IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") (WITHIN THE MEANING OF RULE 144A UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) OR (2) NON-US PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "**Offering Memorandum**") following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION") AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES ("QUALIFIED INVESTORS"). IN THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS ONLY AVAILABLE TO, AND WILL BE ENGAGED IN WITH, QUALIFIED INVESTORS.

IN ADDITION, IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, AND ANY OFFER SUBSEQUENTLY MADE MAY ONLY BE DIRECTED AT PERSONS WHO ARE QUALIFIED INVESTORS (I) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER") AND/OR (II) WHO ARE HIGH NET WORTH COMPANIES (OR PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED) FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE OFFERING MEMORANDUM DOCUMENT MUST NOT BE ACTED ON OR RELIED ON IN THE UNITED KINGDOM BY PERSONS WHO ARE NOT RELEVANT PERSONS. IN THE UNITED KINGDOM, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS ONLY AVAILABLE TO, AND WILL BE ENGAGED IN WITH, RELEVANT PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER OF THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-US persons outside the U.S. (within the meaning of Regulation S under the Securities Act). This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act), and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers referred to in the Offering Memorandum (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer of the securities described in the Offering Memorandum in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may undergo unauthorized changes or alterations during the process of electronic transmission, and consequently neither the Initial Purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

U.S.$500,000,000
Colombia Telecomunicaciones S.A. E.S.P.
4.950% Senior Notes Due 2030

We are offering U.S.$500,000,000 million aggregate principal amount of our 4.950% senior unsecured notes due 2030 (the "**Notes**"). The Notes will bear interest at 4.950% per year, payable semi-annually in arrears on January 17 and July 17 of each year, beginning on January 17, 2021. The Notes will mature July 17, 2030.

We may redeem the Notes in whole or in part at any time and from time to time prior to April 17, 2030 (the "**Par Call Date**"), at a redemption price equal to the greater of par and a redemption price based on a "make-whole" premium described herein, plus additional amounts and accrued and unpaid interest, if any, on the principal amount of the Notes to be redeemed to the date of redemption. On and after the Par Call Date, we may redeem the Notes in whole or in part at par, plus additional amounts and accrued and unpaid interest, if any, on the principal amount of the Notes to be redeemed to the date of redemption. In addition, in the event of certain changes in applicable tax laws, we may redeem the Notes, in whole but not in part, at any time at a price equal to 100% of their principal amount plus any accrued and unpaid interest to the date of redemption. See "*Description of the Notes—Redemption*."

The Notes will be our direct, unsecured and unsubordinated obligations and will rank *pari passu* with all our other unsecured and unsubordinated obligations. See "*Description of the Notes—General*." There is currently no public market for the Notes. Application will be made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST and the quotation of the Issuer on the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes. See "*Listing and General Information*."

Investing in the Notes involves risk. See "Risk Factors" beginning on page 19.

Issue Price: 100% plus accrued interest, if any, from July 17, 2020.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. Accordingly, the Notes may not be offered or sold within the U.S. or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") and (ii) outside the United States, to persons other than U.S. persons (as defined in Regulation S), in compliance with Regulation S. In addition, the Notes are subject to restrictions on transfer and resale as further described in "*Plan of Distribution*" and "*Transfer Restrictions*."

The Notes may not be offered, sold or negotiated in the Republic of Colombia, except under circumstances, which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010, as amended, to offer the Notes privately to their Colombian clients.

The Notes are expected to be delivered in book-entry form through the facilities of The Depository Trust Company ("**DTC**"), and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"), on or about July 17, 2020.

Joint Bookrunners

BBVA **BNP PARIBAS** **BofA Securities** **J.P. Morgan** **Santander**

The date of this Offering Memorandum is July 8, 2020.

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Unless otherwise indicated or the context otherwise requires:

- all references to the "Company" and the "Issuer" are to Colombia Telecomunicaciones S.A. E.S.P.;
- all references to "Telebucaramanga" are to Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P.;
- all references to "Metrotel" are to Metropolitana de Comunicaciones S.A. E.S.P.;
- all references to "we," "us," "our," and "ourselves" are to Colombia Telecomunicaciones S.A. E.S.P. and its consolidated subsidiaries;
- all references to "you" are to authorized recipients of this Offering Memorandum;
- all references to "Telefónica" are to Telefónica S.A.;
- all references to "Telefónica Group" are to Telefónica and its subsidiaries;
- all references to "Colombia" are to the Republic of Colombia; and
- references to the "Initial Purchasers" are to BBVA Securities Inc., BNP Paribas Securities Corp., BofA Securities, Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc.

This Offering Memorandum is strictly confidential and has been prepared by us solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum. BBVA Securities Inc., BNP Paribas Securities Corp., BofA Securities, Inc., J.P. Morgan Securities LLC and Santander Investment Securities Inc. will act as Initial Purchasers with respect to the offering of the Notes. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of our Notes. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or reproduction of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

In making an investment decision, prospective investors should rely only on the information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with any other information other than that contained in this Offering Memorandum. If you receive any other information, you should not rely on it as having been authorized. You should not assume that the information contained in this Offering Memorandum is accurate at any date other than the date on the front cover of this Offering Memorandum (or such earlier date as may be specified in this Offering Memorandum). Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, imply that the information herein is correct as of any date subsequent to the date on the cover of this Offering Memorandum (or such earlier date as may be specified in this Offering Memorandum). The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. The Initial Purchasers assume no responsibility for its accuracy or completeness and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

In making an investment decision, prospective investors must rely on their own independent examination of our Company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal, investment or similar laws or regulations.

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted or prohibited by law. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions or prohibitions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of the Notes to occur in any jurisdiction.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing the Notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this Offering Memorandum. The Notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

None of the U.S. Securities and Exchange Commission, or the SEC, any U.S. state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of us or any Initial Purchaser to subscribe or purchase, any of the Notes in any jurisdiction where such offer is not permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the Initial Purchasers will have any responsibility therefor.

We have furnished the information in this Offering Memorandum. You acknowledge and agree that the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

Application will be made to list the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Offering Memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Memorandum. Approval in-principle granted for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. For so long as the Notes are listed and quoted on the SGX-ST and the rules of the SGX-ST so require, in the event that any Note issued in the form of a registered note in global form is exchanged for a note in physical, certificated form, the Issuer will appoint and maintain a paying agent in Singapore, where the certificated Notes may be presented or surrendered for payment or redemption. In addition, in the event that any Note issued in the form of a registered note in global form is exchanged for a note in physical, certificated form, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the certificated Notes, including details of the paying agent in Singapore. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed and quoted on the SGX-ST and the rules of the SGX-ST so require.

NOTICE REGARDING COLOMBIAN SECURITIES LAW

The Notes have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) ("**RNVE**") maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) ("**SFC**")). The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010, as amended, to offer the Notes privately to their Colombian clients.

NOTICE REGARDING SINGAPORE OFFERING

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"), and the Notes are being offered in Singapore pursuant to exemptions invoked under Section 274 and/or Section 275 of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"). Accordingly, each of the Initial Purchasers has represented and agreed that it will not offer or sell the Notes nor make the Notes the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) under section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) under section 275(1) and/or any person under section 275(1A) of the SFA, and in accordance with the conditions specified in section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

In connection with section 309B(1)(c) of the SFA, the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA") or the United Kingdom (each a "Relevant State"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 201/97 (as amended or superseded, the: Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in a Relevant State has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in a Relevant State may be unlawful under the PRIIPS Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Offering Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Offering Memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. No prospectus has been or will be approved in the United Kingdom in respect of the Notes. Consequently, this document is being distributed only to, and is directed at (1) persons who are outside the United Kingdom, (2) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (3) high net worth entities falling within Article 49(2) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as "relevant persons"). In addition, this communication is, in any event, only directed at persons who are "qualified investors" pursuant to the Prospectus Regulation. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Offering Memorandum may come are required by us and the Initial Purchasers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Offering Memorandum and other offering material relating to the Notes is set out under "Plan of Distribution."

AVAILABLE INFORMATION

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). To preserve the exemption for resales and transfers under Rule 144A under the Securities Act, we have agreed, while any Notes remain outstanding, to make available, upon request, to any holder and any prospective purchaser of Notes who is designated by that holder and is a "qualified institutional buyer," as defined under Rule 144A, upon the request of such holder or prospective purchaser, the information required pursuant to Rule 144A(d)(4)(i) under the Securities Act, during any period in which we (i) are not subject to, and in compliance with, Section 13 or 15(d) of the Exchange Act, or (ii) become exempt from such reporting requirements pursuant to, and in compliance with, Rule 12g3-2(b) of the Exchange Act (as amended from time to time and including any successor provision). Any such request should be addressed to us at: Transversal 60 No.114A-55, Edificio Corporativo, Bogotá D.C., Colombia, Attention: Elena Eloisa Maestre Tinao and Zamir Jose Suz Ruiz. We are also required periodically to furnish certain information, including quarterly and annual reports, to the SFC and to the Colombian Stock Exchange (*Bolsa de Valores de Colombia*) ("**BVC**"), which will be available in Spanish for inspection in the BVC's website at www.bvc.com.co and in the SFC's website at www.superfinanciera.com.co. The information available on or through these websites is not part of or incorporated by reference into this Offering Memorandum.

Application will be made to list the Notes on the SGX-ST. See "*Listing and General Information*." We will comply with any undertakings that it gives from time to time to the SGX-ST in connection with the Notes, and we will furnish to the SGX-ST all such information required in connection with the listing of the Notes.

ENFORCEMENT OF CIVIL LIABILITIES

We are a public utility services company (*empresa de servicios públicos*) (“**ESP”**) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. Most of our directors and all of our executive officers named in this Offering Memorandum are residents of Colombia. Substantially all of our assets are located outside the United States. Although we will appoint an agent for service of process in the United States, it may be difficult for you to effect service of process on, or to enforce judgments of U.S. courts against, us or our directors and officers based on the civil liability provisions under the laws of jurisdictions other than Colombia, including the U.S. federal and state securities laws.

We have been advised by our Colombian counsel, Brigard & Urrutia Abogados S.A.S., that the Colombian Supreme Court determines whether to enforce a U.S. judgment predicated on the U.S. laws through a procedural system known under Colombian law as *exequatur*. The Colombian Supreme Court will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of articles 605, 606 and 607 of Law 1564 of 2012 *(Código General del Proceso*) (“**CGP**”*)*, which provide that the foreign judgment will be enforced only if:

- a treaty exists between Colombia and the country where the judgment was granted related to the recognition and enforcement of foreign judgments or, in the absence of such treaty, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;
- the foreign judgment does not relate to “*in rem rights*” vested in assets that were located in Colombia at the time the suit was filed;
- the foreign judgment does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;
- the foreign judgment, in accordance with the laws of the country where it was rendered, is final and is not subject to appeal or judicial challenge;
- a duly apostilled or legalized copy of the foreign judgment (along with an official translation into Spanish, if the judgment is issued in a language other than Spanish), has been submitted to the Colombian Supreme Court at the time of filing the request;
- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties;
- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designated to give the defendant an opportunity to defend against the action; and
- the legal requirements pertaining to the corresponding *exequatur* proceedings are satisfied.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court has accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. In accordance with previous rulings of the Colombian Supreme Court, reciprocity may also be granted by treaty or by law. However, such enforceability decisions are considered by the Colombian Supreme Court on a case-by-case basis. Notwithstanding the foregoing, we cannot assure you that a Colombian court would enforce a U.S.-based judgment with respect to the Notes based on U.S. securities laws. In addition, certain remedies available under provisions of the U.S. securities laws may not be admitted or enforced by Colombian courts if such remedies are deemed to be contrary to public policy in Colombia.

Proceedings before Colombian courts are conducted in Spanish. In such *exequatur* proceedings, each party may (i) request that evidence be collected in accordance with the requirements listed above, and (ii) file final allegations in support of such party’s position before a judgment is rendered. Proceedings for enforcement of a money judgment by attachment or execution against any assets or property located in Colombia would be within the exclusive jurisdiction of Colombian courts.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Some of the matters discussed concerning our business operations and financial performance include "forward-looking statements" within the meaning of the Securities Act or the Exchange Act. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "could," "may," "believes," "should," "will," "would," "estimates" and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us. Our forward-looking statements are not guarantees of future performance and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results may be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements. Forward-looking statements speak only as of the date they are made, and neither we nor the Initial Purchasers undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Our forward-looking statements may be influenced by factors, including the following:

- events in the global economy, including as a result of the outbreak of novel coronavirus ("**COVID-19**"), or in the global financial system and its impact on the Colombian economy, other global or local pandemics and the Colombian government's response thereto;
- political, economic and demographic developments in Colombia;
- changes in the legal and regulatory framework of the telecommunications sector in Colombia, including changes in the interpretation of the provisions of such legal and regulatory framework by Colombian courts;
- potential disruptions or failures of our network equipment, systems or services and our ability to manage, implement and monitor billing and operational support systems;
- changes in technology, including our ability to upgrade our networks to remain competitive and our ability to anticipate and react to frequent and significant technological changes;
- our ability to acquire subscribers and our disconnection rates, or churn rates;
- our ability to adapt our operations to changing technology and consumer preferences and to acquire additional spectrum capacity;
- the nature and extent of competition in the telecommunications industry in Colombia and the effect of competition on the rates we are able to charge for our services;
- volatility and fluctuations in demand for telecommunications services and the effect of such changes on the rates that we are able to charge for our services;
- changes in interconnection rates;
- capital market conditions, including the availability of credit and changes in interest rates;
- our expectation to maintain, on terms acceptable to us, our network assets, licenses and concessions;
- currency devaluations and foreign exchange fluctuations;
- delays in the development of our projects, changes to our investment plan for our telecommunications operations, due to changes in demand, our provider selection process, authorizations, expropriations, etc.;
- our ability to acquire additional radio spectrum capacity or successfully expand our existing mobile networks;
- changes in commodity prices, labor, supply, fuel, utilities, distribution and other operating costs;

- any changes in Telefónica’s strategy with respect to the management of its assets in Latin America, optimizing and creating value for its shareholders;
- any changes in our controlling shareholders and the implications of any such changes on our management, strategy, operations and prospects;
- the occurrence of any natural disasters, wars or other internal or external hostilities in Colombia or abroad that could disrupt our businesses;
- cyber-attacks, hacking and technological failures; and
- other factors identified or discussed under the section entitled “Risk Factors” in this Offering Memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Currencies Information

All references herein to "*peso,*" "*pesos*" or "COP$" are to *pesos*, the official currency of Colombia. All references herein to "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars. On July 3, 2020, the exchange rate for *pesos* into U.S. dollars was COP$3,645.90 to U.S.$1.00, based on the exchange rate as reported by the Central Bank of Colombia (*Banco de la República de Colombia*) (the "**Central Bank**"). The exchange rate was COP$3,756.28 to U.S.$1.00 on June 30, 2020, COP$3,277.14 to U.S.$1.00 on December 31, 2019, COP$3,249.75 to U.S.$1.00 on December 29, 2018, and COP$2,984.00 to U.S.$1.00 on December 29, 2017, in each case, as reported by the Central Bank.

We maintain our books and records in *pesos*. Solely for the convenience of the reader, we have translated some amounts included in the sections "Summary Financial and Other Information," "Capitalization," "Selected Financial and Other Information" and elsewhere in this Offering Memorandum from *pesos* into U.S. dollars using the exchange rate as reported by the Central Bank as of March 31, 2020 of COP$4,054.54 to U.S.$1.00. These convenience translations should not be considered representations that any such amounts have been, could have been or could be converted in the future into U.S. dollars at that or at any other exchange rate. The *peso*/U.S. dollar exchange rates fluctuate widely, and the exchange rates set forth above or elsewhere in this Offering Memorandum may not be indicative of future exchange rates. See "*Foreign Exchange Controls and Exchange Rates*" in this Offering Memorandum.

Financial Statements

General

The historical financial information contained in this Offering Memorandum has been derived from the following consolidated financial statements, which are included elsewhere in this Offering Memorandum:

- our unaudited condensed consolidated interim financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019, together with the notes thereto (our "**unaudited consolidated interim financial statements**");
- our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018, together with the notes thereto (our "**2019 audited consolidated financial statements**"); and
- our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2016, together with the notes thereto (our "**2017 audited consolidated financial statements**").

We refer to our unaudited consolidated interim financial statements, our 2019 audited consolidated financial statements and our 2017 audited consolidated financial statements, collectively, as our "**Consolidated Financial Statements**."

Our historical results are not necessarily indicative of our results of operations for the year ending December 31, 2020 or any future periods.

Accounting Principles

Our Consolidated Financial Statements reflect the consolidation of our subsidiaries Telebucaramaga, Metrotel and Operaciones Tecnológicas y Comerciales S.A.S. ("**Optecom**") as of September 30, 2017. Our 2019 and 2018 audited consolidated financial statements were audited by PwC Contadores y Auditores Ltda. and our 2017 audited consolidated financial statements were audited by PricewaterhouseCoopers Ltda. Our Consolidated Financial Statements have been prepared in *pesos* in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), including the interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**"), in each case, as adopted in Colombia ("**Colombian IFRS**"). Colombian IFRS differs in certain significant respects from generally accepted accounting principles in the United States ("**U.S. GAAP**"), and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of our Consolidated Financial Statements or the other financial information included in this Offering Memorandum to such other generally accepted accounting principles and financial reporting standards. In making an investment decision, you must rely upon your own examination of our Company, the terms of the offering and the financial information included herein. Our financial information should be read in conjunction with our Consolidated Financial Statements and related notes thereto included elsewhere in this Offering Memorandum. We urge you to consult your own advisors regarding the differences between Colombian IFRS, IFRS as issued by the IASB and U.S. GAAP, and how these differences might affect the financial information included in this Offering Memorandum.

Changes to Accounting Principles

Our Consolidated Financial Statements have been prepared in accordance with Colombian IFRS. Pursuant to Colombian IFRS, we adopted IFRS-9 (financial instruments) and IFRS-15 (revenue from contracts with customers) beginning on January 1, 2018, and IFRS-16 (leases) beginning on January 1, 2019. For a description of our accounting principles applied for our Consolidated Financial Statements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations— Financial Presentation and Accounting Policies*" and note 3 to our 2019 audited consolidated financial statements included elsewhere in this Offering Memorandum, together with the notes thereto.

