to 1755 MHZ paired with 2110 MHZ to 2.155 MHZ, resource that was assigned by Resolution 2625 of 2014, with a validity of 10 years, confirmed by Resolution 4142 of 25 October 2013.

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

MinTic issued Decree 2194 of 2017 increasing the spectrum ceiling in land mobile services to 90MHz for the high bands (between 1710 MHz and 2690 MHz) and 45 MHz for the low bands (between 698 MHz and 960 MHz).

Other Risks and Uncertainties facing the Group

Markets Subject to Continuous Technological Evolution

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

Consequently, it could be costly for the Group to develop the products and technologies necessary to continue to compete efficiently with current or future competitors. It is therefore important to consider that the increase in costs could have an adverse impact on the business, its financial position, and the economic results or cash flow generation of the Group.

As a major player in the communications market, the Group must continue to upgrade its networks associated with mobile and fixed line service in a satisfactory manner and in a timely manner in order to maintain and increase its customer base in each of its markets in order to enhance its financial performance, as well as to comply with the requirements of applicable regulations. Among other things, the Group may need to upgrade the operation of its networks in order to increase the customization of its services, virtualization of equipment, increase data processing and storage capacities, as well as increase coverage in some of its markets. Equally and no less importantly, they need to expand and maintain the level of customer service, network management and administrative systems.

Risks Associated with Unexpected Network Disruptions

Network interruptions are situations inherent to the operation of any element that constitutes it, which create an effect on service, causing user dissatisfaction due to the impossibility of communication, as well as a no lesser risk of requirements from the control bodies that could lead to high-impact sanctions for the Group. The only possibility of minimizing or reaching a controlled level of risk on unforeseen network interruptions is focused on being able to periodically and efficiently guarantee a model of preventive and corrective maintenance on the network equipment, as well as investment in elements that have completed their useful life and that guarantee the redundancy that makes it possible to support the service in the event of possible failures.

30. RELATED PARTS

30.1. Accounts Receivable

The balances of accounts receivable between the Group and its shareholders international, economic partners and associates are as follows:

Current

a) Shareholders international

	As of December 31	
	2019	**2018**
	(COP$000)	
International		
Telefónica S.A.	9.237.407	6.703.998
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internaci	-	529.548
Total shareholders international	**9.237.407**	**7.233.546**

b) Economic links

National		
Tiws Colombia II S.A.S.	20.228.121	30.810.277
Telxius Cable Colombia S.A.	1.127.060	3.196.970
Wayra Colombia S.A.S.	51.450	100.600
	21.406.631	**34.107.847**

	As of December 31	
	2019	**2018**
	(COP$000)	
International		
Telefónica Digital España S.A	10.667.702	11.668.452
TIWS II	3.671.244	10.171.127
Pegaso PCS, S.A. de C.V.	2.965.062	2.960.537
Telefónica Móviles España S.A.	1.524.277	1.985.482
Otecel S.A.	1.280.465	1.232.187
Telefónica Móviles el Salvador S.A.	1.023.150	14.873
Telefónica Móviles Argentina S.A.	698.652	655.551
Telefónica del Perú S.A.	488.135	681.978
O2 Germany GMBH & CO.OHG	435.466	1.322.220
Telefónica Móviles de Chile S.A.	195.983	888.601
Telefónica Brasil S.A	168.248	241.119
Telefónica USA, INC	161.381	84.742
Telefónica Compras Electrónicas	142.680	160.474
Telefónica Factoring México S.A.	14.968	12.493
Telefónica de Costa Rica	3.487	79.870
E-plus Mobilfunk GMBH & CO	-	281.488
Telefónica Móviles Panamá S.A.	-	167.475
Telefónica Celular de Nicaragua S.A	-	104.082
Pegaso Recursos Humanos S.A. de C.V.	-	56.341
Telefónica Móviles Guatemala S.A.	-	26.983
Telefónica Móviles Uruguay S.A.	-	16.085
O2 UK Limited	-	2.794
	23.440.900	**32.814.954**
Total domestic and foreign affiliates	**44.847.531**	**66.922.801**

c) Associated Companies

Nacional		
Telefónica Factoring Colombia S.A.	39.794	79.628
	54.124.732	**74.235.975**

