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

December 31, 2020 and 2019 with statutory auditor's report

COLOMBIA TELECOMUNICACIONES S. A. E.S.P.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019

Contents

Certification of the Legal Representative and Public Accountant

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

February 15, 2021

The undersigned Legal Representative and Certified 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 December 31, 2020, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows for the year then ended, which pursuant to the regulations are made available to shareholders and third parties, the statements contained therein have been previously verified and the figures have been faithfully taken from the books of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiary. These explicit and implicit statements are as follows:

1. All assets and liabilities included in the consolidated financial statements of the Company and its subsidiary as of December 31, 2020, exist, and all transactions included in such consolidated financial statements have taken place during the year then ended.

2. All economic events realized by the Company and its subsidiary during the year ended December 31, 2020, have been recognized in the consolidated financial statements.

3. Assets represent the potential to produce future economic benefits (rights), and liabilities represent the obligation to transfer the economic resource (obligations) obtained or payable by the Company and its subsidiary as of December 31, 2020.

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

5. All economic events affecting the Company and its subsidiary have been correctly classified, described, and disclosed in the consolidated financial statements.

Fabián Andrés Hernández Ramírez
Legal Representative

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

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

	Notes	As of december 31, 2020	2019
Assets			
Current Assets			
Cash and cash equivalents	5	710.710.921	411.083.341
Financial assets	6	117.972	72.311.618
Debtors and other receivables, net	7	920.322.591	1.005.467.603
Prepaid expenses	8	214.713.915	179.613.852
Contractual assets	9	24.001.528	25.345.441
Inventories	10	142.060.679	197.129.274
Taxes and public administration	11	305.151.702	387.944.894
Non-current assets held for sale	12	-	134.566.415
Total current assets		**2.317.079.308**	**2.413.462.438**
Non-current assets:			
Financial assets	6	12.030.174	31.022.891
Debtors and other receivables, net	7	241.018.854	132.901.742
Prepaid expenses	8	136.388.974	168.804.209
Contractual assets	9	341.254	84.986
Right of use assets	13	898.357.174	619.920.941
Property, plant and equipment	14	4.759.885.380	5.088.524.608
Investment properties	15	7.542.910	7.542.910
Intangibles	16	1.447.224.188	1.761.923.054
Goodwill	17	1.372.301.565	1.372.301.565
Taxes and public administration	11	237.843.023	-
Deferred taxes	11	1.720.879.550	1.680.411.370
Total non-current assets		**10.833.813.046**	**10.863.438.276**
Total assets		**13.150.892.354**	**13.276.900.714**
Liabilities			
Current liabilities:			
Financial obligations	18	481.053.365	410.047.634
Suppliers and accounts payable	19	1.266.218.778	1.781.446.479
Contractual liabilities	9	89.850.211	84.001.127
Taxes and public administration	11	134.848.510	118.144.838
Deferred liabilities	20	2.591.776	3.898.693
Provisions and pension liabilities	21	174.448.142	166.619.657
Total current liabilities		**2.149.010.782**	**2.564.158.428**
Non-current liabilities			
Financial obligations	18	6.076.568.497	3.636.024.497
Suppliers and accounts payable	19	88.775.317	147.718.687
Contractual liabilities	9	4.584.479	47.439.744
Deferred liabilities	20	7.270.022	12.068.444
Provisions and pension liabilities	21	258.470.645	256.198.214
Total non-current liabilities		**6.435.668.960**	**4.099.449.586**
Total liabilities		**8.584.679.742**	**6.663.608.014**
Total equity, attributable to controlling interests	22	**4.566.212.612**	**6.613.291.997**
Net worth attributable to non-controlling holdings	22	**-**	**703**
Total liabilities and shareholders' equity		**13.150.892.354**	**13.276.900.714**

Notes 1 to 34 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31, 2020 AND 2019
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

		Year ended december 31,	
		2020	**2019**
Operating income:			
Income from contracts with customers	23	5.235.756.861	5.159.181.123
Other operating income	24	124.014.988	531.833.024
		5.359.771.849	**5.691.014.147**
Operating costs and expenses	25	(3.699.370.755)	(3.776.202.960)
Operating profit before depreciation and amortization		**1.660.401.094**	**1.914.811.187**
Depreciation and amortization	26	(1.374.020.241)	(1.422.459.493)
Operational result		**286.380.853**	**492.351.694**
Interest expense, net	27	(264.688.196)	(289.416.191)
Profit before taxes		**21.692.657**	**202.935.503**
Income and supplementary taxes	11	(13.362.244)	(179.504.673)
Net profit for the period		**8.330.413**	**23.430.830**
Results attributable to:			
Controlling interests		8.330.413	23.437.040
Non-controlling interest	22	-	(6.208)
Net profit for the period		**8.330.413**	**23.430.832**
Other comprehensible results:			
Items to be reclassified to the income statement			
Valuation of hedging derivates	11 y 22	(308.556.673)	19.804.132
Actuarial results from post-employment benefits	11 y 22	(952.878)	136.433
		(309.509.551)	**19.940.565**
Items that are not reclassified to the income statement			
Revaluation of real estate	11 y 22	-	174.058.648
Other comprehensible result	23	**(309.509.551)**	**193.999.213**
Comprehensive result for the period		**(301.179.138)**	**217.430.045**
Comprehensive income attributable to:			
Shareholders		(301.179.138)	193.998.689
Non-controlling shares	22	-	524
Comprehensive result for the period		**(301.179.138)**	**193.999.213**

Notes 1 to 34 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2020 AND 2019
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	result from obligations in post-employment benefits	Accumulated results	Total	Non-controlling shares	Total equity
Balances as of december 31, 2018	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**451.647.002**	**(12.522.435)**	**(5.019.837.635)**	**6.544.232.914**	**7.905.306**	**6.552.138.219**
Perpetual equity instrument coupon payment (Note 22)	-	-	-	-	-	-	(140.816.313)	**(140.816.313)**	-	**(140.816.313)**
Net profit for the period	-	-	-	-	-	-	23.437.040	**23.437.040**	(6.208)	**23.430.832**
Transactions with non-controlling interests and others	-	-	-	-	-	-	(7.560.856)	**(7.560.856)**	(7.898.395)	**(15.459.251)**
Transfers (Note 22)	-	-	-	-	(116.317.899)		116.317.899	**-**	-	**-**
Another comprehensive result of the year	-	-	-	-	193.862.780	136.433	-	**193.999.213**	-	**193.999.213**
Balances as of december 31, 2019	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**529.191.883**	**(12.386.002)**	**(5.028.459.865)**	**6.613.291.998**	**703**	**6.613.292.700**
Issuance of shares (Note 1.2)	16	-	-	-	-	-	-	16	-	**16**
Coupon of perpetual equity instruments (Note 22)	-	-	-	-	-	-	(55.037.974)	(55.037.974)	-	**(55.037.974)**
Net profit for the period	-	-	-	-	-	-	8.330.413	8.330.413	-	**8.330.413**
Payment of perpetual assets instruments perpetuo (Note 23)	-	-	-	(1.263.049.667)	-	-	(426.095.333)	(1.689.145.000)	-	**(1.689.145.000)**
Constitution of occasional reserves (Note 22)	-	-	34.925.054	-	-	-	(34.925.054)	-	-	**-**
Transactions with non-controlling interests	-	-	-	-	-	-	(1.717.289)	(1.717.289)	(703)	**(1.717.992)**
Transfers (Note 22)	-	-	-	-	(143.765.852)	-	143.765.852	-	-	**-**
Other comprehensive income for the period	-	-	-	-	(308.556.673)	(952.878)	-	(309.509.551)	-	**(309.509.551)**
Balances as of december 31, 2020	**3.410.075**	**9.822.380.645**	**71.030.665**	-	**76.869.358**	**(13.338.880)**	**(5.394.139.250)**	**4.566.212.613**	-	**4.566.212.612**

Notes 1 to 34 are an integral part of these Consolidated Financial Statements.

COLOMBIA TELECOMUNICACIONES S.A. E.S.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2020 AND 2019
(Amounts expressed in thousands of Colombian pesos, unless otherwise indicated)

		Year ended december 31,	
	Notes	**2020**	**2019**
Net cash flows from operating activities			
Cash received from customers		5.795.243.451	5.893.241.868
Cash paid to suppliers and other accounts payable		(3.926.895.893)	(4.463.062.989)
Net interest paid and other financial expenses		(196.124.522)	(241.030.139)
Direct taxes paid		(292.179.381)	(207.154.241)
Self-withholding on income tax		(202.448.665)	(133.224.471)
Interest paid on finance leases	18	(43.579.710)	(21.086.108)
Net cash provided by operating activities		**1.134.015.280**	**827.683.920**
Net cash flows (used in) provided by investment activities			
Collections for the sale of real estate and equipment		260.109.100	855.385.756
Payments for investments in plant and equipment and intangibles		(1.039.584.542)	(782.434.341)
Payments for investments in companies		-	(14.973.984)
Net cash (used in) provided by investment activities		**(779.475.442)**	**57.977.431**
Flujos de efectivo neto usado en actividades de financiación			
New financial debt		3.178.695.620	328.672.804
Senior bond issuance	1	1.813.930.000	-
Receipts from exchange rate hedges		643.533.509	136.020.765
Payment of coupon on perpetual assets instruments		(84.911.387)	(140.816.313)
Lease payments		(237.350.807)	(183.290.523)
Payment of financial debt		(529.220.993)	(1.238.861.609)
Payment of perpetual debt instruments	11 y 22	(1.997.915.000)	-
Senior bonus payment	1	(2.841.673.200)	-
Local bond issuance	18	-	500.000.000
Net cash provided by financing activities		**(54.912.258)**	**(598.274.876)**
Net (decrease) increase in cash and cash equivalents		**299.627.580**	**287.386.475**
Cash and cash equivalents as of january 1		411.083.341	123.696.866
Cash and cash equivalents at 31 december	5	**710.710.921**	**411.083.341**
Cash and cash equivalents as of january 1		**411.083.341**	**123.696.866**
Cash, accessible cash and banks		360.188.831	95.291.295
Temporary investments		50.894.510	28.405.571
Cash and cash equivalents at 31 december		**710.710.921**	**411.083.341**
Cash, accessible cash and banks		498.384.457	360.188.831
Temporary investments		212.326.464	50.894.510

Notes 1 to 34 are an integral part of these Consolidated Financial Statements.

1. GENERAL INFORMATION

a) Economic Entity

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

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

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

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

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

The companies Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P. were owners of 100% of the shares of the company Operaciones Tecnológicas y Comerciales S. A. S. S. - "Optecom", for which reason, upon request of the Company to Optecom Colombia S. A. S. S., S. S., Optecom proceeded to (i) cancel the titles of Metrotel and Telebucaramanga; (ii) issue in the name of Colombia Telecomunicaciones S.A. E.S.P. the titles corresponding to the 2,330 shares owned by Metrotel and Telebucaramanga; and (iii) register Colombia Telecomunicaciones S.A. E.S.P. as a shareholder of Optecom in the share registry book. Consequently, Colombia Telecomunicaciones S. A. E.S.P. has a share corresponding to 100% of the capital stock of Optecom. The situation of control over Optecom is predicated on Telefónica S. A., who registered it before the Chamber of Commerce. who registered it before the Chamber of Commerce of Barranquilla on November 8, 2018.

The company Operaciones Tecnológicas y Comerciales S. A. S. - "Optecom" was incorporated under Colombian law on October 22, 2013, as a simplified joint-stock company (S. A. S. S.). The main corporate purpose consists of the performance of one or more of the activities provided for in Law 1341 of 2009, for providers of networks and services of information and communications technologies and other activities proper and complementary to the information and communications technologies sector. The term of duration of the company is indefinite, the address registered as domicile, and main office is Via 40 73-290 Office 409 (Barranquilla - Colombia).

b) Modification of the Investment Framework Agreement

On September 18, 2017, Amendment No. 2 to the existing Investment Framework Agreement was executed among the shareholders, which modified the exit right of the current shareholders (the Nation) in the following terms:

1. The Colombian Nation could, at any time, offer Telefónica all or part of its shares. Telefónica would be obligated to acquire them (directly or through any 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 at which the measurement is made, at least one of the following situations occurs: 1) Colombia Telecomunicaciones, S. A. E.S.P. has made payments to the Strategic Partner of Brand Fee or any other type of payment to the Strategic Partner for the use of the Strategic Partner's brands; or 2) decrees and/or pays dividends with the affirmative vote of the Strategic Partner. This right expired on March 22, 2019.

2. The Nation may sell, transfer, pledge, pledge, encumber and deliver in usufruct or dispose of all or part of the shares it owns by any legally permitted mechanism. If, as a consequence of the foregoing, the Nation's shareholding is reduced below 13%, prior to the perfection of the transfer, the bylaws of Colombia Telecomunicaciones, S. A. E.S.P. shall be amended to reflect the termination of the Framework Investment Agreement and the Nation's privileges contained in the bylaws.

3. At any time, the Nation may require that the Strategic Partner 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 entail the obligation for Colombia Telecomunicaciones, S. A. E.S.P. to issue shares, nor does it entail the obligation for the Strategic Partner to sell any of its shares.

If, as a consequence of the exercise of the Nation's right of exit, a third party that is not a Public Entity acquires a shareholding equal to the Nation's shareholding on the date of initiation of the respective transfer process, less any shareholding acquired by members of the solidarity sector in a process governed by Law 226 of 1995, provided that such shareholding is not less than 25% of Colombia Telecomunicaciones, S. A. E.S.P.'s capital. (i) the Investment Framework Agreement shall terminate without the need for any manifestation and (ii) if the third party acquiring the participation maintains a shareholding equal to the Nation's participation on the date of initiation of the respective transfer process, less any participation acquired by members of the solidarity 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 Partner shall enter into a new investment framework agreement with such third party.

c) Integration of Subsidiaries and Merger Process

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

Based on the above, the Company carried out the necessary activities for the legal integration of the Subsidiaries, among which the following stand out:

(i) At the Board of Directors' Meeting No. 128 of June 12, 2019, the Company's Management proposed a merger by absorption whereby Colombia Telecomunicaciones S. A. E.S.P. would absorb Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and the Board of Directors decided:

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

- To order the administration to perform all acts required to carry out the Shareholders' Meeting and all those acts prone to the perfection of the merger.

(ii) In the extraordinary meetings held on August 28, 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 Absorbing Company, will absorb (i) Metrotel and (ii) Telebucaramanga, as Absorbed Companies, as stated in minute No. 66 of Colombia Telecomunicaciones S. A. E.S.P., minute No. 046 of Metrotel and minute No. 52 of Telebucaramanga.

(iii) On October 9, 2019, the General Assembly of Ordinary Bondholders 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 6.4.1.1.1.42 of Decree 2555 of 2010. Pursuant to the approvals granted by the General Shareholders' Meetings of the Absorbing Company and the Absorbed Companies, as well as the Ordinary Bondholders' Meeting of the issue made by Colombia Telecomunicaciones S. A. E.S.P. in May 2019, the Company filed on October 9, 2019, before the Financial Superintendence of Colombia, the request for authorization to carry out the merger by absorption of Colombia Telecomunicaciones S. A. E.S.P. and the Absorbed Companies.

(iv) Through Resolution No. 0468 of May 13, 2020, notified on May 15, 2020, the Financial Superintendence of Colombia authorized Colombia Telecomunicaciones S.A. E.S.P. to solemnize the statutory reform of merger by absorption, acting as the absorbing company of Metrotel and Telebucaramanga, in accordance with the merger commitment approved by the shareholders of the intervening companies.

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

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

In the merger commitment approved by the General Shareholders' Meetings of Colombia Telecomunicaciones S. A. E.S.P., Empresa Metropolitana de Telecomunicaciones S. A. E.S.P. - "Metrotel" and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. - "Telebucaramanga," the equity value of the Companies was determined and with these valuations the exchange ratio or proportionality between one share of the Absorbing Company and one share of the Absorbed Companies was obtained.

In accordance with the foregoing, Colombia Telecomunicaciones S. A. E.S.P. issued 16,497 common shares as consideration to the shareholders of the Absorbed Companies; consequently, the Absorbing Company increased its capital stock in the amount of $16,497 pesos, to have a subscribed and paid-in capital of $3,410,075,788, divided into 3,410,075,788 common shares with a par value of one peso ($1) each, fully subscribed and fully paid-in (Note 22).

d) Issuance of Common Bonds

At meetings held on March 1 and 28, 2019, the General Shareholders' Meeting authorized an issue of Common Bonds for up to five hundred million pesos ($500,000,000,000) and delegated to the Company's Board of Directors the approval of the Issuance and Placement Regulations.

The Company's Board of Directors, at a meeting held on April 5, 2019, approved the bond issuance and placement regulations and the registration of the issuance with the National Registry of Securities and Issuers and the Colombian Stock Exchange.

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

e) Sale of Property - Administrative Headquarters

In February 2020, as part of the strategy to optimize non-strategic assets and as part of the program for the efficient allocation of resources, the sale of the Administrative Headquarters building was located in the city of Bogota, D.C., took place. As a result of this transaction, the Group signed a financial lease contract on this property for a period of 10 years, which was recognized in accordance with IFRS-16 under the heading assets for rights of use and its counterpart a financial liability called a financial lease. This asset was recognized until February 2020 in the Statement of Financial Position under assets held for sale.

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

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

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

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

g) Change in the corporate name of the shareholder Latin America Cellular Holdings, S.L.

Colombia Telecomunicaciones S. A. E.S.P. was informed that through public deed No. 2320, executed in Madrid on July 6, 2020, and registered in the Mercantile Registry Madrid on July 26, 2020; the company Latin America Cellular Holdings, S.L. changed its corporate name to Telefónica Hispanoamérica, S.L.

h) Transformation of the shareholder Telefónica Hispanoamérica, S.L. from a limited liability company to a corporation.

Colombia Telecomunicaciones S. A E.S.P. was informed that by public deed No. 3338 granted in Madrid on September 21, 2020, registered in the Mercantile Registry of Madrid on September 28, 2020, the company Telefónica Hispanoamérica, S.L. was transformed from a limited liability company to a corporation. Consequently, its corporate name was changed to Telefónica Hispanoamérica S. A. This company is a shareholder of the Company with 2,301,779,819 shares, with a 67.49937427% interest in the capital stock.

i) Payment of the Hybrid Bond (Perpetual Equity Instrument) and Acquisition of New Debt.

On February 18, 2020, the Group gave notice of irrevocable redemption of the Hybrid Bonds (subordinated perpetual bonds) issued on March 30, 2015, in the amount of USD500 million. The notice was given to the Bank of New York Mellon in its capacity as Trustee. On March 27, 2020, the payment of USD500 million was made to the Bank of NY Mellon for the early cancellation of the Hybrid Bonds issue and whose amount in pesos was $1,997,915,000. To meet the Hybrid Bond payment, the Group acquired debt with local banks for $900,000 million and with foreign banks for USD235 million.

j) Payment of Senior Bonds maturing in 2022 and contracting of Club Deal (Syndicated Loan)

On March 18, 2020, a syndicated loan was signed in favor of the Group whose administrative agent is Banco Santander S. A., for an amount of USD320 million, with a term of 5 years and repayment at maturity. On May 12, 2020, the Group sent notice of irrevocable partial redemption of up to USD320 million of the Senior Unsecured Bonds issued on September 27, 2012, maturing in 2022 and whose nominal value was USD750 million. On June 12, 2020, the partial payment was made for USD320 million, and on September 28, 2020, the balance payment was made for USD430 million, equivalent to a total of $2,841,673,200.

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

k) Issuance of Senior Bonds 2030

On July 8, 2020, the Group issued a USD500 million bond equivalent to $1,813,930,000 for a 10-year term, which was disbursed on July 17 at a rate of 4.95% NASV (Nominal Annual Semiannual Amount Due). This bond was issued under Rule 144A and Regulation S in the international markets. The proceeds of the issuance were used to (i) pay the balance of the Senior Unsecured Bond issued on September 27, 2012, whose market amount was USD430 million after the Group disbursed on June 12 a partial payment for USD320 million, and (ii) replace USD70 of the Group's current debt.

l) Early termination of the contract with Corporación Nacional Red Nacional Académica de Tecnología Avanzada (RENATA) and Other Agreements.