Special Note Regarding Non-IFRS Financial Measures

We have included non-IFRS financial measures elsewhere in this Offering Memorandum to clarify and enhance the understanding of our past performance and future prospects, such as Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**") and the ratios related thereto. These measures are not recognized measures under IFRS or Colombian IFRS and do not have standardized meanings prescribed by IFRS or Colombian IFRS. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS or Colombian IFRS.

We believe that these non-IFRS financial measures may be useful for potential purchasers of the Notes in assessing our operating performance, our ability to generate cash and our ability to meet our debt service requirements. Our definitions of Consolidated EBITDA or other measures are not necessarily comparable to similarly titled measures reported by other companies in the telecommunications sector or otherwise. Furthermore, these measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, profit (loss), gross profit, cash flows from operations or other income or cash flow data prepared in accordance with IFRS or Colombian IFRS. You should exercise caution in comparing the non-IFRS financial measures reported by us to such metrics or other similar metrics as reported by other companies in the telecommunications sector or otherwise. None of our non-IFRS measures is a measurement of performance under IFRS or Colombian IFRS, and you should not consider those measures as an alternative to profit determined in accordance with IFRS or Colombian IFRS. The non-IFRS metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We present in this Offering Memorandum Consolidated EBITDA, Consolidated EBITDA Margin, Net Debt and Net Debt to Consolidated EBITDA ratio, all of which are non-IFRS financial measures.

Consolidated EBITDA Our management believes that disclosure of Consolidated EBITDA can provide useful information in connection with the review of our operating performance and the comparison of our operating performance to the operating performance of other companies in the same industry and other industries. Consolidated EBITDA has important limitations as an analytical tool and you should not consider it in isolation, as indicative of the cash available to us to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS and the requirements of the SFC. For example, Consolidated EBITDA does not reflect (a) cash expenditures, or future requirements for capital expenditures or contractual commitments; and (b) changes in, or cash requirements for, working capital needs. We define Consolidated EBITDA as net income adjusted by depreciation and amortization, financial expenses (net), and taxes (including wealth tax and income tax and complementary). Our definition of Consolidated EBITDA in this Offering Memorandum is not necessarily the same as that we use for purposes of establishing covenant compliance for purposes of our financing agreements. For a reconciliation of Consolidated EBITDA, see "*Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures.*"

Consolidated EBITDA Margin. Our Consolidated EBITDA Margin for a relevant period consists of our Consolidated EBITDA for the period divided by operating income.

Net Debt. We define our Net Debt as current and long-term financial obligations, net *plus* perpetual equity instruments *less* cash and cash equivalents and market to market valuation of foreign exchange derivatives as of the end of the relevant period. Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. For a reconciliation of Net Debt, see "*Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures*."

Net Debt to Consolidated EBITDA ratio. We calculate our Net Debt to Consolidated EBITDA ratio for a relevant period as Net Debt as of the end of such period to our Consolidated EBITDA for the relevant period.

Market Share and Other Information

We make statements in this Offering Memorandum about our market share and other information relating to the telecommunications industry in Colombia, which includes mobile, fixed-line and television services. We have made these statements on the basis of information obtained from internal surveys, third-party sources, industry publications and publicly available information that we believe are reliable, such as information and reports from the Colombian Ministry of Information Technologies and Communications (*Ministerio de Tecnologías de la Información y las Comunicaciones*) ("**MINTIC**"), the Colombian Telecommunications Commission (*Comisión de Regulación de Comunicaciones*) ("**CRC**"), the Colombian Antitrust Authority (*Superintendencia de Industria y Comercio*) ("**SIC**"), the Colombian National Spectrum Agency (*Agencia Nacional del Espectro*) ("**ANE**"), the former Colombian National Television Commission (*Comisión Nacional de Televisión*) ("**CNTV**"*),* the Colombian National Department of Statistics (*Departamento Administrativo Nacional de Estadística*) ("**DANE**"), the former National Television Authority (*Autoridad Nacional de Televisión*) ("**ANTV**"), the Colombian National Council of Economic and Social Policy (*Consejo Nacional de Política Económica y Social*) ("**CONPES**") and Global Data (formerly Pyramid Research).

The market information related to the different telecommunication segments in Colombia is provided by the MINTIC and the ANTV, and due to the COVID-19 situation, such information has suffered certain delays. All information for fixed line, mobile and internet services is presented as of December 31, 2019. However, any and all information in this Offering Memorandum relating to television services is presented as of June 30, 2019.

We believe that the market data and other information included in this Offering Memorandum are presented as of the most recently available date and that they have been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While we have taken reasonable actions to ensure that the information is extracted accurately and in its proper context, we have not independently verified any of the data obtained from third parties and included in this Offering Memorandum, and we therefore cannot give any guarantee as to the accuracy or completeness of such data. Except as otherwise expressly indicated in this Offering Memorandum, penetration information for mobile services included herein does not discount the effect of "smishing," a phishing technique on mobile devices whereby short message service, or SMS messages, are sent to accounts that are otherwise inactive, causing such accounts to be activated and included in the calculation of churn and other measures.

Neither we nor the Initial Purchasers assume any responsibility for the accuracy or completeness of market share, market size or similar data provided by third parties or derived from industry or general publications.

In addition, we own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this Offering Memorandum include *Movistar* and *Telefónica*, each of which may be registered or trademarked in Colombia or other jurisdictions. Solely for convenience, we may refer to our trademarks, service marks and trade names in this Offering Memorandum without the ™ and ® symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names.

Operating Data

As used in this Offering Memorandum, the following terms shall have the meanings indicated below:

- "Customers" refer to the individuals or companies that have subscribed for our services;
- "DTH" refers to a Direct to Home Satellite technology.
- "IPTV" refers to Internet Protocol Television technology.
- "Fixed-lines" refer to the number of active fixed lines connected to our basic telephone and public telephone services.
- "Internet subscribers" refer to the number of dedicated asymmetric digital subscriber lines ("ADSL"), and gigabit passive optical network subscribers ("GPON"), subscribers activated;
- "Penetration rate" refers to the percentage of the target market that is reached with a product, service or brand in a period of time based on total population, opportunities and products acquired.
- "Post-paid subscribers" refer to mobile subscribers that are billed periodically following their use of mobile services;

- "Pre-paid subscribers" refer to mobile subscribers that purchase credit for mobile services before their use of such services;

- "Subscribers" refer to the number of lines activated or accessed; and

- "Television subscribers" refer to the number of active subscribers of our DTH television and IPTV services.

We disconnect, or "churn," our post-paid subscribers, either when (i) they voluntarily discontinue their service; or (ii) 90 days, in the case of individuals, or 120 days, in the case of our corporate customers, after their account has become delinquent. We disconnect our pre-paid subscribers 90 days after they have not received or sent voice or SMS traffic. We disconnect our fixed-line, television subscribers and internet subscribers 150 days after their account has become delinquent, except in the case of first time subscribers with no payment history, in which case we disconnect such subscribers after 120 days of delinquency. We calculate our subscriber market share by dividing our own subscriber figures into the total market subscriber figures. We compile total market subscriber figures based on subscriber figures publicly reported by market participants and governmental agencies, and we do not independently verify these figures.

Throughout this Offering Memorandum, we make reference to certain operating data, such as average revenues per subscriber per month ("**ARPU**"), total minutes and churn rate, which are not included in our financial statements. We calculate ARPU by dividing revenues, excluding revenues from equipment sales, for a given period by the average number of subscribers for such period. "Total minutes" is the total minutes of use for a given period. We calculate churn rate as the total number of subscriber deactivations for a given period divided by total average subscribers of such period. We calculate ARPU and capital expenditures using non-audited financial information prepared for management. Such financial information is not derived from our financial statements or based on Colombian IFRS principles.

This operating data is regularly reviewed by our management and we believe it may be useful for potential purchasers of the Notes in assessing our performance from period to period. This additional operating information may not be uniformly defined by our competitors. Accordingly, this additional operating information may not be comparable with similarly titled measures and disclosures by other companies.

Technical and Regulatory Terms

As used in this Offering Memorandum, the following terms shall have the meanings indicated below:

- "2G" refers to second-generation wireless telephony technology services, or 2G services, operating on GPRS and EDGE networks, which allow speeds of up to 114 Kbps and 230 Kbps, respectively;

- "3G" refers to third-generation wireless technology services, or 3G services, operating on UMTS/HSPA and HSPA+ networks, which allow speeds of up to 14 Mbps and 21 Mbps, respectively; 3GPP is generally defined as an evolution of the 3GPP UMTS (3G) standard and also as a new concept of evolutionary architecture (4G);

- "4G" or "LTE" or "Long Term Evolution" refers to fourth-generation long-term evolution or wireless technology, or 4G services, which is a standard for high-speed wireless data transmission communications for mobile phones and data terminals. LTE stands out for its OFDMA-based radio interface for downlink (DL) and SC-FDMA for uplink (UL). DL and UL speeds are: (i) DL: 326.5 Mbps to 4x4 antennas, 172.8 Mbps to 2x2 antennas; (ii) UL: 86.5 Mbps;

- "ADSL" refers to asymmetric digital subscriber lines, a data transmission technology that allows data transmission at high speeds through copper lines;

- "ADSL2+" refers to International Telecommunication Union standard G.992.5, which extends the capabilities of basic ADSL;

- "ARPU" refers to average revenues per subscriber per month;

- "AWS" refers to advanced wireless services, a band of the radio spectrum used for voice and data services;

- "CDMA" refers to code division multiple access, a multiple access method used in radio communication;

- "DTH" refers to direct-to-home services and is often used in reference to services carried by lower power satellites which required larger dishes;

- “EDGE” refers to enhanced data rates for GSM evolution;
- “FTTH” refers to fiber to home internet services with a 100% fiber optics ultra-high speed connection;
- “Gbps” refers to gigabytes per second;
- “GPON” refers to gigabit passive optical network;
- “GPRS” refers to general packet radio service;
- “GSM” refers to global system for mobile communications;
- “HD” refers to high definition;
- “HSPA” refers to high speed packet access;
- “HSPA+” refers to evolved high speed packet access;
- “HTTP” refers to hypertext transfer protocol, the communication protocol of the web;
- “IP” refers to Internet protocol;
- “IMSI” refers to international mobile subscriber identity;
- “IT” refers to information technology;
- “Kbps” refers to kilobytes per second;
- “LAN” refers to local area network;
- “LTE-A” or “4.5G” refers to LTE Advanced, an indicator specified in version 13 of 3GPP. It is the natural evolution of LTE with a speed of up to 350 Mbps;
- “M2M” or “Machine-to-Machine” refers to technologies that allow both wireless and wired systems to communicate with other devices of the same type;
- “MBB” refers to mobile broadband;
- “Mbps” refers to megabytes per second;
- “MHz” refers to megahertz, one million cycles per second;
- “MMS” refers to multimedia message services;
- “MPLS” refers to multiprotocol label switching networks;
- “MSS” refers maximum segment size, a parameter of transmission control protocol;
- “MVNO” refers to mobile virtual network operators;
- “PC card” refers to personal computer memory card international association, a defunct peripheral interface designed for laptop computers;
- “PCS” refers to personal communications service;
- “SIM” refers to subscriber identity module;
- “SIP” refers to session initiation protocol;
- “SMS” refers to short message services;
- “ToIP” refers to Telephone over Internet Protocol;

- "UMTS" refers to universal mobile telecommunications system, or a third generation mobile cellular technology network;
- "USB" refers to universal serial bus, an industry standard used in cables and connectors for communication and power supply between computers and electronic devices;
- "VDSL" refers to very-high-bit-rate digital subscriber line;
- "VoIP" refers to voice over Internet protocol;
- "VPN" refers to virtual private network;
- "WAP" refers to wireless application protocol;

Rounding

We have made rounding adjustments to reach some of the figures included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them. Percentage figures have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. As a result, percentage amounts may vary from that obtained by performing the same calculations using the figures in this Offering Memorandum.

The meaning of the word "billion" in Spanish differs from its English-language equivalent. In Spanish, as used in Colombia, a billion means the number 1,000,000,000,000, while in American English, a billion means the number 1,000,000,000. In this Offering Memorandum, the meaning of "billion" is as given in American English.

SUMMARY

This summary highlights selected information from this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. You should carefully read this entire Offering Memorandum, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Consolidated Financial Statements and the notes thereto included elsewhere in this Offering Memorandum, before investing.

Overview of Our Company

We are a full-service telecommunications provider offering a range of integrated telecommunications services including fixed-line, mobile, data transmission (including broadband access, mobile internet connectivity and value-added services) and television subscription services throughout Colombia. We believe we are the second-largest integrated fixed-line and mobile telecommunications provider in Colombia in terms of subscribers and revenues, based on information available from the MINTIC and SIC as of December 31, 2019 and the information available from the ANTV as of June 30, 2019. As of December 31, 2019, we operated the largest fixed-line network in Colombia in terms of number of municipalities we service, according to information available from the MINTIC. We are an indirect subsidiary of Telefónica, one of the world's largest telecommunications company in terms of market value. Our relationship with Telefónica benefits us through the use of Telefónica's internationally recognized *Movistar* brand, present in 10 Spanish-speaking countries, including Colombia, and through access to Telefónica's industry experience, economies of scale, synergies, strategic initiatives and technical expertise.

We serve residential customers, small, medium and large companies and governmental agencies. As of March 31, 2020 and December 31, 2019, we had 15,913,964 and 16,080,371 mobile subscribers, respectively, 1,482,724 and 1,487,739 fixed lines in service, respectively, 1,167,769 and 1,163,237 internet subscribers, respectively, and 532,464 and 528,128 television subscribers, respectively. As of December 31, 2019, we had a market share in Colombia of 24.3% for mobile services, 20.3% for fixed-line services and 16.7% for internet broadband services and, as of June 30, 2019, we had a market share in Colombia of 9.2% for television subscription services, according to the MINTIC and the ANTV. We offer all of our telecommunications services under the *Movistar* brand.

As of March 31, 2020, we had total assets of COP$14,023,613 million (U.S.$3,458.7 million), and total equity of COP$4,933,252 million (U.S.$1,216.7 million). For the three-month period ended March 31, 2020, we had operating income of COP$1,322,708 million (U.S.$326.2 million), net loss of COP$107,588 million (U.S.$26.5 million), and Consolidated EBITDA of COP$341,632 million (U.S.$84.3 million).

As of December 31, 2019, we had total assets of COP$13,276,901 million (U.S.$3,274.6 million), and total equity of COP$6,613,292 million (U.S.$1,631.1 million). In 2019, we had operating income of COP$5,691,014 million (U.S.$1,403.6 million), net income of COP$23,431 million (U.S.$5.8 million), and Consolidated EBITDA of COP$1,914,811 million (U.S.$472.3 million). In 2018, we had operating income of COP$5,470,666 million (U.S.$1,349.3 million), net income of COP$388,912 million (U.S.$95.9 million), and Consolidated EBITDA of COP$1,833,871 million (U.S.$452.3 million).

Mobile Telecommunications Services

We offer mobile voice and data services under a variety of rate plans to meet the needs of different user segments. The rate plans are either "pre-paid," where the customer pays in advance for a specific amount of voice services, SMS, data and other value-added services, including international minutes or video streaming services such as *Movistar Play*, that may be used over a specified period, or "post-paid," where the customer is billed on a monthly basis for services provided during the previous month. As of December 31, 2019, pre-paid subscribers represented approximately 74.6% and post-paid subscribers represented 25.4% of our total mobile services subscribers, and we had the largest percentage of post-paid subscribers to total mobile subscribers among telecommunications providers in Colombia, according to information available from the MINTIC. Migrating pre-paid subscribers to post-paid plans is one of our primary strategies to add value to our subscriber base and to grow our post-paid subscriber base without adding significant credit risk. Our marketing strategy for pre-paid plans promotes the recurrent use of voice, SMS, and data services with integrated plans that are automatically activated upon payment by the subscriber, which helps familiarize the subscriber with the operation of a post-paid plan for potential migrations to post-paid plans.

Currently, our post-paid subscribers generate significantly higher revenue than our pre-paid subscribers and have a lower churn rate. As of March 31, 2020 and December 31, 2019, ARPU from our pre-paid subscribers was COP$2,982 (U.S.$0.74) and COP$3,024 (U.S.$0.74), respectively, while ARPU from our post-paid subscribers was COP$40,028 (U.S.$9.9) and COP$41,354 (U.S.$10.2), respectively. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of our post-paid subscribers was 1.8% and 1.7% respectively, compared to 3.6% and 3.6% respectively, for our pre-paid subscribers.

Through our mobile telecommunications business, we provide numerous data services, including messaging services, wireless internet services and value-added services. Our messaging services, which have experienced significant traffic growth in recent years, include SMS and MMS. Our wireless internet services include mobile broadband, which allows our customers to access the internet from a laptop or desktop computer using USB broadband cards, and SIM cards to connect tablets or other mobile devices to our wireless network. Our value-added services include e-mail and entertainment content downloads. We hold licenses to operate wireless networks in all geographic regions in Colombia using both the 850 MHz and 1900 MHz radio spectrums to operate our 2G and 3G networks, and the AWS band (1710 to 1755 MHz paired with 2110 to 2155 MHz) to operate our 4G network. Our mobile services are based on GPRS, EDGE, UMTS, HSPA, HSPA+ and LTE technologies.

For the three-month period ended March 31, 2020, we derived COP$760,453 million (U.S.$187.6 million) of our operating income from mobile services, representing 59.0% of our operating income in such period. For the years ended December 31, 2019 and 2018, we derived COP$3,093,130 million (U.S.$762.9 million) and COP$3,060,486 million (U.S.$754.8 million), respectively, of our operating income from mobile services, representing 60.0% and 59.8% of our operating income in such periods, respectively.

Fixed-Line Telecommunications Services

Our fixed-line telecommunications business includes domestic and long-distance telephone services, network usage services (interconnection), high-speed data transmission and internet services and public telephones. As of December 31, 2019, we operated the largest fixed-line network in Colombia in terms of number of municipalities we service, representing 49% of the total municipalities in Colombia, according to information available from the MINTIC. As of December 31, 2019, we had 1.2 million fixed lines in service and a 20.3% market share, according to information available from the MINTIC. We offer a variety of high-speed data transmission services, including broadband services, primarily utilizing fiber optic and ADSL2+ technology. We had approximately 1.1 million internet subscribers and a market share of 16.7%, according to information available from the MINTIC as of December 31, 2019.

We also own and operate a nationwide fiber optic network, consisting of approximately 12,532 km of fiber optic as of March 31, 2020. In addition, we have an IP MPLS core network that utilizes internet access technologies such as broadband ADSL2+ and GPON for our fixed-line operations. We have access to five international submarine connection points located in the Atlantic Ocean, two of which are landing points. As of March 31, 2020, 21% of our broadband network was in FTTH and 68% of our customers on FTTH include IPTV services.