Non Current

a) Economic Link

	As of December 31	
	2019	2018
	(COP$000)	
Telefónica Venezolana C.A. (a)	39.781.586	39.449.359
	39.781.586	**39.449.359**

a) Telefónica Venezolana C. A. is awaiting settlement from the Venezuelan foreign exchange regulator (CENCOEX), the amounts of which were duly requested from that body and, as of December 31, 2019, it has not refused to settle the invoices and the respective amounts requested that it owes to Colombia Telecomunicaciones S. A. E.S.P.

Foreign currency balances of accounts receivable as of December 31, 2019 are US$21,529 thousand ($70.553.547) and at 31 December 2018 are US$20.318 thousand ($66.028.356).

30.2 Accounts Payable

The balances of liabilities between the Group and its shareholders international and economic partners are as follows:

Current

a) Shareholders international

	As of December 31	
	2019	2018
	(COP$000)	
International		
Telefónica S.A.	12.666.965	6.232.987
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S	347.494	131.993
Total domestic and foreign shareholders	**13.014.459**	**6.364.980**

b) Economic Links

	As of December	
	2019	**2018**
	(COP$000)	
Nacional		
Telxius Cable Colombia S.A.	15.958.471	36.796.394
Tiws Colombia II S.A.S.	21.139.257	37.835.130
Telefónica Ingeniería de Seguridad	964.167	-
Telefónica Learning Services Colombia	193.422	399.885
	38.255.317	**75.031.409**
International		
TIWS II	40.451.578	34.897.021
Telefónica Global Technology	20.877.265	28.908.492
Telefónica USA Inc.	9.085.333	9.579.064
Media Network Latin América	7.049.603	15.282.992
Telefónica Móviles Argentina S.A.	3.838.691	3.926.213
Telefónica Digital España S.A.	3.036.649	1.471.797
Telefónica Venezolana C.A.	2.301.622	2.183.284
Telefónica Compras Electrónicas	1.799.238	5.211.046
Telefónica de Argentina S.A.	1.713.000	1.713.000
Pegaso Pcs. S.A. de C.V.	1.561.241	1.181.183
Telefónica Móviles España S.A.	1.464.557	1.165.440
Otecel S.A.	1.403.559	1.681.593
Telefónica de España S.A.U.	757.315	740.523
Telefónica del Perú S.A.	718.811	746.187
Telefónica Global Roaming	551.850	670.931
Terra Networks México S.A. de CV	519.785	783.946
Telefónica Brasil S.A	469.749	2.492.813
Telefónica Servicios Audiovisuales	225.919	237.564
O2 T. UK Limited	218.324	98.826
Telefónica Móviles de Chile	138.846	2.215.661
E-Plus Mobilfunk GMBH & CO	135.906	12.903
Telefónica Ingeniería de Seguridad	72.005	503.736
Telefónica Broadcast Services S.L.U	44.368	-
Telefónica Móviles Uruguay S.A.	29.447	47.763
Telefónica Educación Digital	18.015	-
Telefónica Móviles El Salvador S.A.	17.790	16.436
Telefónica de Costa Rica	7.766	93.000
TGestiona Logística Sociedad Anónima	5.755	37.802
Telefónica de Contenidos SAU	-	897.653
Telefónica Móviles Panamá S.A.	-	140.725
Telefónica Germany GMBH & CO OHG	-	59.249
Telefónica Móviles Guatemala S.A.	-	29.242
Telefónica Celular de Nicaragua S.A	-	20.426
Total domestic and foreign economic links	**98.513.987**	**117.046.511**
Total suppliers and related party accounts payable	**149.783.763**	**198.442.900**

Non Current

a) Shareholders

	As of December 31,	
	2019	2018
Share-based payments	*(COP$000)*	
Telefónica S.A.	4.521.758	1.907.435
	4.521.758	**1.907.435**

Foreign currency balances of accounts payable as of December 31, 2019 are US$17,118 thousand ($56,098,083) and as of December 31, 2018 are US$72,263 thousand ($234,836,684).