On December 15, 2020, the Group and the Corporación Nacional Red Nacional Académica de Tecnología Avanzada (RENATA) signed an early termination act by mutual agreement and settlement of the irrevocable right of use (IRU) contract for the supply of telecommunications equipment and services and related services referring to contract No. VPGC90576 of 2015. Once the aforementioned contract was liquidated, the balance in favor of the Group for $159,684,058. Based on the above, it corresponds to make the necessary accounting adjustments. By virtue of the termination of the contract, the parties establish the payment of the debt by and in favor of the Group, as follows:

	As of December 31, 2020
Cash payments	94.232.667
Compensation with the value of the contract lease of equipment	54.741.560
Giving in equipment payments	10.709.831
	159.684.058

In addition to the above, the following agreements were considered:

(i) RENATA delivers as a financial lease to the Group for three (3) years of DWDM and MPLS equipment. At the end of the lease term, RENATA will transfer the ownership of such equipment, which will be fully depreciated by such date.

(ii) The total estimated value of the lease fee that the Group will pay to RENATA will be $54,741,560. This amount will be paid during the term of the lease in monthly installments of $1,520,599. Considering that RENATA and the Group are reciprocal creditors and debtors, the monthly installments will be offset in the monthly proportion indicated above with the debt that RENATA has with the Group, under the terms of Article 1714 and following of the Civil Code.

(iii) RENATA and the Group agree to transfer the ownership of specific CISCO equipment and the licenses thereof, which will be received by the Group in January 2021 as dation in payment for the amount of $10,709,831. In accordance with the above, by virtue of Article 1714 and following the Civil Code, the Group agrees to impute the aforementioned equipment's value to the debt that RENATA has to date.

2. OPERATIONS

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

Given the declaration of a health emergency in the Colombian territory by the National Government to contain the effects of Covid-19, the Group adopted measures to guarantee the continuity in the operation, the rendering of services, and adequate attention to customers, suppliers, and collaborators. In accordance with the provisions issued by the National Government, telecommunication services were declared as essential public services. Therefore, their provision and the installation, maintenance, and adaptation of the network may not be suspended. Likewise, the National Government and the control agencies issued certain decrees and measures with specific scope for the ICT sector companies to be applied during the emergency.

The outbreak of the COVID-19 pandemic has impacted the Group. The economic impact generated by this situation for the year ended December 31, 2020, is disclosed in Note 33 to the financial statements.

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

Within the framework of the economic and health emergency, the National Government and the control agencies have issued certain decrees and resolutions with specific scope for companies in the ICT sector, summarized in Note 33 to the consolidated financial statements.

2.3. Going Concern

With the arrival of the COVID-19 pandemic, the Colombian government adopted measures to mitigate the spread of the virus that has impacted the economy. These measures slowed down commercial activities and certain productive sectors during most of 2020. The Group continues with the development of the activities inherent to its corporate purpose within the framework of the provisions issued by the National Government and local authorities. Within the verification of the impact on the Consolidated Financial Statements and complying with the Accounting and Financial Reporting Standards accepted in Colombia (IFRS), the Group has analyzed the implications of COVID-19, including not only the measurement of assets and liabilities, accounting estimates, and appropriate disclosures but also the Group's ability to continue as a going concern.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The Group has resources of $710,710,921 comprising cash and cash equivalents, other highly liquid assets, and undrawn credit facilities available at the date of authorization of these consolidated financial statements.

In addition, to respond to a severe negative scenario, the Company's management can take the following mitigating actions to reduce costs, optimize the Company's cash flow and preserve liquidity:

- Post-confinement structural OPEX and CAPEX resource optimization plan;
- Delay and rescheduling of orders and arrival plan for mobile terminals and home-customer equipment based on demand analysis;
- Reducing non-essential capital expenditures and deferring or canceling discretionary spending;
- Non-essential recruiting freeze;
- Optimization of costs and expenses such as commissions to third parties for minor commercial activity, marketing, advertising, travel, and sponsorships, among others.

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

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

2.4. Main Regulatory Issues

The main regulatory issues are as follows:

a) Sectorial Authorities

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

b) Information and Communications Technology Sector Regime.

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

In turn, this regulation was amended by Law 1978 of July 25, 2019, which modernizes the ICT sector, distributes competencies, 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 service; this authorization is understood to be formally granted when the interested party registers in the ICT registry, as provided by Article 15 of Law 1341 of 2009. Likewise, this article maintains, for telecommunications services, their status as public services under the responsibility of the State.

In accordance with the provisions of Article 11 of Law 1341 of 2009, the use of the spectrum requires prior, express permission granted by the MINTIC, likewise, in accordance with the provisions of Article 13, the granting or renewal of a permit to use a segment of the radio spectrum will give rise to the payment, in favor of the Fondo Único de Tecnologías de la Información y las Comunicaciones and charged to the permit holder, of a fee whose amount was set by Resolution 290 of 2010, as amended by Resolution 2877 of 2011, of the MINTIC.

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

Law 142 of 1994 will not be applicable to companies that provide 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 essential character, 17 on the legal nature of the companies, 24 on the tax regime and the third title, Articles 41, 42 and 43 on the labor regime, guaranteeing the rights of association and collective bargaining and the labor rights of the workers.

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

c) Licenses to Provide Telecommunications Services.

Since November 8, 2011, the Company has been generally authorized to provide telecommunications networks and services. In relation to the provision of cellular mobile telephony services, on November 28, 2013, the manifestation of acceptance to the General Qualification Regime was presented, under the terms of Law 1341 of 2009 and Decree 2044 of 2013, and as a consequence, the concession contracts that enabled the provision of this service were terminated; Likewise, the corresponding ICT registry was modified, which according to the mail received by the Ministry of ICT, was approved on December 17, 2013, date from which the new general authorization regime is applied and generated the right to renew the spectrum use permits in the terms of its enabling title, permits, and authorizations until March 28, 2014, which occurred with the issuance of Resolution 597 of 2014, which became final on March 31, 2014. Through said resolution, the permit for the use of 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 Group has permission to provide mobile services with 15 MHz of spectrum in the 1900 MHz band awarded in accordance with the conditions of the process set forth in Resolution 1157 of 2011. With this assignment, the Group has a total of 55 MHz of spectrum to provide mobile services distributed as follows: 30 MHz in the 1900 band and 25 MHz in the 850 band. The duration of the permit granted in 2011 for the use of 15 MHz in the 1900 band is ten years from October 20, 2011.

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

d) Television Concession

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

Subsequently, Article 39 of Law 1978 of 2019 abolished and liquidated the National Television Authority - ANTV as of its effective date. Since that date, all regulatory and inspection, surveillance, and control functions regarding content are exercised by the CRC; the MINTIC exercises the other inspection, surveillance, and control functions. Likewise, the functions of protection of competition and consumer protection are exercised by the SIC, with the exception of those expressly assigned in the aforementioned regulation.

On July 26, 2019, Colombia Telecomunicaciones S. A. E.S.P. expressed to the MINTIC its interest in joining the general qualification regime to provide 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. From that date, the Company is subject to the telecommunications fee 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 is administered by the MINTIC and allows the Group to provide the service in technological neutrality, both by Direct to Home (DTH) and cable Internet Protocol Television (IPTV).

e) Interconnection

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

Regarding automatic national roaming, Resolution CRC 5107 of 2017 regulated the price of this essential facility for voice, data, and SMS. Similarly, resolution CRC 5108 of 2018 regulated the volume of discounts and the base price methodology for charging 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 prepares its consolidated financial statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF) established in Law 1314 of 2009, which correspond to the International Financial Reporting Standards (IFRS) officially translated and authorized by the International Accounting Standards Board (IASB), regulated in Colombia by Regulatory Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018 and 2270 of 2019. These rules may differ in some aspects from those established by other State control agencies.

These consolidated financial statements have been prepared on a historical cost basis except for land, buildings, and derivative financial instruments, which have been measured at fair value. The carrying amounts of assets and liabilities recognized and designated as hedged items in fair value hedging relationships that would otherwise have been carried at amortized cost have been adjusted for changes in fair values attributable to the risks being hedged in the respective effective hedging relationships.

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

The consolidated financial statements are presented in Colombian pesos, which is the Group's functional currency. All values in Colombian pesos are rounded to the nearest thousands, except where otherwise indicated.

The consolidated financial statements were authorized by the Audit Committee on February 10, 2021 and approved for issuance by the Board of Directors on February 15, 2021, according to Minute No. 140.

3.1.2. Consolidated Financial Statements

The Group prepares its Consolidated Financial Statements that include the information of the Group as a single company by means of the global integration methodology, adding assets, liabilities, and the operations carried out during the period, excluding those operations carried out between the Company and its subordinate. By statute, the Group companies carry out a cut-off of accounts and prepare financial statements on an annual basis.

The subsidiary is 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 is disposed of. The subsidiary prepares individual financial statements for the same reporting period as Colombia Telecomunicaciones S. A. E.S.P., applying uniform accounting policies. All balances, transactions, unrealized gains, and losses arising from transactions between Group entities are eliminated.

3.1.3. Investment in Subsidiaries

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

The percentages of ownership of Colombia Telecomunicaciones S. A. E.S.P. are as follows:

		Shareholding, as of December 31,	
Company	**Country / City**	**2020**	**2019**
Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P.	Colombia / Bucaramanga	0%	99,99%
Metropolitana de Telecomunicaciones S.A. E.S.P.	Colombia / Barranquilla	0%	99,97%
Operaciónes Tecnológicas y Comerciales S.A.S.	Colombia / Barranquilla	100%	99,98%

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 December 31,	
	2020	**2019**
Total assets	-	378.658.127
Total liabilities	-	267.887.647
Total equity	-	110.770.480
Results for the period	-	(6.256.191)

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

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

The financial information is presented below:

	As of December 31,	
	2020	**2019**
Total assets	-	271.804.891
Total liabilities	-	270.388.772
Total equity	-	1.416.119
Results for the period	-	(19.046.097)

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

The financial information is presented below:

	As of December 31,	
	2020	**2019**
Total assets	10.249.081	13.522.776
Total liabilities	9.033.141	11.564.781
Total equity	1.215.940	1.957.995
Results for the period	(742.055)	247.255

3.1.4. Accounting Estimates and Judgments

The preparation of Consolidated Financial Statements in accordance with NCIF 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. Even though they may differ from their final effect, Management believes that the estimates and assumptions used were appropriate in each circumstance.

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

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

- The assumptions used to calculate the fair value of financial instruments,
- The valuation of financial assets to determine the existence of impairment losses,
- The useful life of property, plant and equipment and intangibles,
- The variables used and the assumptions used in the evaluation and determination of impairment indicators for non-financial assets,
- The variables used in the evaluation and determination of losses and obsolescence of inventories,
- The discount rate used in the calculation of the lease liability and the right of use,
- The probability of occurrence and the value of the liabilities that determine the amount to be recognized as provisions related to litigation and restructuring,
- The assumptions used in recognition of the decommissioning liability,
- The assessment of the probability of having future profits for the recognition of deferred tax assets,
- The estimated time to depreciate the rights of use, the assumptions used in calculating the growth rates of the lease contracts recorded as rights of use, and the variables used for the lease liability valuation.

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

3.2. Accounting Policies

The principal accounting policies used in the preparation of these Consolidated Financial Statements were as follows:

3.2.1. Foreign Currency Conversion

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the transactions or valuation dates when items are revalued. Balances denominated in foreign currencies are expressed in Colombian pesos at the representative exchange rates of $3,432.50 and $3,277.14 per US$1 on December 31, 2020, and 2019, respectively. Exchange gains and losses resulting from the payment of such transactions and from the translation at the exchange rates at the end of each period of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Income, except when deferred in equity in the Other Comprehensive Income account for transactions that qualify as cash flow hedges.

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

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

3.2.2. Property, Plant and Equipment

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

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

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

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

Description	Minimum service life (years)	Maximum service life (years)
Constructions	10	40
Switching, access and transmission	2	20
Furnishings	10	10
Information processing equipment	4	5
Transportation equipment	7	7

The amortization methods and periods applied are reviewed at each year-end and, if appropriate, adjusted prospectively.

3.2.2.1. Dismantling Costs

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

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

The carrying amount of the provision is reviewed and adjusted annually considering changes in the variables used for its estimation, using a rate that reflects the specific risk of the liability. Any change in the present value of the estimated expense is reflected as an adjustment to the provision and its corresponding property, plant, equipment, or right of use. When there is a decrease in the asset retirement obligation related to a productive asset that exceeds the asset's carrying amount, the excess is recognized in the statement of profit or loss. The financial cost of restatement of these liabilities is recognized in income for the period as a financial expense.

3.2.2.2. Real Estate Revaluation

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

Any increase due to revaluation is recognized in the Other Comprehensive Income - ORI (equity) as a reserve for the revaluation of assets unless said increase reverses a decrease in the revaluation of the same asset previously recognized in the Consolidated Income Statement. In this case, said decrease is transferred from asset revaluation reserve to retained earnings. The frequency of revaluations depends on changes in the fair values of the land and buildings that are being revalued. When the fair value of the revalued asset differs significantly from its carrying amount, a new revaluation will be necessary, and in any case, at least every three years.

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

3.2.2.3. Construction in Progress

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

3.2.3. Jointly controlled operations

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

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

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

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

3.2.4. Non-Current Assets Held for Sale

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

3.2.5. Investment Properties

Investment properties are properties held to obtain rental income or to achieve capital appreciation in the investment or both at the same time, 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 initially measured at cost and subsequently at fair value, with changes in results.

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

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

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

3.2.6. Intangible Assets

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

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

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

3.2.6.1 Qualifying Titles

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

Amortization is provided on a straight-line basis as from the beginning of the commercial exploitation of the licenses and permits over the term of the same.

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

Type / Name	Date of Acquisition / Renewal	Expiration date	Type of Permit
Resolution 597 of 2014 Renewal of the 850 and 1900 Band.	March 29, 2014	March 28, 2024	Provision of IMT mobile services
Resolution 2105 of 2011 as amended by Resolution 2538 of 2011 Band 1900 - 3G	October 18, 2011	October 18, 2021	Provision of IMT mobile services
Resolution 2625 of 2014 Band 1700/2100 - 4G	November 13, 2013	November 13, 2023	Provision of IMT mobile services

3.2.6.2. Office equipment software

They are recorded as acquisition costs and amortized on a straight-line basis over their estimated useful lives, depending on whether they are network equipment software or office equipment software supporting the Group's various technological platforms.

3.2.6.3. Indefeasible Rights of Use (IRU)

Infrastructure usage rights that allow the use of the capacity during the term and with the bandwidth specified contractually are recognized at acquisition cost and amortized on a straight-line basis over the contractual term.

The IRUS recorded as assets at the end of 2020 have the following characteristics:

IRUS No.	Start date	Expiration date	Type of IRU
12	Since 2013, 2014, 2015, and 2017.	Until 2027, 2033, 2034, and 2035	Fiber optic ring

3.2.6.4. Ongoing Projects - Computer Applications

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

3.2.6.5. Estimated Use Life

The Group amortizes its intangibles in accordance with the following detail:

Description	Minimum service life (years)	Maximum service life (years)
Qualifying Securities	10	10
Network and office equipment software	3	5
Indefeasible rights of use (IRU)	10	20

3.2.7 Leases

Policy applicable as of January 1, 2019.

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

The Group is 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. Lease terms are negotiated on an individual basis 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.

3.2.7.1. Lessee 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 income over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the useful life of the asset 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 lease incentive receivable
- Variable lease payments based on an index or rate
- Amounts expected to be paid by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Penalty payments for terminating the lease if the lease condition reflects that the lessee exercised that option.

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

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

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

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

3.2.7.2. Lessor's Accounting

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

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

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

- **Leasing activities**

The Group leases various properties, equipment, and vehicles. Lease agreements are normally entered into for fixed periods of 1 to 25 years. Lease terms are negotiated on an individual basis 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 lending purposes.

Leases are recognized as right-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 term to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis.

On initial adoption and during 2019, no leases were recorded that should be valued by IFRS 16, according to the descriptions above.

- **Variable lease payments**

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

- **Extension and termination options**

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

- **Lease terms**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The Group reviews if a significant event or change in circumstances occurs that affects this assessment. During 2019, the financial effect of revising the lease terms to reflect the effect of exercising the extension and termination options was recorded as an increase in lease liabilities and rights to use assets.

3.2.8. Rights of Use Assets

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

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

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

Assets from rights of use	Minimum term	Maximum term
Land and buildings	1	25
Technical installations	1	12
Transportation equipment	1	4

3.2.9. Goodwill

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

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

3.2.10. Impairment of Non-Current Assets

At the end of each reporting period, the Group evaluates the presence or absence of impairment indicators on non-current assets, including goodwill, intangible assets, 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 amount of the asset, which is the higher of fair value less costs of disposal and its value in use. This value in use is determined by discounting the estimated future cash flows, applying a pre-tax discount rate that reflects the time value of money, and considers the specific risks associated with the asset.

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

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

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

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

On the other hand, the discount rates used to determine the recoverable value are based on available financial information and are adjusted by the corresponding country risk rate and business risk. Thus, in 2020 and 2019, a nominal percentage rate calculated in pesos of 10.39% and 10.17%, respectively, was used.

3.2.11. Financial Instruments

3.2.11.1. Financial Assets

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

a) Financial assets at amortized cost

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

b) Financial assets at fair value with changes in other comprehensive income

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

c) Financial assets at fair value through profit or loss

A financial asset (debt instrument) is measured at fair value through profit or loss when 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 or loss. For all other equity instruments, the Group may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income in equity, rather than through profit or loss.

e) Impairment of financial assets

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

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

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

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

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

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

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

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

3.2.11.2. Financial Liabilities

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

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

a) Financial liabilities at amortized cost

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

b) Financial liabilities at fair value

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

3.2.11.3. Other Equity Instruments

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

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

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

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

3.2.11.4. Recognition and Measurement

The Group determines the classification of financial liabilities upon initial recognition. All financial liabilities are initially recognized at fair value plus, in the case of loans and payables carried at amortized cost, directly attributable 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 Statement of Income within "other (loss)/gain, 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 profit or loss 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 interest income or expense over the relevant period.

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

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

3.2.11.5 Clearing of Financial Instruments

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

3.2.11.6. Determination of Fair Values

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

For financial instruments that are not traded in 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 at arm's length, reference to the fair values of other financial instruments that are essentially similar, discounted cash flow analysis, and other appropriate valuation models.

3.2.11.7. Derivative Financial Instruments and Hedging Activities

a) Initial Recognition and Subsequent Measurement

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

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

At the inception of the hedge, the Group designates and formally documents the hedging relationship to which it decides to apply hedge accounting between the hedging instruments and the hedged items and its objectives and risk management strategy that support its 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 changes in cash flows attributable to the hedged risk.

The Group designates its hedges as follows:

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

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

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

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

Cash Flow Hedges: When they hedge the risk of changes in cash flows attributed to either a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or to the 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 Statement of Income as "Other gains / (loss), net."

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

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

b) Option Hedges

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

c) Classification of Current and Non-Current Items

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

1. When the Group holds a derivative instrument as an economic hedge (and does not apply hedge accounting) for a period of more than twelve months from the closing date of the reporting period, the derivative is classified as non-current (or split into current and non-current portions) to match the classification of the underlying item.

2. Embedded derivatives that are not closely related to the host contract are classified in a manner consistent with the cash flows of the host contract.

3. Derivatives 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 non-current portion only if such an allocation can be made reliably.

3.2.12. Inventories

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

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

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

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

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

3.2.13. Cash and Cash Equivalents

Cash is defined as both cash in hand and unrestricted demand bank deposits.

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

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

3.2.14 Prepaid expenses

Prepaid expenses include:

a. The cost of equipment for the provision of television, broadband, and basic line services delivered to the customer and on which associated revenues are being generated. These costs are amortized over the shorter average life of the customer and the useful life of the installed element.

b. Customer contract fulfillment costs correspond mainly to installation services of equipment delivered to the customer for the provision of television, broadband, and basic line services. These costs are amortized over the shorter of the average life of the customer and the useful life of the installed element.

c. Annual payments for the use of the radio electric spectrum for the provision of telecommunications services are amortized over the same period.