Through Telebucaramanga, we have consolidated our leadership position in Santander, Colombia, with a market share in the local fixed-line and internet services of 43.5% and 55.2%, respectively, as of December 31, 2019. As of March 31, 2020, we achieved 16% growth with respect to 2019 in new household fiber optic internet connections with a volume of 241,489 approved homes, increasing total internet connections with fiber optics in 2018 by 127% as of December 31, 2019, with a volume of 208,323 approved homes. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of ADSL services was 3.2% and 3.1% respectively, and the average churn rate of our FTTH services was 2.1% and 2.2% respectively.

For the three-month period ended March 31, 2020, we derived COP$529,135 million (U.S.$130.5 million) of our operating income from fixed-line services, representing 41.0% of our operating income in such period. For the years ended December 31, 2019 and 2018, we derived COP$2,066,051 million (U.S.$509.6 million) and COP$2,055,849 million (U.S.$507 million), respectively, of our operating income from fixed-line services, representing 40.0% and 40.2%, respectively, of our operating income in such years.

Television Subscription Services

We offer satellite television subscription services, through which we offer a selection of 138 channels, of which 53 are HD channels. We offer basic subscription packages as well as a variety of premium packages, allowing subscribers to tailor the content to their individual preferences. We also offer satellite television subscription as part of an integrated package of services designed to attract and retain customers seeking to subscribe to a single provider for all of their telecommunications needs. As of June 30, 2019, we had approximately 544,556 television subscribers and, according to information available from the ANTV as of June 30, 2019, a market share of 9.2%. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of television subscription services was 3.2% and 3.5%, respectively.

In recent months, we have continued to expand our television subscription service, and particularly our HD channel offerings. In 2019, we launched our IPTV service for our FTTH customers and, as of March 31, 2020, we had 110,385 IPTV subscribers. As of December 31, 2019, we derived COP$383,266 million (U.S.$94.5 million) of our operating income from television subscription services, representing 7.4% of our operating income in such period.

Telecommunications Industry in Colombia

Colombia's telecommunications sector has experienced growth consistent with the expansion of telecommunications services around the world. In recent years, the rate of revenue growth in the Colombian telecommunications industry has exceeded the rate of growth of Colombia's gross domestic product ("**GDP**"). From 2006 to 2019, the telecommunications and information sector accounted for more than 1.0% of Colombia's GDP, according to the DANE, and Colombia's telecommunications and information sector grew at a compounded annual rate ("**CAGR**"), of 5.2% from 2006 to 2019 according to the DANE, compared to a 3.9% CAGR of Colombia's GDP during the same period.

Although the Colombian telecommunications industry is highly concentrated with a few service providers, it remains open to competition and new market participants. For example, Partners Telecom Colombia S.A.S. ("**WOM**"), a company owned by the British investment firm Novator Partners ("**Partners**"), is expected to enter the Colombian mobile services sector in 2020 through a 4G network auction held by the Colombian government. Over the last decade, the Colombian telecommunications market has undergone consolidation through mergers, acquisitions and privatizations of government-owned service providers. See "*The Colombian Telecommunications Industry—The Colombian Mobile Telecommunications Industry—Major Competitors in Mobile Telecommunications in Colombia.*"

Other than our Company, which operates under the *Movistar* brand, the main providers of telecommunications services in Colombia are (i) Comunicación Celular S A Comcel S A ("**Claro Colombia**"), a subsidiary of América Móvil S.A.B. de C.V. ("**América Móvil**"), which operates under the *Claro* brand, and (ii) Colombia Móvil S.A. ("**Colombia Móvil**"), which operates under the *Tigo* brand. We estimate that we, Claro Colombia and Colombia Móvil generated 77% of the revenues for the Colombian telecommunications services sector as of December 31, 2019, individually generating 19%, 39% and 19%, respectively. Certain operators, such as DirecTV, Avantel and ETB, were granted a 4G spectrum in the 2013 auction and are now offering mobile services. Each of DirecTV, Avantel and ETB has deployed networks and launched new offers to the Colombian market. Such services and products are tailored to specific market segments; DirecTV focuses on its 1.1 million television subscription subscribers, Avantel focuses on its corporate and B2C subscribers, and ETB focuses on its 1.0 million fixed-line telecommunications customers in Bogotá and its surrounding municipalities. Additionally, Partners is expected to enter the market after being awarded with blocks in the 700MHz and 2500MHz bands in the December 2019 spectrum auction, which is expected to further enhance the competitive landscape in the telecoms market in Colombia. In addition to these operators are the MVNOs, which are mobile operators that do not own any spectrum and generally do not own their own network infrastructure, but instead typically enter into business arrangements with traditional mobile operators to buy services for sale to their own customers. Beginning in 2012, five MVNOs operated in Colombia, consisting of (i) UFF Móvil S.A.S. ("**UFF**"), (ii) Almacenes Éxito ("**Exito**"), (iii) Flash Colombia S.A.S. ("**Flash**"), (iv) Suma Movil S.A.S. ("**Suma**"), and (v) Virgin Mobile Colombia S.A.S. ("**Virgin Mobile**"). On July 27, 2018, UFF announced it had ceased operations. Exito, Flash and Suma use the Tigo network, while Virgin Mobile uses our network. These four MVNOs have collectively captured 7.2% market share of mobile subscribers as of December 31, 2019, as compared to 5.5% market share captured by Exito, UFF and Virgin Mobile as of December 31, 2015, according to the MINTIC. As of December 31, 2019, Virgin Mobile, the largest MVNO which operates through our network, captured 4.5% of the mobile market in terms of subscribers.

The growth of the mobile services sector and internet services have been the key drivers of growth in the Colombian telecommunications industry as a whole. Internet and broadband access services in Colombia have significantly increased in recent years from 31.4% of households in 2012 to 46.8% as of December 31, 2019, according to information available from the MINTIC and DANE, which we believe is primarily due to increased availability of personal computers in Colombia, increased competition among internet providers and the efforts of the Colombian government to promote the access and use of internet technologies.

The mobile services industry has also experienced significant growth in recent years, increasing from 50.3 million subscribers and a penetration rate of 106.1% in 2013 to 66.3 million subscribers and a penetration rate of 130.9% in 2019, according to information available from the MINTIC and DANE. The penetration rate for mobile services is expected to increase by 3.0% from 2019 to 2022, according to information available from Global Data as of March 2018, not including the impact of the 700 MHz auction which resulted in the entry of WOM. However, we do not expect penetration growth will necessarily be higher due to the entry of WOM because the penetration rate is estimated to be relatively high (expected to reach 124% in 2022, according to Global Data) and we believe it is most likely that WOM's customers will come mainly from other operators, not from higher penetration. Penetration rates can reach more than 100.0% due to individuals using more than one phone and *smishing*. The increase in mobile penetration and competition from other telecommunication services has led to traffic migration from fixed-line traffic to mobile traffic and the substitution of mobile services for fixed-line services. However, as result of COVID-19, we have recently experienced a strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, showing an increase in traffic levels.

In addition, the television subscription service also shows significant growth, increasing from 4.7 million subscribers in 2013 to 5.9 million as of June 30, 2019, and penetration in such market grew steadily from 35.5% in 2013 to 40% as of June 30, 2019, according to information available from the ANTV and DANE. The fixed-line services sector has remained stable since 2013 with approximately 7.1 million customers; however, household penetration for this service has decreased by 7.6%, from 54.3% in 2013 to 47.2% as of December 31, 2019, according to information available from the MINTIC and DANE.

For more detailed information regarding the Colombian telecommunications industry, see "*The Colombian Telecommunications Industry*" elsewhere in this Offering Memorandum.

2017 Capitalization

During 2017, our shareholders authorized the increase of our share capital in an amount of COP$1,634,103 million (U.S.$403.0 million) on August 29, and in an amount of COP$4,800,966 million (U.S.$1,184.1 million) (excluding transaction costs) subsequently, on September 27, to strengthen our financial condition. In connection with these capital increases, we issued a total of 1,454,870,740 new common shares, which where subscribed by Telefónica and the Republic of Colombia in proportion to their share ownership at the time. We used the proceeds from such capitalization to pay the amount established in an arbitration award issued in the arbitration initiated by the MINTIC against us with respect to the reversion of certain assets (see "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*"), and to pay to the *Patrimonio Autónomo Receptor de Activos de la Empresa Nacional de Telecomunicaciones en Liquidación y Las Empresas Teleasociadas en Liquidación*, an asset protection trust known as "**PARAPAT**", all amounts due under certain agreement (*Contrato de Explotación de Bienes, Activos y Derechos*), dated as of August 13, 2003 (as amended, modified and supplemented from time to time, the "**PARAPAT Agreement**") between us and PARAPAT.

Termination of the PARAPAT Agreement

Following negotiations with the Colombian government on September 16, 2017, we executed a termination agreement (*Acuerdo de Terminación del Contrato de Explotación de Bienes, Activos y Derechos*, as amended, modified and supplemented from time to time, the "**PARAPAT Termination Agreement**"), with PARAPAT, in connection with the PARAPAT Agreement. Pursuant to the PARAPAT Termination Agreement, Telefónica agreed to pay 67.5% of the outstanding balances under the PARAPAT Agreement and the Republic of Colombia assumed the obligation to pay the remaining 32.5% of the outstanding balances under the PARAPAT Agreement and agreed to release us from any and all payment obligations in favor of PARAPAT. See "*Business—Our History*."

On September 16, 2017, Telefónica paid, and the Republic of Colombia assumed, the required obligations pursuant to the PARAPAT Termination Agreement. Since such date, neither we nor Telefónica have any outstanding obligations under the PARAPAT Agreement. The PARAPAT Termination Agreement also established the terms and conditions under which PARAPAT would transfer the assets and rights derived from the PARAPAT Agreement to us, including (i) the shares of the capital stock of Metrotel and Telebucaramanga owned by PARAPAT, (ii) movable assets and telecom elements and networks, (iii) intellectual property rights, (iv) the rights and obligations derived from the liquidation process of TC USA LLC, (v) possessory rights (*derechos de posesión*), (vi) real estate, and (vii) improvements. As of the date of this Offering Memorandum, other than real estate property subject to the PARAPAT Agreement, all rights and assets subject to the PARAPAT Agreement have been transferred to us. The transfer of real estate property subject to the PARAPAT Agreement was subject to special transfer procedures and formalities. As of the date of this Offering Memorandum, the transfer of three real estate properties is pending resolution of ongoing judicial and administrative proceedings. However, since the execution of the PARAPAT Termination Agreement, we hold physical possession of such properties. We expect that the transfer of such properties will be completed upon final resolutions on the pending judicial and administrative proceedings.

Consolidation and Merger of Telebucaramanga and Metrotel

On September 27, 2017, we acquired a 94.8% equity interest in Telebucaramanga and an 87.45% equity interest in Metrotel. Subsequently, in 2019, we acquired an additional 5.19% equity interest in Telebucaramanga, and an additional 12.52% equity interest in Metrotel. As of March 31, 2020, we owned 99.99% of the total capital stock of Telebucaramanga and 99.97% of the total capital stock of Metrotel.

Since these acquisitions, we achieved: (i) the operational integration of Telebucaramanga and Metrotel without affecting the services provided, (ii) the integrated management of internal processes, and (iii) the unification of the brand and services offered. As a result of the operational integration with Telebucaramanga and Metrotel, we have been able to strengthen our leadership position with respect to broadband services in the locations of Bucaramanga and Barranquilla. The final step for the integration of Telebucaramanga and Metrotel was the merger of these subsidiaries with and into the Issuer, with the Issuer as the surviving entity. This merger was approved by our shareholders and the shareholders of each of Metrotel and Telebucaramanga on August 28, 29 and 30, 2019, respectively, and the noteholders of our COP-denominated bonds approved the merger on October 9, 2019. The merger was approved by the SFC on May 10, 2020, and the amendment to our bylaws reflecting the merger was formalized by means of a public deed dated May 27, 2020. Pursuant to the authorization of the SFC, the merger was deemed effective as of May 28, 2020, the date on which the public deed amending our bylaws was registered before the Commercial Registry of Chamber of Commerce of Bogotá. See "*Business—Consolidation and Merger of Telebucaramanga and Metrotel*."

Telefónica's New Action Plan

On November 27, 2019, the Board of Directors of Telefónica approved a new strategic action plan that is expected to serve as a catalyst for Telefónica's transformation and that will be implemented around five strategic decisions, which include, among others, an operational spin-off of its businesses in Latin America (excluding Brazil). According to Telefónica, this initiative will include the creation of a unit that brings together the businesses of Telefónica in Spanish-speaking Latin American countries where it currently operates, and which will have a specific and dedicated management team. Telefónica expects the new unified structure to attract investors and obtain potential synergies with other market agents, with a focus on guaranteeing and maximizing the service that Telefónica offers to its customers.

On March 31, 2020, Telefónica and Telefónica Latinoamérica Holding S.L. entered into a stock purchase agreement to transfer 269,339,586 and 1,756,837,597, respectively, of our common shares to Latin America Cellular Holdings S.L., a wholly-owned subsidiary of Telefónica that already held 8.0% of our capital stock. The transfer was perfected on May 7, 2020.

Our Strengths

We believe the following are our competitive strengths:

Integrated, diversified and complementary portfolio that limits volatility. We believe we are the second-largest integrated fixed-line and mobile telecommunications provider in Colombia in terms of subscribers and revenues, with a market share of 22.3% with respect to revenues, based on information available from the MINTIC as of December 31, 2019 and from the ANTV as of June 30, 2019. We offer our customers a broad range of telecommunications products and services under the *Movistar* brand, including fixed-line telecommunications, mobile telecommunications, broadband services and television subscription in integrated service packages. We have increased our revenues in recent years through growth in our internet broadband, data transmission, television subscription and mobile voice and data business segments, even as the market for fixed-line telecommunications services has contracted according to the MINTIC. For example, our operating income from data transmission services in connection with our fixed-line services and satellite television services grew from COP$887,083 million (U.S.$218.8 million) and COP$310,021 million (U.S.$76.5 million), respectively, in 2018 to COP$896,211 million (U.S.$221.0 million) and COP$383,266 million (U.S.$94.5 million), respectively, in 2019, while our operating income from our mobile segment grew from COP$3,060,486 million (U.S.$754.8 million) in 2018 to COP$3,093,130 million (U.S.$762.9 million) in 2019. As of December 31, 2019, our internet broadband network reached over 265 municipalities in Colombia, representing over 23.0% coverage based on municipalities served. In addition, our high quality television subscription services have allowed us to capture a market share of 9.2% as of June 30, 2019, according to information available from the ANTV.

We are able to offer bundled packages, with double-play plans including broadband and PayTV services, and triple-play plans including broadband, fixed line and PayTV services. Bundled plans are designed to meet customers' needs, supplementing a successful wireless strategy to provide a comprehensive integrated product offering for a growing customer base. We believe the offering of integrated service packages and the consolidation of our mobile services offerings result in greater customer loyalty and, consequently, a decrease in churn rates. As an integrated service provider, we also benefit from synergies that lead to reductions in operating costs and investments.

Diverse spectrum portfolio. We have a diverse and complete band portfolio that allow us to have efficient bit rates. We have licenses to use a total of 25 MHz in the 850 MHz band, 30 MHz in the 1900 MHz band and 30 MHz in the AWS band (1710 to 1755 MHz paired with 2110 to 2155 MHz). We believe our low band portfolio gives us an advantage in low traffic areas (such as rural zones), as low bands between 698 MHz and 960 MHz have a better bit rate than high bands (between 1710 MHz and 2690 MHz), allowing us to cover larger areas using fewer resources and less infrastructure. In addition, we believe that we have a strong high band portfolio. We offer 4G services in the AWS band in the 1710 to 1755 MHz radio spectrum paired with the 2110 to 2155 MHz radio spectrum, which has a better propagation rate and lower installation costs than the 2500MHz band. We also provide 2G, 3G and 4G services in both a low band (850 MHz) and high band (1900 MHz).

Leading full-service operator with extensive network coverage. As of December 31, 2019, we had a market share of 20.3% of fixed-line services in Colombia, 24.3% of the total number of mobile subscribers and 16.7% of the total number of internet subscribers in service, based on information available from the MINTIC. We have established ourselves as a leading integrated operator in Colombia and are ranked as the number two player in both the wireless and fixed-line services markets, according to the MINTIC as of December 31, 2019. As of June 30, 2019, we had a 9.2% market share for television subscription services and in the satellite television market we were ranked second with a market share of 29.5%.

We operate the largest fixed-line network in Colombia in terms of number of municipalities we service, representing 49% of the total municipalities in Colombia, according to information available from the MINTIC as of December 31, 2019. As of March 31, 2020, we also had an extensive mobile network, with 75.1% and 83.1% coverage for 2G wireless voice services, as measured by Colombia's population and total number of municipalities in Colombia, respectively, and 75.4% and 84.4% coverage for 3G wireless data services, as measured by Colombia's population and total number of municipalities in Colombia, respectively, according to internal estimates. In addition, we have coverage along approximately 12,875 kilometers of Colombia's intercity highways, according to internal estimates as of December 31, 2019. We also host Virgin Mobile on our network, which is the largest MVNO in Colombia and holds a 4.5% market share as of December 31, 2019, according to information from the MINTIC.

We are expanding our 4G footprint, offering this technology in 422 municipalities with their own network and 381 municipalities with LTE roaming, adding to 3G services currently available in 941 of Colombia's 1,122 municipalities. In addition, as of March 31, 2020, our 4G network had 70.2% and 71.6% coverage (including roaming LTE coverage), measured by Colombia's population and total number of municipalities, respectively, according to internal estimates. The remaining municipalities in Colombia use their own 4G network, HSPA+, and roaming and radio access network ("**RAN**") sharing arrangements, achieving the 100% established as a commitment in the spectrum auction. As of March 31, 2020, our 4.5G network had 901 sites in 132 municipalities, with 44.3% and 11.8% coverage, measured by Colombia's population and total number of municipalities, respectively. In 2013, we entered into a 4G network sharing agreement with Colombia Móvil (*Tigo*) (the "**4G Network Sharing Agreement**"), pursuant to which we have implemented a deployment plan for the joint development to 2019 of 2,762 coverage sites for the 4G network in 22 clusters located in the northern and southern regions of Colombia using a Multi-Operator Radio Access Network ("**MORAN**"), during a term of ten years. Pursuant to the 4G Network Sharing Agreement, each operator was required to develop 1,075 coverage sites during the first five years and 612 additional sites thereafter, subject to certain conditions. Under the 4G Network Sharing Agreement, although each operator maintains ownership of its assets, the right-to-use of our assets was transferred to a trust that is responsible for the service level agreement, planning and compensation for use. We believe the 4G Network Sharing Agreement with Colombia Móvil has been successful, as we have achieved efficiencies of up to approximately EUR$45.0 million over a period of seven years.