30.3. Income, Costs and Expenses with Related Parties

The Group carries out transactions with its related parties under the same market conditions and with mutual independence. The following is a summary of the Group's income, costs and expenses during the period from January 1 through December 31, 2019 and 2018 with shareholders, economic partners and associates

a) Shareholders

	Year ended December 31			
	Income		Cost and expenses	
	2019	2018	2019	2018
	(COP$000)			
Nacional				
Terra Networks Colombia S.A.	-	6	-	-
	-	**6**	**-**	**-**
International				
Telefónica S.A.	8.158.887	6.703.998	33.873.392	616.153
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	-	804.619	889.330	165.828
	8.158.887	**7.508.617**	**34.762.722**	**781.981**
Total domestic and foreign shareholders	**8.158.887**	**7.508.623**	**34.762.722**	**781.981**

b) Economic Links

	Year ended December 31			
	Income		Cost and expenses	
	2019	2018	2019	2018
	(COP$000)			
Nacional				
Tiws Colombia II S.A.S.	19.145.710	16.979.469	12.555.883	30.128.763
Telxius Cable Colombia S.A.	2.417.055	1.656.886	60.341.074	52.567.082
Wayra Colombia S.A.S.	455.855	469.161	-	12.046
Telefónica Global Tecnología Colombia Sucursal	-	79.727	-	-
Telefónica Ingeniería de Seguridad	-	-	1.115.513	-
Telefónica Learning Services Colombia	-	-	68.530	395.239
	22.018.620	**19.185.243**	**74.081.000**	**83.103.130**
International				
TIWS II	20.493.939	21.568.499	52.568.682	34.558.572
Telefónica Digital España S.A.	9.692.340	9.703.623	3.267.180	1.184.152
Telefónica Móviles de Chile	2.119.845	2.641	117.091	129.219
Telefónica Móviles El Salvador S.A.	914.960	24.386	31.540	21.137
Telefónica Móviles España S.A.	728.717	308.859	1.434.156	1.048.925
Telefónica Brasil S.A	634.687	3.226.802	142.608	-
Telefónica del Perú S.A.	428.655	258.330	1.062.736	512.265
Telefónica Móviles Argentina S.A.	376.267	-	144.401	167.407
O2 T. UK Limited	311.556	104.723	100.680	56.462
Telefónica Móviles Panamá S.A.	226.404	260.741	138.316	164.555
Otecel S.A.	205.759	205.965	234.927	344.428
Telefónica Compras Electrónicas	139930	132.345	4.894.300	4.816.495
Pegaso Pcs. S.A. de C.V.	105.837	150.438	484.706	386.936
Telefónica de Costa Rica	89.608	43.489	52.713	49.934
Telefónica USA Inc.	64.300	55.837	4.473.146	15.687
Telefónica Móviles Uruguay S.A.	29.442	24.306	19.293	6.970
Telefónica Celular De Nicaragua S.A	9.826	9.303	-	6.227
Telefónica Germany GMBH & CO OHG	7471	15.324	95.909	-
Telefónica Venezolana C.A.	409	174	96.317	1.749.472
E-Plus Mobilfunk GMBH & CO	-	72.034	19.235	-
Pegaso Recursos Humanos S.A. de C.V.	-	25.651	-	-
Telefónica Móviles Guatemala S.A.	-	19.419	-	32.282
Terra Networks México S.A. de CV	-	7.775	1.062.414	776.723
Telefónica de Argentina S.A.	-	790	-	-
Media Network Latin América	-	-	38.824.388	33.648.282
Telefónica Global Technology	-	-	35.550.496	34.560.377
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	5.746.472	5.746.472
Telxius Cable España S.L.U	-	-	1.974.239	1.974.239
Telefónica de Contenidos SAU	-	-	1.338.739	977.896
Telefónica de España S.A.U.	-	-	757.315	723.023
Telefónica Global Roaming	-	-	635.246	740.237
Telefónica Servicios Audiovisuales	-	-	538.795	572.193
Telefónica Ingeniería de Seguridad	-	-	331.166	570.448
Telefónica Broadcast Services S.L.U	-	-	44.528	-
	36.579.952	**36.221.454**	**156.181.734**	**125.541.015**
Total national and foreign economic links	**58.598.572**	**55.406.697**	**230.262.734**	**208.644.145**

c) Associated Companies

The Group has not given or received any guarantees or pledges to its economic relations.