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

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

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

g. Global Stock Purchase Plan for Group employees provides the opportunity to acquire Telefónica S.A. shares through direct and monthly deductions from their salary. The plan began in July 2019 and ends in July 2021.

h. Expenses incurred in obtaining contracts with customers. The Group has reviewed the period of indefinite-lived assets with the objective of updating the transfer to the customer of the goods or services to which such expenses relate. Following the analysis carried out, it has been considered to use the estimate of customer renewals based on their turnover rate (average life of the customers), with certain limitations in the event that subsequent expenses are in line with the initial ones.

3.2.15. Capital Stock

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

3.2.16. Current and Deferred Taxes

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

3.2.16.1. Current Income Taxes

Current income tax assets and liabilities are measured based on tax laws enacted or substantively enacted at the date of the Statement of Financial Position. Management periodically evaluates the positions taken in the tax returns filed with respect to situations where tax laws are subject to interpretation. Where appropriate, provisions are made for amounts expected to be payable to the tax authorities.

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

3.2.16.2. Deferred Income Taxes

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

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

- If the deferred tax liability arises from the initial recognition of Goodwill or an asset or liability arising from a transaction that is not a business combination and at the time of the transaction did not affect the accounting gain or taxable income (loss).

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

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

- it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Uncertain Tax Positions IFRIC 23

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

As of December 31, 2020, and 2019, the Group has no uncertain tax positions in the determination of income taxes disclosed in the consolidated financial statements, considering that both ordinary and extraordinary transactions have been treated in accordance with current tax regulations.

3.2.17. Employee Benefits

a. Applicable Regime

All the Group's employees are covered by Law 50 of 1990 since the Group started working after this Law came into force. The Group complies with the labor obligations set forth in the Substantive Labor Code, the comprehensive social security system, and other complementary regulations. Labor laws provide for the payment of deferred compensation to certain employees on the date of their retirement from the Group. The amount received by each employee depends on the date of entry, type of hiring, and salary. In accordance with NCIF, the liability for such obligations is accounted for under the presumption of voluntary retirement for the amount accrued at the date of the Statement of Financial Position.

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

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

b. Salaries and Short-Term Benefits

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

c. Performance Bonuses

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

d. Vacations

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

e. Share-Based Payment Plans

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

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

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

f. Post-Employment Benefits

Benefits other than those for termination of employment or contractual relationship that is paid after completing the period of employment in the Group are 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 by the present value of the obligation derived from defined benefits, calculated using the market rate of TES issued by the National Government with terms similar to those estimated for the payment of the obligations. For this purpose, and according to the type of benefit, variables such as wages and salaries, the life expectancy of the beneficiary, the average cost of post-employment plans, and historical information on the use of benefits will be taken into account.

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

3.2.18. Earnings per Share

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

3.2.19. Provisions, Contingent Liabilities and Contingent Assets

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

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 to the extent that such reimbursement is virtually certain. The expense for any provision is presented in the Statement of Comprehensive Income in the line that best reflects the nature of the provision, net of any related reimbursement, to the extent that it is virtually inevitable.

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

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

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

3.2.20. Segment Information

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

Any of the business areas or lower components such as local and long-distance telephone, television, mobile service, or data, among others, have common and/or complementary characteristics to the rest of them (same nature of the business, shared assets such as the network, including its customers, etc.) Likewise, said similarity or complementarity between the different components has been experiencing a growing trend due to the process of packaging and convergence of products such as duos, trios, and integrated offers that involve the aforementioned business areas and the assets used. Taking into account the requirements of the NCIF in relation to the identification of the segments and based on the information available, the Group's Management has determined a single business segment.

3.2.21. Revenue Recognition

3.2.21.1 Contract Assets

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

3.2.21.2 Contract liabilities

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

Indefeasible rights of use - IRUS recorded in liabilities at the end of 2020 have the following characteristics:

IRUS No.	Start date	Expiration date	Type of IRU
5	Since 2009, 2010, and 2016	Until 2023 and 2027	Capacity / Fiber optic ring

3.2.22. Revenues from ordinary activities from contracts with customers

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

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

- Step 1. Identify the contracts with customer: A contract is defined as an agreement between two or more parties, which creates enforceable rights and obligations and establishes criteria to be met for each contract. Contracts can be written, verbal, or implied through a company's customary business practice.

- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the latter.

- Step 3. Determination of the transaction price: the transaction price is the amount of payment to which the Group expects to be entitled in exchange for the transfer of promised goods or services to a customer, without taking into account amounts received on behalf of third parties.

- Step 4. Allocate the transaction price to the performance obligations in the contract. In a contract with more than one performance obligation, the Group allocates the transaction price among the performance obligations in amounts that represent the amount of consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.

- Step 5. Revenue recognition when (or as) the Group satisfies a performance obligation.

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

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

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

a. Other operating income

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

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

b. Government Grants

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

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

3.2.23. Cost and Expense Recognition

Costs and expenses are recorded in the Statement of Comprehensive Income on an accrual basis, i.e., when the actual receipt or delivery of the goods and services they represent occurs, regardless of when the monetary delivery occurs, and 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.

4. REGULATORY CHANGES

4.1. New standards incorporated into the accounting framework accepted in Colombia, whose application must be evaluated on a mandatory basis in periods subsequent to January 1, 2021

Decree 1432 of 2020 updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, incorporating the amendment to IFRS 16, Leases: Rent Reductions Related to Covid-19, which can be applied immediately in 2020. No other standards, interpretations, or amendments were added to the standards that had already been compiled by Decree 2270 of 2019 considering the regulations incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017, and 2483 of 2018.

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

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

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

Amendment to IAS 16 Property, Plant and Equipment - Amounts Obtained Prior to Intended Use

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

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

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

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

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

Reference interest rate reform

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

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

Accounting policies related to hedge accounting should be updated to reflect alternatives. Fair value disclosures may also be affected due to transfers between fair value hierarchy levels as markets become more or less liquid.

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

Annual Improvements to IFRS Standards 2018-2020 cycle

The following improvements were completed in May 2020:

- IFRS 9 Financial Instruments: clarifies which fees should be included in the 10% test to de-recognition financial liabilities.
- IFRS 16 Leases: modifies illustrative example 13 of the standard to eliminate the illustration of lessor payments related to leasehold improvements, to eliminate any confusion on the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards: allows entities that have measured their assets and liabilities at the carrying amounts recorded in their parent's accounts to measure cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures under certain conditions.
- IAS 41 Agriculture: eliminates the requirement for entities to exclude tax cash flows when measuring fair value under IAS 41.

The Group does not expect significant impact from this modification. However, it is evaluating the impact that these could have on the financial statements.

Conceptual Framework

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

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

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events, or conditions that are not otherwise addressed in the accounting standards will be required to apply the revised Framework as of January 1, 2020. These entities will need to consider whether their accounting policies continue to be appropriate under the revised Framework.

IFRS 17 Insurance Contracts

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

IFRS 17 was initially applicable to annual periods beginning on or after January 1, 2021; however, the application date was extended to annual periods beginning on or after January 1, 2023, by an amendment issued by the IASB in June 2020. Earlier application is permitted.

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

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

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

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

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

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

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

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

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

5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of December 31,	
	2020	**2019**
Cash	5.015	5.044
Banks in national and foreign currency	498.379.442	357.367.050
Temporary investments (1)	212.326.464	50.894.510
Special funds	-	2.816.737
	710.710.921	**411.083.341**

The year-on-year variation corresponds mainly to the increase in collections received from customers, collections from portfolio sales, and real and personal property at the end of the year.

Cash and cash equivalents include balances in foreign currency at December 31, 2020 of USD$5,182 thousand ($17,787,215) and at December 31, 2019 of USD$5,411 thousand ($17,732,605) (Note 28). As of December 31, 2020 and 2019, restricted amounts in banks amount to $5,297,896 and $6,308,246, respectively.

(1) Includes investments in collective funds whose rates for the year 2020 ranged between 1.07% and 1.97% (2019 ranged between 3.78% and 4.98%); Time Deposit constituted by USD$5,000 thousand equivalent at December 31, 2020 to $17,162,500 (2019 to $16,385,700). Returns on temporary and bank investments recognized during the year ended December 31, 2020 were $9,597,548 (2019 - $3,371,133) (Note 27).

(2) The special funds correspond to TIDIS received from the DIAN, from income tax credit balances. The variation corresponds to the use of these securities during the 2020 period for the payment of taxes.

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

6. FINANCIAL ASSETS

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

	At amortized cost with changes in results	Total financial assets
Current financial assets		
Deposits and guarantees (1)	117.972	**117.972**
	117.972	**117.972**
Non-current financial assets:		
Deposits and guarantees (1)	11.970.174	**11.970.174**
Other financial assets	60.000	60.000
	12.030.174	**12.030.174**
	12.148.146	**12.148.146**

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

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

	At fair value through profit or loss	At fair value with changes in OCI	Total financial assets at fair value	At amortized cost with changes in results	Total financial assets
Current financial assets					
Hedging instruments (1)	44.749.554	27.054.571	**71.804.125**	-	**71.804.125**
Deposits and bonds (2)	-	-	-	507.493	**507.493**
	44.749.554	**27.054.571**	**71.804.125**	**507.493**	**72.311.618**
Non-current financial assets:					
Hedging instruments (1)	-	19.886.960	**19.886.960**	-	**19.886.960**
Deposits and bonds (2)	-	-	-	11.075.931	**11.075.931**
Other financial assets	-	-	-	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 of hedging derivatives, using the NDF-Non Delivery Forward and CCS - Cross Currency Swap 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).

The valuation of the contracts in force at the end of 2020 gave rise to financial liability (Note 18) as a result of the valuation of the new contracts entered into during 2020 (average market representative rate for 2020 of $3,693 versus the closing rate for 2020 of $3,432.50) to hedge the exchange rate and interest risks associated with the new debt acquired and the issuance of bonds that replaced the hybrid bond and senior bond maturing in 2022.

(2) Corresponds to deposits established by court order with maturity until their resolution.

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

7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	As of December 31,	
	2020	2019
Current		
Customers for sales and services (1)	779.958.081	1.011.856.252
Portfolio for equipment sold at installments (2)	288.679.136	13.102.607
Other debtors (3)	128.053.198	182.280.588
Portfolio with national operators (4)	55.453.330	94.582.003
Related parties (Note 29)	52.916.854	54.124.732
Commercial agents and distribution channels (5)	5.559.343	21.085.243
Impairment of portfolio (6)	(390.297.351)	(371.563.822)
	920.322.591	**1.005.467.603**
No corriente:		
Portfolio with national operators (4)	182.929.672	134.610.499
Customers by sales and service delivery (7)	130.567.672	88.896.217
Other debtors (3)	61.485.456	-
Subsidy and contribution portfolio (8)	38.111.870	38.111.870
Related parties (9) (Note 29)	-	39.781.586
Portfolio of equipment sold in installments	-	3.907.528
Portfolio impairment	(172.075.816)	(172.405.958)
	241.018.854	**132.901.742**
	1.161.341.445	**1.138.369.345**

Debtors and other receivables include foreign currency balances at December 31, 2020 of USD$4,690 thousand ($16,098,425) and at December 31, 2019 of USD$66,402 thousand ($217,608,650).

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

	As of December 31,	
	2020	2019
Massive residential	389.296.837	528.195.102
Companies - Corporations and Government (a)	149.833.121	272.017.670
Customers pending invoice	99.932.745	125.097.805
Business - SMEs (b)	86.038.811	60.154.593
Wholesale customers	23.198.426	21.287.274
Other third parties	31.658.141	5.103.808
	779.958.081	**1.011.856.252**
Portfolio impairment	(308.336.558)	(234.081.135)
	471.621.523	**777.775.117**

a) The decrease is mainly due to the early termination and settlement of the contract with Corporación Red Nacional Académica de Tecnología Avanzada - RENATA and recognition of the new debt payment agreement. This is derived from the contract for the irrevocable right to use IRU and the provision of integrated telecommunications and related services (Note 1).

b) During 2020, there was an increase in revenues from special projects in the segment, including integrated solutions, equipment, connectivity, and digital services.

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

(2) At the end of 2020, this includes the portfolio for sales of terminal equipment, and during 2019 the portfolio was sold for $235,996,619.

(3) It mainly includes portfolio balances for real estate sale, commercial support, roaming, international operators, and trust rights for $32,692,973 of the Biannual Plan III (Note 20). As of the actuarial calculation for 2018, the installments receivable from other entities were considered, which will be recorded as the amounts due are collected. As of December 31, 2020, the estimated value of installments receivable from other entities is $2,658,159.

The short-term variation corresponds mainly to a decrease in the portfolio due to commercial support and collections from the sale of real estate. In the long term, it corresponds to the balance of the portfolio for the sale of the real estate of the Administrative Headquarters and real estate acquired by Energía Integral Andina S. A.

(4) Includes balance with the interconnection operator Avantel, which is undergoing a business reorganization. As a result of this, a payment agreement has been established with the said operator until August 2030 for $48,319,174, which generated the reclassification of these amounts to the long term and recovery of portfolio impairment for $8,535,506.

(5) The decrease is mainly due to the drop in the commercial activity effect of Covid-19.

(6) The net increase is mainly due to portfolio impairment for $55,692,097 (2019 for $89,813,930) as of December 31, 2020 and 2019, respectively (Note 25). Includes: i) the higher impairment of accounts receivable from corporate clients effect of Covid-19 (Note 33) and recovery for new payment agreement of the Corporación Red Nacional Académica de Tecnología Avanzada - RENATA for $52,821,067 and with the operator Avantel for $8,535,506; ii) impact of merger by absorption as of May 31, 2020 for $65,276,089; iii) recovery of financial portfolio for $4,056,929 and iv) write-off of portfolio for $34,618,780.

The movement in impairment for the portfolio for the twelve-month period ended December 31, 2020, and 2019 is as follows:

Balance as of December 31, 2018	**(1.001.625.079)**
Impairment to year results (Note 25)	(89.813.930)
Portfolio punishment (a)	555.468.512
Portfolio impairment due to financial expenses	(7.999.283)
Balance as of December 31, 2019	**(543.969.780)**
Impairment to year results (Note 25)	(55.692.097)
Portfolio punishment (a)	33.467.957
Recovery of financial portfolio impairment	3.820.753
Balance as of December 31, 2020	**(562.373.167)**

(a) The portfolio write-offs of December 31, 2020, and 2019 correspond to the portfolio of equipment sold at installments, mass consumption and corporate portfolio, international operators and agents, and distribution channels. At the end of 2020, portfolio write-offs were made mainly for Integral Work Centers (PDTI) $13,698,769, national interconnection for $9,115,884, equipment sold at installments for $7,335,582 and other debtors for $2,087,962.

(7) The variation is due to the recognition of the new agreement with the Corporación Red Nacional Académica de Tecnología Avanzada - RENATA, derived from the contract for the irrevocable right to use IRU and the provision of integrated telecommunications and related services (Note 1).

(8) Includes portfolio with the National Government for subsidies and contributions which is provisioned.

(9) At the end of 2019, it included a balance with Telefónica Venezolana C. A., which made a payment of $39,421,302.

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

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

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

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

Expiration	Residencial	Business	Companies	Wholesalers	Other third parties	Customers pending invoice	As of December 31, 2019
A vencer	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**

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

8. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of December 31,	
	2020	**2019**
Current:		
Cost of equipment in customer's home (1)	82.854.548	100.644.364
Cost of compliance with customer contracts (2)	52.777.455	54.161.214
Support and maintenance (3)	50.147.652	12.171.158
Costos por obtención de contratos con clientes (4)	15.194.681	-
Irrevocable rights of use - capacity	6.865.332	6.916.285
Insurance policies	5.556.339	4.358.528
Others (5)	1.317.908	1.362.303
	214.713.915	**179.613.852**
Non-current:		
Cost of equipment in customer's home (1)	40.273.290	93.708.954
Costs for obtaining contracts with customers (4)	39.412.044	-
Cost of compliance with customer contracts (2)	31.484.460	47.323.089
Irrevocable rights of use - capacity	12.371.672	19.950.528
Support and maintenance (3)	10.306.638	5.453.183
Insurance policies	2.540.870	2.368.455
	136.388.974	**168.804.209**
	351.102.889	**348.418.061**

(1) Amortization during the years 2020 and 2019 for equipment costs at customers' premises of $108,317,316 and $82,002,608, respectively (Note 25).

(2) Amortization during the years 2020 and 2019 for the cost of customer contract compliance of $64,536,753 and $46,860,555, respectively (Note 25).

(3) At the end of 2020, the main items are: i) licensing of computer applications and platform support for $46,328,126, and ii) support, maintenance, and licenses for projects with clients in the corporate segment for $14,126,164. The year-on-year increase corresponds mainly to new licenses and office automation support and maintenance.

(4) Change in estimate corresponding to the activation of commission costs generated in obtaining contracts with customers, with prospective recognition as from July 1, 2020. This change in estimate has increased the capitalization of expenses and a decrease in income of $59,676,172, of which $5,069,446 has been taken to income in 2020; the remaining balance will be charged to income in the following years (Notes 3 and 25).

(5) Includes mainly operating leases of technical sites, stock plan (TFSP), and biometric consultation service.

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 implement a Long-Term Incentive Plan in shares called Talent for the Future Share Plan (the "TFSP" or the "Plan"), aimed at certain employees of the Group who are invited to participate in it.

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

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

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%). Shares will be delivered as appropriate after the vesting date of each cycle.

As of December 31, 2020, the cycles in effect are as follows:

	N° of shares	Unit Value TSR	Unit Value FCL	Completion Date
Cycle - January 1, 2019	33.000	4,4394 Euros	6,1436 Euros	December 31, 2021
Cycle - January 1, 2020	37.600	1,6444 Euros	3,2136 Euros	December 31, 2022

9. CONTRACTUAL ASSETS AND LIABILITIES

The changes in contractual assets and liabilities as of December 31, 2020 are as follows:

	As of December 31, 2019	High	Amortization	Transfers	Reversal	As of December 31, 2020
Current contract asset						
Contract asset	26.068.958	33.289.651	(35.128.120)	745.103	-	24.975.592
Impairment corrections	(723.517)	(414.657)	-	-	164.110	(974.064)
	25.345.441	**32.874.994**	**(35.128.120)**	**745.103**	**164.110**	**24.001.528**
Non-current contract asset						
Contract asset	84.986	1.001.371	-	(745.103)	-	341.254
	25.430.427	**33.876.365**	**(35.128.120)**	**-**	**164.110**	**24.342.782**
Current contractual liability	84.001.127	560.788.987	(557.059.922)	7.904.906	(5.784.887)	89.850.211
Non-current contractual liabilities (1)	47.439.744	-	-	(7.904.906)	(34.950.359)	4.584.479
	131.440.871	**560.788.987**	**(557.059.922)**	**-**	**(40.735.246)**	**94.434.690**

(1) The main variation corresponds to the early termination and liquidation of the contract with Corporación Red Nacional Académica de Tecnología Avanzada for the irrevocable right-of-use (IRU).

The movement for the December 31, 2019 closing of contractual assets and liabilities is as follows:

	As of December 31, 2018	High	Amortization	Transfers	Reversal	As of December 31, 2019
Current contract asset						
Contract asset	32.120.909	39.504.311	(46.920.290)	1.364.028	-	26.068.958
Impairment corrections	(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 contract asset						
Contract 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 liability	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**

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

10. INVENTORIES

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

	As of December 31	
	2020	**2019**
Mobile phones and accessories (1)	62.959.195	123.068.612
Materials and equipment (2)	47.136.771	59.447.192
IT equipment	23.700.621	3.316.894
Equipment in transit	13.073.739	16.867.483
	146.870.326	**202.700.181**
Obsolescence provision (3)	(4.809.647)	(5.570.907)
	142.060.679	**197.129.274**

(1) The decrease is due to the rationalization of purchases agreed with terminal manufacturers for the second and third quarters of 2020 due to the Covid-19 health emergency.

(2) Includes modems, equipment for corporate services, localization equipment, and equipment for customer installations (broadband, basic line, and television), among others.

(3) During the twelve-month period ended December 31, 2020, and 2019, a net recovery provision of $(848,457) and $(53,281), respectively, was recognized (Note 25).

During 2020 and 2019, consumption of inventories carried at cost of sales of $596,131,305 (2019 - $656,679,520) was recognized (Note 25).