Strong base of post-paid subscribers. As a result of a successful post-paid strategy we increased our post-paid customer base through a simplified product offering, benefiting more profitable and stable base with post-paid ARPUs being over 13.7 times greater than those of pre-paid and with lower churn rates as well. According to the MINTIC, our ratio of post-paid to pre-paid subscribers was the highest among Colombian operators as of December 31, 2019. We have an increasing percentage of LTE traffic, which increases efficiency and quality. Our ratio of post-paid to pre-paid subscribers was approximately 25.4% to 74.6% as of December 31, 2019, compared to 23.6% to 76.4%, respectively, for Claro Colombia, and 15.8% to 84.2%, respectively, for Colombia Móvil, according to information available from the MINTIC. We have achieved this position through our practice of regularly encouraging pre-paid subscribers to migrate to our higher value post-paid plans. We use mobile packs, which are packages of additional minutes, to encourage recurrent spending by pre-paid subscribers, thereby creating an economic incentive to migrate from pre-paid plans to post-paid plans. We also work to identify pre-paid subscribers who may not have initially been able to qualify for a post-paid plan, but whose payment patterns and behaviors indicate that they can safely afford higher-value plans. Our strong base of post-paid subscribers contributes to our profitability.

Diversified and strong distribution channels with specialized sales and service teams. We have developed an extensive distribution network consisting of 83 *Movistar* stores, 113 exclusive dealers and a broad network of non-exclusive retail outlets, reaching 440 points of sale as of March 31, 2020. We have eight call centers dedicated to servicing our existing and potential customers, which also engage in cross-selling efforts. In addition, seven of our commercial dealers are focused on marketing our pre-paid mobile products, while 15 additional commercial dealers are focused on distributing our pre-paid cards and marketing recharges of pre-paid phones. We continuously perform training and evaluation programs for the personnel in our agencies in order to maintain a high level of service quality. We also have a specialized corporate sales team with 442 salespeople to service the needs of our small and medium-sized enterprise ("**SME**") subscribers and 85 people for corporations. Our largest corporate subscribers are serviced by a specialized direct sales team with industry-specific knowledge to better serve their needs.

Experienced management and talented employees. We are led by a seasoned management team with a proven execution track record and an average of 19 years of experience in the telecommunications industry. We also have highly qualified engineers with significant experience and industry expertise. Additionally, our employees strive to provide excellent customer service and we are continuously implementing training and development programs. We support our employees with a positive working environment. In 2019, we conducted a survey with Employee Net Promoter Score, the result of which was a rate of 82.9% of our employees recommending us as a positive workplace.

We operate our business pursuant to strong corporate governance standards which are based on value creation and protection for shareholders and investors. In 2014, we approved our new code of corporate governance which, among other things, provides for specific rules regarding conflicts of interest, establishes information disclosure requirements for shareholders and investors, and creates an office of investor relations. The principles set forth in our code of corporate governance are a fundamental part of our corporate culture and our business strategy, and we believe that our corporate governance practices follow, to the extent applicable, the highest corporate governance standards in Colombia, which correspond to those of the companies listed on the BVC.

Our strong relationship with Telefónica, a leading worldwide telecommunications operator focused on innovation and digitalization. We benefit from the Telefónica Group's experience as a global telecommunications operator, especially in terms of strategic initiatives and technological innovation. The Telefónica Group is one of the largest telecommunications companies in the world in terms of market value. As of March 31, 2020, the Telefónica Group provided telecommunications services in 13 countries to over 342 million subscribers, of which 260.4 million are mobile subscribers, 8.6 million are fiber optic customers and 8.3 million are television subscribers. Given its global footprint, the Telefónica Group actively participates in mobile telecommunications developments and deploys best practices and innovative solutions from one market across all of its markets. Additionally, we benefit from the Telefónica Group's economies of scale. For example, Telefónica negotiates the supply of most of its handsets and hardware on a centralized basis for all of its subsidiaries, which we believe allows us to purchase equipment at lower prices than would otherwise be possible.

We also benefit from the use of the *Telefónica* brand, which we believe is recognized as a leading, experienced and reliable global telecommunications operator, and we offer all of our services under Telefónica's *Movistar* brand. We believe the *Movistar* brand is among the most valuable brands in Latin America, with a presence in Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela, and Mexico and is known for its high-quality mobile communications services, innovation, reliability, accessibility and dependability. While we benefit from Telefónica's uniform marketing and branding strategy across Spain and Latin America, we apply a customized marketing approach that is highly adapted to the Colombian market and local culture. For example, we have developed regional products and marketing campaigns tailored to the preferences of our customers in the north coast of Colombia, which focuses on our pre-paid mobile products. Our branding strategy also includes sponsoring activities that are widely followed by the population in Colombia, such as soccer and cycling, which contribute to the recognition of our brand.

Our Strategy

Our specific strategic initiatives include:

Enhance customer satisfaction. We continue to implement strategies designed to achieve the highest levels of customer satisfaction. Our main priority is to improve the quality of our services and enhance our customers' experience with new products that respond to their preferences. We have identified three key areas of focus as part of our strategy to enhance customer satisfaction: (i) improve the customer experience by offering new products (including M2M services and on-demand television) and strengthening online service channels; (ii) increase the quality of our installation and maintenance services through continuous technological improvement in order to reduce customer claims and complaints and improve customer service response times, as well as efficient deployment of our 3G, 4G and 4.5G networks to satisfy regulatory requirements; and (iii) improve our tools and streamline our processes. In addition, we continue to consolidate areas of management in both the mobile and fixed-line segments to provide customers with a more comprehensive and convenient service experience. By anticipating customers' future needs and providing customers with rapid assistance, we are able to offer a meaningful customer service experience. If our customers are satisfied, the demand for our brand, products and services will grow. Despite increased competition, high customer satisfaction thereby enhances our ability to increase customer loyalty and retention, while allowing us to attract new customers.

Develop innovative value-added services in the mobile segment. In addition to our voice, data and television services, we are seeking to introduce innovative products and services to diversify our revenue stream and attract new customers. We intend to expand our current value-added service offerings, including access to premium entertainment content and location-based services for our mobile customers. We also intend to focus on acquiring additional spectrum capacity to increase our capabilities, so that we may continue to provide our customers with advanced technological and differentiated service offerings. Furthermore, by expanding our ability to bundle several telecommunications services together, including fixed and mobile internet and premium television subscription services, into a convenient package for our customers, we believe that we can continue to successfully attract more subscribers through the use of our cross-selling strategies and the expansion of our products and services.

Maintain our leadership in innovation. We intend to maintain our focus on developing and providing a wide range of digital services to our corporate subscribers, including integration services, internal and external business communications, management of network systems, IT workstations, business continuity, network and sector applications and security services, and we believe we are well positioned to become the market leader in this segment. We are also adopting an innovative marketing strategy to increase our market share in the mobile voice segment. For instance, we encourage customer loyalty through the use of "friends and family" plans, whereby customers are able to achieve cost savings by purchasing additional lines. In addition, we have expanded the services provided as part of our pre-paid plans to include various additional benefits not offered by our competitors, including international long-distance minutes, data that accumulates if the subscriber activates their plan before the expiration date, and video services such as *Movistar Play Lite*. Within a dynamic market, *Movistar* also remains competitive in its post-paid products, providing customers with differential and exclusive products and services such as: (i) Pasagigas, a data roaming option included for plans over COP$99,000, (ii) Netflix, the video streaming service, charged to the customer's bill, and (iii) Rappi Prime, a food delivery service, free of charge for a certain period of time depending on the plan acquired.

Enhance our financial strength. As of March 31, 2020, our total outstanding indebtedness (which consists of our financial leases, credit facilities, local and international bonds, and hedging instruments) amounted to COP$6,718,768 million (U.S.$1,657.1 million), consisting of COP$554,749 million (U.S.$136.8 million) of short-term indebtedness, including the current portion of long-term indebtedness (or 8.3% of our total indebtedness), and COP$6,164,019 million (U.S.$1,520.3 million) of long-term indebtedness (or 91.7% of our total indebtedness). As of March 31, 2020, the average term of our indebtedness consisting of credit facilities and local and international bonds was 3.5 years. Of our total outstanding indebtedness consisting of credit facilities and local and international bonds as of March 31, 2020, 72.7% was denominated in U.S. dollars and 27.3% was denominated in *pesos*.

As part of our efforts to enhance our financial strength and mitigate our exposure to currency mismatches, during the first quarter of 2020, we concluded the refinancing of our U.S.$500.0 million subordinated perpetual notes (our "**Subordinated Notes**") issued under an indenture, dated as of March 30, 2015, among us, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, with the proceeds from loans under credit agreements with local and international banks, for an amount of COP$1,854,313 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

In addition, as part of our financial strategy, we are currently engaged in an effort to extend the average maturity of our existing indebtedness. To that effect, on May 13, 2020 we notified The Bank of New York Mellon, as trustee, our decision to redeem U.S.$320,000,000 in aggregate principal amount of our 5.375% Senior Notes due 2022 (the "**2022 Notes**"), of the U.S.$750 million (COP$3,040,905 million) aggregate principal amount of the 2022 Notes that were outstanding as of the redemption notice date. On June 12, 2020, the partial redemption was effected at a redemption price equal to 100.896% of the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest on the principal amount of the 2022 Notes. Furthermore, we intend to use the proceeds from the Notes offered hereby to refinance our indebtedness under the 2022 Notes that remain outstanding as of the date of this Offering Memorandum.

We also seek to avoid currency mismatches through the use of hedging instruments, as of March 31, 2020, we had entered into hedging agreements in respect of 100% of our U.S. dollar-denominated financial indebtedness. We intend to continue using derivative instruments to mitigate our exposure to foreign exchange and, to a lesser extent, interest rate market risks.

Maintain high efficiency and cost controls. In January 2020, we launched our #RECONECTA2020 strategic plan based on the following value drivers (i) relevance of our services and platforms for our subscribers and personalized services to our consumer base supported by our brands and platforms, (ii) focus on revenue growth by monetizing our core and extended product offering and by creating a network of partners, (iii) social responsibility and (iv) motivation of our employees to develop new solutions for our subscribers and maintaining our corporate values. In addition, seven initiatives were designed, including the Co-Investment Model and the Operational Excellence Model, which aim at increasing relevance, agility, quality and, above all, innovation capacity and promotion of a simpler operational model for us, as well as the Convergence Model which aims to increase new revenues.

The aim of the Co-Investment Model is to manage and ensure the implementation of co-investment models that allow the deployment of fiber optic networks in Colombia. This initiative follows market trends and seeks to ensure that our new operational model guarantees that we operate at more competitive costs. To this end, the design of new alliances has been fundamental, as well as the long-term vision of these projects.

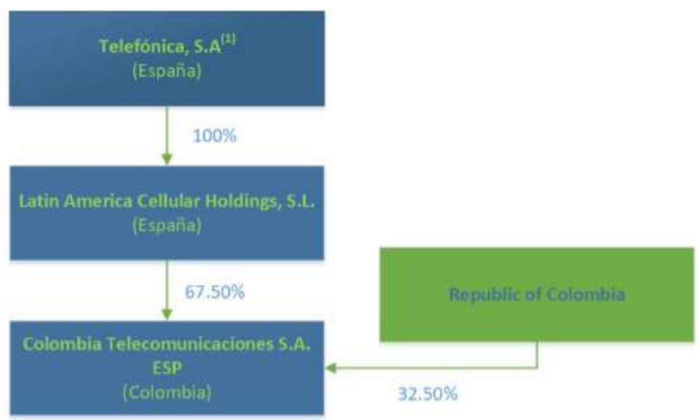
The Operational Model initiative aims to optimize processes of our operating model in order to achieve greater quality, speed and efficiency, through process automation and management of third parties. We adopted five processes under the Operational Model: (i) invoicing, collection and portfolio processing; (ii) network operation, maintenance and support processing; (iii) commercial processing and B2B (Business to Business) customer service; (iv) commercial processing and B2C (Business to Consumer) customer service, and (v) new prepaid SIM card distribution model.

We launched the Convergence Model in order to focus efforts that, in addition to supporting our position in the market, would allow us to ensure new revenues. The Convergence Model initiative aims to increase the participation of the convergent subscribers and associated revenues through the intervention of all processes necessary to ensure an enriched experience for customers who access our fixed and mobile products. This vision seeks to have a convergent value proposal for potential and existing customers.

We intend to continue pursuing initiatives to increase the efficiency of our internal processes in order to control our costs and improve the quality of our services. As part of the Telefónica Group, we intend to continue to take advantage of shared services on a global level to benefit from gains in economies of scale and operating synergies. For example, we derive benefits from the economies of scale that Telefónica Global Services generates when it conducts global negotiations with providers, resulting in significant savings for each of the members of the Telefónica Group. To maintain cost control, we continuously perform budget controls through weekly meetings of our operating expenditures and capital expenditure committees; additionally, we perform daily general budget controls. For instance, our costs and expenses as a percentage of our operating revenues have improved from 69.4% in 2017 to 66.5% in 2018 and to 66.4% as of December 31, 2019. We achieved corporate integration with our subsidiaries Telebucaramanga and Metrotel in seeking to increase synergies and reduce costs of operations. As part of these efforts, on June 12, 2019, our board of directors approved the merger (by absorption) of Telebucaramanga and Metrotel with and into our Company, with our Company as the surviving entity. This merger was approved by the SFC on May 13, 2020 and completed on May 28, 2020. See "—*Consolidation and Merger of Telebucaramanga and Metrotel*."

Corporate Structure

The following chart presents our corporate structure and our shareholders as of the date of this Offering Memorandum:



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(1) Telefonica S.A. holds directly 68.58% of Latin America Cellular Holding S.L. The remaining 31.42% is held by Telefonica Latinoamerica Holding S.L., a wholly owned subsidiary of Telefonica S.A.

(2) As of the date of this Offering Memorandum, our only subsidiary was Optecom.

Investment Agreement with the Republic of Colombia

In 2006, the Republic of Colombia, acting through the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*) ("**MHCP**"), certain of our minority shareholders, Telefónica, through its subsidiary Telefónica Internacional S.A.U. and us entered into a Framework Investment Agreement, dated as of April 18, 2006 (*Acuerdo Marco de Inversión*) (the "**Investment Agreement**"). The Investment Agreement sets forth, among other matters, provisions relating to our governance, including the composition of our board of directors and certain matters for which a favorable vote of Telefónica, the Republic of Colombia and certain minority shareholders is required.

The Investment Agreement has been amended on March 30, 2012 and September 18, 2017. For more detailed information regarding the Investment Agreement, see "*Principal Shareholders — Investment Agreement with the Republic of Colombia.*"

Our History

We were created in 2003 as a result of the Colombian government's decision to liquidate the state-owned telecommunications service provider, *Empresa Nacional de Telecomunicaciones* ("**Telecom**"), and certain of its affiliated companies. Following our assumption of Telecom's operations in 2003, we entered into the PARAPAT Agreement, with

PARAPAT, whereby we (i) acquired the exclusive right to use and operate the telecommunications properties and assets of Telecom and its affiliated companies and (ii) would receive these assets at the expiration date of the agreement. In exchange for this right, we agreed to make annual payments in consideration for the exclusive right to use and operate the telecommunications properties and assets of Telecom and certain of its affiliated companies (the "**PARAPAT Payment Obligations**"). The PARAPAT Payment Obligations were intended to be used for the payment of Telecom's labor and pension obligations incurred prior to 2003.

In April 2006, Telefónica acquired a controlling stake in our Company, and entered into the Investment Agreement. For more information on the Investment Agreement, see "*Principal Shareholders—Investment Agreement with the Republic of Colombia.*"

Our Company is the result of a merger with Telefónica Móviles Colombia S.A. ("**TEMCO**"), a Colombian mobile telecommunications provider owned by Telefónica, for which the deed of merger was executed on June 29, 2012, and upon which our Company was the surviving entity.

On September 16, 2007, we and PARAPAT executed the PARAPAT Termination Agreement pursuant to which, Telefónica agreed to pay 67.5% of the outstanding balances under the PARAPAT Agreement and the Republic of Colombia assumed the obligation to pay the remaining 32.5% of the outstanding balances under the PARAPAT Agreement and agreed to release us from any and all payment obligations in favor of PARAPAT.

On March 22, 2018, the Republic of Colombia, acting through the MHCP, informed us and Telefónica of its intention to sell its ownership participation in our Company through one or more offerings of securities in the local and international markets, pursuant to a democratization process to be conducted in accordance with Law 226 of 1995 (the "**Democratization Process**").

The Democratization Process contemplated two phases, as required by applicable law: (i) the first phase, which ended on October 3, 2018, in which the Colombian government's shares were offered in Colombia solely to a limited number of eligible investors, such as current and former employees, pension funds and other entities which make up the "solidarity sector" (*sector solidario*) ("**Phase 1**"), and (ii) the second phase in which the remaining shares were to be offered to the general public in Colombia ("**Phase 2**"). Phase 1 was unsuccessful and, therefore, no Phase 2 was conducted. Phase 1 concluded without the Colombian government receiving any offers for its shares and Phase 2 was never conducted as the authorization for the Colombian government sale of its shares was valid until July 13, 2019. After such date, if the Colombian government decides to sell its shares under Law 226 of 1995, another decree authorizing the sale is required.

As part of the Democratization Process, by means of Resolution 0588 on May 10, 2018, the SFC authorized the registration of our shares in the RNVE and, on August 2, 2018, our shares were listed on the BVC. In connection with the listing of our shares on the BVC, we have cancelled our physical share certificates (*desmaterialización de títulos de acciones*) and made certain amendments to our bylaws to incorporate certain provisions of the governmental recommendations for the improvement of standards and corporate practices of the *Código País*. As of December 31, 2019, 32.5% of our shares were held by the Republic of Colombia. For more information on the public of offer of our shares, see "*Business—Our History*."