The following is a summary of the transactions for income, costs and expenses that were presented during the period with related parties, according to the nature of the good or service provided between the parties, as follows:

Income:

	Years ended December 31	
	2019	**2018**
	(COP$000)	
Local Telephony	20.500.535	21.800.342
Other income (1)	20.362.254	18.515.730
Data transmission services	15.475.791	15.622.649
Interconnection and roaming	6.080.647	5.238.600
Cloud, security and other services	4.106.570	1.704.986
Value-added services	238.263	270.810
Sale of equipment	220.797	9.196
Virtual Private Networks	51.762	4.353
Basic charges and airtime	30.932	38.343
Services and data transmission - connectivity	26.967	18.912
	67.094.518	**63.223.921**

(1) Includes mainly fee services, space assignment, and administrative services, among others.

Costs and Expenses

	Years ended December 31	
	2019	**2018**
	(COP$000)	
Media Rental	117.195.133	110.459.909
Other operating costs and expenses (1)	45.116.423	6.889.897
Other non-recurring costs and expenses (2)	36.531.003	34.816.601
Interconnection and roaming	34.216.793	27.927.989
Renting and third party activities to customers	14.747.335	15.685.667
Content providers	11.066.889	8.366.397
Maintenance	5.268.561	4.432.629
Labor and personnel costs	523.537	681.209
Sales commissions	359.782	165.828
	265.025.456	**209.426.126**

(1) Includes mainly computer applications, consulting and project integration, equipment rental and costs, among others.

(2) Includes mainly, licenses and computer applications.

d) Information on Remuneration of Key Management Personnel

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

	Years ended December 31	
	2019	**2018**
	(COP$000)	
Salaries, salaries and other benefits	19.195.487	21.481.024
Executive Compensation Plan (shares and annual bonus)	4.945.357	2.787.363
Institutional plans	6.877.629	3.673.303
Voluntary Withdrawal Bonus	1.521.968	5.288.107
	32.540.441	**33.229.797**

31. CONTINGENCIES

The Group classifies contingencies according to the probability of loss into high probability, low probability and remote probability, determining on this basis the value of the claims to be provided for and supported by the reports and evaluations of the Group's legal advisors.

As of December 31, 2019, 2,001 processes were in progress, of which 149 were classified as high probability, 1.034 as low probability and 818 as remote.

1. Processes with high probability

The following is a detail of the processes classified as high probability (Note 22)

	As of December 31			
	2019		**2018**	
	(COP$000)			
	Quantity	**Value**	**Quantity**	**Value**
Current:				
Administrative, regulatory and competence investigations	3	3.758.855	8	3.981.796
Work processes	20	1.136.726	14	1.658.809
Administrative User Inquiries	28	1.742.448	77	9.522.239
	51	**6.638.029**	**99**	**15.162.844**
Non-Current				
Administrative, regulatory and competence investigations	4	240.270	11	2.852.494
Judicial processes	49	3.297.655	52	8.516.942
Labor processes	40	2.377.287	38	2.164.888
Fiscal processes	5	314.724	5	162.069
	98	**6.229.936**	**106**	**13.696.393**
	149	**12.867.965**	**205**	**28.859.237**

2. Processes with low probability

The Group is party to qualified litigation with low probability which is currently in progress before judicial, administrative and arbitral bodies.