The movement in the provision for obsolescence and slow-moving inventories, net of recoveries, for the years ended December 31, 2020, and 2019 is summarized below:

Balance as of December 31, 2018	**(5.624.188)**
Net recovery of provisions from yearly results (Note 25)	53.281
Balance as of December 31, 2019	**(5.570.907)**
Net recovery of provisions from yearly results (Note 25)	848.457
Adjustment in participating companies	(87.197)
Balance as of December 31, 2020	**(4.809.647)**

11. TAXES AND PUBLIC ADMINISTRATIONS

The balance of tax and government assets is presented below:

	As of December 31	
	2020	**2019**
Balance for (1)	239.479.116	206.919.307
Tax discount (2)	47.155.910	160.952.716
ICA advances, withholdings and self-withholdings	18.394.187	19.902.848
Sales tax withholdings	122.489	170.023
	305.151.702	**387.944.894**
Non-Current		
Tax discounts (2)	237.843.023	-
	237.843.023	-

(1) Increase in the credit balance generated by self-withholdings calculated on the liquidation base income and income withholdings made to the Group by financial entities.

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

(2) The current tax discount at the end of 2020 corresponds to 50% of the ICA effectively paid in the year, with respect to the non-current tax discount corresponds to the VAT on the purchase of fixed assets. This discount is increased compared to 2019 due to the acquisition of fixed assets made during the 2020 period.

The balance of tax and governmental liabilities is presented below:

	As of December 31	
	2020	**2019**
Sales tax – VAT (1)	79.208.459	35.200.934
Withholdings & Self-Withholdings (2)	43.639.129	65.056.530
Import taxes (3)	4.568.726	5.051.137
National consumption tax	3.869.772	3.491.153
Municipal taxes	3.562.424	9.345.084
	134.848.510	**118.144.838**

(1) An increase in sales tax (VAT) payable corresponding to the VI bimester of 2020 is mainly generated by the increase in taxable income. There was a decrease in transactions with suppliers of goods and services regarding input VAT, causing a lower discount in the tax settlement compared to the end of 2019.

(2) For the closing of December 2020 and in line with the previous point, there was a lower value of withholdings made to third parties.

(3) With respect to taxes payable derived from import operations, there was a decrease both in the number of shipments and in the value of tariff rates for some subheadings of materials associated with telecommunication devices, the latter due to the benefit granted by the National Government on the occasion of the declaration of the Health emergency in the national territory in 2020.

Provision for income tax and supplementary taxes

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

	Year ended December 31,	
	2020	**2019**
Current income tax	(27.707.341)	(25.680.367)
Occasional earnings tax	(3.676.638)	(26.571.252)
Current income and supplementary tax (1)	**(31.383.979)**	**(52.251.619)**
Deferred tax:		
Taxable temporary differences (2)	28.257.200	381.461
Deductible temporary differences (3)	4.935.753	(83.733.356)
Tax credits (4)	(15.171.218)	(43.901.159)
Deferred income tax	**18.021.735**	**(127.253.054)**
Income tax and supplementary	**(13.362.244)**	**(179.504.673)**

(1) The current tax calculated at the end of 2020 presents a lower expense for the occasional profit tax due to fewer asset sale transactions subject to this tax.

(2) For the closing of December 2020, there is a use of the deferred tax liability for PPA (Purchase Price Allocation) derived from the acquisition of subsidiaries (Telebucaramanga and Metrotel).

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

(3) For the 12-month period ended December 31, 2020, a lower expense is generated on the occasion of the restatement of the deferred tax asset, mainly for the concepts of useful lives of property, plant, and equipment. In 2019 there was a reversal of the deferred tax asset for useful lives generated by the retirement of assets fully depreciated for accounting purposes.

(4) At the end of December 2020, the Group used tax credits generated from the taxable income calculated at the end of the period.

The reconciliation of the income tax rate is presented below:

	Year ended December 31,			
	2020		2019	
Profit before tax		**21.692.657**		**202.935.503**
Profit before tax at nominal rate	32%	(6.941.650)	33%	(66.968.717)
Income tax and accounting deferred	62%	(13.362.244)	88%	(179.504.673)
Difference between nominal tax and accounting tax	**30%**	**6.420.594**	**55%**	**112.535.956**
Permanent difference tax	44%	9.399.757	35%	72.056.590
Tax on deductible temporary differences unrecognized	(122)%	(26.180.738)	(53)%	(109.444.630)
Use (recognition) of deferred tax on deductible temporary differences	20%	4.353.719	47%	96.909.636
Difference tax update temporary and tax losses	71%	15.171.218	13%	26.432.888
Occasional income tax	17%	3.676.638	13%	26.581.472
	30%	**6.420.594**	**55%**	**112.535.956**

The current tax provisions applicable to the Group stipulate that:

Income tax in 2020 is calculated at the nominal rate of 32% in accordance with Article 240 of the National Tax Statute, based on net income; for 2019, the applicable rate was 33%. The nominal rate for 2021 will be 31%, and for the following years, 30%.

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

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

	Year ended December 31,	
	2020	**2019**
Profit before tax	**21.692.657**	**202.935.503**
Items that increase accounting profit:		
Accounting depreciation and amortization (Note 26)	1.374.020.241	1.422.459.493
Accounting effect of derivatives valuation and difference in change valued	(318.165.623)	136.673.462
Impairment of accounting portfolio, net of recovery (Note 25)	55.692.097	89.813.930
Tax effect on senior bond financial yields	160.061.905	117.889.126
Levy on financial movement	11.014.093	9.257.770
Items that decrease accounting profit:		
Tax depreciation and amortization	(992.686.408)	(1.087.993.845)
Other non-deductible items	(45.955.205)	(163.640.249)
Government grant income	(950.512)	(3.278.602)
Impairment of fiscal portfolio	(115.293.837)	(533.935.964)
Tax profit	**149.429.408**	**190.180.624**
Tax loss compensation (1)	(59.814.412)	(118.580.723)
Taxable income tax base	**89.614.996**	**71.599.901**
Current income tax	(27.707.341)	(25.670.147)
Occasional earnings tax	(3.676.638)	(26.581.472)
Income tax	**(31.383.979)**	**(52.251.619)**

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

Occasional income tax

	Year ended December 31,	
	2020	**2019**
Occasional earnings revenue	185.349.777	659.677.938
Less - occasional earnings costs	(148.583.397)	(393.863.222)
Occasional taxable earnings	36.766.380	265.814.716
Tax rate	10%	10%
Occasional income tax	**3.676.638**	**26.581.472**

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

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

	As of December 31	
	2020	**2019**
Accounting assets	**4.566.212.612**	**6.613.292.700**
Items increasing book estate:		
Difference in accounting and fiscal portfolio provision	475.949.171	387.935.474
Dismantling provision	57.106.100	53.982.184
Government grants	7.270.022	10.187.682
Estimated liabilities and other items	955.555.286	(44.388.793)
Items that decrease the estate:		
Deferred tax asset, net	(1.720.879.550)	(1.680.411.370)
Financial instruments - bonds	-	(1.488.419.721)
Difference in useful lives of property, plant and equipment	(694.773.464)	(628.218.281)
Difference in change rated without tax effect	-	5.917.432
Liquid tax assets	**3.646.440.177**	**3.229.877.307**

Occasional Gain

	Year ended December 31,	
	2020	**2019**
Occasional earnings revenue	185.349.777	659.677.938
Less - occasional earnings costs	(148.583.397)	(393.863.222)
Occasional taxable earnings	36.766.380	265.814.716
Tax rate	10%	10%
Occasional income tax	**3.676.638**	**26.581.472**

Deferred Tax Assets and Liabilities

At the end of December 31, 2020, the deferred tax asset on temporary differences and tax losses is supported by the strategic plan (2021 - 2023) and the projected results (2024 - 2029) of the Group; at the end of 2019, the temporary differences and tax credits were supported by the strategic plan (2020 - 2022) and the projected results (2023 - 2029).

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

The unrecognized deferred tax asset on temporary deductible differences as of December 31, 2020, amounts to $890,091,596.

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

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

	As of December 31	
	2020	**2019**
Deferred tax asset:		
Intangibles, plant properties and equipment	217.450.033	221.729.021
Employee benefits	8.063.080	7.994.409
Other assets	3.947.804	4.563.298
Accounts receivable	-	17.859.827
Deferred tax asset on temporary differences deductibles (1)	**229.460.917**	**252.146.555**
Deferred tax asset for tax losses (2)	1.616.969.604	1.632.140.822
	1.846.430.521	**1.884.287.377**
Real estate revaluation	(89.216.609)	(112.236.955)
Total deferred tax asset	**1.757.213.912**	**1.772.050.422**
Deferred tax liability:		
Taxable temporary differences (3)	36.334.362	91.639.052
Total net deferred tax	**1.720.879.550**	**1.680.411.370**

(1) Decrease generated by the reversal of the deferred tax asset for portfolio, generated by the effects of the merger by absorption.

(2) The decrease corresponds to the use of tax credits generated by the offset of taxable income calculated at the end of 2020.

(3) Corresponds to the restatement of temporary taxable differences due to the valuation of hedges with impact on results, mainly generated by the increase in the representative market rate (TRM) at the end of December 2020 compared to the TRM at the end of December 2019.

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

	Year ended December 31	
	2020	**2019**
Valuation of hedging instruments (1)	(326.454.573)	37.702.032
Deferred tax valuation of hedges	17.897.900	(17.897.900)
Result in hedging valuation, net of taxes	**(308.556.673)**	**19.804.132**
Real estate revaluation (2)	-	214.220.284
Deferred tax on real estate	-	(40.161.636)
Land and building revaluation surplus, net of taxes	**-**	**174.058.648**
Actuarial results in post-employment benefit obligations	(952.878)	-
Actuarial losses from post-employment benefits	-	136.433
Deferred tax actuarial results	**(952.878)**	**136.433**
	(309.509.551)	**193.999.213**

1. The decrease is mainly due to the increase in external interest rate curves and the fall in local interest rates, thus generating an unrealized expense for the valuation of hedges. On the other hand, the deferred tax is reversed due to changes in the hedge valuation projections at the end of 2020.
2. During 2020 there was no asset revaluation.

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

Tax Losses

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

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

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

Tax	Year of origin	Adjusted Losses (1)	Compensation losses	Balance losses	Expiration date
Income	2007	190.635.384	-	190.635.384	Unlimited
	2008	233.131.768	-	233.131.768	Unlimited
	2009	255.303.697	-	255.303.697	Unlimited
	2010	43.145.382	-	43.145.382	Unlimited
	2011	159.271.720	-	159.271.720	Unlimited
	2012	117.177.333	-	117.177.333	Unlimited
	2013	120.494.028	-	120.494.028	Unlimited
	2015	118.419.555	-	118.419.555	Unlimited
	2017	3.902.929.533	(59.814.412)	3.843.115.121	Year 2029
		5.140.508.400	**(59.814.412)**	**5.080.693.988**	
CREE	2015	297.667.938	-	297.667.938	
		5.438.176.338	**(59.814.412)**	**5.378.361.926**	

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

Tax	Taxable period	Closing date for review
Income	2020	Abril de 2026
Income	2019	Junio de 2026
Income	2018	Abril de 2025
Income	2017	Abril de 2030
CREE	2016	Abril de 2022
Income	2016	Abril de 2022
CREE	2015	Abril de 2021
Income	2015	Abril de 2021

The following is the status of the income tax return of Telefónica Móviles Colombia S. A., a company 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	April 2021

Transfer Pricing

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

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

Independent advisors prepare the declaration and supporting documentation of transfer prices, required by tax provisions, to demonstrate that the operations with foreign economic-related parties or related parties abroad were carried out at market values. For this purpose, the Group will prepare the return and its supporting documentation for the taxable year 2020 within the deadlines established by the National Government. Non-compliance with the transfer pricing regime may result in financial penalties and adjustments in the determination of income tax; however, Management and its advisors are of the opinion that the study will be concluded in a timely manner and will not result in significant changes to the basis used for the determination of the 2020 income tax provision.

12. NON-CURRENT ASSETS HELD FOR SALE

Pursuant to 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 apply to (i) the transfer of the property by way of purchase and sale and (ii) the execution of a lease agreement on a portion of the property.

Accordingly, the property recorded under land and buildings was transferred to assets held for sale, and in February 2020, this property was sold as indicated in Note 1(e).

The movement in the cost and revaluation of assets held for sale as of December 31, 2020, is as follows:

Concept	As of December 31, 2019	Low Cost	Low Revaluation	As of December 31, 2020
Land	101.168.005	(18.024.116)	(83.143.889)	-
Constructions	46.947.495	(39.727.377)	(7.220.118)	-
Switching, access and transmission	169.193	- 169.193	-	-
	148.284.693	**(57.920.686)**	**(90.364.007)**	-
Depreciation	(13.718.278)	13.187.639	530.639	-
	134.566.415	**(44.733.047)**	**(89.833.368)**	-

The movement in the cost and revaluation of assets held for sale as of December 31, 2019 is as follows:

Concept	Cost	Revaluation	As of December 31, 2019
Land	18.024.116	83.143.889	101.168.005
Constructions	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**
Depreciation	(13.187.639)	(530.639)	(13.718.278)
	44.733.047	**89.833.368**	**134.566.415**

13. ASSETS FOR RIGHTS OF USE

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

Concept	As of December 30, 2020			As of December 31, 2019		
	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
Land and buildings (a)	779.513.226	(263.350.134)	516.163.092	492.853.207	(125.511.590)	367.341.617
Technical installations (b)	490.703.578	(111.884.343)	378.819.235	296.555.853	(52.129.164)	244.426.689
Transport equipment	14.394.193	(11.019.344)	3.374.847	14.250.142	(6.097.507)	8.152.635
	1.284.610.997	**(386.253.821)**	**898.357.174**	**803.659.202**	**(183.738.261)**	**619.920.941**

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

a) The net increase in depreciation during the year ended December 31, 2020, corresponds to the subscription and renewal of land and site lease agreements, mainly for the Administrative Headquarters of Colombia Telecomunicaciones S. A. E.S.P., in Bogotá D.C.

b) During the year 2020, new leasing contracts for equipment and technical facilities were entered into, among them with the Corporación Red Nacional Académica de Tecnología Avanzada - RENATA.

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

Concept	As of December 31, 2019	High	Low	As of December 31, 2020
Cost:				
Land and buildings	492.853.207	286.660.019	-	779.513.226
Technical installations	296.555.853	194.147.725	-	490.703.578
Transport equipment	14.250.142	261.424	(117.373)	14.394.193
	803.659.202	**481.069.168**	**(117.373)**	**1.284.610.997**
Accumulated depreciation				
Constructions	(125.511.590)	(152.589.977)	14.751.433	(263.350.134)
Technical facilities	(52.129.164)	(59.755.179)	-	(111.884.343)
Transport equipment	(6.097.507)	(5.038.488)	116.651	(11.019.344)
	(183.738.261)	**(217.383.644)**	**14.868.084**	**(386.253.821)**
	619.920.941	**263.685.524**	**14.750.711**	**898.357.176**

For the year ended December 31, 2020 and 2019, depreciation expense was $217,383,644 and $182,715,493, respectively (Note 26).

The movements for the year 2019 of the items comprising the cost and depreciation of right-of-use assets are as follows:

Concept	Impact first application - IFRS 16-1 January 2019	High	Low	Transfers	As of December 31, 2019
Cost:					
Land and buildings	373.692.244	119.266.688	(105.725)	-	492.853.207
Technical facilities	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					
Constructions	-	(125.709.472)	197.882	-	(125.511.590)
Technical facilities	-	(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**

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

14. PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31, 2020			As of December 31, 2019		
Concept	**Cost**	**Accumulated depreciation**	**Net value in books**	**Cost**	**Accumulated depreciation**	**Net value in books**
Land and buildings (1)	3.004.630.380	(1.667.535.650)	1.337.094.730	2.927.247.837	(1.606.206.278)	1.321.041.559
Switching, access and transmission	8.352.992.061	(5.382.540.698)	2.970.451.363	8.392.266.076	(5.399.820.145)	2.992.445.931
Assets under construction	194.142.354	-	194.142.354	634.097.738	-	634.097.738
Subsidized projects (2)	(10.156.901)	-	(10.156.901)	(9.156.908)	-	(9.156.908)
Furniture, information and transport equipment	530.346.831	(261.992.997)	268.353.834	392.566.523	(242.470.235)	150.096.288
	12.071.954.725	**(7.312.069.345)**	**4.759.885.380**	**12.337.021.266**	**(7.248.496.658)**	**5.088.524.608**

(1) Includes provision for decommissioning of sites as of December 31, 2020 and 2019 for $57,106,100 and $53,008,091, respectively (Note 21).

(2) The subsidized projects correspond to resources associated with the payment for spectrum allocation (15Mhz granted in 2011) and whose objective is to deploy technical sites to bring connectivity to localities and educational institutions.

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

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

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

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

The movements during 2019 of the items comprising the cost and depreciation of property, plant and equipment are as follows:

Concept	As of December 31, 2018	High	Low	Transfers	Revaluation	As of December 31, 2019
Cost:						
Land and buildings	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**
Accumuleted 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 building assets of ($14,142,922) and write-offs of $7,733,454.

During the year 2020, a prospective review and update of useful lives as defined by accounting standards was carried out; as a result of the change in this accounting estimate, effects were generated in the depreciation expense, its respective accumulated depreciation, and the net book value for the period 2020, as well as in future periods.

Below are the net effects of lower depreciation expense of technical installations and machinery according to their typology projected for a range of 3 years and the impact for 2020:

Concept	Typology	Previous service life	Current service life	Effects on Dec 2020	Effects on Dec 2021	Effects on Dec 2022	Effects on Dec 2023
Technical Facilities and Machinery	Terrestrial fiber optic cable	15	20	472.640	-	-	-
	Submarine cable	15	20	1.967.128	306.236	-	-
	Sub-distribution cabinets	10	20	2.726.852	2.598.253	2.436.523	2.219.119
	Cable coaxial CATV	10	20	96.555	97.340	97.328	97.324
	Terminal boxes	10	20	2.569.057	2.471.207	2.069.110	1.728.079
	Boxes of strength	10	15	1.414.959	921.218	755.020	675.869
	Force management teams	10	15	4.033.623	3.740.798	3.371.077	2.723.936
	Generators	10	15	1.898.613	-	-	-
	Safety and extinction equipment in buildings	9	10	566.116	570.471	605.368	561.897
	Teams hubs data network	7	10	964.131	490.602	215.446	-
	Air conditioning equipment	7	10	5.410.683	4.225.331	1.872.781	209.267
	Teams for customer services in data	7	10	5.613.185	5.149.276	3.571.150	1.779.408
	Other management systems, operation	7	10	325.269	-	-	-
	Platforms for business care	7	10	2.160.197	1.861.115	1.661.515	1.660.099
	Radio-relays	7	10	20.866.416	9.513.395	1.373.744	-
	Monoblock Batteries	4	10	6.377.448	1.677.147	-	-
				57.462.872	**33.622.389**	**18.029.062**	**11.654.998**

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

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

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

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

Concept	As of December 31, 2018	High	Low	Transfers	As of December 31, 2019
Cost:					
Land and buildings	2.675.675.584	17.901.255	(386.616.867)	16.183.465	2.323.143.437
Accumulated depreciation:					
Constructions	(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**

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

Concept	Balance as of December 31, 2019	Increases	Decreases	Balance as of December 31, 2020
Cost:				
Land	326.510.450	-	(38.408.897)	288.101.553
Constructions	277.340.586	-	(37.777.123)	239.563.463
	603.851.036	**-**	**(76.186.020)**	**527.665.016**
Accumulated depreciation:				
Constructions	(37.991.850)	(12.993.370)	9.730.229	(41.254.991)
	565.859.186	**(12.993.370)**	**(66.455.791)**	**486.410.025**
Deferred income tax	(115.414.328)	3.992.339	22.205.380	(89.216.609)
Net deferred tax revaluation	**450.444.858**	**(9.001.031)**	**(44.250.411)**	**397.193.416**

The movements for the year 2019 of land and buildings recognized at revalued value are as follows:

Concept	Balance as of December 31, 2018	Increases	Decreases	Balance as of December 31, 2019
Cost:				
Land	372.302.081	36.149.227	(81.940.858)	326.510.450
Constructions	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	(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**

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

Fully Depreciated Property, Plant and Equipment

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

	As of December 31,	
	2020	**2019**
Switching, access and transmission	2.442.648.241	2.568.815.172
Constructions	238.943.928	239.240.351
Furniture, information and transport equipment	84.094.118	54.425.309
	2.765.686.287	**2.862.480.832**

The variation is mainly generated by the purging of the database, review of asset classes, and subsequent derecognition, which did not impact the Statement of Income.