Recent Developments

Recent Developments Relating to Our Indebtedness

2020 Syndicated Facility

On March 18, 2020, we entered into a syndicated loan agreement with Banco Santander, S.A., as administrative agent, Bank of America, N.A., BNP Paribas and JP Morgan Chase Bank, N.A., as lenders and joint lead arrangers and bookrunners, for a principal amount of U.S.$320 million (the "**2020 Syndicated Facility**"). Loans under this facility have a five-year term as of the date of execution and accrue interest at 3-month London Inter-Bank Offered Rate, or LIBOR, plus an applicable margin. We disbursed the total amount available under the 2020 Syndicated Facility on May 12, 2020, and used the proceeds thereunder to redeem U.S.$320.0 million principal amount of our 2022 Notes on June 12, 2020. For additional information on the terms of the 2020 Syndicated Facility, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

Partial Redemption of our 2022 Notes

As of March 31, 2020, an aggregate principal amount of U.S.$750 million (COP$3,040,905 million) of our 2022 Notes were outstanding. On May 13, 2020 we notified The Bank of New York Mellon, as trustee, our decision to redeem U.S.$320,000,000 in aggregate principal amount of our 2022 Notes. On June 12, 2020, the partial redemption was effected at a redemption price equal to 100.896% of the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest on the principal amount of the 2022 Notes. We used the proceeds from the loan disbursed under the 2020 Syndicated Facility and cash in hand to pay the redemption price plus accrued and unpaid interest. For additional information on the terms of our 2022 Notes, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

Recent Developments Relating to COVID-19

An outbreak of respiratory illness caused by COVID-19 first emerged in Wuhan city, Hubei province, China in late 2019 and continues to expand globally. The new strain of coronavirus is considered highly contagious and poses a serious public health threat. On January 30, 2020, the World Health Organization ("**WHO**") declared the outbreak of COVID-19 a Public Health Emergency of International Concern. As of the date of this Offering Memorandum, the virus had spread across numerous countries and territories globally, with most deaths in the United States of America, and death toll and number of infected cases continue to rise. The magnitude and duration of the COVID-19 pandemic are uncertain as its ramifications and adverse impacts continue to evolve in Colombia.

The impact of the COVID-19 pandemic has been significant in general. Most of the public-health restrictions in Colombia were implemented after the second week of March, 2020, and the telecommunications industry was declared as an essential service providing business continuity to the Colombian market. On March 17, 2020, the Colombian government, through Legislative Decree 417 of 2020, declared a 30-day state of national emergency in light of the health and economic crisis caused by the outbreak of COVID-19. On May 6, 2020, through Legislative Decree 637 of 2020, the Colombian government declared a state of emergency for an additional 30 days. The Colombian government is implementing various economic and public health measures to address the crisis, including (i) mandatory shelter in place orders; (ii) border closure for all non-citizens and non-residents; (iii) short term and low interest loans for all types of agricultural producers; (iv) payroll subsidies for companies and credit lines for different sectors of the economy; (iv) closure of all schools and universities; (v) incentivizing working from home and a mandatory work from home order for 80% of government employees; (vi) actions by the Central Bank, including reductions of its interest rate by 150 basis points in 2020, the provision of non-delivery forwards in the amount of up to U.S.$1 billion and supplying liquidity auctions up to COP$20 trillion; (vii) suspension of increases in utility tariffs; (viii) reduction in the prices of gasoline; (ix) changes to the general budget and measures to render more flexible certain procedures to enable the Colombian government to access the credit markets; and (x) increased COVID-19 testing of up to 15,000 per day, among others. The efficacy of these measures cannot yet be evaluated, and their duration and effect remain uncertain.

Following the declaration of the state of national emergency in Colombia on March 17, 2020, we began implementing our business continuity plan to safeguard the health of our employees and support our business continuity amid the COVID-19 pandemic, and adopted, among others, the following measures: (i) enacted safety and health protocols to prevent contagion at the work place and implemented a safe return plan divided in three phases to preserve the health of our employees; (ii) home-office was promoted for those positions that do not require physical presence at our offices, having 92% of our total employees working from home during the lockdown; however, some of our stores are still open and 38% of those employees are attending their workplace (with our personal protective equipment), mainly in commercial and technical areas; (iii) hygiene measures have been reinforced and prevention actions have been implemented; (iv) we are encouraging customers and employees to use our digital channels; and (v) there are continuous communication campaigns to keep our employees informed of the protocols and measures we are adopting.

In addition, COVID-19 has resulted in the majority of our contractors, suppliers, customers and other business partners having to work remotely and/or being prevented from conducting certain normal business activities for an indefinite period of time. This has been largely a result of shutdowns that have been requested or mandated by governmental authorities in Colombia and China, where many of our suppliers are based. The most relevant impacts of COVID-19 have been to (i) our prepaid services due to the mandated lockdowns in Colombia, given that the only recharge sales channel available was online recharge, (ii) our smartphone sales, as a result of the temporary closures of our retail points-of-sale, customer centers and direct sales force, and (iii) our SME segment considering an increase in past-due invoices and even bankruptcy of a number of small-business subscribers in Colombia. The impact of these events has been partially offset by (i) strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, showing an important increase of 63.0% in traffic levels for the three-month period ended June 30, 2020, and (ii) an increases in our mobile data traffic, especially in residential areas. We expect the telecommunications sector to weather the impact of COVID-19 better than most industries.

In addition, as part of our response to the COVID-19 situation, we have recently decided to optimize U.S.$33.5 million of our capital expenditures by allocating resources only to essential investments, such as revenue generation and business stability; prioritizing the following activities: (i) deployment of fiber optic and IPTV, (ii) FTTH deployment, transmission and core mobile, (iii) personnel costs associated with projects, and (iv) commercial activity related to B2B projects.

As of the date of this Offering Memorandum, it remains uncertain whether the COVID-19 outbreak can be contained and what its impact will be in the long term. However, during this time, we will continue to rely on our operational flexibility to manage the risks of COVID-19 to our business.

Recent Developments Relating to Our Second Quarter Results

As of the date of this Offering Memorandum, we do not have available consolidated financial information or unaudited consolidated financial statements for the three-month period ended June 30, 2020. Based on available preliminary financial information and estimates for the three-month period ended June 30, 2020 (consisting of preliminary consolidated financial information for the months of April and May), we currently expect (i) our consolidated operating income for the three-month period ended June 30, 2020 to show a decrease as compared to the corresponding period in 2019, primarily due to a decrease in handset sales and prepaid revenues and, to a lesser extent, on our post-paid mobile revenues, all associated to the slowdown in economic activity due to the mandatory lockdowns implemented by the Colombian authorities in response to COVID-19, and (ii) our consolidated EBITDA for the three-month period ended June 30, 2020 to show a decrease as compared to the corresponding period in 2019, primarily due to higher other operating income we recorded in the three-month period ended June 30, 2019, associated to sales of real estate assets and towers we conducted as part of our divestiture plan, when compared to the corresponding period in 2020 and, to a lesser extent, to the decrease in our consolidated operating income during the three-month period ended June 30, 2020, primarily as a result of the lockdowns in Colombia associated to COVID-19, a devaluation of the peso against the U.S. dollar and higher one-time costs we incurred also in the second quarter of 2020 associated to B2B new projects. This preliminary financial information for the three-month period ended June 30, 2020 may be subject to changes. Neither our preliminary consolidated financial information for the months of April and May nor our preliminary financial information estimates for the three-month period ended June 30, 2020 have been subject to a limited review by our auditors, and such preliminary consolidated information is subject to normal recurring and other period-end adjustments and does not rise to the level of finality of quarterly unaudited consolidated financial statements. Therefore, our actual consolidated second quarter results may differ from the information presented herein once unaudited consolidated financial statements for the three-month period ended June 30, 2020 become available. This preliminary financial information is derived from calculations or figures that have been prepared internally by our management and should not be viewed as a substitute for full financial statements prepared in accordance with Colombian IFRS.

Recent Development Relating to Our Operations

Sale of accounts receivables associated to handsets

On June 30, 2020, we sold a portfolio of accounts receivables associated to handset sales for COP$102,300 million (U.S.$27.2 million), after our Board of Directors approved the transaction together with the sale of accounts receivables associated to our corporate customers segment for an amount of COP$110,000 million (U.S.$27.2 million).

Company Information

We were incorporated on June 16, 2003, as a public utility services company (*empresa de servicios públicos*) organized as a stock corporation (*sociedad anónima*) under the laws of Colombia. According to our bylaws, our term of existence expires on December 31, 2092. Upon the expiration of our term, we would be liquidated in a private proceeding and our liabilities satisfied from the proceeds thereof. Our shareholders may modify our term of existence at any time prior to its expiration. Our principal executive offices are located at Transversal 60, No. 114 A-55 Edificio Corporativo, Bogotá D.C., Colombia. Our telephone number at this location is +57(1) 705 0100. Our website is www.movistar.co. Information contained in, or accessible through, our website is not incorporated by reference in, and shall not be considered part of, this Offering Memorandum.

THE OFFERING

Issuer	Colombia Telecomunicaciones S.A. E.S.P.
Securities	4.950% Senior Notes due 2030.
Principal Amount	The aggregate principal amount of the Notes will be U.S.$500,000,000.
Issue Price	The issue price of the Notes is 100% of the principal amount, plus accrued interest, if any, from July 17, 2020.
Interest	The Notes will bear interest at the rate of 4.950% per annum payable on January 17 and July 17 of each year, beginning on January 17, 2021.
Final Maturity	July 17, 2030.
Withholding Tax	All payments made by the Issuer on the Notes, whether of principal or interest, will be made without withholding or deduction for or on account of taxes and duties, unless required by law, in which case, subject to specified exceptions and limitations, the Issuer will assume the withholding payments or pay additional amounts so that the holder of the Note or the beneficial interest therein receives an amount equal to the sum it would have received had no such deductions or withholdings been made. See *"Description of the Notes—Payment of Additional Amounts*."
Optional Redemption at Par	At any time or from time to time on or after April 17, 2030 (three months prior to the maturity date of the Notes) (the "**Par Call Date**"), the Issuer will have the right to redeem the Notes in whole or in part, on at least 10 days' but not more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the Notes plus accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any additional amounts to, but excluding, the redemption date. See "*Description of the Notes—Redemption—Optional Redemption at Par*."
Optional Redemption with Make-Whole Amount	The Issuer will have the right to redeem any of the Notes, in whole or in part, at any time or from time to time prior to the Par Call Date, at its option, on at least 10 days' but not more than 60 days' prior notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, in each case plus accrued but unpaid interest (if any) on the principal amount of the notes to be redeemed and any additional amounts to, but excluding, the redemption date. See "*Description of the Notes—Redemption— Optional Redemption with Make-Whole Amount*."
Early Redemption for Taxation Reasons	The Notes are redeemable at the option of the Issuer in whole (but not in part), at any time at the principal amount thereof plus accrued and unpaid interest due thereon if, as a result of changes in the laws or regulations affecting taxation, and if other conditions are met, the Issuer will be required to pay additional amounts. See "*Description of the Notes—Redemption—Early redemption for taxation reasons.*"
Book-Entry; Form and Denomination	The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants including Euroclear, and Clearstream, DTC or its nominee is the registered holder or owner of the Notes and will be treated as such for all purposes under the indenture. The Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will not be issued in definitive form except under certain limited circumstances.

	See "*Description of the Notes—Book-Entry System; Delivery and Form—Certificated Notes*."
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act and are subject to restrictions on resales. The Notes may only be offered and sold (1) to persons who are QIBs purchasing for their own accounts or the account of a QIB as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to non-U.S. Persons (as defined in the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act; and (3) in accordance with any other applicable law. See "Transfer Restrictions."
Listing..	Application will be made for the listing of and quotation for the Notes on the SGX-ST. We cannot assure you, however, that this application will be accepted, or, if accepted, that the Notes will remain so listed. If the Notes are delisted, Issuer will use reasonable efforts to list the Notes in another comparable exchange. However, there can be no assurance that Issuer will obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system.
Governing Law; Submission to Jurisdiction	The Notes will be governed by the laws of the State of New York. The Issuer will submit to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the Notes. See "*Description of the Notes—Governing Law*."
Use of Proceeds	We intend to use the net proceeds from the issuance of the Notes, which are estimated to be U.S.$496.9 million (COP$2,014,626 million at the exchange rate of COP$4,054.54 per U.S.$1.00 corresponding to the exchange rate as of March 31, 2020), after deducting expenses and fees in connection with this offering, to refinance certain of our existing indebtedness, including our indebtedness under the 2022 Notes that remain outstanding as of the date of this Offering Memorandum, and the remainder, if any, for general corporate purposes.
Risk Factors	Before investing, you should carefully consider the information set forth under "*Risk Factors*."

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary financial and other information as of and for the three-month periods ended March 31, 2020 and 2019 and as of and for the years ended December 31, 2019, 2018 and 2017 has been derived from our Consolidated Financial Statements included elsewhere in this Offering Memorandum. Our historical results are not necessarily indicative of our results of operations for the year ending December 31, 2020, or for any future periods.

Our Consolidated Financial Statements were prepared in *pesos* in accordance with IFRS, as issued by the IASB, including the interpretations issued by the IFRIC, in each case, as adopted in Colombia, or Colombian IFRS. See "*Presentation of Financial and Other Information—Financial Statements.*" The financial information in this section should be read in conjunction with "*Presentation of Financial and Other Information*," "*Selected Financial and Other Information,*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" and our Consolidated Financial Statements and the related notes thereto included elsewhere in this Offering Memorandum.

Statement of Comprehensive Income

	For the three month period ended March 31,			For the year ended December 31,			
	2020	**2020**	**2019**	**2019**	**2019**	**2018**	**2017**
	(in millions of U.S.$) [1]	*(in millions of pesos)*		*(in millions of U.S.$)*[1]	*(in millions of pesos)*		
Services and data transmission – connectivity	89.0	360,896	326,707	350.1	1,419,449	1,333,320	1,346,179
Basic charges and airtime	37.8	153,189	191,501	162.0	656,710	827,356	865,958
Sale of terminal equipment	30.7	124,510	126,373	132.5	537,400	468,448	477,655
Interconnection and roaming	15.5	62,909	54,117	55.6	225,420	178,064	151,581
Value-added services[2]	11.5	46,608	47,676	47.4	192,338	182,812	101,124
Carrier services[3]	3.0	12,341	17,880	15.2	61,812	70,486	85,768
Mobile services	**187.6**	**760,453**	**764,254**	**762.9**	**3,093,130**	**3,060,486**	**3,028,264**
Data transmission services	55.8	226,346	220,741	221.0	896,211	887,083	766,061
Local and long distance telephony	23.5	95,413	112,506	105.1	425,989	496,145	555,895
Satellite TV	24.6	99,639	87,278	94.5	383,266	310,021	284,825
Business solutions[4]	22.9	92,819	77,162	75.0	304,036	297,038	224,234
Sale of equipment	1.0	3,891	234	0.7	2,787	1,398	2,145
Interconnection	—	—	—	13.2	53,579	63,900	—
Networking	2.7	10,974	14,654	—	—	—	—
Leasing investment properties	—	53	21	—	185	267	—
Fixed-line services	**130.5**	**529,135**	**512,595**	**509.6**	**2,066,051**	**2,055,849**	**1,833,160**
Income from services provided	**318.1**	**1,289,588**	**1,276,849**	**1,272.4**	**5,159,181**	**5,116,335**	**4,861,423**
Sale of movable and immovable property	4.2	17,201	14,100	81.8	331,724	209,531	22,500
Other operating income[5]	3.9	15,919	18,993	33.1	134,340	91,416	77,777
Work carried out for fixed assets	—	—	32,255	16.2	65,769	53,383	48,318
Other operating income	**8.1**	**33,120**	**65,348**	**131.2**	**531,833**	**354,331**	**148,595**
Operating income	**326.2**	**1,322,708**	**1,342,197**	**1,403.6**	**5,691,014**	**5,470,666**	**5,010,018**
Operating costs and expenses	(242.0)	(981,076)	(884,848)	(931.4)	(3,776,203)	(3,636,795)	(3,477,141)
Operating profit before depreciation and amortization	**84.3**	**341,632**	**457,349**	**472.3**	**1,914,811**	**1,833,871**	**1,532,877**
Depreciation and amortization	(85.9)	(348,150)	(365,229)	(350.8)	(1,422,459)	(1,349,105)	(1,169,438)
Operational result	**(1.6)**	**(6,518)**	**92,120**	**121.4**	**492,352**	**484,767**	**363,439**
Financial expense, net	(27.5)	(111,622)	(68,010)	(71.4)	(289,416)	(308,330)	(378,656)
PARAPAT Payment Obligations[6]	—	—	—	—	—	—	(350,451)
Income before wealth tax	**(29.1)**	**(118,140)**	**24,110**	**50.1**	**202,936**	**176,437**	**(365,668)**
Wealth tax	—	—	—	—	—	—	(7,086)
Income before taxes	**(29.1)**	**(118,140)**	**24,110**	**50.1**	**202,936**	**176,437**	**(372,754)**
Income tax and complementary	2.6	10,551	(33,837)	(44.3)	(179,505)	212,475	672,577
Net (loss) income for the period	**(26.5)**	**(107,588)**	**(9,727)**	**5.8**	**23,431**	**388,912**	**299,823**
Profit attributable to:							
Controlling shareholders	(26.5)	(107,587)	(9,497)	5.8	23,437	394,279	302,676
Minority shareholders	—	(1)	(230)	—	(6)	(5,367)	(2,853)
Net (loss) income for the period	**(26.5)**	**(107,588)**	**(9,727)**	**5.8**	**23,431**	**388,912**	**299,823**
Items that are classified to the income statement:							
Valuation of hedging derivative instruments	42.6	172,922	1,858	4.9	19,804	(24,997)	(22,899)
Actuarial results	—	—	—	—	136	(14,495)	1,973
Items that are not reclassified on the income statement:							
Revaluation of real estate, net of taxes	—	—	—	42.9	174,058	(7)	152,065
(Loss) profit in other comprehensive income	**42.6**	**172,922**	**1,858**	**47.8**	**193,999**	**(39,499)**	**131,138**

	For the three month period ended March 31,			For the year ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*		*(in millions of U.S.$)*[(1)]	*(in millions of pesos)*		
Comprehensive income of the period	**16.1**	**65,334**	**(7,869)**	**53.6**	**217,430**	**349,413**	**430,961**
(Loss) income in other comprehensive income attributable to:							
Controlling shareholders	16.1	65,335	(7,158)	47.8	193,999	(39,285)	131,183
Minority shareholders	—	(1)	(711)	—	—	(214)	(45)
(Loss) income in other comprehensive income of the period	**16.1**	**65,334**	**(7,869)**	**47.8**	**193,999**	**(39,499)**	**131,138**