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

a. Judicial processes

Proceedings to obtain a decision by the judicial authority called upon to resolve the disputed issue. They include processes of the civil, contentious-administrative, criminal and constitutional jurisdictions, among others. There are 124 open processes in the amount of $70.529.631.

b. Work Processes

Labor lawsuits seeking payment of labor rights derived from the relations 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. There are 485 lawsuits filed in the amount of $30.987.518.

c. Administrative Investigations

Processes initiated by administrative authorities through the filing of charges, ex officio or through complaints from third parties, aimed at determining the responsibility of the investigated party in the violation of rules.

Contingencies for administrative investigations are classified as follows:

i) *Taxes*: Processes under discussion for taxes with different municipalities in the country, which correspond to claims, such as: industry and commerce tax (ICA) and public lighting tax, among others. There are 344 administrative and judicial proceedings underway, valued at $17.838.973.
ii) *Petitions*, Complaints and Claims Administrative proceedings initiated by the Superintendence of Industry and Commerce - SIC, for positive administrative silences, habeas data, or for failure to comply with resolutions. Sixty-one proceedings were reported, amounting to $4.275.945.

iii) *Regulatory*: Administrative procedures initiated by surveillance and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 20 proceedings for $8.875.717.

32. COMMITMENTS

Infrastructure Sharing with Colombia Móvil S.A.

Resolution 449 d 2013, including its amendments and additions, as well as the resolutions of assignment of frequencies to each of the operators of the telecommunications service in Colombia, established that in order to make 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 equipment of the communications network (Core Network and Access Network), towers, posts, conduits and any other required, either their own or of third parties, provided that a spectrum assignment is not configured.

In line with the provisions of these resolutions, Colombia Telecomunicaciones S.A. E.S.P. and Colombia Móvil S.A., established a legal framework for the sharing of infrastructure elements and for this purpose, jointly executed the project for the deployment of a 4G access network. They signed an agreement called an alliance. This alliance allows Colombia Telecomunicaciones S.A. E.S.P., and Colombia Móvil S.A., to share the 4G access network as a support for the provision of their telecommunications services, under free and competitive conditions without this meaning sharing or ceding the spectrum.

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

Significant Contracts

The following are the contracts signed by the Company that are in force as of December 31, 2019 and that they are considered significant:

Contractor	Object of the contract	Termination date	Contract value (COP$000)
ATC Sitios de Colombia S.A.S.	To grant the rights of use and enjoyment of the towers and to grant the use of the areas on a loan basis.	30/06/2023	$ 637.301.610
Phoenix Tower International Colombia	Leasing space on technical sites	29/05/2029	$ 414.889.168
Energía Integral Andina S.A.	Provision of carrier services through its network of the underwater fiber optic cable system called San Andrés islas - Tolú Colombia.	30/06/2030	$ 324.206.316

Contractor	Object of the contract	Termination date	Contract value (COP$000)
Forward Media S.A.S.	To provide the services that are regulated at a general level in the framework contract, in particular (i) Providing research studies and media analysis; (ii) Overall negotiation with the media; (iii) Technical advice on the media plan; and (iv) Design, implementation and monitoring of the Employer's advertising campaigns in any type of media.	31/12/2020	$ 299.334.220
Telxius Cable Colombia S.A.	To contract the international internet outgoing service which includes international connectivity and back-haul services for IP services, operation and maintenance of the IRU over the Sam-1 submarine cable.	31/12/2020	$ 283.795.490
Cisco Systems Inc.	Cisco Colombia equipment for Cisco customers, goods and services	30/04/2020	$ 256.602.394
Seguridad ATLAS Ltda.	Provide the private security services for the goods, infrastructure and facilities used by the Employer.	30/06/2020	$ 256.194.991
Actividades de Instalaciones y Servicios COBRA, S.A.	The continuous realization of the maintenance service of the basic lines (customer loop).	28/02/2021	$ 240.042.322
Intelsat Global Sales & Marketing Ltda.	Satellite capacity service	30/06/2023	$ 239.929.769
Nokia Solutions and Networks Colombia Ltda.	Provide, on a regular basis, at the place and in the quantity indicated by the Contracting Party, care and SPMRL services to the Nokia network for the equipment described in the Technical Annex.	31/12/2021	$ 234.280.903
Huawei Technologies Colombia S.A.S.	Carry out the design, supply, integration, implementation and commissioning and maintenance of a Fullstack solution.	31/12/2020	$ 211.160.299
Yeapdata S.A.S.	To supply the goods, licenses and design, configuration, implementation, maintenance and support services for the telecommunications solutions required by the Contracting Party's end customers under the Avaya brand. To provide the managed services for Avaya branded telecommunications solutions and complementary products.	31/07/2024	$ 198.847.610
Ericsson de Colombia S.A.	To provide the services of integral maintenance support level 1 - internal plant (zones 1 and 3) that includes among others the following activities: preventive and corrective maintenance, of specialized manpower, management of computer resources and basic tools, field service, which allow to guarantee and to maintain the continuity of the network service.	31/12/2020	$ 191.373.642
Emgesa S.A. E.S.P.	Buy energy on the unregulated market - Colombia 2018-2021	31/12/2021	$ 189.789.281