15. INVESTMENT PROPERTIES

The cost and revaluation of investment property is presented below:

Concept	Society highs	Revaluation	Balance as of December 31, 2020
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**

Lease revenue of $148,317 and $184,537 was recognized during 2020 and 2019.

16. INTANGIBLES

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

	As of December 31, 2020			As of December 31, 2019		
Concept	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net value in books
Enabling titles (1)	2.296.177.445	(1.301.885.117)	994.292.328	2.322.417.046	(994.946.134)	1.327.470.912
Software network and office equipment	943.773.108	(544.351.315)	399.421.793	759.141.464	(363.580.411)	395.561.053
Rights (2)	63.225.314	(20.713.507)	42.511.807	34.486.520	(17.430.483)	17.056.037
Customer list	46.107.000	(35.108.740)	10.998.260	46.107.000	(24.271.948)	21.835.052
	3.349.282.867	**(1.902.058.679)**	**1.447.224.188**	**3.162.152.030**	**(1.400.228.976)**	**1.761.923.054**

(1) Includes the renewal of the spectrum of the mobile operation and the economic compensation of the arbitration award for the reversion of assets.

(2) Includes mainly Irrevocable Right of Use - IRU's of Optical Fiber as per the attached detail:

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

Supplier	Date	Year	Cost	Accumulated Depreciation	Net Book Value
INTERNEXA	2013	20	2.160.626	(756.219)	1.404.407
	2013	20	1.612.057	(611.238)	1.000.819
GAS NATURAL FENOSA	2013	20	10.650.972	(3.860.977)	6.789.995
	2013	20	9.453.475	(3.584.443)	5.869.032
	2014	20	11.317.901	(3.725.476)	7.592.425
AZTECA COMUNICACIONES	2017	10	2.447.338	(878.546)	1.568.792
	2015	20	3.773.260	(1.006.203)	2.767.057
	2015	20	7.191.569	(2.037.611)	5.153.958
	2015	20	2.010.180	(569.551)	1.440.629
	2015	20	4.135.875	(1.171.831)	2.964.044
	2015	20	5.649.792	(1.671.397)	3.978.395
	2015	20	2.822.269	(840.015)	1.982.254
			63.225.314	**(20.713.507)**	**42.511.807**

The movements in intangible assets during 2020 are presented below:

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

Movements in intangibles during 2019 are presented below:

Concept	As of December 31, 2018	Highs / Depreciation expense	Low	Transfers	As of December 31, 2019
Cost:					
Enabling titles	2.337.806.459	-	(15.389.413)	-	2.322.417.046
Software 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
Customer list	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:					
Enabling titles	(692.538.126)	(317.797.420)	15.389.412	-	(994.946.134)
Software 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)
Customer list	(635.039.788)	(10.787.532)	621.555.372	-	(24.271.948)
	(2.918.832.358)	**(520.710.301)**	**2.039.314.430**	**(747)**	**(1.400.228.976)**
	2.135.779.889	**(386.644.280)**	**(148.865)**	**12.936.310**	**1.761.923.054**

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

During the year 2020, a prospective review and update of useful lives as defined by accounting standards was carried out. As a result of the change in this accounting estimate, effects were generated in the amortization expense, its respective accumulated amortization, the net book value for the period 2020, and future periods.

Below are the net effects of lower amortization expense of office automation software projected for a range of 3 years and the impact for the year 2020:

	Life		As of December 31,		
Typology	Previous	Current	2020	2021	2022
Software office applications	3	5	19.738.765	14.140.023	9.586.123

Fully Amortized Intangibles

The cost of fully amortized intangible assets is presented below:

	As of December 31,	
	2020	2019
Concept		
Computer applications	219.277.069	44.120.357
Rights	7.237	7.237
	219.284.306	**44.127.594**

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

17. GOODWILL

The Goodwill recorded as of December 31, 2020, and 2019 amounts to $1,372,301,565.

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

Cash Generating Units - CGU's

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

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

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

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

Main Assumptions Used in Value in Use Calculations

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

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

Discount Rate

At year-end 2020 and 2019, a nominal percentage rate calculated in pesos of 10.39% and 10.17%, respectively, was used.

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

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

The most relevant components of the WACC are summarized below:

- Risk-Free Rate: understood as the interest rate offered by long-term sovereign bonds. It is determined with current market data and estimates of the equilibrium levels (according to standard econometric modeling) in which the interest rates should be located. Thus, adjusting the returns at low rates due to the high influence on the term premiums of public debt purchases carried out by central banks.

- Political Risk Premium: incorporates the risk of insolvency inherent to the country due to political and/or financial events, based on quotations of instruments called "Credit Default Swap" for each country or, failing that, the EMBI+ index, published by JP Morgan, depending on the information available and the liquidity conditions of such instruments.

- Market Risk Premium (MRP), which measures the additional risk required for equity assets over and above the return on risk-free assets, is determined using an asset over and above the return on risk-free assets, is determined using a combination of historical (ex-post) approaches, supported by external publications and studies of past performance series, and forward-looking (ex-ante) approaches, based on market publications, taking into account medium- and long-term profit expectations based on the degree of maturity and development of each country.

- Beta coefficient: is the multiplier of the market risk premium, considered as systemic risk. It is estimated from series of historical share prices of comparable listed companies, determining the correlation between the profitability of the companies' shares and the profitability of the general index representative of the stock exchange of the country where the company is listed.

Sensitivity to Changes in Assumptions

In accordance with the asset recoverability review process in a Covid-19 scenario, the WACC as of December 2020 has been determined. Based on the above, model sensitivities were performed with a step of +/-1% and a WACC rate of 10.4%. In performing the sensitization exercise, no indications of impairment were identified.

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

18. FINANCIAL LIABILITIES

The balance of financial obligations is presented below:

	As of December 31	
	2020	**2019**
Current:		
Financial leasing (1)	274.173.145	203.312.650
Interest payable	157.332.298	36.774.797
Hedging instruments	49.547.922	37.661.309
Financial obligations	-	132.298.878
	481.053.365	**410.047.634**
Non-current:		
Financial obligations	2.487.705.076	-
Senior bond	1.702.367.609	2.454.906.101
Financial leasing (1)	948.355.235	682.319.662
Local bond	498.943.191	498.698.319
Hedging instruments	439.197.386	100.415
	6.076.568.497	3.636.024.497
	6.557.621.862	**4.046.072.131**

The increase in financial liabilities with respect to 2019 is mainly generated by the debt acquired for the hybrid bond payment (perpetual equity instrument). The Group acquired debt with local banks for $900,000 million and with foreign banks for USD235 million to meet such commitment. The balance of financial liabilities was impacted by the devaluation of the peso against the dollar between periods (TRM Dec 2019 $3,277.14 versus TRM Dec 2020 $3,432.5).

The passive valuation of hedging instruments at the end of 2020 is mainly explained by the devaluation of the peso against the dollar, the increase in foreign interest rate curves, and the fall in local interest rates, in addition to the impact of the structuring of hedges for the issuance of the new senior bond maturing in 2030.

These financial obligations and bonds generated interest expense at December 31, 2020 of $262,252,590 (2019 - $196,701,988). The valuation of hedging instruments with changes in results is presented at their net value in Note 27.

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

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

	As of December 31					
	2020			2019		
Current:	**Value (1)**	**Fee**		**Value (1)**	**Fee**	
Financial in national currency		**Base**	**Spread**		**Base**	**Spread**
Financial obligations	-			128.956.962	IBR 3M	1,28%
Financial in foreign currency						
Financial obligations	-			3.341.916	LIBOR 6M	0,21%
Other obligations						
Financial lease (1)	274.173.145			203.312.650		
Derivative instruments	157.332.298			36.774.797		
Interest payable	49.547.922			37.661.309		
	481.053.365			**277.748.756**		
	481.053.365			**410.047.634**		
Non-Current:						
Financial in national currency						
Financial obligations	898.882.825	IBR3M	2,5% - 2,63%	-		
	898.882.825			**-**		
Financial in foreign currency						
Financial obligations	1.588.822.251	LIBOR6M	1,6% - 1,95%	-		
	1.588.822.251			**-**		
Other obligations						
Senior bonus (2)	1.702.367.609	Fixed 4,95				
Financial lease (1)	948.355.235			682.319.662		
Local bonus (3)	498.943.191	Fixed 6,65% / IPC 3,39%		498.698.319	Fixed 6,65% / IPC 3,39%	
Derivative instruments	439.197.386			100.415		
Senior bonus	-			2.454.906.101	Fixed 5,375%	
	3.588.863.421			**3.636.024.497**		
	6.076.568.497			**3.636.024.497**		
	6.557.621.862			**4.046.072.131**		

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

	As of December 31, 2019	High	Payments	Transfers	As of December 31, 2020
Current					
Leasing	202.476.740	41.278.311	(279.807.270)	309.336.962	273.284.743
Financial liabilities - renting	835.909	229.336	(1.123.250)	946.407	888.402
	203.312.649	**41.507.647**	**(280.930.520)**	**310.283.369**	**274.173.145**
Not ordinary					
Leasing	680.945.789	576.318.942	-	(309.336.962)	947.927.769
Financial liabilities - renting	1.373.873	-	-	(946.407)	427.466
	682.319.662	**576.318.942**	**-**	**(310.283.369)**	**948.355.235**
	885.632.311	**617.826.589**	**(280.930.520)**	**-**	**1.222.528.380**

(1) Includes capital lease payments of $236,227,560 and interest of $43,579,710.

The movement in the finance lease liability for the year ended December 31, 2019 is presented below:

	Impacts first application by IFRS accounting changes 16 to 01 January 2019	High	Payments	Transfers	As of December 31, 2019
Current					
Leasing	169.198.525	42.692.834	(202.642.958)	193.228.339	202.476.740
Financial liabilities - renting	898.249	474.230	(1.437.677)	901.107	835.909
	170.096.774	**43.167.064**	**(204.080.635)**	**194.129.446**	**203.312.649**
Not ordinary					
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	**471.538.998**	**(204.080.635)**	**-**	**885.632.311**

(1) Includes capital lease payments of $181,556,850 and interest of $21,086,108.

(2) Senior bond:

As of December 31, 2020, the face value of the outstanding senior bonds was USD$500 million, equivalent to $1,716,250 million. The associated transaction costs were $13,882 million measured at amortized cost.

The characteristics of the issue are summarized below:

Formato	Moneda de emisión	Primas y descuentos	Monto total de la emisión	Monto total emitido	Plazo Max. de redención	Fecha de emisión	Fecha de vencimiento	Tasa/Pago	Uso de los recursos
R144/RegS	*USD$000*	Cero	500.000	500.000	10 años	17-jul-20	17-jul-30	4,95% Semestral	Sustitución Bono Senior Por USD750 millones

During 2020 interest payable on the bond amounted to $38,701,438.

(3) Local bond:

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

The characteristics of the issue are summarized below:

Format	Issuing currency	Premiums and discounts	Total amount of issue	Total amount issued	Max. redemption term	Date of issue	Expiry date	Rate/Payment	Use of resources
C10	*COP$000*	Cero	152.410.000	152.410.000	10 años	29-may-19	29-may-29	IPC + 3,39% Semestral	Prepago de deuda local
A5	*COP$000*	Cero	347.590.000	347.590.000	5 años	29-may-19	29-may-24	6,65% Semestral	
			500.000.000	**500.000.000**					

At December 31, 2020 interest payable on the bond amounted to $2,742,350 (2019 - $3,028,981).

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

	Current	Non-current:						
Maturities	2021	2022	2023	2024	2025	Next few years	Total non-current	Total
Financial obligations	-	-	-	-	2.487.705.076	-	2.487.705.076	2.487.705.076
Senior bonus	-	-	-	-	-	1.702.367.609,00	1.702.367.609	1.702.367.609
Leasing	274.173.145	149.941.270	149.582.751	130.956.680	115.768.157	402.106.377	948.355.235	1.222.528.380
Hedging instruments	157.332.299	161.275.746	93.667.706	94.711.553	1.174.261	88.368.120	439.197.386	596.529.685
Local bonus	-	-	-	346.855.328	-	152.087.863	498.943.191	498.943.191
Interests	49.547.921	-	-	-	-	-	-	49.547.921
	481.053.365	**311.217.016**	**243.250.457**	**572.523.561**	**2.604.647.494**	**2.344.929.969**	**6.076.568.497**	**6.557.621.862**

19. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of December 31,	
	2020	**2019**
Current:		
Creditors and suppliers (1)	877.923.866	920.727.520
Related parties (2) (Note 29)	152.633.776	149.783.763
Immobilization providers (3)	145.688.022	644.059.766
Work remuneration payable	38.409.132	36.728.228
Spectrum license providers (4)	37.765.625	21.283.252
Parafiscal contributions (5)	10.592.618	5.360.590
Other accounts payable	3.205.739	3.503.360
	1.266.218.778	**1.781.446.479**
Non-current:		
Spectrum license providers (4)	46.714.188	111.251.160
Government grants (6)	32.692.973	31.945.769
Related parties (2) (Note 29)	9.368.156	4.521.758
	88.775.317	**147.718.687**
	1.354.994.095	**1.929.165.166**

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

Suppliers and accounts payable include foreign currency balances at December 31, 2020, of USD$73,711 thousand ($253,013,008) and at December 31, 2019, of USD$144,936 thousand ($474,975,563).

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

	As of December 31,	
	2020	**2019**
Creditors (a)	220.994.058	273.641.461
Terminal providers	169.192.065	162.036.187
Equipment maintenance	149.985.279	143.641.741
Operating leases	63.661.404	60.968.883
Content providers	57.415.372	54.987.023
Renting and third-party activities to customers	50.624.323	48.483.197
Interconnection	43.088.934	41.266.513
Advertising	36.903.707	35.342.887
Customer service	27.878.165	26.699.075
Sales commissions	22.792.345	21.828.356
Computer services	11.127.894	10.657.246
Third-party values (b)	10.900.830	28.380.492
Roaming	8.801.357	8.429.109
Tributes and considerations	2.867.238	2.745.970
Energy service	1.279.908	1.225.775
Travel	410.987	393.605
	877.923.866	**920.727.520**

(a) Includes commitments with third parties, mainly for consulting, insurance, utilities, billing services, collection, messenger, and administrative services.

(b) Includes items invoiced by the Group for the account and order of third parties.

(2) Includes share-based payments.

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

Performance Share Plan (PSP)

With the PSP implementation, 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) independent cycles with a measurement period of three (3) years each, according to the following measurement schedule:

First Cycle: Shall be deemed to have started on January 1, 2018, until December 31, 2020.
Second Cycle: From January 1, 2019, until December 31, 2021.
Third Cycle: From January 1, 2020, until December 31, 2022.

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

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

The final number of shares to be delivered to each employee on the delivery date will be conditioned and determined by the incentive multiplier coefficient: percentage to be calculated according to the level of achievement of the targets set by the Group, based on two targets TSR (Total Shareholder's Return) 50% and FCF (Free Cash Flow) 50%.

As of December 31, 2020, the cycles in force are as follows:

	No. of initial shares	TSR Unit Value	FCF Unit Value	Completion Date
Cycle - January 1, 2019	230.328	4,4394 Euros	6,1436 Euros	December 31, 2021
Cycle - January 1, 2020	176.745	1,6444 Euros	3,2136 Euros	December 31, 2022

(3) At the end of 2020, Capex execution was substantially lower compared to 2019, a year in which there was a significant impact due to acquisitions related mainly to the start-up of the SENA project.

(4) It includes the balances of obligations to do for the expansion of 15 MHz in 2011 for cellular telephony, renewal of spectrum for the provision of cellular telephony service in March 2014 for ten years, and concession right for operation and exploitation of satellite television service for ten years since February 2017 and inter-administrative contract with the Metropolitan Area of Barranquilla until 2028. In 2020, $22,586,763 is transferred from the long term to the short term based on the maturity of this obligation.

(5) The increase is due to the recognition of the expense corresponding to the months of April and May 2020 pending to be transferred to the pension funds, once Decree 558 of 2020, which granted companies relief in the contribution of such months, was declared unconstitutional by the Constitutional Court with retroactive effect.

(6) In 2010, the Group entered into an agreement with the National Government, known as Plan Biannual III, for the development of transport infrastructure necessary to provide fixed broadband services in social strata 1, 2, and SMEs, in rural and urban areas and the capture of high-speed Internet demand in coverage areas specified in the plan and the replacement of obsolete wireless systems. The Biannual Plan III resources are administered through a trust and are presented as trust rights (Note 7).

20. DEFERRED LIABILITIES

The balance of deferred liabilities is presented below:

	As of December 31,	
	2020	**2019**
Current:		
Income received in advance		
Government Grants (1)	1.967.148	1.967.148
Other deferred income (2)	624.628	1.931.545
	2.591.776	**3.898.693**
Non-current:		
Income received in advance		
Government Grants (1)	7.270.022	8.220.534
Other deferred income (2)	-	3.847.910
	7.270.022	**12.068.444**
	9.861.798	**15.967.137**

(1) Includes income received from government subsidies for social projects executed in schools, localities, and educational institutions.

(2) At the end of 2020, 100% of the deferral corresponding to the termination of the contract for the use of the land signed with third parties was amortized.

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

21. PROVISIONS AND PENSION LIABILITIES

The balance of pension provisions and liabilities is as follows:

	As of December 31,	
	2020	2019
Current:		
For tributes and considerations (1)	101.651.989	98.302.465
For employee benefits (2)	35.704.739	31.739.747
Pension liabilities (3)	19.594.470	18.538.941
For contingencies (Note 30)	11.059.624	6.638.029
For voluntary retirement (4)	6.437.320	11.400.475
	174.448.142	**166.619.657**
Non-current:		
Pension liabilities (3)	190.658.366	195.513.261
For dismantling (5)	57.139.641	53.982.184
For contingencies (Note 30)	10.672.638	6.229.936
For responsibilities to subsidiaries	-	472.833
	258.470.645	**256.198.214**
	432.918.787	**422.817.871**

(1) Includes the provision for industry and commerce tax (ICT), considerations to the Ministry of ICT, and uncollected VAT; most of this amount is expected to be settled in the next period to meet tax obligations and considerations. The increase corresponds to the increase in the liquidation base revenues due to higher revenues in the Barranquilla and Bucaramanga regions.

(2) Includes the incentive to employees for compliance and performance, which is expected to be settled in the first half of 2021. The amount of the provision has been the result of the best estimate based on the current workforce and the percentage assigned by management.

(3) The classification of pension liabilities is as follows:

	As of December 31,	
	2020	2019
Current	19.594.470	18.538.941
Non-current	190.658.366	195.513.259
	210.252.836	**214.052.200**

Below is the movement in pension liabilities:

	As of December 31,	
	2020	2019
Balance at the beginning of the period	214.052.200	217.122.958
Interest expense	13.701.692	14.276.082
Payments made by the plan	(18.353.854)	(17.744.821)
Actuarial losses on obligations (1)	952.876	253.607
	210.352.914	**213.907.826**
Parts receivable fees	(100.078)	(44.065)
Retirement pensions payable	-	188.440
	(100.078)	**144.375**
Balance at the end of the period	**210.252.836**	**214.052.200**

1) As of December 31, 2020, includes actuarial restatement recognized in Other Comprehensive Income for $952,878 and accrued premiums recognized in income for $100,078.

The Group recognizes post-employment benefits corresponding to retirement pensions, which include pension allowance and health. The actuarial calculation includes retired personnel fully covered by the Group, with pension shared with the ISS and the expectation of sharing with the ISS and life substitutes fully covered by the Group, life substitutes shared with the ISS, and temporary substitutes fully covered by the Group.

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

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

As from the actuarial calculation for 2018, the installments receivable from other entities were considered, which will be recorded at the time when the amounts due are collected. As of December 31, 2020, the estimated value of installments receivable from other entities is $2,658,159 (Note 7).