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.
(2) Includes application downloads, text messages, reconnection fees, preferred subscription and space in communication channels for advertisers.
(3) Includes services provided to Virgin Mobile.
(4) Includes consulting project development services, administration of applications, equipment and communication infrastructure and security management.
(5) Includes operating leases, income from disposal of other assets, subsidies and compensation.
(6) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

Balance Sheet

	For the three month period ended March 31,		For the year ended December 31,			
	2020	2020	2019	2019	2018[(2)]	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*	*(in millions of U.S.$)*[(1)]	*(in millions of* pesos)		
Current assets:						
Cash and cash equivalents	29.8	120,870	101.4	411,083	123,697	316,372
Financial assets measured at fair value...	190.3	771,730	17.8	72,312	191,692	54,791
Debtors and other accounts receivable, net	279.2	1,131,835	248.0	1,005,468	1,008,569	827,976
Pre-paid expenses	47.6	193,076	44.3	179,614	111,648	41,602
Contractual asset	6.3	25,715	6.3	25,345	31,480	—
Inventories	40.5	164,328	48.6	197,129	189,870	133,237
Taxes and public administrations	120.6	489,136	95.7	387,945	224,298	196,430
Assets held for sale	—	—	33.2	134,566	—	—
Total current assets	**714.4**	**2,896,689**	**595.2**	**2,413,462**	**1,881,254**	**1,570,409**
Non-current assets						
Financial assets measured at fair value...	44.0	178,584	7.7	31,023	11,032	19,425
Debtors and other accounts receivable, net	44.0	178,541	32.8	132,902	158,262	178,051
Pre-paid expenses	37.7	152,990	41.6	168,804	151,621	58,071
Contractual asset	—	61	—	85	168	—
Right of use assets	190.4	772,032	152.9	619,921		
Properties, plant and equipment	1,270.7	5,152,302	1,255.0	5,088,525	4,984,366	5,267,947
Investment properties	1.9	7,543	1.9	7,543	6,886	6,886
Intangibles	417.6	1,693,172	434.6	1,761,923	2,135,780	2,577,624
Goodwill	338.5	1,372,302	338.5	1,372,302	1,372,302	1,449,138
Deferred taxes	399.4	1,619,398	414.5	1,680,411	1,865,724	1,763,224
Total non-current assets	**2,744.3**	**11,126,923**	**2,679.3**	**10,863,438**	**10,686,141**	**11,320,366**
Total assets	**3,458.7**	**14,023,613**	**3,274.6**	**13,276,901**	**12,567,395**	**12,890,774**
Current liabilities:						
Financial obligations[(3)]	136.8	554,749	101.1	410,048	347,175	359,567
Suppliers and accounts payable[(4)]	371.1	1,504,815	439.4	1,781,446	1,568,249	1,523,652
Contractual liability	21.1	85,556	20.7	84,001	80,344	—
Taxes and public administrations	44.4	179,919	29.1	118,145	105,307	92,678
Deferred liabilities	0.8	3,383	1.0	3,899	4,138	117,454
Provisions and pension liabilities	33.3	134,935	41.1	166,620	197,556	218,995
Total current liabilities	**607.5**	**2,463,357**	**632.4**	**2,564,158**	**2,302,768**	**2,312,346**

	For the three month period ended March 31,		For the year ended December 31,			
	2020	2020	2019	2019	2018[2]	2017
	(in millions of U.S.$) [1]	*(in millions of pesos)*	*(in millions of U.S.$)*[1]	*(in millions of* pesos)		
Non-current liabilities						
Financial obligations[3]	1,520.3	6,164,019	896.8	3,636,024	3,220,865	3,614,282
Suppliers and accounts payable[4]	35.5	144,132	36.4	147,719	172,388	176,470
Contractual liabilities	11.2	45,491	11.7	47,440	55,325	—
Deferred liabilities.................................	2.9	11,675	3.0	12,068	14,871	74,751
Provisions and pension liabilities	64.5	261,687	63.2	256,198	249,038	247,836
Deferred taxes	—	—	—	—	—	60,435
Total non-current liabilities	**1,634.5**	**6,627,004**	**1,011.1**	**4,099,450**	**3,712,488**	**4,173,775**
Total liabilities	**2,242.0**	**9,090,361**	**1,643.5**	**6,663,608**	**6,015,256**	**6,486,121**
Total equity, attributable to the parent company	**1,216.7**	**4,933,252**	**1,631.1**	**6,613,292**	**6,544,233**	**6,395,321**
Equity attributable to minority interests..	—	(0.4)	—	0.7	7,905	9,332

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and financial expenses. The financial expense is recorded on our results of operations over the lease period to generate a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Given our option to use the modified retrospective approach established in IFRS 16, our 2018 comparative information has not been restated in our audited consolidated financial statements as of and for the year ended December 31, 2018 is reported under IAS 17.

(3) As of March 31, 2020 and December 31, 2019, consists of our financial leases (IFRS 16), credit facilities, local and international bonds, and hedging instruments. Given our option to use the modified retrospective approach established in IFRS 16, our financial obligations as of December 31, 2018 and 2017 consist of credit facilities, local and international bonds and hedging instruments and, therefore, do not include financial leases under IFRS 16.

(4) Suppliers and accounts payable include foreign currency balances as of December 31, 2019 and 2018 of U.S.$144,936 thousand and U.S.$.132,686 thousand, respectively, and as of December 31, 2017 of U.S.$60,686 thousand and €374 thousand. See notes 20 and 17 to our 2019 and 2017 audited consolidated financial statements, respectively.

Other Financial Information

	For the three month period ended March 31,			For the year ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(in millions of U.S.$) [1]	*(in millions of pesos)*		*(in millions of U.S.$)*[1]	*(in millions of* pesos*)*		
Cash flow data							
Net cash provided by operating activities...........	6.2	25,268	115,363	204.1	827,684	1,176,919	1,016,639
Net cash used in (provided by) investing activities	(105.9)	(429,206)	(123,837)	14.3	57,977	(572,205)	(2,398,770)
Net cash (used in) provided by financing activities	28.0	113,725	57,915	(147.6)	(598,275)	(797,389)	1,435,244
Other financial information							
Capital expenditures (excluding licenses)...........	60.6	245,884	130,078	246.8	1,000,469	525,049	819,242
Licenses (radio spectrum)..................................	13.4	54,458	—	33.1	134,066	143,745	1,917,828
PARAPAT Payment Obligations[2]	—	—	—	—	—	—	(350,451)
Consolidated EBITDA[3]	84.3	341,632	457,349	472.3	1,914,811	1,833,871	1,532,877
Consolidated EBITDA Margin[4]	—	25.8%	34.1%	—	33.6%	33.5%	30.6%
Net Debt[5]	1,459.5	5,917,803	5,182,360	1,178.5	4,778,311	4,747,667	4,722,042
Net Debt to Consolidated EBITDA[6]	—	n.m.[6]	—	—	2.50x	2.59x	3.08x

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

(3) We calculate Consolidated EBITDA as net income (loss) before depreciation and amortization for the period; financial expenses, net and income tax. Consolidated EBITDA are not presentations made in accordance with Colombian IFRS. Consolidated EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to us to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS and the requirements of the SFC. See "Presentation of Financial and Other Information—

Non-IFRS Financial Measures." For a reconciliation of our Consolidated EBITDA, see "Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures."

(4) Consolidated EBITDA Margin is calculated as Consolidated EBITDA for the period divided by operating income.

(5) Net debt means total current and non-current financial obligations, net *plus* perpetual equity instruments (including our Subordinated Notes) *less* cash and cash equivalents and market to market valuation of foreign exchange derivatives as of the end of the relevant period. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures." For a calculation of our Net Debt, see "Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures."

(6) Net Debt to Consolidated EBITDA is calculated as Net Debt as of the end of the year to Consolidated EBITDA for the year then ended. Our Net Debt to Consolidated EBITDA ratio calculated as of March 31, 2020 and for the three-month period ended March 31, 2020, is not meaningful ("**n.m.**").

Other Operating Information

	For the three month period ended March 31,	For the year ended December 31,		
	2020	**2019**	**2018**	**2017**
Operating information				
Total mobile subscribers	15,913,964	16,080,371	15,716,258	14,590,546
Total – pre-paid subscribers	11,773,388	12,003,145	11,880,779	10,857,664
Voice – post-paid subscribers	3,660,711	3,549,220	3,319,471	3,215,884
Mobile data – post-paid subscribers	479.865	528,005	516,008	516,998
Total mobile subscribers growth	0.2%	2.3%	7.7%	6.3%
ARPU (per mobile subscriber, in *pesos*)	12,479	12,800	13,416	14,224
Average churn rate for mobile subscribers	3.1%	3.1%	3.2%	3.3%
Total fixed lines	**1,482,724**	**1,487,738**	**1,582,376**	**1,609,560**
Total fixed lines growth	(5.0%)	(6.0%)	(1.7%)	(3.7%)
ARPU – fixed-line (in *pesos*)	20,636	22,883	25,554	28,006
Average churn rate for fixed-line subscribers	2.6%	2.6%	2.4%	2.1%
Total Internet subscribers	1,167,769	1,163,237	1,204,287	1,193,789
Total Internet subscribers growth	(1.9%)	(3.4%)	0.9%	0.3%
ARPU – Internet (in *pesos*)	49,385	46,495	43,769	39,826
Average churn rate for Internet subscribers	3.0%	3.0%	2.9%	2.6%
Television subscribers	532,464	528,128	548,247	529,907
Television subscribers growth	(1.4%)	(3.7%)	3.5%	2.4%
ARPU – television (in *pesos*)	42,951	43,631	41,270	44,869
Average churn rate for television subscribers	3.2%	3.5%	3.5%	3.1%

RISK FACTORS

You should carefully consider the risks and uncertainties described below, as well as the other information included elsewhere in this Offering Memorandum before making an investment in the Notes. The risks described below are not the only ones we face. In the event any of the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected. The market price of the Notes could decline due to any of these risks, and you may lose all or part of your investment in the Notes. The risks described below are those that we currently believe may materially affect us. Additional risks not presently known to us, or that we currently consider immaterial may also materially adversely affect us.

For purposes of this section, when we state that a risk, uncertainty or problem may, could or will have an "adverse effect" on us or "adversely affect" us, we mean that the risk, uncertainty or problem could have an adverse effect on our business, financial condition, results of operations, cash flow and/or prospects, and/or the price of the Notes, except as otherwise indicated. You should view similar expressions in this section as having similar meaning.

Risks Relating to Our Business and the Colombian Telecommunications Industry

The outbreak of communicable diseases around the world such as the recent outbreak of COVID-19 has lead and may continue to lead to higher volatility in the global capital markets and recessionary pressure on the Colombian economy, which could directly or indirectly affect our operations, each of which may materially and adversely affect our business, financial condition and results of operations.

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets and is expected a recessionary effect on the Colombia economy. Any material change in the financial markets or the Colombian economy as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

For example, the outbreak of the COVID-19 has spread across the globe and led to higher volatility in the global capital markets, resulting in a global economic slowdown, a shutdown of production and supply chains and disruption of international trade, all of which may negatively impact the telecommunications industry. See "*—We could be adversely affected if major suppliers fail to provide needed equipment and services on a timely basis*." The most relevant impacts of COVID-19 have been to (i) our prepaid services due to the mandated lockdowns in Colombia, given that the only recharge sales channel available was online recharge, (ii) our smartphone sales, as a result of the temporary closures of our retail points-of-sale, customer centers and direct sales force, and (iii) our SME segment considering an increase in past-due invoices and even bankruptcy of a number of small-business subscribers in Colombia. The impact of these events has been partially offset by (i) strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, showing an important increase of 63.0% in traffic levels for the three-month period ended June 30, 2020, and (ii) an increases in our mobile data traffic, especially in residential areas.

The telecommunications industry was declared as an essential service providing business continuity to the Colombian market. On March 17, 2020, the Colombian government, through Legislative Decree 417 of 2020, declared a 30-day state of national emergency in light of the health and economic crisis caused by the outbreak of COVID-19. On May 6, 2020, through Legislative Decree 637 of 2020, the Colombian government declared a state of emergency for an additional 30 days. The Colombian government is implementing various economic and public health measures to address the crisis, including (i) mandatory shelter in place orders; (ii) border closure for all non-citizens and non-residents; (iii) short term and low interest loans for all types of agricultural producers; (iv) payroll subsidies for companies and credit lines for different sectors of the economy; (iv) closure of all schools and universities; (v) incentivizing working from home and a mandatory work from home order for 80% of government employees; (vi) actions by the Central Bank, including reductions of its interest rate by 150 basis points in 2020, the provision of non-delivery forwards in the amount of up to U.S.$1 billion and supplying liquidity auctions up to COP$20 trillion; (vii) suspension of increases in utility tariffs; (viii) reduction in the prices of gasoline; (ix) changes to the general budget and measures to render more flexible certain procedures to enable the Colombian government to access the credit markets; and (x) increased COVID-19 testing of up to 15,000 per day, among others. The efficacy of these measures cannot yet be evaluated, and their duration and effect remain uncertain.

Developments related to COVID-19 remain a source of uncertainty and any such future outbreak could more generally restrict economic activities in affected regions in Colombia, resulting in reduced business volume, temporary closures of our or other companies' facilities or otherwise disrupt our business operations and adversely affect our results of operations or those of other companies or customers we interact with. See "*Summary—Recent Developments—Considerations Related to COVID-19*." At this time it remains uncertain whether the COVID-19 outbreak can be contained and what its impact will be in the long term. This is causing significant uncertainty in both domestic and global financial markets, and could have a material adverse effect on our supply chains, business, financial condition and results of operations.

Competition in the mobile industry is intense and could adversely affect our business, financial condition, results of operations and market share.

The Colombian telecommunications market is highly competitive. We face substantial competition from other integrated telecommunications companies and from other mobile and fixed-line providers, including MVNOs. We also face competition from other service providers such as cable, trunking, internet and voice-over-IP companies.

For example, among other things, our competitors could provide free airtime or other services, provide subsidies for the purchase of handsets, expand their coverage or develop and deploy new-generation mobile technologies at a faster rate than us.

Competition in our markets has intensified in recent years, and we expect that it will continue to intensify in the future as a result of:

- *The entry of new competitors, the development of new technologies, products and services, and the auction of additional spectrum*. As of 2018, we focused on fiber deployment, a technology that increases the quality and added value generated from the broadband and television products currently offered, and where we already have more than one million homes serviced. Additionally, the market is waiting for a future development of 5G networks, a circumstance which is not foreseen in the horizon of the strategic plan (up to the year 2022) but which will eventually arrive to the Republic of Colombia. On December 20, 2019, the MINTIC conducted a spectrum auction with the aim to improve connectivity in Colombia, especially in rural and remote areas. The following providers were qualified to participate in the auction: Claro Colombia, Movistar, Tigo and Partners. The MINTIC established five blocks to be auctioned in the 700 MHz band; one in the 1,900 MHz band and six in the 2,500 MHz band. The total spectrum auctioned to Claro Colombia, Tigo and Partners was 80 MHz in the 700 MHz band (of which 10 MHz that were not awarded); 60 MHz in the 2,500 MHz band; and no offers were received in the 1,900 MHz band. After the awards were announced, Partners waived a second block of 10 MHz in the 2500 MHz band that it had been awarded, which resulted in a fine by the MINTIC. The results of this auction and entry of new competitors could enhance the competitive strength of our existing competitors and increased competition could significantly place downward pressure on ARPUs.

- *The elimination of legal entry barriers to provide telecommunications services*. In July 2009, the Colombian government enacted Law 1341 of 2009 ("**Law 1341**"), transforming the traditional concessions regime into a general habilitation regime. Under this regulatory framework, the provision of telecommunications services (including the provision of television services in accordance with the provisions of Law 1978 of 2019 ("**Law 1978**")) is based on a general habilitation model which allows any qualified telecommunications company to request a license in order to provide telecommunications services, provided that certain pre-established conditions are satisfied. This general habilitation does not grant the right to use the radio-electric spectrum. This regulatory approach has significantly eliminated legal entry barriers into the Colombian telecommunications industry and fostered competition among operators.

- *Increased investment from the private sector, simplification of the institutional framework and improvement of the efficiency in payment of regulatory fees*. Law 1978 was established to modernize the Information and Communications Technology ("**ICT**"), sector by achieving the following main objectives: (i) reducing the digital gap, (ii) improving connectivity (iii) improving universal access to new technologies for Colombia, especially in remote and rural areas and (iv) improving the institutional framework with one regulator of the ICT sector. Law 1978 aims to increase investment from the private sector, simplify the institutional framework and improve efficiency in payment of regulatory fees. Television and postal services are subject to Law 1978 but are also subject to Law 182 of 1995 and Law 1507 of 2011, and to Law 1369 of 2009, respectively.

- *Continued competitive pressure from MVNOs*. MVNOs may enter into agreements with traditional mobile operators for the lease of their network and radio spectrum, allowing MVNOs to use these assets to provide mobile voice and data services to their own customers. As more MVNOs enter the market, they are likely to target subscribers in certain market segments with customized offers, such as Virgin Mobile, which focuses on the younger segments of the population. As of December 31, 2019, MVNOs accounted for 7.2% of the market share for mobile subscribers in Colombia, according to information available from the MINTIC. The number of MVNO subscribers has increased by 11.9% from 4.3 million as of December 31, 2017 to 4.8 million as of December 31, 2019.

- *The elimination of minimum-term stay clauses*. Regulations have been amended in 2011, 2014 and 2018, in order to ban minimum-term stay clauses, which prevented subscribers from terminating mobile telecommunications services agreements before a given period of time had lapsed, except in the case of corporate users. Users may now terminate mobile telecommunications services agreements whenever they prefer, enabling them to move freely from one provider to another.

- *Customers' perceptions of our services may place us at a disadvantage compared to our competitors*. Maintaining a favorable reputation among our customers is critical to operating in highly-competitive markets. The ability to predict and respond to the changing needs and demands of customers affects our competitive position relative to other telecommunications companies, and our ability to capture value from the digital transformation process. Failure to maintain favorable perceptions among our customers could have an adverse effect on our business, financial condition, results of operation or cash flows.

- *Sharing of antenna facilities*. The sharing of infrastructure is a relatively new business strategy that could bolster the position of our current competitors and lower the entry barriers for new operators.