Contractor	Object of the contract	Termination date	Contract value (COP$000)
Huawei Technologies Colombia S.A.S.	Provide the goods and services necessary to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the sigres platform, and training, technical support, to enable the expansion of ADSL 2+ ports.	31/12/2020	$ 162.207.411
Nokia Solutions And Networks Colombia Ltda.	To provide the services related to the respective radio technology and management for the mobile network	31/12/2022	$ 161.718.857
Liteyca de Colombia S.A.S.	The continuous realization of the maintenance service of the basic lines (customer loop).	28/02/2021	$ 152.899.560
Huawei Technologies Colombia S.A.S.	To provide ENODOSB and services necessary for the implementation, uninstallation of ENODOSB, network management services, training and others required for the proper functioning of the ran access network in all frequency bands it is authorized to operate (phase 7 LTE).	31/12/2020	$ 144.850.015
HP Colombia S.A.S.	Supply computer equipment, printers and pos (point-of-sale solutions) for the Contractor's customers	31/01/2020	$ 134.173.131
Mitrastar Technology Corporations.	Supplies under a framework agreement, assuming on its own terms the same rights and obligations established therein for Telefónica S.A. and in order to receive from the entity the design, development, manufacture and supply of VDSL modems.	31/03/2020	$ 126.741.255
Operación y Gestión Integral S.A.S.	Continuous implementation of the service called customer loop	28/02/2021	$ 115.580.120
Kaon Media CO., LTDA.	Supply of HD decoders FOB mode.	31/12/2019	$ 113.092.282
Arris Solutions Inc	This letter of accession constitutes the sole and entire agreement between the parties, the supply of HD-DTH STB and IPTV decoders in FOB mode.	31/12/2020	$ 111.997.714
Ericsson de Colombia S.A.	To supply the goods and services required for the correct operation of the network of access ran in all the bands of frequencies that the Contractor is authorized to operate (high frequencies 1900 mhz.) - AWS (1700 - 2100) and in the bands of low frequencies (700*, and 850 mhz.) For the western zone of Colombia	31/12/2020	$ 110.415.713
Ufinet Colombia S.A.	The Contractor grants the Employer an irrevocable right of use (IRU) of eight wires of optical fiber for telecommunications, as well as the provision of the operation and preventive and corrective maintenance services of the optical fiber.	14/11/2032	$ 107.637.308
Andean Tower Partners	Rental of space in towers.	31/12/2020	$ 93.716.572

Contractor	Object of the contract	Termination date	Contract value (COP$000)
Ericsson de Colombia S.A.	Accession Agreement which aims at setting the conditions for the provision of services and supply of products and at establishing the model licence for certain applications.	31/12/2020	$ 92.275.518
Westcon Group Colombia Ltda.	To supply the following goods: UTM firewall, web content filter, anti-malware system and proxy, in addition to licensing the use of software for the goods that apply to the check point and blue coat brands (hereinafter the goods) and to provide support services (hereinafter the services).	31/05/2023	$ 92.164.652
New Skies Satellites B.V.	Special band segment rental.	31/08/2020	$ 90.985.555
Ezentis Colombia S.A.S.	The continuous realization of the maintenance service of the basic lines (customer loop).	28/02/2021	$ 87.097.637
Media Networks Latín América S.A.C.	Data processing service, as well as the satellite service required to carry out the service indicated above.	Undetermined	$ 87.031.412
Comfica Soluciones Integrales SL	The continuous realization of the maintenance service of the basic lines (customer loop).	28/02/2021	$ 86.134.591
FSCR Ingenieria S.A.S	The continuous realization of the maintenance service of the basic lines (customer loop).	28/02/2021	$ 84.974.254
Telefónica Global Technology S.A.U.	Provision of system operation services (Atis - billing, collection and customer service system)	30/04/2020	$ 79.776.432