The actuarial calculation is updated at the end of each accounting period and was quantified according to an inflation rate of 2.9% and a real rate of 3.089%.

Additionally, future cash flows up to the year 2026 and the sensitivity analysis as of December 31, 2020, are included.

Future Cash Flows (*)

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

Year	*COP $(000)*
2021	19.594.470
2022	20.162.710
2023	20.747.429
2024	21.349.104
2025	21.968.228
2026	22.605.307

Sensitivity Analysis (*)

The following sensitivity analysis presents the effect of these potential changes on the obligation, holding all other assumptions constant, as of December 31, 2020:

	Interest rate	*COP $(000)*
Discount rate	6,079%	207.594.678
-50 basic points	5,579%	216.954.490
+50 basic points	6,579%	198.952.844
Inflation rate	2,90%	207.594.678
-50 basic points	2,40%	198.248.834
+50 basic points	3,40%	217.651.288

(*) Information taken from the "Report on the valuation of the mathematical reserve for retirement pensions as of December 31, 20120, prepared by Loredana Helmsdorff, actuary.

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

The population considered in the study is 709 people, 603 with mathematical reserve calculation for retirement pensions and 106 pension bonds.

(4) The Group included a provision for voluntary retirement. Corresponds to a formal plan, identifying functions, approximate number of employees, disbursements to be made, and estimated plan dates.

(5) Corresponds to the estimated costs associated with the dismantling or retirement of the item of property, plant, and equipment. There is no expected timetable for the exit of resources since, to date, the Group does not estimate the exit of such technical sites.

The following is the movement of pension provisions and liabilities for 2020:

	Balance as of December 31, 2019	Endowment	Application	Reversal	Financial update	Transfers	Balance as of December 31, 2020
Current							
Provision for tributes and considerations	98.302.465	256.371.052	(253.021.528)	-	-	-	101.651.989
Provision for employee benefits	31.739.747	53.954.745	(27.682.153)	(4.411.458)	-	(17.896.142)	35.704.739
Pension liability	18.538.941	-	-	-	1.055.529	-	19.594.470
Voluntary retirement provision	11.400.475	160.605	(5.123.760)	-	-	-	6.437.320
Provision for third party and labor claims (Note 30)	6.638.029	10.919.525	(1.223.223)	(4.137.981)	-	(1.136.726)	11.059.624
	166.619.657	**321.405.927**	**(287.050.664)**	**(8.549.439)**	**1.055.529**	**(19.032.868)**	**174.448.142**
Non-Current							
Pension liability	195.513.261	13.701.691	(18.353.855)	-	(202.731)	-	190.658.366
Provision for dismantling	53.982.184	-	-	-	3.157.456	-	57.139.640
Provision for third party and labor claims (Note 30)	6.229.936	7.063.929	(2.241.680)	(1.516.272)	-	1.136.726	10.672.639
For responsibilities to subsidiaries	472.833	-	-	(472.833)	-	-	-
	256.198.214	**20.765.620**	**(20.595.535)**	**(1.989.105)**	**2.954.725**	**1.136.726**	**258.470.645**

The following is the movement of provisions and pension liabilities for 2019:

	Balance as of December 31, 2018	Endowment	Application	Reversal	Financial update	Transfers	Balance as of December 31, 2019
Current							
Provision for tributes and considerations	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
Pension liability	17.786.725	-	-	-	752.216	-	18.538.941
Voluntary retirement provision	15.651.453	14.620.235	(18.899.401)	-	-	28.188	11.400.475
Provision for third party and labor claims	15.162.844	2.854.454	(9.654.425)	(1.724.844)	-	-	6.638.029
	197.555.544	**401.435.110**	**(406.455.688)**	**(12.494.157)**	**752.216**	**(14.173.368)**	**166.619.657**
Non-Current							
Pension liability	199.336.233	14.276.083	(17.557.000)	-	(542.055)	-	195.513.261
Dismantling provision	36.005.613	15.566.161	(231.072)	-	2.641.482	-	53.982.184
Provision for third party and labor claims	13.696.393	12.081.459	(12.271.940)	(7.275.976)	-	-	6.229.936
For responsibilities to subsidiaries	-	472.833	-	-	-	-	472.833
	249.038.239	**42.396.536**	**(30.060.012)**	**(7.275.976)**	**2.099.427**	**-**	**256.198.214**

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

22. EQUITY, NET

The authorized, subscribed and paid-in capital is presented below:

(a) Capital stock

	As of December 31	
	2020	**2019**
Authorized capital	1.454.870.740	1.454.870.740
Subscribed and paid-in capital	3.410.076	3.410.059
Nominal value (in pesos)	1	1

The equity interest is presented below:

	As of December 31			
	2020		**2019**	
Shareholders	**Number of Shares**	**Participation**	**Number of Shares**	**Participation**
Telefónica Hispanoamerica S.A.	2.301.779.819	67,49937427%	1.756.837.596	51,51926832%
La Nación-Ministerio de Hacienda y Crédito Público	1.108.269.271	32,49984282%	1.108.269.271	32,50000004%
Radio Televisión Nacional de Colombia-RTVC	10.000	0,00029325%	10.000	0,00029325%
Shirley Puentes Mercado (1)	9.950	0,00029178%	-	-
Adriana Cepeda Rodríguez (1)	2.488	0,00007296%	-	-
Patricia Cepeda Rodríguez (1)	1.493	0,00004378%	-	-
Darío Cárdenas Navas (1)	885	0,00002595%	-	-
Eduardo Cárdenas Caballero (1)	826	0,00002422%	-	-
Jhon Jairo Gutiérrez Torres (1)	498	0,00001460%	-	-
Kira Torrente Albor (1)	349	0,00001023%	-	-
Canal Regional de Televisión Ltda.- TEVEANDINA	200	0,00000586%	200	0,00000587%
Área Metropolitana de Bucaramanga (1)	2	0,00000006%	-	-
Instituto de Vivienda de Interés Social y Reforma Urbana del Municipio de Bucaramanga — INVISBU (1)	2	0,00000006%	-	-
Caja de Previsión Social Municipal (1)	2	0,00000006%	-	-
Cooperativa de Empleados de las Empresas Públicas de Bucaramanga Ltda. (1)	2	0,00000006%	-	-
Central de Inversiones S.A.- CISA	1	0,00000003%	1	0,00000003%
Latín América Celular Holdings S.L.	-	-	275.602.636	8,08204821%
Telefónica S.A.	-	-	269.339.586	7,89838425%
Terra Networks Colombia S.A.S. - Liquidada	-	-	1	0,00000003%
	3.410.075.788	**100,0000000%**	**3.410.059.291**	**100,00000000%**

(1) This corresponds to the allocation of the 16,497 common shares that Colombia Telecomunicaciones S.A. E.S.P. issued as consideration to the shareholders of the absorbed companies in the merger process (Note 1c).

(b) Additional paid-in capital

This corresponds to the excess of the value received with respect to the nominal value of the shares in the issues that the Company has made from the time of creation to date. As of December 31, 2020 and 2019 its value is $9,822,380,645.

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

(c) Reserves

The following is the detail of the reserves:

	As of December 31	
	2020	**2019**
Voluntary bookings (1)	38.686.537	3.761.483
Statutory reserves (2)	26.298.376	26.298.376
Legal reserve (3)	6.045.752	6.045.752
	71.030.665	**36.105.611**

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

a) Occasional reserve: The Shareholders' Meeting by Act No. 068 of March 16, 2020, constituted a reserve of $34,925,054 corresponding to the profits obtained during 2019 of Colombia Telecomunicaciones S.A. E.S.P., which will be used in accordance with the purpose defined by the meeting.

b) Reserve for future expansions: Reserve created by the Company for future expansions, not distributable. The balance of this reserve as of September 30, 2020, and December 31, 2019, amounts to $3,730,162.

c) Reserve for share repurchase: Reserve constituted by the Company for share repurchase, non-distributable and whose balance as of September 30, 2020, and December 31, 2019, is $31,322.

(2) For tax provisions: The Company, in accordance with tax regulations, when in its income tax return it requests depreciation installments that exceed the value of the installments recorded for accounting purposes, constitutes a non-distributable reserve equivalent to 70% of the greater value requested as a deduction. When the depreciation requested for tax purposes is lower than that recorded for accounting purposes, the Company may release from such reserve an amount equivalent to 70% of the difference between the value requested and the value recorded; the profits released from the reserve may be distributed as income not constituting income. As of December 31, 2020, and 2019, the reserves were $26,298,376. With the issuance of Law 1819 of 2016 (Tax Reform), the rule that established this reserve was repealed. Therefore, as of the taxable year 2017, it will not be mandatory to constitute such reserve.

(3) Legal Reserve: The reserve established by the Company as of December 31, 2020 and 2019 is $6,045,751.

(d) Other Perpetual Equity Instruments

On March 27, 2020, the Group repaid the subordinated perpetual equity instrument issued on March 30, 2015, in the amount of USD500 million and impacting equity by $1,689,145,000 and financial liabilities by $308,770,000, for a total payment of $1,997,915,000. The characteristics of the bond are presented below:

Format	Currency of issue	Premiums and discounts	Total issue amount	Total issued amount	Minimum redemption term	Date of issue	Rate /Payment	Use of Resources
R 144A/ Reg S	USD	Zero	500 million	500 million	Perpetual NC 5	March 30, 2015	8.5% / Semi-annually	Prepayment of local debt

Characteristics: i). Possibility to defer coupons at the issuer's discretion. ii) Redemption option as of year five and at each semiannual payment of yields due.

In the Consolidated Statements of Changes in Shareholders' Equity, the accumulated results for the periods ended December 31, 2020, and 2019 include interest coupon payments of $55,037,974 and $140,816,313, respectively.

(e) Other Comprehensive Income

The Group recognized a net loss in Consolidated Other Comprehensive Income as of December 31, 2020, of $309,509,551 (2019 net income of $193,999,213).

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

The variation is mainly due to: i) During 2020, the valuation of derivative hedging instruments net of taxes corresponds mainly to the increase in external interest rate curves and the fall in local interest rates, thus generating an unrealized expense for valuation of hedges net of taxes and settlement of hedges at the end of 2019 associated with the prepayment of the senior bond for USD750 million for $308,556,673 (2019 gain of $19,804,132); ii) the actuarial expense for post-employment benefits in 2020 for $952,878 (2019 gain of $136,433,878) (2019 gain of $136,433). 556,673 (2019 gain of $19,804,132); ii) actuarial expense for post-employment benefits in 2020 of $952,878 (2019 gain of $136,433); iii) revaluation of real estate net of taxes, during 2020 no revaluation of real estate took place (2019 - $174,058,648).

(f) Revaluation surplus, net of taxes

The Group, for the year ended December 31, 2020, and 2019, transferred directly to revalued assets and their corresponding impact on deferred taxes for $143,765,852 and $116,317,899, respectively, to revalued assets and their corresponding impact on deferred taxes, directly to retained earnings.

(g) Equity attributable to non-controlling interests

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

23. OPERATING INCOME

Revenues from contracts with customers are presented below:

	Period ended December 31,	
	2020	**2019**
Mobile services		
Data services (1)	1.495.436.962	1.419.449.140
Voice services (1)	585.105.152	656.710.100
Value-added services (2)	194.534.472	192.337.741
	2.275.076.586	**2.268.496.981**
Fixed services		
Data services (3)	705.527.005	660.766.622
Capacidad y soluciones tecnológicas	419.913.803	359.444.471
Fixed voice services (3)	315.365.533	425.988.791
Revenues TV (3)	254.115.730	257.556.786
	1.694.922.071	**1.703.756.670**
Sale of terminal equipment	470.392.234	537.397.883
Digital services	428.820.523	303.778.610
Interconnection	293.750.316	265.252.062
Other data (O.M.V.)	44.384.703	61.996.802
Venta de equipos para servicios fijos	18.798.718	2.786.963
Roaming revenue	9.611.710	15.715.152
	1.265.758.204	**1.186.927.472**
	5.235.756.861	**5.159.181.123**

As of the year ended December 31, 2020, and 2019 includes operating income with related parties of $50,302,334 and $47,182,302, respectively (Note 29).

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

(1) Mobile services showed variation, mainly due to the unlimited data offer launched during 2020, which changed the market and allowed customers greater data capacity in line with the health emergency. This compensated for the drop in voice services.

(2) The variation in fixed voice and data services corresponds mainly to customers' preference for data. Television revenues presented changes in the offer, where the Fiber Optic catalog and application services were expanded. The customer base is more stable compared to 2019.

(3) The sale of terminal equipment shows a decrease as a result of the health emergency measures, which affected the face-to-face sales channels during some months of the year, largely offset by the efforts of the digital channels.

(4) They mainly include cloud storage services, security, and on-demand or subscription applications; during 2020, the corporate segment presents an increase in SENA, RENATA, and AVIANCA projects.

(5) During the period ended December 31, 2020, there will be an increase mainly due to the sale of Wi-Fi repeaters to customers.

The impact on operating income as a result of the economic and health emergency caused by COVID-19 is presented in Note 33.

24. OTHER OPERATING INCOME

The Group's other operating income is presented below:

	Period ended December 31,	
	2020	**2019**
Works performed for the immobilization (1)	59.196.131	65.769.388
Other operating income (2)	56.132.158	131.492.979
Sale of movable and immovable property (3)	8.686.699	334.570.657
	124.014.988	**531.833.024**

As of December 31, 2020, and 2019, other operating income with related parties of $24,171,170 and $19,912,216, respectively, is included (Note 29).

1) These correspond to work performed by Group personnel, which due to their characteristics, are directly related to the development and start-up of fixed assets.

2) Includes support services from suppliers, fees, and indemnities for breach of contract and administrative platform services to suppliers. The variation, when compared to 2019, corresponds mainly to higher-income generated in 2019 from indemnification of suppliers, agreements, and contractual management fees with allies.

3) Corresponds to the profit generated in the sale of real estate in the development of the asset optimization strategy. This strategy was intensively developed during 2019 in accordance with the plan foreseen for this purpose.

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

25. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Period ended December 31,	
	2020	**2019**
Equipment cost (Notes 8 and 10) (1)	704.448.621	738.682.128
Labor costs	442.138.873	438.233.260
Interconnection and roaming	294.915.274	274.309.465
Other operating costs and expenses (2)	282.062.660	312.008.873
Equipment and facility maintenance	258.957.850	294.117.984
Tributes and considerations	238.379.830	247.823.610
Renting & third party activities to customers (3)	225.268.050	101.873.634
Renting media and other network infrastructures	213.074.185	243.416.987
Content providers	207.151.157	199.874.870
Sales fees (4)	195.564.938	262.630.551
Energy service	166.154.622	169.148.253
Computer services	154.351.990	159.970.354
Advertising	119.088.128	123.433.496
Customer service	65.674.153	65.926.278
Cost of fulfilling contracts (Note 8)	64.536.753	46.860.555
Portfolio impairment (Note 7)	55.692.097	89.813.930
Other costs and expenses and non-recurring (5)	12.760.031	8.132.013
Inventory provision (Note 10)	(848.457)	(53.281)
	3.699.370.755	**3.776.202.960**

The years ended December 31, 2020 and 2019 include expenses with related parties for $288,182,556 and $265,025,456, respectively (Note 29).

The net variation presented between the years ended December 31, 2020, and 2019 corresponds mainly to i) increase due to the execution of new contracts for integral solutions with corporate clients; ii) increase in mobile access charges - mobile due to an increase in traffic minutes; iii) higher cost of customer home services equipment due to amortization of the deferred cost associated with new subscribers (Note 10); and iv) decrease in the cost of sales of smartphone mobile equipment due to a decrease in sales caused by the health emergency.

During the years ended December 31, 2020, and 2019, operating expenses with related parties of $288,182,556 and $265,025,456, respectively, are included (Note 29).

(1) Includes amortization of equipment costs at customers' premises during 2020 and 2019 for $108,317,316 and $82,002,608, respectively (Note 8).

(2) It includes mainly operating costs and expenses for banking services, logistics services, leases, legal, tax, labor advice, transportation, expenses with temporary service companies, collection management services, surveillance, insurance, and travel expenses.

(3) The increase is mainly due to the execution of projects with corporate clients.

(4) The main decrease corresponds to the activation of commissions for obtaining contracts and includes amortization in 2020 for $5,069,446 (Note 8).

(5) Includes legal contingencies and cable replacement costs.

The impacts on operating costs and expenses resulting from the economic and health emergency caused by Covid-19 are presented in Note 33.

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

26. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are presented below:

	Period ended December 31,	
	2020	**2019**
Depreciation of properties, plant and equipment (Note 14)	644.174.612	719.033.699
Amortization of intangible assets (Note 16)	512.461.985	520.710.301
Depreciation of assets by rights of use (Note 13)	217.383.644	182.715.493
	1.374.020.241	**1.422.459.493**

27. FINANCIAL EXPENSES, NET

Interest income (expense), net is presented below:

	Period ended December 31,	
	2020	**2019**
Income:		
Interest hedging operations, Net (1)	60.594.264	-
Customer blackberry interest	15.615.023	25.389.744
Temporary and bank investment yields (Note 5)	9.597.548	3.371.133
	85.806.835	**28.760.877**
Expenses:		
Interest on loans, bonds and bonds (2) (Note 18)	(262.252.590)	(196.701.988)
Leasing financial expenses (3)	(41.547.785)	(20.455.695)
Financial update of liabilities (4)	(16.833.169)	(16.861.233)
Other financial expenses (5)	(11.821.048)	(19.143.293)
Tax financial transactions	(1.226.075)	(3.756.087)
Interest hedging operations, net (1)	-	(61.805.100)
	(333.680.667)	**(318.723.396)**
(Loss) gain by difference instead. Net	(16.814.364)	546.328
	(350.495.031)	**(318.177.068)**
	(264.688.196)	**(289.416.191)**

1) Financial income generated by the early redemption of derivative instruments (Swaps), associated with the prepayment of the senior bond in 2020.

2) Includes interest on the senior bond for the year ended December 31, 2020 of $153,694,980 (2019 - $132,692) and on the local bond of $32,283,470 (2019 - $19,577).

3) The main increase in 2020 corresponds to finance lease expense associated with new contracts and/or longer-term renewals.

4) Corresponds mainly to a financial restatement of liabilities.

5) Includes mainly financial expenses for non-capitalizable issuance costs associated with the senior bond. The variation is generated by the impact on the pesification of the debt due to the new agreement with the Corporación Red Nacional Académica de Tecnología Avanzada - RENATA.

28. FINANCIAL RISK MANAGEMENT

28.1. 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

Arises mainly from the Group's obligations and rights 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 variable rate debt and/or for short-term debt negotiations at fixed interest rates and ii) long-term liabilities at fixed interest rates.

Liquidity Risks

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

Credit Risk

Credit risk arises from cash and cash equivalents (deposits with banks and financial institutions) and credit exposure to wholesale and retail customers, which includes outstanding balances of accounts receivable and committed transactions. Only institutions with independent risk ratings of at least 'A' are accepted for banks and financial institutions. Independent ratings of wholesale customers are used to the extent available. If independent risk ratings are not available, the portfolio manager evaluates the credit quality of the client, taking into consideration the client's financial position, past experience, and other factors. Individual credit limits are established in accordance with 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 mainly made on a cash basis. Credit limits were not exceeded during the reporting year, and management does not expect the Group to incur significant losses from the performance of its counterparties.

Price Risk

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

Country Risk

Economic activity recorded a significant slowdown due to the impact of covid-19 and the measures to contain its spread, both on the supply and demand sides. In the second quarter of 2020, GDP registered a historical drop of 15.9%, and in the third quarter of 2020, it moderated its contraction to -9%, thus in the first nine months of the year, economic activity fell 8.1%. Analysts expect that the consolidated 2020 growth will be around -7.2%, much lower than the 3.3% recorded in 2019.

Inflation decelerated and was below the Bank of the Republic's target range. In 2020, annual inflation stood at 1.61%, 2.19 percentage points (p.p) lower than the 3.80% in 2019. The deceleration of inflation as a result of the fall in economic activity was reflected in the significantly lower contribution of inflation of non-tradable and regulated goods and services. In the first case, education fees were affected at all educational levels due to the lack of attendance and the lower demand for these services. In contrast, the second case is explained by subsidies to the provision of some public services during most of the confinement. In line, the prices of tradable goods and services had a significantly lower variation than in 2019, despite the strong depreciation of the Colombian peso, evidencing the affectation in household spending. Thus, annual inflation was mostly explained by pressures in food prices, exacerbated by speculation in the first months of the strict quarantine (March-May), despite the correction recorded in the following months.