We expect these developments to lead to greater choices for subscribers and increasing ease of movement of subscribers among competitors, which may make it more difficult for us to retain subscribers or add new subscribers. The cost of adding new subscribers may also continue to increase, reducing profitability. Because the cost of acquiring new subscribers is higher than the cost of maintaining existing subscribers, subscriber deactivations result in increased costs even if we are able to obtain one new subscriber for each lost subscriber.

We also experience increasing pressure to reduce our rates in response to pricing competition. This pricing competition often takes the form of special promotional packages, which may include, among other things, special promotions and incentives for voice and data usage. Competing with the service plans and promotions offered by our competitors may cause an increase in our marketing expenses and customer acquisition costs, which may adversely affect our results of operations. Our inability to compete effectively with these packages could result in our loss of market share and adversely affect our net operating revenue and profitability.

Our ability to compete successfully will depend on our network coverage, the quality of our network and service, our rates, customer service, marketing and our ability to anticipate and respond to various competitive factors affecting the telecommunications industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors. If we are unable to respond to competition and compensate for declining prices by adding new subscribers, increasing usage and offering new services, our business, financial condition and results of operations could be adversely affected.

We cannot assure you that regulatory changes will not increase competition further and, as a result, adversely affect our business, financial condition, results of operations and market share.

The telecommunications industry is subject to rapid technological changes, which could adversely affect our ability to compete effectively and/or affect our future financial performance.

Companies in the telecommunications industry must adapt to rapid and significant technological changes that are usually difficult to anticipate. These changes include, among others, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. New services and technological advances may offer additional opportunities to compete against us on the basis of cost, quality or functionality. It may not be practicable or cost-effective for us to replace or upgrade our installed technologies in response to competitors' actions. Responding to such change may require us to devote substantial financial resources to the development, procurement or implementation of new technologies and to write off obsolete assets relating to our existing technology.

In addition, we rely mainly on third parties to develop software applications and mobile devices with features that support new mobile data services. If we choose to purchase or invest in the development of new telecommunications technology, we cannot assure you that such new products or services will not serve as a substitute to existing products and services offered by us or that the necessary applications or devices will be developed at all or in sufficient quantities to support our deployment of new mobile data services.

If future mobile technologies that gain widespread acceptance are not compatible with the technologies we use, we may be required to make capital expenditures in excess of our current forecasts in order to upgrade and replace our technology and infrastructure.

While we have been upgrading our fixed-line networks infrastructure with technologically advanced fiber optic cable with a microwave overlay for use in our long-distance services, it is possible that alternative technologies may be developed that are more advanced than those we currently provide. Even if we adopt new technologies in a timely manner as they are developed, the cost of such technology may exceed the benefit to us, and we cannot assure you that we will be able to maintain our level of competitiveness.

In addition, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our subscribers, and we may not be able to accurately predict technological trends or the success of new services in the market. For instance, television providers face increasing consumer demand for the delivery of digital video services via internet. We expect to continue to face increased threats from companies who use internet to deliver digital video services as the speed and quality of broadband and wireless networks continues to improve.

We cannot assure you as to the effect of such technological changes on us or that we will not be required to expend substantial financial resources on the development or implementation of new competitive technologies. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost or if these services fail to gain acceptance in the marketplace, our ability to retain and attract subscribers could be reduced, adversely affecting our business, financial condition and results of operations.

Our ability to acquire additional spectrum capacity may be limited.

We currently have licenses to use a total of 85 MHz of capacity to provide 2G, 3G and 4G voice and data mobile services distributed in 30 MHz in the 1900 MHz spectrum, 25 MHz in the 850 MHz spectrum and 30 MHz in the AWS spectrum, collectively representing approximately 20% of the total mobile spectrum awarded in Colombia. Although we may participate in future auctions of radio spectrum capacity by the Colombian government, if and when they occur, we may not be successful in acquiring additional capacity through this process. Radio spectrum is essential to our growth and the quality of our services, particularly for providing existing 4G services and for the deployment of 5G networks. Although we can increase the density of our network by building more cell and switch sites, thus reducing our need for additional spectrum, such measures are costly and would be subject to local restrictions and approvals, and in any event they would not fully meet our needs. For more information on the spectrum permits we held, see "*Business—Network—Spectrum*."

In addition, Colombian law limits mobile telecommunication operators from owning more than 90 MHz of capacity in the frequency bands between1710 MHz and 2690 MHz, and 45 MHz in the frequency bands between 698 MHz and 960 MHz. This limitation may adversely affect our ability to participate in future radio spectrum auctions, and we cannot assure you that we will be able to acquire additional capacity for our networks when and as needed or that any such acquisitions will be sufficient to meet our present or future needs.

If we are not able to acquire sufficient spectrum due to price constraints, regulations, antitrust concerns or otherwise, such failure may adversely impact our ability to maintain the quality of our services or expand our existing subscriber base, which could adversely affect our business, financial condition and results of operations.

We have significant indebtedness.

We had COP$6,718,768 million (U.S.$1,657.1 million) of total outstanding indebtedness (which consists of our financial leases, credit facilities, local and international bonds, and hedging instruments) as of March 31, 2020, and Consolidated EBITDA of COP$341,632 million (U.S.$84.3 million) for the three-month period ended March 31, 2020.

Our level of indebtedness may have significant negative effects on our operations, including:

- impairing our ability to obtain financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;
- requiring us to dedicate a substantial portion of our cash flow to the payment of principal and interest on our indebtedness, which reduces the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including our borrowings under our credit facilities;
- increasing the possibility of an event of default under the covenants contained in the agreements governing our indebtedness; and

- limiting our ability to adjust to rapidly changing market conditions, reducing our ability to withstand competitive pressures and making us more vulnerable to a downturn in general economic conditions or our business than our competitors with less debt.

In addition, we may incur additional debt in the future. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*." Adding new debt to our existing indebtedness could increase our leverage and cause the related risks that we now face to intensify.

Our ability to meet our debt service requirements depends on our future performance, which is subject to a number of factors, many of which are outside our control. We cannot assure you that we will generate sufficient cash flow from operating activities to meet our debt service obligations and our working capital requirements. If we are unable to generate sufficient cash flow from operations to service our debt, we may be required to refinance all or a portion of our existing debt, or to obtain additional financing. We cannot assure you that any such refinancing would be possible or that any additional financing could be obtained. Our inability to obtain such refinancing or financing may have a material adverse effect on us.

Some of our debt has a variable rate of interest linked to various indices. If the changes in indices result in interest rate increases, our debt service requirements will increase, which could adversely affect our cash flow and operating results. In particular, some of our variable-rate indebtedness may use LIBOR, or similar rates as a benchmark for establishing the rate. LIBOR will be discontinued after 2021 and will be replaced with an alternative reference rate. The consequence of this development cannot be entirely predicted but could include an increase in the cost of our variable rate indebtedness.

We provide communication services under the general habilitation regime and require spectrum licenses and permits for the provision of mobile services. The revocation or failure to renew such licenses and permits could limit or prevent our ability to operate, which would likely adversely impact our business, financial condition and results of operations.

We provide certain telecommunications services pursuant to a general habilitation regime under Law 1341, as modified by Law 1978. Under the general habilitation regime, as of July 26, 2019, we are authorized to provide telecommunications networks and services, including mobile services, fixed-line services, internet access services and television subscription services.

In March 2014, the MINTIC issued Resolution 597, pursuant to which our permits for the use of 25MHz in the 850 MHz spectrum and 15MHz in the 1900MHz spectrum were renewed for ten years and we were granted permits in the 835.020 MHz to the 844.980 MHz spectrum, 846.510 MHz to the 848.970 MHz spectrum, 880.020 MHz to the 889.980 MHz spectrum, 891.510 MHz to the 893.970 MHz spectrum, 1870 MHz to the 1877.5 MHz spectrum and 1950 MHz to the 1957.5 MHz spectrum, in each case until March 28, 2024.

In 2011, pursuant to Resolution 2105, we were granted permits for mobile services to use 15MHz in the 1900MHz spectrum, subject to the conditions set forth under Resolution 1157 of 2011, which expire on October 20, 2021. Furthermore, pursuant to Resolution 2625 of 2013, we were awarded permits to use 30 MHz in the 1710 MHz to 1755 MHz spectrum (AWS band), which expire in November 12, 2023, as part of an auction process carried out in May, 2013. As of the date of this Offering Memorandum, our permits for mobile services currently allow us to use 85 MHz, with 30 MHz used in the 1900 spectrum, 25 MHz in the 850 spectrum and 30 MHz in the AWS band. For more information, see "*The Colombian Telecommunications Industry—Regulation of the Colombian Telecommunications Industry*" and "*Business—Licenses and Concessions.*"

These permits and licenses specify operating conditions that we must meet, including the types of services we are permitted to offer and minimum specified quality and service conditions. Upon certain circumstances, they are subject to review, interpretation, modification or termination by the MINTIC. Failure to comply with the terms of such permits or licenses could result in the imposition of fines, or revocation or forfeiture of our ability to operate thereunder. As of the date of this Offering Memorandum, we are in compliance with the main conditions and obligations under our permits and licenses, however, we cannot assure you that we will be able to comply fully with the terms and conditions of these permits, concessions and licenses. A loss of any of the above described permits or licenses could adversely impact our results of operations. Any non-renewal, revocation or adverse modification of any of our governmental permits or licenses may adversely impact our operations and our revenues and financial condition.

While we currently believe we are in compliance with applicable law and the terms and conditions of our concessions and licenses, we cannot assure you that we will continue to be able to do so in the future. Any fines or the suspension or termination of our permits, concessions and licenses would likely have a material adverse effect on our business, financial condition and results of operations.

We may be unable to implement our plans to expand and enhance our existing mobile networks in a timely manner or without unanticipated costs, which could hinder or prevent the successful implementation of our business plan, having an adverse effect on our business, financial condition and results of operations.

Our ability to achieve our strategic objectives relating to our mobile services depends in large part on the successful, timely and cost-effective implementation of our plans to expand and enhance our mobile networks. Factors that could affect this implementation include:

- our ability to generate cash flow or to obtain future financing necessary for the implementation of our projects, including capital expenditures related to the deployment of our 4G network;
- delays in the delivery of telecommunications equipment by our vendors;
- the failure of the telecommunications equipment supplied by our vendors to comply with its expected capabilities; and
- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.
- any delays attributable to COVID-19.

Although we believe that our cost estimates and implementation schedule are reasonable, we cannot assure you that the actual costs or time required to complete our projects will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the successful implementation of our business plan and result in revenues and net income being less than expected, and in turn have an adverse effect on our business, financial condition and results of operations.

Our fixed-line telecommunications services face increased competition from mobile service providers and other fixed-line service providers, which may adversely affect our revenues and margins.

Our fixed-line telecommunications services face increasing competition from cable operators using hybrid fiber coaxial (HFC) technologies, which provides download speeds of up to 300 Mbps (in a limited footprint) and which are generally capable of offering speeds between 30 and 50 Mbps. As of the date of this Offering Memorandum, our fixed-line telecommunications services are capable of providing speeds up to 20 Mbps. As a result, on 2018 we launched our fixed-ultra broadband project in an effort to transform our current fixed-line telecommunications services network from a copper-based to a FTTH operation, which we have implemented in over one million homes in 31 major cities in Colombia and which we believe will provide an improved product and customer experience as a result of the more advanced technology.

Furthermore, our fixed-line telecommunications services also face increasing competition from mobile services as the prices for mobile services fall below those of fixed-line services. We expect the number of fixed lines in service to continue to decline or stagnate, as certain customers eliminate their fixed-line services in favor of mobile services, and the use of existing fixed lines to decrease as customers substitute fixed-line calls with calls from mobile telephones as a result of lower mobile rates. The rate at which the number of fixed lines in service in Colombia may decline depends on many factors beyond our control, such as economic, social, technological and other developments in Colombia.

We also compete in the market for fixed-line services with other fixed-line service providers, primarily Colombia Móvil, ETB and Claro Colombia. Our loss or inability to compete for a significant number of fixed-line customers would adversely affect our operating revenue and may adversely affect our results of operations.

We face competition from satellite television providers, cable companies, OTT video platforms and telecommunications companies, especially as the television subscription industry matures, which may require us to increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn.

We provide satellite television subscription and video subscription services and have traditionally competed against other satellite television providers, cable companies and over-the-top ("**OTT**"), video platforms, some of whom have greater financial, marketing and other resources than we do. Many of these competitors also offer video services bundled with broadband, telephony services, HD program offerings and video on demand services that consumers may find attractive.

Additionally, new OTT services (delivery of audio, video, and other media over the internet without the involvement of a multiple-system operator in the control or distribution of the content), such as Netflix, are available and gaining momentum in the market. Although we have designed and executed an strategy to (i) offer OTT video service providers under our own video product that act as a "platform of platforms" and permit our customers to conveniently access their content from different providers using one platform, and (ii) use *Movistar* bill as a tool for collection of the OTT monthly fees, we cannot assure you that we will be able to compete with other OTT video platforms or other competitors, which could adversely affect our operating revenue and may adversely affect our results of operations.

If the collection of disbursements due to us is delayed or impaired, our liquidity could be reduced and we could experience losses.

Pursuant to Law 1955 of 2019, the National Development Plan (*Plan Nacional de Desarrollo 2018-2022 Pacto por Colombia, Pacto por la Equidad*), the Colombian government may stimulate the supply and demand of telecommunications services for the benefit of the lower-income and/or rural populations in Colombia. As such, we receive disbursements from the Information and Communications Technology Fund (*Fondo de Tecnologías de la Información y las Comunicaciones*) ("**FTIC**"), a special administrative fund administered by the MINTIC, which are used to implement certain programs for the expansion, replacement and maintenance of our existing infrastructure of low-income and/or rural telephone networks and to promote universal access by lower-income population in Colombia to information technologies and telecommunications. These programs are financed by contributions from all local providers in Colombia.

In the past, the MINTIC launched a general subsidy policy that could be accessed by any operator that met certain requirements. However, since 2001, the allocation of the projects and funds to be invested under the Colombian government's programs are subject to public auctions in which all telecommunications services providers may participate. As a result, it is possible that only a few providers may be awarded projects and no assurance can be given that we will be awarded any such projects in the future. We cannot assure you whether, or on what schedule, we will fully collect these amounts or any additional disbursements that become due to us in the future. In addition, the payment of any such amounts may be subject to appropriation or budgeting approvals or requirements or to regulatory or legal constraints which may further delay or prevent the payment of any such amounts.

A significant number of our customers purchase services from us on a pre-paid basis and therefore we are exposed to higher risk of customer churn and ARPU sharing.

As of March 31, 2020, we had an 11.8 million customer base of pre-paid subscribers that represented 61.7% of our customers, with an active churn level of 0.3 million customers. Because our pre-paid customers do not enter into service contracts, our pre-paid customer base is more susceptible to switching between operators or to buying SIM cards for temporary use.

Many of our customers are first-time users of mobile telecommunications services, who have a tendency to migrate among service providers more frequently than established users. To the extent our competitors offer incentives to switch wireless service providers, through eliminating connection fees and/or subsidizing or giving away handsets, the risk of churn increases. Our average monthly churn for pre-paid subscribers in the first quarter of 2020, and the years 2019, 2018 and 2017 was 3.6%, 3.6%, 3.7% and 4.0%, respectively. Our inability to retain existing pre-paid customers and manage churn levels could have a material adverse effect on our business, financial condition and results of operations.

ARPU sharing is common in Colombia, and occurs when a pre-paid customer uses SIM cards from multiple providers to avoid paying higher prices for calls made to numbers outside of a particular network, or off-net calls. Historically, off-net calls have been more expensive than calls made to numbers within a particular network, or on-net calls. As a result, many pre-paid customers in Colombia engage in ARPU sharing, which has negatively affected our revenues with respect to our pre-paid customers who use our network as their primary service provider.

An increase in the regulation of bundled services may prevent us from leveraging our integrated operations to offer and market our services.

We are one of the few telecommunications operators in Colombia that owns both a fixed-line and mobile network and provides television subscription services, which enables us to offer telephone, internet and television services as part of a bundled service plan at more attractive rates than those offered by other telecommunications operators in the market. In February 2014, the CRC initiated a review process of the offerings of bundled services, as it believes that operators that provide a wide range of services through their network and those who offer fixed-line and mobile telecommunications services have a competitive advantage difficult to replicate by other market operators, which may adversely affect fair competition. The CRC could require us to offer wholesale services to our competitors at regulated prices, thus limiting or eliminating our ability to profit from the convergence of telecommunications services. The CRC could also prevent us from offering bundled services to our residential customers, requiring us to offer certain services, such as broadband internet, on a stand-alone basis if customers so prefer. Such regulations could adversely affect our business and results of operations. Pursuant to CRC Resolution 4960 of 2016, providers of fixed communications services and/or television operators must offer and provide each of the services in their packages on an individual and unbundled basis, and provide the price of each service.

A system failure could cause delays or interruptions of service, which could cause us to incur fines and lose subscribers.

We rely on our network infrastructure and technology systems for our operational, support and sales activity. Some of the risks to our network and infrastructure include:

- physical damage to infrastructure and networks from natural disasters such as earthquakes, tsunamis, floods and volcanic eruptions, among others;
- power surges or outages;
- software defects;
- software or connection disruptions beyond our control;
- limitations on the use of our radio bases;
- breaches of security such as intentional acts of vandalism and theft (including by rebel group), including intentional cuts in our fiber optic network in rural areas and transmission of computer viruses; and
- disruptions due to changes in obsolete equipment.

Our operations also rely on a stable supply of utilities, such as energy and water. We cannot assure you that future supply instability or interruptions will not impair our ability to procure required utility services in the future, which could adversely impact our operations.

Damage to or loss of our equipment, or unanticipated network interruptions as a result of system failures, whether accidental or otherwise, including network, hardware or software failures, that affect the quality of, or cause an interruption in, our service could result in customer dissatisfaction, reduced revenues and traffic, costly repairs and could harm our reputation. Customers could also assert claims for damages resulting from lost service and are entitled to receive a compensation for the time that the service was not available, which may vary if the customer is a pre-paid customer or a post-paid customer. As a result, prolonged service interruptions could affect our business.

We could be adversely affected if major suppliers fail to provide needed equipment and services on a timely basis.