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

The Company calculates and presents a number of complementary (non-GAAP) measures for decision-making, in addition to those defined in IFRS, being of the opinion that they provide additional useful information to evaluate the performance, solvency and liquidity of the Company. These measures should not be considered separately nor should they be considered a substitute for the measures presented in accordance with IFRS.
The OIBDA - Operating Income Before Depreciation and Amortization is a commonly reported and widespread measure among analysts, investors and other stakeholders in the telecommunications industry, although it is not an explicit indicator defined as such in IFRS and may therefore, not to be comparable with other similar indicators used by other companies. OIBDA should not be considered a substitute for operating profit.

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

1) EBITDA

	Year end December 31	
	2019	**2018**
	(COP$000)	
Net income for the year	23.430.830	388.911.959
More:		
Depreciation and amortization (Note 27)	1.422.459.493	1.349.104.547
Interest expense, net	289.416.191	308.330.013
Income and supplementary taxes	179.504.673	(212.475.271)
EBITDA (a)	**1.914.811.187**	**1.833.871.248**

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

2) Margin EBITDA

	Year end December 31	
	2019	**2018**
Margin EBITDA (*)	33,6%	33,5%

(*)Represents EBITDA divided by operating income.

3) Leverage ratio: Debt/EBITDA

	Year ended December 31	
	2019	**2018**
	(COP$000)	
Current financial obligations (Note 19)	410.047.634	347.175.021
Minus:		
Interest payable (Note 19)	(37.661.309)	(39.161.483)
Hedging derivatives (Note 19)	(36.774.797)	(16.712.403)
Current financial obligations, net (a)	**335.611.528**	**291.301.135**
Long-term financial obligations (Note 19)	682.319.662	732.800.933
Other non-current financial obligations (Note 19)	-	2.274.981
Derivative instruments on liabilities (Note 19)	100.415	52.463.295
Local bond (Note 19) (b)	500.000.000	-
Senior bond (Note 19) (b)	2.457.855.000	2.437.312.500
Perpetual asset instruments (Note 21) ©	1.278.425.000	1.278.425.000
Long-term financial obligations, net	**4.918.700.077**	**4.503.276.709**
Total financial debt	**5.254.311.605**	**4.794.577.844**
Valuation of exchange rate derivatives (d)	(64.816.932)	(176.714.653)
Cash and cash equivalents (Note 6)	(411.083.341)	(123.696.866)
Total net debt	**4.778.411.332**	**4.494.166.325**
EBITDA	**1.914.811.187**	**1.833.871.248**
Leverage ratio Debt/EBITDA	**2,5 Times**	**2,5 Times**

(a) The balance of short-term liabilities excludes interest payable and hedge accounting.

(b) Corresponds to the nominal value of the issue of the senior bond and local bond, the senior bond is valued at the closing exchange rate of each period. They do not include the value of transaction costs.

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

(c) Corresponds to the nominal value of the issue of the perpetual equity instrument, valued at the exchange rate on the date of issue. It does not include the value of the transaction costs. This instrument under the issuance prospectus of the principal debt is considered as replacement debt, therefore it is included as financial debt. However, its recognition in the Consolidated Financial Statements is in equity.

(d) Includes only valuation of foreign exchange hedges.