Bank of the Republic cut its intervention rate by 250 base points to 1.75% after maintaining it at 4.25% from April 2018 to March 2020. Economic growth well below the estimated potential and an international context of low-interest rates and abundant liquidity led the balance of risks to allow a cut of this magnitude.

The Colombian peso recorded a strong depreciation throughout 2020; the average exchange rate was $3.697, 12.7% above 2019 ($3.281). This behavior was explained by the fall in oil prices, first due to the price war between Russia and Saudi Arabia and then by the fall in demand due to the quarantines implemented in several countries in the face of the advance of Covid-19, as well as by the high uncertainty and greater risk aversion in the context of the pandemic.

In March, the rating firm Standard & Poor´s announced its decision to maintain Colombia's credit rating at BBB-, but revised its outlook from stable to negative; in April, the rating firm Fitch downgraded the rating from BBB to BBB-, maintaining the negative outlook. Between October and November, both rating agencies ratified their decision, and Colombia maintained its investment grade. In December 2020, Moody's reaffirmed the sovereign debt rating two levels above investment grade (Baa2) but changed its outlook from stable to negative.

Risk Management

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

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

Figures in millions	NDF		IRS Libor	IRS IBR	IRS IPC	CCIRS (margin)	CCIRS
Underlying	USD	EUR	USD	COP	IPC	USD	USD
Senior bonus	-	-	500	-	-	500	500
Debt in US$/COP	465	-	-	900.000	152.410	-	-
Trading accounts	76	3	-	-	-	-	-
Future cash flows	136	-	-	-	-	-	-
	677	**3**	**500**	**900.000**	**152.410**	**500**	**500**

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

At year-end 2019, the Group had the following portfolio of exchange rate and interest rate financial derivatives, expressed in their currency of origin:

Figures in millions	NDF		IRS Libor	IRS IBR	IRS IPC	CIRS (margin)	CIRS	Options
Underlying	USD	EUR	USD	COP	COP	USD	USD	USD
Senior bonus	750	-	750	-	-	750	-	-
Debt in US$/COP	1	-	-	-	152.410	-	-	-
Trading 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

Exchange Rate Risk

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

On December 31, 2020, the Group's debt, in US dollars, including the senior bond maturing in 2030, was equivalent to USD$978 million (2019 - USD$762 million). Additionally, considering the ordinary flow of the Group's business, hedges of commercial accounts were made, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency, which were recorded in the Statement of Financial Position. Finally, highly probable future cash flow hedges were contracted through NDF (Non-Delivery Forwards) and options with terms of up to one year to hedge a portion of the OPEX and CAPEX in foreign currency of the following year's budget.

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

	As of December 31,	
	2020	**2019**
Assets		
Cash and cash equivalents	5.182	5.411
Debtors and other receivables	4.690	66.402
Related parties	4.655	21.529
Total assets	**14.527**	**93.342**
Liabilities		
Financial obligations	978.327	761.564
Suppliers and accounts payable	73.711	144.936
Related parties	19.750	17.118
Total liabilities	**1.071.788**	**923.618**
Liabilities, net position	**(1.057.261)**	**(830.276)**

	As of December 31,	
	2020	**2019**
Assets		
Cash and cash equivalents	17.787.215	17.732.605
Debtors and other receivables	16.098.425	217.608.650
Related parties	15.978.288	70.553.547
Total assets	**49.863.928**	**305.894.802**
Liabilities		
Financial obligations	3.358.107.428	2.495.751.847
Suppliers and accounts payable	253.013.008	474.975.563
Related parties	67.791.875	56.098.083
Total liabilities	**3.678.912.311**	**3.026.825.493**
Liabilities, net position	**(3.629.048.383)**	**(2.720.930.691)**

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

Interest Rate Risk

After hedging, the variable rate exposure is 70.29% 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.

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

	Financial Obligations (1)		
Fixed-rate obligations	**Value (1)**	**Participation**	**Index**
Debt in COP	1.400.000.000	29,71%	Tipo fijo
Fixed total	**1.400.000.000**	**29,71%**	
Variable rate obligations			
Senior bonus(2)	1.716.250.000	36,42%	Libor 3M
Debt in USD	1.596.112.500	33,87%	Libor 3M y 6 M
Variable total	**3.312.362.500**	**70,29%**	
Total debt	**4.712.362.500**	**100,00%**	

(1) Interest rate exposure after hedging.
(2) Nominal value of senior bonds at December 31.

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.

In the terms in which the rates were lower than 1%, sensitivity was not considered to avoid negative rates; for the calculation of sensitivity in equity, only cash flow hedging transactions were considered, considering that they are the only transactions whose interest rate effect is recorded in equity. Similarly, only fair value hedging transactions were considered for sensitivity in income, considering that they are the only transactions whose valuation interest rate effect is recorded in income.

The sensitivity result was as follows:

	Impact on Results	Heritage Impact
+ 100 pb	2.130.100	(97.769.125)
- 100 pb	(2.130.234)	109.667.611

Derivative Financial Instruments and Risk Management Policy

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

		Notional Value (2) - Expirations *(Figures in millions of pesos)*			
Derivatives	**Good value**	**2021**	**2022**	**Further**	**Total**
nterest rate hedges					
Cash flow hedges	(148.108)	-	-	3.432.500	3.432.500
	(148.108)	**-**	**-**	**3.432.500**	**3.432.500**
Exchange rate hedges					
Cash flow hedges	(156.248)	2.055.606	8.084		2.063.690
Fair value hedges	(13.522)	220.075	52.517	1.566	274.158
	(169.770)	**2.275.681**	**60.601**	**1.566**	**2.337.848**
Interest rate and exchange rate coverage"					
Cash flow hedges	(278.652)	-	-	2.768.660	2.768.660
	(596.530)	**2.275.681**	**60.601**	**6.202.726**	**8.539.008**

(1) It is presented as net Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

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

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

		Notional Value (2) - Expirations *(Figures in millions of pesos)*			
Derivatives	**Good value for stay**	**2020**	**2021**	**Further**	**Total**
nterest rate hedges					
Cash flow hedges	38.241	-	-	4.915.710	4.953.951
	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 and exchange rate coverage"					
Cash flow hedges	(6.844)	-	-	152.410	145.566
	54.815	**3.503.030**	**9.342**	**5.068.120**	**8.635.307**

(1) It is presented as net Credit Valuation Adjustment (CVA) y Debit Valuation Adjustment (DVA).
(2) For interest-rate hedges, the positive sign amount is in terms of a fixed payment. For foreign exchange hedges, a positive amount means payment in functional currency versus foreign currency.

28.2. Other Risks and Uncertainties faced by the Group.

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

Regulatory Risk

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

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

Risks Inherent to the Business Sector in which the Group Operates

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

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

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

2. The value to be paid as consideration was USD$47,700 thousand, which was paid as follows:

    (a) 50% in cash (USD$23,850 thousand) six months after the date on which the act of assignment of the spectrum becomes final.

    (b) 50% through the fulfillment of the obligation to do (coverage of 36 locations and service to educational institutions).

3. The obligation of 3G coverage in all the municipal capitals in which the Group had coverage by April 18, 2012.

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

In the 4G auction process, the Group obtained 30 MHZ of spectrum in the 1710 MHZ to 1755 MHZ band paired with 2110 MHZ to 2,155 MHZ, a resource that was assigned by Resolution 2625 of 2014, with a 10-year term, confirmed by Resolution 4142 of October 25, 2013.

With these assignments, the 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 maximum spectrum cap in terrestrial mobile services to 90MHz for high bands (between 1710 MHz and 2690 MHz) and 45 MHz for low bands (between 698 MHz and 960 MHz).

Other Risks and Uncertainties Facing the Group

Markets Subject to Continuous Technological Evolution

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

Consequently, it could be costly for the Group to develop the products and technologies necessary to continue competing efficiently with current or future competitors. Therefore, it is important to consider that increased costs could have a negative impact on the business, its financial situation, and the Group's economic results or cash generation.

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

Risks Associated with Unplanned Network Outages

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

29. RELATED PARTIES

29.1. Accounts receivable

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

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

Current

a) Shareholders

	As of December 31,	
	2020	**2019**
From outside		
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	1.804	-
Telefónica S.A.	-	9.237.407
Total actionists from abroad	**1.804**	**9.237.407**

b) Economic ties

National		
Tiws Colombia II S.A.S.	31.353.050	20.228.140
Telxius Cable Colombia S.A.	1.771.759	1.127.060
Wayra Colombia S.A.S.	105.653	51.450
	33.230.462	**21.406.650**

	As of December 31,	
	2020	**2019**
From outside		
TIWS II	6.652.978	3.671.244
Pegaso Pcs. S.A. de C.V.	3.112.920	2.965.062
Telefónica S.A.	2.807.747	-
Telefónica Digital España S.A.	1.685.051	10.667.702
Otecel S.A.	1.307.959	1.280.465
Telefónica Móviles España S.A.	1.034.360	1.524.277
Telefónica Venezolana C.A. (a)	941.771	-
Telefónica Móviles El Salvador S.A.	663.046	1.023.150
Telefónica Móviles Argentina S.A.	388.203	698.652
Telefónica del Perú S.A.	383.843	488.135
Telefonica Germany GMBH & CO OHG	276.464	435.466
Terra Networks Mexico S.A. de CV	199.250	-
Telefónica de Costa Rica	128.612	3.468
Telefónica Compras Electrónicas	44.530	142.680
Telefónica USA Inc.	14.897	161.381
Telefónica Brasil S.A	-	168.248
Telefónica Móviles de Chile	-	195.983
Telefonica Factoring Mexico S.A.	-	14.968
	19.641.631	**23.440.881**
Total actionists from abroad	**52.872.093**	**44.847.531**

c) Associated Companies

Nacional		
Telefónica Factoring Colombia S.A.	42.957	39.794
	52.916.854	**54.124.732**

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

Foreign currency balances of domestic accounts receivable with related parties as of December 31, 2020, and 2019 are USD$4,655 thousand ($15,978,288) and USD$21,529 thousand ($70,553,547), respectively.

Non-current

a) Economic Ties

	As of December 31,	
	2020	**2019**
Telefónica Venezolana C.A. (a)	-	39.781.586
	-	**39.781.586**

(a) During 2020, the corresponding procedures were carried out for the cancellation of long-term invoices from Telefónica Venezolana C.A. to the Group.

The foreign currency balances of domestic accounts receivable as of December 31, 2020, and 2019 are USD$4,655 thousand ($15,978,288) and USD$21,529 thousand ($70,553,547), respectively.

29.2. Accounts Payable

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

Current

a) Shareholders

	As of December 31,	
	2020	**2019**
From outside		
Telefónica S.A.	-	12.666.965
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	-	347.494
Total actionists from abroad	**-**	**13.014.459**

b) Economic ties

Nacional		
Tiws Colombia II S.A.S.	24.507.869	21.139.257
Telxius Cable Colombia S.A.	14.228.593	15.958.471
Telefonica Ingenieria de Seguridad	5.050.742	964.167
Telefónica Learning Services Colombia	-	193.422
	43.787.204	**38.255.317**

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

	As of December 31,	
	2020	**2019**
From outside		
TIWS II	43.911.169	40.451.578
Telefónica S.A.	23.017.233	-
Media Network Latin América	12.359.857	7.049.603
Telefónica Global Technology	4.156.882	20.877.265
Telefónica USA Inc.	3.971.914	9.085.333
Telefónica Digital España S.A.	3.737.989	3.036.649
Telefónica Móviles Argentina S.A.	3.602.653	3.838.691
Telefónica Compras Electrónicas	3.150.260	1.799.238
Pegaso Pcs. S.A. de C.V.	1.802.720	1.561.241
Telefónica de Argentina S.A.	1.713.000	1.713.000
Telefónica Móviles España S.A.	1.534.948	1.464.557
Otecel S.A.	1.245.458	1.403.559
Terra Networks Mexico S.A. de CV	913.687	519.785
Telefónica Ingeniería de Seguridad	892.885	72.005
Telefónica Global Roaming	822.084	551.850
Telefónica del Perú S.A.	682.891	718.811
Telefónica Venezolana C.A.	468.935	2.301.622
Telefónica Servicios Audiovisuales	382.756	225.919
Telefónica Móviles de Chile	179.316	138.846
O2 T. UK Limited	178.328	218.324
Telefónica Brasil S.A	39.881	469.749
Telefónica Broadcast Services S.L.U	32.746	44.368
Telefónica Móviles Uruguay S.A.	30.796	29.447
Telefónica de Costa Rica	12.888	7.766
Telefónica Móviles El Salvador S.A.	4.971	17.790
E-Plus Mobilfunk GMBH & CO	325	135.906
Telefónica de España S.A.U.	-	757.315
Telefonica Educacion Digital	-	18.015
TGestiona Logistica Sociedad Anonima	-	5.755
Total actionists from abroad	**108.846.572**	**98.513.987**
Total suppliers and accounts payable with related parties	**152.633.776**	**149.783.763**

Non-Current

a) Shareholders

	As of December 31,	
	2020	**2019**
Share-based payments		
Telefónica S.A.	9.368.156	4.521.758
	9.368.156	**4.521.758**

Foreign currency balances of accounts payable in relation to related parties as of December 31, 2020, are USD$19,750 thousand ($67,791,875) and, as of December 31, 2019, are USD$17,118 thousand ($56,098,083).

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

29.3. Revenues, Costs and Related Party Expenses

The Group carries out transactions with its related parties under the same market conditions and mutual independence. The following is the summary of the Group's revenues, costs, and expenses during the period from January 1 to December 31, 2020, and 2019 with shareholders, economic-related parties, and associated companies.

a) Shareholders

	Year ended December 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
From outside				
Telefónica S.A.	-	8.158.887	-	33.873.392
Telefónica Hispanoamérica S.A. (Antes Telefónica Latinoamérica Holding S.L)	-	-	187.714	889.330
Total shareholders abroad	**-**	**8.158.887**	**187.714**	**34.762.722**

b) Economic Ties

	Year ended December 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
Nacional				
Tiws Colombia II S.A.S.	23.573.522	19.145.710	18.062.534	12.555.883
Telxius Cable Colombia S.A.	2.435.217	2.417.055	50.664.307	60.341.074
Wayra Colombia S.A.S.	458.339	455.855	-	-
Telefónica Learning Services Colombia	193.422	-	-	68.530
Telefónica Ingeniería de Seguridad	-	-	7.460.270	1.115.513
	26.660.500	**22.018.620**	**76.187.111**	**74.081.000**

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

	Year ended December 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
From outside				
TIWS II	25.257.155	20.493.939	55.278.670	52.568.682
Telefónica S.A.	13.071.939	-	50.046.311	-
Telefónica Digital España S.A.	4.937.119	9.692.340	5.105.697	3.267.180
Telefónica Móviles El Salvador S.A.	1.203.045	914.960	5.694	31.540
Telefónica Móviles España S.A.	782.709	728.717	1.892.510	1.434.156
Telefónica del Perú S.A.	599.034	428.655	338.531	1.062.736
Telefónica Venezolana C.A.	485.767	409	-	96.317
Telefónica Móviles Argentina S.A.	187.547	376.267	54.676	144.401
Telefónica Brasil S.A	186.264	634.687	136.578	142.608
Terra Networks Mexico S.A. de CV	175.807	0	1.498.509	1.062.414
O2 T. UK Limited	160.933	311.556	25.537	100.680
Telefónica Compras Electrónicas	154929	139.930	8.691.996	4.894.300
Telefónica Móviles de Chile	107.324	2.119.845	37.088	117.091
Otecel S.A.	64.239	205.759	130.172	234.927
Telefónica USA Inc.	52.648	64.300	8.733.768	4.473.146
Telefónica de Costa Rica	22.791	89.608	25.015	52.713
Pegaso Pcs. S.A. de C.V.	19.513	105.837	191.647	484.706
Telefónica Móviles Uruguay S.A.	9.359	29.442	9.292	19.293
E-Plus Mobilfunk GMBH & CO	2.285	-	83	19.235
Telefónica Global Technology	-	-	37.646.264	35.550.496
Media Network Latin América	-	-	29.677.063	38.824.388
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 Servicios Audiovisuales	-	-	1.054.992	538.795
Telefonica de Contenidos SAU	-	-	963.512	1.338.739
Telefónica Global Roaming	-	-	849.443	635.246
Telefónica Ingeniería de Seguridad	-	-	820.880	331.166
Telefónica Empresas Chile S.A.	-	-	494.646	-
Telefónica de España S.A.U.	-	-	305.311	757.315
Telefónica Broadcast Services S.L.U	-	-	38.655	44.528
Telefonica Germany GMBH & CO OHG	-	7.471	34.480	95.909
Telefónica Móviles Panamá S.A.	-	226.404	-	138.316
Telefónica Celular De Nicaragua S.A	-	9.826	-	-
	47.480.407	**36.579.952**	**211.807.731**	**156.181.734**
Total national and foreign economic linked	**74.140.907**	**58.598.572**	**287.994.842**	**230.262.734**

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

c) Associated Companies

	Year ended December 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
Nacional				
Telefónica Factoring Colombia S.A.	332.597	337.059	-	-
	332.597	**337.059**	**-**	**-**
	74.473.504	**67.094.518**	**288.182.556**	**265.025.456**

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

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

Operating income:

	Year ended December 31,	
	2020	2019
Mobile services		
Value added services	104.428	238.263
Data services	16.021	26.967
Voice services	13.008	30.932
	133.457	**296.162**
Fixed services		
Data and IT	16.114.343	16.120.166
Fixed voice services	6.697.708	6.641.071
Internet services	5.942.462	768.839
	28.754.513	**23.530.076**
Interconnection	13.559.262	14.023.881
Digital services	6.016.612	4.045.655
Roaming revenue	1.825.485	5.272.854
Sale of terminal equipment	13.005	13.674
	21.414.364	**23.356.064**
Other operating income (1)	24.171.170	19.912.216
	24.171.170	**19.912.216**
	74.473.504	**67.094.518**

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

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

Operating Costs and Expenses:

	Year ended December 31,	
	2020	2019
Media rental	120.475.554	117.195.133
Other operating costs and expenses (1)	52.588.577	45.116.423
Interconnection and roaming	38.750.140	34.216.793
Other non-recurring costs and expenses (2)	37.293.468	36.531.003
Renting and third-party activities to customers	19.026.217	14.747.335
Content providers	12.498.374	11.066.889
Maintenance	6.050.669	5.268.561
Sales commissions	757.889	359.782
Work and personnel expenses	741.668	523.537
	288.182.556	**265.025.456**

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

(2) Includes mainly licenses and software applications.

d) Key Management Personnel Compensation Information

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

	Year ended December 31,	
	2020	2019
Wages, salaries and other benefits	18.048.134	19.195.487
Remuneration plan for managers (shares and annual bonus)	3.177.620	4.945.357
Institutional plans	4.947.024	6.877.629
Voluntary withdrawal bonus	-	1.521.968
	26.172.778	**32.540.441**

30. CONTINGENCIES

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

As of December 31, 2020, 2,309 processes are in progress, of which 148 correspond to probable contingencies, 625 are classified as possible, and 1,536 are classified as remote.

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

1. High probability processes

The following is a detail of the processes classified as highly probable (Note 21*).*

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	As of December 31,			
	2020		2019	
	Quantity	Value	Quantity	Value
Currents:				
User management research (1)	28	11.059.624	28	1.742.448
Administrative, regulatory and competency investigations	-	-	3	3.758.855
Work processes	-	-	20	1.136.726
	28	**11.059.624**	**51**	**6.638.029**
Non-current:				
Judicial proceedings (2)	49	7.053.446	49	3.297.655
Work processes	66	2.571.134	40	2.377.287
Administrative, regulatory and competency investigations	4	883.405	4	240.270
Tax processes	1	164.653	5	314.724
	120	**10.672.638**	**98**	**6.229.936**
	148	**21.732.262**	**149**	**12.867.965**

(1) Includes requests for complaints and claims (PQR) from customers through the superintendence of industry and commerce and a quality regime process with the Ministry of Information and Communications Technologies (MINTIC).

(2) Includes mainly requests for civil and administrative processes.

2. Possible Contingencies

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

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

a. Judicial Proceedings

Proceedings aimed at obtaining a decision by the jurisdictional authority called upon to resolve the disputed issue. They include processes of civil, contentious-administrative, criminal, constitutional jurisdictions, among others. There are 110 open processes for a value of $67,061,767.

b. Labor Processes

Labor lawsuits seeking payment of labor rights derived from the relationships that the plaintiffs have or have had directly with the Group or with a third party, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S. A. E.S.P. There are 429 open lawsuits for $31,446,941.

c. Administrative Investigations

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

Contingencies for administrative investigations are classified as follows:

i) Taxes: Proceedings under discussion for taxes with different municipalities in the country, corresponding to claims, such as industry and commerce tax (ICT) and public lighting tax, among others. There are 33 administrative and judicial processes in progress, valued at $113,524,077.

ii) Petitions, Complaints, and Claims: Administrative proceedings initiated by the Superintendence of Industry and Commerce - SIC due to positive administrative silences, habeas data, or non-compliance with resolutions. Thirty-two processes are reported $3,688,343.

iii) Regulatory: Administrative proceedings initiated by oversight and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 21 processes $13,396,815.

31. COMMITMENTS

Infrastructure sharing with Colombia Móvil S.A.

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

In line with the provisions of such resolutions, Colombia Telecomunicaciones S. A. E.S.P. and Colombia Móvil S. A. established a legal and juridical framework for sharing 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., the shared use of the 4G access network to support the provision of its telecommunications services, under conditions of freedom and competition without sharing or ceding the spectrum.

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

Significant Contracts

The following are the contracts entered into by the Group that are in force as of December 31, 2020 and are considered significant:

	Contractor	Object of the contract	Completion date	Contract value (COP$000)
1	ATP FIBER COLOMBIA SAS	To establish the terms and conditions that will be applicable between the parties concerning the provision of connectivity services through a network PON.	21/05/2030	717,102,015
2	ATC Fibra de Colombia S. A. S	Establish the terms and conditions that will be applicable between the parties in relation to the provision of the connectivity service by ATC over a network PON.	18/12/2029	570,576,500
3	PHOENIX TOWER INTERNATIONAL COLOMBIA	Lease of tower space.	29/05/2029	551,884,645
4	ENERGIA INTEGRAL ANDINA S. A.	Provision of carrier services by Energía Integral Andina SA to the subscriber through its submarine fiber optic cable system network called San Andres Islas - Tolú Colombia.	30/06/2030	340,385,925
5	SEGURIDAD ATLAS LTDA	To provide private security services for the goods, infrastructure, and facilities used by the contractor.	30/06/2023	308,475,240
6	CISCO SYSTEMS INC	Cisco Colombia equipment agreement for customers goods and services.	30/04/2021	282,634,166
7	HUAWEI TECHNOLOGIES COLOMBIA S. A. S	To supply, with the periodicity, at the place and in the quantity indicated by the contractor, *enodosb* and to provide the necessary services for the implementation, de-installation of *enodosb*, network management services, training, and other services necessary for the correct operation of the access network in all frequency bands (Phase 7 LTE).	31/12/2022	258,469,282
8	INTELSAT GLOBAL SALES & MARKETING LTDA	Satellite service capacity.	30/06/2023	251,571,076
9	ACTIVIDADES DE INSTALACIONES Y SERVICIOS COBRA, S. A.	The company's continued performance of the so-called customer loop service.	28/02/2021	249,063,814
10	NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	Provide, with the periodicity, at the place and in the quantity indicated by the contractor, technical support services (care), and *spmrl* services to the Nokia network for the equipment described in the technical annex.	31/12/2021	245,387,503
11	YEAPDATA SAS	To supply goods, licenses, and design, configuration, implementation, maintenance, and support services for the telecommunications solutions required by the contractor's end customers under the Avaya brand.	31/10/2025	239,191,154
12	ATC SITIOS DE COLOMBIA S. A. S	Lease of space on sites.	30/06/2023	212,081,589

	Contractor	**Object of the contract**	**Completion date**	**Contract value (COP$000)**
13	ERICSSON DE COLOMBIA S. A.	To supply the goods and services required for the correct operation of the access network in all the frequency bands that the contractor is authorized to operate (high frequencies 1900 MHz) - aws (1700 - 2100) and in the low-frequency bands (700* and 850 MHz) for the western zone of Colombia.	31/12/2022	205,082,245
14	EMGESA S. A. E.S.P.	Purchase of energy in the unregulated market - Colombia 2018-2021	31/12/2021	189,789,281
15	NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	To provide services related to radio technology and management for the mobile network.	31/12/2022	184,416,061
16	HUAWEI TECHNOLOGIES COLOMBIA S. A. S	To supply the goods and services necessary to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the sigres platform, training, technical support to enable the expansion of the ADSL 2+ ports.	31/03/2021	180,595,179
17	LITEYCA DE COLOMBIA S A S	Continued performance by the contractor of the service known as customer loop.	28/02/2021	153,232,257
18	OPERACION Y GESTION INTEGRAL S. A. S	Continuous performance by the contractor company and in favor of the Company of the service known as customer loop.	28/02/2021	116,503,196
19	ARRIS SOLUTIONS INC	It constitutes the sole and total agreement between the parties for the supply of HD-DTH STB and IPTV decoders in the FOB modality.	31/12/2021	116,114,308
20	ERICSSON DE COLOMBIA S. A.	Accession agreement aims to establish the conditions for the provision of services and supply of products and establish the licensing model for certain applications.	31/03/2021	111,727,790
21	UFINET COLOMBIA S.A.	The contractor grants the contractor the irrevocable right of use (IRU) of eight strands of fiber optics for telecommunications and the provision of operation and preventive and corrective maintenance services for the fiber optics.	14/11/2032	110,212,572
22	ATENTO COLOMBIA S. A.	The contractor is obliged to the contractor to provide, with the frequency, place, and quantity indicated by the contractor, multichannel customer service, sales support, and formalization of sales (telephone, web, chat, video chat SMS, back office, among others) for B2C mass customers.	31/05/2021	106,372,590
23	COMFICA SOLUCIONES INTEGRALES SL	The contractor's continued performance of the customer loop service.	28/02/2021	103,380,096
24	WESTCON GROUP COLOMBIA LTDA	The contractor is obliged to the contractor to supply, periodically, at the place and in the quantity indicated by the contractor, the following goods: UTM firewall, web content filter, anti-malware system, and proxy, in addition to granting the licensing of software use for the goods that apply on the check point and blue coat brands.	30/04/2025	99,673,432
25	NEW SKIES SATELLITES B.V.	Broadband special segment rental	31/03/2021	95,680,869
26	ANDEAN TOWER PARTNERS	Lease of tower space	1/08/2029	93,716,572
27	PROSEGUR VIGILANCIA Y SEGURIDAD PRIVADA LTDA	The contractor is obliged to the principal to provide, with the frequency, at the place and in the quantity indicated by the principal, the physical security services for technical and administrative headquarters and centers of expertise.	30/06/2023	93,619,772
28	EZENTIS COLOMBIA S. A. S.	The contractor's continued performance of the so-called customer loop service	28/02/2021	87,097,637
29	FSCR INGENIERIA S. A. S	Continued performance by the contractor of the customer loop service.	28/02/2021	84,974,254
30	SAMSUNG ELECTRONICS COLOMBIA S A	Supply of mobile terminals	31/01/2021	82,383,130
31	ERICSSON DE COLOMBIA S A	Level 3 support service includes the supply of spare parts for Ericson equipment and 4g, 3g (WCDMA), IMS, VIMS, F5, NGN, AXE, and CT TX equipment.	31/12/2021	79,259,486

	Contractor	Object of the contract	Completion date	Contract value (COP$000)
32	SMARTEC S. A. S	Provision of desktop computers, laptops, and printers and provision of specialized administration and help desk services for the SENA client and training.	31/07/2022	76,181,323
33	HUAWEI TECHNOLOGIES COLOMBIA S. A. S	To supply with the periodicity, at the place and in the quantity indicated by the contractor, the equipment, licenses and to provide the implementation services, migration of the interfaces.	31/03/2021	71,221,048
34	AZTECA COMUNICACIONES COLOMBIA SAS	By means of this contract, the contractor undertakes to grant the contractor the irrevocable right of use (IRU) over four (4) fiber optic wires for telecommunications infrastructure.	31/01/2035	69,465,354
35	HUMAX DIGITAL GMBH	Supply of HD IPTV wifi decoders in FOB and DAP mode.	31/12/2021	66,288,407

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

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

1) EBITDA

	Year ended December 31,	
	2020	**2019**
Net profit for the period	8.330.413	23.430.830
More:		
Depreciation and amortization (Note 26)	1.374.020.241	1.422.459.493
Financial expense, net (Note 27)	264.688.196	289.416.191
Income and supplementary tax (Note 11)	13.362.244	179.504.673
EBITDA	**1.660.401.094**	**1.914.811.187**

EBITDA means earnings before interest, taxes, depreciation, and amortization.

2) EBITDA margin

	Year ended December 31,	
	2020	**2019**
Margin EBITDA (*)	31,0%	33,6%

(*) Represents EBITDA divided by total operating revenues.

3) Financial Indicators

3.1) Indebtedness Indexes

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

	As of December 31,	
	2020	**2019**
a) Total indebtedness level (1)	65,278%	50,189%
b) Short-term indebtedness level (2)	25,033%	38,480%

(1) The total indebtedness level increases mainly due to the replacement of the hybrid bond (recognized in equity) by local debt.

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

(2) The short-term indebtedness level decreases due to the 2020 financial structure, improving the average life of the debt and the payment of suppliers recognized at the end of 2019.

3.2) Solvency Indexes

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

	As of December 31,	
	2020	**2019**
Solvency Index (1)	1,532	1,992

(1) Decreases mainly due to the issuance of debt and replacement of the hybrid bond recognized in equity as a financial instrument.

3.3) Profitability indexes

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

	Year ended December 31,	
	2020	**2019**
a) Operational margin (1)	5,343%	8,651%
b) OIBDA Margin	30,979%	33,646%

(1) The year-over-year variation is presented by the decrease in other operating income impacted by the sales of towers and real estate realized in 2019 and the effect of the depreciation of the peso against the dollar on operating costs and expenses during 2020.

3.4) Liquidity indexes

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

	As of December 31,	
	2020	**2019**
a) Net working capital	168.068.526	(150.695.990)
b) Ordinary reason	1,078	0,941
c) Acid test.	1,012	0,864

There is a significant improvement in these indicators at the end of 2020, mainly due to: i) an increase in assets to be liquidated in the short term and a decrease in obligations with suppliers of fixed assets and ii) debt structuring carried out in 2020 to improve the average maturity.

3.5) Return on equity

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

	Year ended December 31,	
	2020	**2019**
a) Return on equity	6,272%	7,445%

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

3.6) Return on assets

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

	As of December 31,	
	2020	2019
b) Return on assets	2,178%	3,708%

3.7) Interest hedges

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

	Year ended December 31,	
	2020	2019
Interest coverage	1,092 v	2,503 v

The net decrease in this indicator is mainly due to the impact on operating income related to the decrease in other operating income on sales of towers and real estate realized in 2019.

4) Operational Information

4.1) Access

	2020			2019		
	Dec-31	Sep-30	Jun-30	Dec-31	Sep-30	Jun-30
			(Units 000)			
End Customer Access	**19.410**	**18.901**	**18.815**	**18.843**	**18.813**	**18.801**
Basic Line (1)	1.430	1.465	1.493	1.241	1.244	1.255
Data	1.155	1.171	1.183	994	986	984
Television	527	527	530	528	523	533
Mobile Services	16.298	15.738	15.609	16.080	16.060	16.029
Prepaid	*11.935*	*11.406*	*11.454*	*12.003*	*12.065*	*12.098*
Postpaid	*4.363*	*4.332*	*4.155*	*4.077*	*3.995*	*3.931*

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

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

4.2) ARPU

	2020			2019		
	Dec-31	Sep-30	Jun-30	Dec-31	Sep-30	Jun-30
				(COP$)		
LB-BA-TV (1)	32.922	33.345	33.451	33.275	33.195	34.403
Mobile Total (2)	12.660	12.897	12.751	12.800	12.633	12.351
Prepaid	*3.471*	*3.197*	*2.967*	*3.462*	*2.917*	*2.896*
Postpaid	*40.471*	*38.547*	*40.853*	*40.360*	*41.932*	*41.558*

(1) Includes monthly fixed tariffs and excludes data and rental revenues.
(2) Excludes revenues from Mobile Virtual Network Operators - MVNOs.

33. IMPACT ON THE FINANCIAL STATEMENTS OF COVID-19

33.1. Impact on the Consolidated Financial Statements as of December 31, 2020

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

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

Since the first months of 2020, the Coronavirus (COVID-19) has spread throughout the world, causing the closure of production and supply chains and interrupting international trade, which could cause a global economic slowdown and negatively affect various industries. The world authorities, including the Colombian authorities, have had to adopt, among other measures, the temporary closure of establishments and the quarantine of people in various areas, which means that employees, suppliers, and customers cannot carry out their activities for an indefinite period of time. This situation could have material adverse effects on the Group's results of operations, financial position, and liquidity, which are being evaluated daily by management to take all appropriate measures to minimize the negative impacts that could result from this situation.

The main impacts observed on the Group's financial position and operations as of the declaration of the health emergency and as of December 31, 2020, are described below:

1. Maintenance of Group Internal Control

As a result of the declaration of the health emergency of the Covid-19 pandemic, the Group adopted in-housework measures, which at the end of the year were maintained. This has led to the fact that the control processes that were carried out manually have necessarily required a process of adaptability through the tools available, including granting remote access to these tools to employees with security measures such as VPNs. These changes have been implemented for business processes in general, and despite this, no impacts have been generated at the internal control level beyond these modifications, nor have situations of risk materialization been identified in business processes.

The Group has digitalized its processes over the last few years; therefore, for PRE COVID-19, the core business processes were automated, as evidenced by the processing of income through the network structure - mediation - appraisal - billing, accounting, and collection (online and electronic), as well as processes that are highly secured with IT-dependent and automatic controls, such as treasury, logistics, costs, purchases and inventories and internal control for the assurance of the preparation of the Financial Statements.

This has ensured that remote work does not generate relevant impacts on the operation or on compliance with the controls that ensure the main risks of the business.

2. Impairment of Financial Instruments - Receivables

At the end of 2020, financial instruments that are within the scope of the expected credit loss (ECP) model of IFRS 9 (including trade and other receivables, debt instruments not measured at fair value through profit or loss, contract assets, and lease receivables), have been evaluated considering the impacts of COVID-19 on the application of the ECP. At the end of December 2020, the cumulative portfolio impairment impact (unrecovered portfolio) amounted to $10.84 billion due to the effects of Covid-19.

Since the Health emergency declaration in mid-March 2020, the Group carried out a detailed follow-up of the collection and its behavior. It implemented action plans to improve collection levels by granting special terms and short-term payment agreements in some segments and corporate clients and benefits applicable to portfolio policies. It is expected that this new economic reactivation model will improve the trend positively in the collection.

In addition to the above, it can also be identified that, although there was a decrease in collections at the beginning of the pandemic, it can also be observed that there has been a temporary displacement or transfer, which is reflected in the last quarter of the year with significant growth in collections; in some segments, the customers on which payment agreements or special terms were granted, to date are already normalized. On the other hand, the Group has internally developed strategies to favor customers and maintain and improve collection levels for both the B2C and B2B segments, among them:

- Incentive campaigns for payment on maturity of the invoice or geo-referencing for face-to-face payment,
- No charge for reconnection or interest on arrears, the latter in accordance with current regulations,
- Offers for normalization of balances in arrears,
- Granting additional payment terms to those contractually agreed upon for customers who have so requested,
- Negotiation of payment agreements in installments and tailored to each customer who has requested it,
- Renegotiation of contracts and rates.

3. Revenue, Cost and Expense Recognition

Accounting estimates were revised to recognize revenues, costs, and expenses as they have occurred. Due to the impact of COVID-19 on commercial activity and in accordance with our year-end projections and budgets, prepaid and postpaid revenues fell during the pandemic period and through December 31, 2020, by $16.276 million and $57.868 million, respectively. Revenues from fixed and data products fell by $ 97,662 million and from roaming and IT by $27,335 million. Revenues from mobile terminals decreased by $95,481 million and other non-recurring revenues, which include real estate sales, fell by $84,530 million versus budgeted values.

In line with the above, direct costs, including the cost of mobile terminals, fell by $101,132 million, card recharge costs decreased by $1,764 million, and roaming costs decreased by $7,171 million. Commercial, network and IT costs, support and customer service, and other non-recurring expenses decreased by $31,694 million net. Inventories showed an impairment of $1,391 million due to the effect of the displacement of sales to customers, which, under normal conditions, would not have occurred.

The effect valued in the Consolidated Statement of Comprehensive Income is a decrease when compared to the budgeted value of $248,230 million.

4. Valuation of Accounting Estimates

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

5. Recoverability of Assets

As disclosed in Note 11, no asset impairment was identified at year-end 2020, based on the recoverability analysis in accordance with the Strategic Plan approved for the 21-23 period, which includes the Group's new economic and financial conditions.

6. Liquidity Position

In order to mitigate the impact of the current situation and maintain the Group's liquidity and soundness, the following levers implemented at the beginning of the pandemic, such as:

- Review of CAPEX execution, taking into account ongoing projects and commercial activity. Future projects will be assessed in detail.
- To minimize impacts on collections, proactive management campaigns have been implemented, such as refinancing and renegotiating payment terms with clients in the B2B segment.
- Optimization of certain items in the financial statements, such as commissions to third parties for less commercial activity, freezing of personnel, advertising, travel, sponsorships, building and preventive maintenance, and utilities, among others.
- Structural plan to optimize OPEX and CAPEX resources post-confinement.
- Delay and rescheduling of orders and plan for the arrival of mobile terminals and customer premises equipment and, in some cases, an extension of payment terms.
- The Group has credit lines available with local and international banks if needed.

7. Goodwill impairment analysis

As described in Note 17, Goodwill, awareness of the changes that may be generated with the Covid-19 scenario has been made with the support of the corporate finance team. The recoverable value is determined by calculating the value in use of the cash-generating units that have associated Goodwill, based on the strategic plans approved by the Board of Directors, which are developed on long-term macroeconomic factors such as price curves and margins and fundamental assumptions.

The Group's cash flow projections are made with a high degree of judgment in estimating key assumptions such as long-term OIBDA margin, long-term investment ratio, discount rate, and perpetual growth rate, which would be significantly affected by future trends in the economy.

The recoverable amount was determined considering the fair value less costs of disposal using the present value of future cash flows. As a result of the procedures performed, there are no effects on calculating the recoverable amount.

33.2 General Impacts of the COVID 19 emergency on the Group

In accordance with the provisions issued by the National Government within the framework of the sanitary emergency, telecommunication services are declared as essential public services. Therefore, their provision and the installation, maintenance, and adaptation of the network may not be suspended. In this sense, some regulatory Decrees and Resolutions were issued, with some of the impacts described below:

1. For compliance with official measures

- In fixed broadband, 217 thousand customers received additional megabytes of between 25% and 50%, valued at $8,135 million.
- In prepaid mobile, we delivered double recharges in all-in-one plans from March 20 to July 9; we enabled the option of 200 SMS text messages for the depletion of balance, and VAT exemption was applied to packages from April 13 to August 13. All these measures had a value of $6,648 million.
- As for text messages, 32.8 million SMS were sent with recommendations and prevention measures for Covid-19 and a link to Ministry of Health, for a value of $1,254 million.
- Free mobile traffic was enabled in the CoronApp application for $19.7 million.
- The non-collection of interest on late payment since April 1 and for eight months had a cost of $10,917 million.
- The application of the vital minimum of Decree 464 has been quantified at $25,661 million.

2. At the discretion of the Group for the benefit of customers

- In television, from March 20 to June 30, 413 thousand customers received benefits for $16,305 million.
- In postpaid mobile, 403 thousand customers received 5GB of additional capacity in convergent plans for six months, for a value of $70,212 million.

34. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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