4) Financial Indicators

4.1) Indebtedness rates

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

	As of December 31	
	2019	2018
(a) Total debt level (1)	50,19%	47,86%
(b) Level of short-term debt (2)	38,48%	38,28%

(1) (2) The level of total and short-term debt increases mainly due to the financial lease liabilities arising from the entry into force of IFRS 16 from 1 January 2019, which affects its comparability.

4.2) Solvency rates

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

	As of December 31	
	2019	2018
Solvency index	1,99	2,09

4.3) Rates of return

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

	Years ended December 31	
	2019	2018
(a) Operating margin (1)	8,65%	8,86%
b) OIBDA margin	33,65%	33,52%

(1) Slight decrease due to higher costs and operating expenses versus income; effect of the depreciation of the peso against the dollar.

4.4) Liquidity rates

It indicates short-term availability to meet your short-term commitments.

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

	As of December 31	
	2019	**2018**
a) Net working capital	(150.695.990)	(421.514.479)
b) Current ratio	0,94	0,82
(c) Acid test	0,86	0,73

The improvement in these indicators as of 31 December 2019 corresponds mainly to: i) the increase in cash and cash equivalents as a result of the flows generated in the sale of non-strategic fixed assets; and ii) the classification of property in current assets - available for sale.

4.5) Return on equity

This indicator measures the return on capital invested by shareholders; return on equity.

	Years ended December 31	
	2019	**2018**
a) Return on equity	7,44%	7,40%

4.6) Return on assets

This indicator measures the capacity of the Group's assets to generate returns.

	As of December 31	
	2019	**2017**
b) Return on assets	3,71%	3,86%

4.7) Hedging interests

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

	Years ended December 31	
	2019	**2018**
Hedging interest	2,50	2,17

5) Operational Information

5.1) Access

	2019				2018			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
				(Unidades 000)				
Final Clients Access	**19.259**	**19.241**	**19.255**	**19.175**	**19.050**	**18.711**	**18.499**	**18.100**
Basic Line (1)	1.488	1.497	1.522	1.561	1.582	1.626	1.636	1.620
Internet and Data	1.163	1.161	1.171	1.190	1.204	1.231	1.229	1.217
Television	528	523	533	540	548	564	564	547
Mobile Service	16.080	16.060	16.029	15.884	15.716	15.290	15.070	14.716
Prepaid	*12.003*	*12.065*	*12.098*	*12.015*	*11.881*	*11.469*	*11.298*	*11.004*
Postpaid	*4.077*	*3.995*	*3.931*	*3.869*	*3.835*	*3.821*	*3.772*	*3.712*

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

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

5.2) ARPU

	2019				2018			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
				(COP$)				
LB - BA - TV (1)	32.458	32.421	33.585	31.633	31.265	33.412	32.645	32.694
Total Mobile (2)	12.663	12.663	12.351	12.406	13.416	13.315	13.080	13.703
Prepaid	*3.462*	*2.917*	*2.896*	*3.003*	*3.542*	*3.245*	*3.201*	*3.549*
Pospaid	*40.360*	*41.932*	*41.558*	*41.609*	*43.811*	*43.584*	*42.639*	*43.560*

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

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

34. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Between January 1, 2020 and the date of issuance of these financial statements, we are aware of the following significant financial events:

1. On July 15, 2019 Colombia Telecomunicaciones S.A. E.S.P. published, as relevant information, the conclusion of a framework agreement with the company Prabyc Ingenieros S.A.S. on the property located at Transversal 60 No. 114A-55 in the city of Bogotá D.C.

   During February 2020 the framework agreement was transferred by Prabyc Ingenieros S.A.S. to Ingeurbe S.A.S. and in compliance with the provisions of said agreement, a public deed of sale was signed on the property.

2. On February 17, 2020, Colombia Telecomunicaciones S.A. E.S.P. sent a notification of the irrevocable redemption of the Hybrid Bonds (subordinated perpetual notes) issued on March 30, 2015 in the amount of USD 500 million.

   The notification was made to the Bank of New York Mellon, in its capacity as Trustee. Colombia Telecomunicaciones S.A. E.S.P. will acquire debt with local and international banks to service the payment of the Hybrid Notes.