We rely on a few strategic suppliers, including Huawei Technologies Colombia S.A.S, Ericsson de Colombia S.A., Nokia Solutions, Networks Colombia Ltda. and Cisco Systems Inc., to provide us with equipment, materials and services that we need in order to expand and to operate our business. There are a limited number of suppliers with the capability of providing the mobile network equipment and fixed-line network platforms that our operations and expansion plans require or the services that we require to maintain our extensive and geographically widespread networks. In addition, because the supply of mobile network equipment and fixed-line network platforms requires detailed supply planning and this equipment is technologically complex, it would be difficult for us to replace the suppliers of this equipment. Suppliers of cables that we need to extend and maintain our networks may suffer capacity constraints or difficulties in obtaining the raw materials required to manufacture these cables.

We also depend on network installation and maintenance services providers, equipment suppliers, call centers, collection agencies and sales agents for network infrastructure, handsets and services to satisfy our operating needs. Many suppliers rely heavily on labor; therefore, any work stoppage or labor relations problems affecting our suppliers could adversely affect our operations. Suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own shortages and business requirements. Similarly, interruptions in the supply of telecommunications equipment for networks could impede network development and expansion.

In addition, COVID-19 has resulted in the majority of our contractors, suppliers, customers and other business partners having to work remotely and/or being prevented from conducting certain normal business activities for an indefinite period of time. This has been largely a result of shutdowns that have been requested or mandated by governmental authorities in Colombia and China, where many of our suppliers are based. See "*—The outbreak of communicable diseases around the world such as the recent outbreak of COVID-19 has lead and may continue to lead to higher volatility in the global capital markets and recessionary pressure on the Colombian economy, which could directly affect our operations, each of which may materially and adversely affect our business, financial condition and results of operations*." If any of our suppliers fail to deliver products and services on a timely basis that satisfies our demands, we could experience disruptions, which could have an adverse effect on our business, financial condition and results of operations.

We are subject to delinquencies on our accounts receivable. If we are unable to limit payment delinquencies by our customers, or if delinquent payments by our customers increase, our financial condition and results of operations could be adversely affected.

Our business significantly depends on our customers' ability to pay their bills and comply with their obligations to us. For the period ended March 31, 2020 we recorded provisions for doubtful accounts in the amount of COP$25,604 million (U.S.$6.3 million). In 2019 and 2018, we recorded provisions for doubtful accounts in the amount of COP$89,931 million (U.S.$22.2 million) and COP$35,271 million (U.S.$8.7 million), respectively, in each period. Our provision for doubtful accounts as a percentage of our net revenues was 1.6% as of December 31, 2019 and 0.6% as of December 31, 2018. The MINTIC and the CRC regulations prevent us from implementing certain policies that could have the effect of reducing delinquency, such as service restrictions or limitations on the types of services provided based on a subscriber's credit record. If we are unable to successfully implement policies to limit subscriber delinquencies or otherwise select our customers based on their credit records, persistent subscriber delinquencies and bad debt will continue to adversely affect our operating and financial results.

Furthermore, we have been, and will continue to be affected by the COVID-19 outbreak both directly and indirectly, through an impact on our customers (which could in turn increase delinquencies by our customers), as a result of, among other things, public health measures such as closing of "non-essential" businesses and restrictions on travel and gatherings. In addition, if the Colombian economy declines due to, among other factors, a reduction in the level of economic activity, depreciation of the *peso*, an increase in inflation or an increase in domestic interest rates, a greater portion of our customers may not be able to pay their bills on a timely basis, which would require an increase our provision for doubtful accounts and adversely affect our financial condition and results of operations.

We may incur significant losses from wireless fraud.

We incur losses and costs associated with the unauthorized use of our mobile network. These costs include administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming. Although we seek to combat this problem through the deployment of anti-fraud technologies and other measures, we cannot assure you that these efforts will be effective or that fraud will not result in material costs for us in the future.

The types of wireless fraud we may face include: (i) International Revenue Share Fraud ("**IRSF**"), which corresponds to irregular outgoing traffic to international destinations and which can originate from a mobile line supplanting an individual or business subscriber, or irregular traffic originated by hacking to analog or digital private branch exchanges (PBXs) of our business subscribers; generally, IRSF takes place in foreign destinations with high call termination costs; (ii) Smishing, which corresponds to text messages sent from fraudulent mobile lines with the intention of performing social intelligence and/or scamming the customer who receives the SMS and is deceived in his good faith; smishing usually comes from pre-paid lines; (iii) bypass, which corresponds to unauthorized international incoming traffic, which enters through illegal and unauthorized routes. The traffic is diverted by internet routes and is redirected by unauthorized local mobile or fixed lines; the operator loses revenue from the incoming international access charge; (iv) data fraud, which corresponds to the use of the data service to consume protocols that are not charged in the plan contracted by the subscriber; fraudsters sell the data service for free in the informal market, with applications or configurations in the cell phones that violate the security controls of the valuation and data consumption platforms of the operators, which do not detect these irregular consumptions; and (v) sim-swaps, which corresponds to customers who are impersonated by fraudsters who, by suspending service or fraudulently replacing the sim card, block or take over the customer's mobile line registered with a bank for financial transactions.

Any increase in the improper use of our network in the future could materially adversely affect our business, financial condition and results of operations.

Our operations depend on our ability to maintain, upgrade and efficiently operate accounting, billing, customer service, IT and management information systems.

Sophisticated information and processing systems are vital to our growth and our ability to monitor costs, present monthly invoices for services, process customer orders, provide customer service, manage online transactions, service our social networks and achieve operational efficiencies. The correct functioning of our processing systems and accounting information is fundamental to our business and our ability to compete effectively. Despite having systems in place for our critical operating systems, we cannot control that we will be able to successfully operate and update our accounting, information and processing systems or that they will continue to function as expected in the future.

Any failure in our accounting, information and processing systems could affect our ability to collect payments from customers and respond satisfactorily to customer needs, which could adversely affect our business, financial condition and results of operations.

We have business continuity plans, which include data backups for our key information systems, including in events of catastrophe or failure of our primary systems, and we have established alternative communication networks where available. However, we cannot assure you that our business activities would not be materially affected if there was a partial or complete failure of any of these primary IT systems or communication networks. Such failures could be caused by, among other things, software errors, computer virus attacks or conversion errors due to system updating. In addition, any security breach or failure caused by unauthorized access to information, systems, or intentional malfunction or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and condition financial.

Our ability to remain competitive and achieve further growth will depend in part on our ability to update our IT systems and increase our capacity in a timely and cost-effective manner. Any major failure to improve or update IT systems in an effective or on a timely manner could materially and adversely affect our competitiveness, results of operations and condition financial.

Our networks carry and store large volumes of confidential, personal, and corporate data, and its internet access and hosting services may lead to claims for illegal or illicit use of the internet.

Our networks carry and store large volumes of confidential, personal and business data, through voice and data traffic. We have been increasing quantities and types of customer data in both business and consumer segments. Despite our efforts to prevent any loss, transfer, or inappropriate modification of the customer data or general public data stored on our servers or transmitted through our networks, we may be found liable for such loss, transfer, or inappropriate modification, use or storage, any of which could involve a large number of user and data and have an impact on our reputation, or lead to legal claims and liabilities that are difficult to measure in advance. In addition, our internet access and hosting servers could lead to claims for illegal or unlawful use of the internet. Like other telecommunications providers, we may be held liable for any loss, transfer or inappropriate modification of customer data stored on our servers or carried by our networks. Any of the foregoing could have an adverse effect on our business, financial position, results of operations or cash flow.

We may be subject to cyber security threats.

We rely on information systems to operate our businesses. We may experience operational problems with the information systems as a result of system failures, viruses, ransomware, computer "hackers" or other causes. Cyber security risks have significantly increased because of the proliferation of new technologies, the use of the internet and telecommunications technologies for monitoring and adequately providing services, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. As we rely on sophisticated information and processing systems, the implementation of technological changes and upgrades to maintain existing information and processing systems or integrate new systems could increase our risk of cyber security attacks. We maintain insurance policies which cover damages or losses arising out of cyber security attacks, however, we cannot assure you that such insurance will be sufficient or will adequately cover potential losses. See *"—Our insurance coverage may not adequately cover losses resulting from the risks for which we are insured*."

Our employees have been and may continue to be targeted by parties using fraudulent "spoof" and "phishing" emails to misappropriate information or to plant viruses or other malware through "trojan horse" programs to our computers. These emails appear to be legitimate emails but direct recipients to fake websites operated by the sender of the email or request that the recipient send a password or other confidential information through email or download malware. Despite our efforts to mitigate "spoof" and "phishing" emails through education, "spoof" and "phishing" activities remain a serious problem that may damage our IT infrastructure. Furthermore, remote working resulting from the COVID-19 pandemic has increased our cybersecurity risks, given the greater use of computer networks outside the corporate environment.

In 2018, we experienced a cyber-attack on Telebucaramanga's website. In 2019, we detected unauthorized access to IT infrastructure and assets and to the accounts of certain suppliers. We adopted immediate countermeasures, such as (i) update of all related processes, (ii) improvement in security controls at the hardening level, (iii) patching, (iv) access control, and (v) constant reinforcement of the security culture. As of the date of this Offering Memorandum, none of these incidents have been repetitive, which has indicated that the controls, which to date are always in continuous improvement, have responded effectively to these situations.

Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could affect our billing process and provision of customer service, make us subject to administrative sanctions such as fines and suspension of the processing-related activities and could materially and adversely affect our results of operations and financial condition.

Our controlling shareholder may exercise its control in a manner that differs from your interests as a noteholder.

We are controlled by Telefónica which, as of March 31, 2020, directly and indirectly held 67.5% of our outstanding voting shares. Telefónica, through its subsidiary Latin America Cellular Holdings S.L., is party to the Investment Agreement, which sets forth, among other matters, provisions relating to our governance, including the composition of our board of directors and certain matters for which a favorable vote of Telefónica, the Republic of Colombia and certain minority shareholders is required. Pursuant to the terms of the Investment Agreement, Telefónica has, among others, the ability to elect a majority of our directors. Other than with respect to the matters regulated by the Investment Agreement, Telefónica has the ability to determine certain other actions that require our directors' approval, including decisions related to our business strategy and our operations.

Telefónica may exercise this control in a manner that differs from your interests as a noteholder and any changes in our controlling shareholders, including any changes in Telefónica's strategy with respect to the management of its assets in Latin America to optimize and/or create value for its shareholders, may have its implications on our management, strategy, operations and prospects. See "*Summary—Telefónica's New Action Plan*." In addition, since a variety of decisions related to our business are confirmed with Telefónica, including those relating to branding and purchases of handsets, we may experience delays in making certain business decisions as a result of our corporate structure.

We have significant transactions with affiliates and/or related parties, which transactions may result in conflicts of interest.

We engage in transactions with numerous related parties for the provision of services or sales of equipment. As of March 31, 2020 and December 31, 2019, we recorded total transactions with related parties of COP$20,968 million (U.S.$5.2 million) and COP$66,758 million (U.S.$16.5 million), respectively. Most of these transactions occur in the ordinary course of business and are entered into on similar terms to those customarily prevailing in the market. While we believe such transactions have been and will continue to be negotiated on an arm's length basis as required by our by-laws and the Investment Agreement, there can be no assurance that such transactions could not give rise to conflicts of interest that could adversely affect our financial condition and results of operations, and, as a result, impair our ability to make payments under the Notes.

The intellectual property rights utilized by us, our suppliers or service providers may infringe on intellectual property rights owned by others.

Some of our products and services use intellectual property that we own or license from third parties. We also provide content services we receive from content distributors, such as ring tones, text games, video games, wallpapers or screensavers, and outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers, content distributors and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers, content distributors and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier, content distributor or service provider to cease engaging in certain activities, including selling, offering and providing the relevant products and services. Such claims and assertions could also make us subject to costly litigation and significant liabilities for damages or royalty payments, or require us to cease certain activities or to cease selling certain products and services.

We are subject to legal and administrative proceedings, which could adversely affect our business, results of operations and financial condition.

We are currently involved in various legal and administrative proceedings, which could result in unfavorable decisions or financial penalties against us. We will continue to be subject to legal proceedings, which could have material adverse consequences on our business. Although we believe that we have established adequate provisions for these legal proceedings, there are some legal proceedings with respect to which we have not established provisions based on our assessment of an adverse outcome in these legal proceedings.

As of March 31, 2020, we were party to 2,066 proceedings with claims against us for an aggregate amount of COP$3,065,976 million and had provisioned COP$16,035 million for probable losses relating to these claims and proceedings. These proceedings do not include the arbitration between Telefónica and the Republic of Colombia described under "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*". If we are subject to unfavorable decisions in any legal or administrative proceedings and the losses in those proceedings significantly exceed the amount for which we have provisioned or involve proceedings for which we have made no provision, our results of operations and financial condition may be materially adversely affected. For more information regarding the legal claims against us, see "*Business—Legal Proceedings*" and note 26 to our consolidated financial statements included elsewhere in this Offering Memorandum.

Our insurance coverage may not adequately cover losses resulting from the risks for which we are insured.

We maintain insurance policies for our network facilities and all of our corporate assets. This insurance coverage protects us in the event we suffer losses resulting from theft, fraud, expropriation, natural disasters or other similar events or from business interruptions caused by such events. In addition, we maintain insurance policies for our directors and officers. We cannot assure you, however, that such insurance will be sufficient or will adequately cover potential losses.

Labor relations may negatively impact our business, financial condition and results of operations.

As of March 31, 2020, we had 6,041 employees, of which only 28 were unionized with an external organization that is not affiliated with us. Although we currently enjoy good relations with our employees, we cannot assure you that labor relations will continue to be positive or that a deterioration in labor relations will not materially and adversely affect our business, financial condition or results of operations. In addition, new regulations or changes in existing labor laws may adversely affect our business, financial condition and results of operations.

Concerns about health risks relating to the use of mobile handsets and base stations may adversely affect our business.

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Lawsuits have been filed in the United States against certain participants in the mobile industry alleging various adverse health consequences as a result of mobile phone usage, and our businesses may be subject to similar litigation in the future. Research and studies are ongoing, and we cannot assure you that further research and studies will not demonstrate a link between radio frequency emissions and health concerns. Any negative findings in these studies could adversely affect the use of mobile handsets and, as a result, our future financial performance. In the past, Colombian courts have limited the installation of certain wireless networks under the assumption that there is no decisive evidence that radio frequency emissions do not pose health risks.

Fluctuations in the value of the peso against the U.S. dollar could adversely affect our financial condition and results of operations.

We are affected by fluctuations in the *peso* and certain other currencies relative to the U.S. dollar. The costs of a substantial portion of the network equipment and handsets that we purchase for our capital expenditure projects, which we recognize over time through depreciation and amortization, are U.S. dollar-linked or, to a lesser extent, denominated in U.S. dollars. These network equipment and handsets are recorded on our balance sheet at their cost in *pesos* based on the applicable exchange rate on the date the transfer of ownership, risks and rewards related to the purchased equipment and handset occurs. As a result, depreciation of the *peso* against the U.S. dollar results in the network equipment and handsets being more costly in *pesos* and leads to higher depreciation charges following the acquisition of the assets.

As of March 31, 2020, our U.S. dollar-denominated credit facilities and international bonds represented 72.7% of our outstanding indebtedness consisting of credit facilities and local and international bonds, 25.2% of which is linked to LIBOR (considering the effect of our hedging transactions). See *"—We Have Significant Indebtedness.*" When the peso depreciates against the U.S. dollar, the interest costs on our U.S. dollar-denominated indebtedness increase in peso terms, the amount of our U.S. dollar-denominated indebtedness increases in peso terms, our total liabilities and debt service obligations in *pesos* increase and our net financial expenses tend to increase as a result of foreign exchange losses that we must record, each of which negatively affects our results of operations. For instance, in 2019, the *peso* depreciated against the U.S. dollar by 0.8%, as a result of which we recorded COP$546 million in foreign exchange losses during the same year. As of December 31, 2019, the exchange rate was COP$3,277.14 to U.S.$1.00, representing a depreciation of 0.8% as compared to the rate prevailing as of December 31, 2018. As of March 31, 2020, the exchange rate was COP$4,054.54 to U.S.$1.00, representing a depreciation of 23.7% as compared to the rate prevailing as of December 31, 2019. Furthermore, exchange rate volatility may adversely affect the Colombian economy and may also result in disruption of certain countries' foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and euros for the purpose of making timely payments of interest and principal on our indebtedness.

Our financial condition and results of operations may be adversely affected if we do not effectively manage our exposure to foreign currency exchange rate risk and interest rate risk.

We are exposed to market risks in the normal course of our business and, in particular to the impact of changes in interest rates and foreign currency exchange rates. We use a variety of strategies to manage these risks, mainly through the use of financial derivatives, which themselves are susceptible to risks, including counterparty risk. Our risk management strategies may not achieve their desired effect, which could adversely affect our business, financial condition and results of operations. For a more detailed description of our derivatives transactions, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk*" and note 24 to our Consolidated Financial Statements included elsewhere in this Offering Memorandum.

We depend on key members of our management team and other key personnel for the success of our businesses.

The members of our management team are industry professionals with an average of over 19 years of experience in the telecommunication sector in Colombia. We depend on key members of our management team for the successful operation of our businesses. The loss of such key members of our management team could have a material adverse effect on our cash flows, financial condition and results of operations and could impair our ability to make payments under the Notes. See "*Management*."

We are subject to anti-corruption, anti-bribery and similar laws, and non-compliance with such laws can subject us to criminal penalties or significant fines and adversely affect our business, results of operations and financial condition and negatively impact our reputation.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws in Colombia. Anti-corruption and anti-bribery laws prohibit companies and their employees and agents from promising, authorizing, making, offering, soliciting, or accepting, directly or indirectly, improper payments or other improper benefits to or from any person whether in the public or private sector. As we increase our sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could adversely affect our business, results of operations and financial condition and negatively impact our reputation.

Failure to protect personal information could adversely affect our reputation, business, results of operations and financial conditions.

We manage and hold our customers' confidential personal information in the normal course of our operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosure or unauthorized access to privileged information, fraud or interference with the provision of services could subject us to legal actions, administrative sanctions and damages. Any failure to protect personal information could result in reputational damage, fines and other sanctions and have an adverse effect on our business, results of operations and financial condition.

We are subject to mandatory protocols to manage COVID-19 which may complicate and make it more costly to resume our normal day-to-day activities.

Considering the spread of COVID-19, the Ministry of Health and Social Protection (*Ministerio de Salud y Protección Social*) issued Resolution 666 of 2020, adopting the general biosecurity protocol to mitigate, control and perform the adequate management of COVID-19.

The protocol, which is applicable to all economic and social activities, requires the following:

- Training of direct employees and contractors, or persons hired for the execution of a specific task, regarding the measures indicated in the biosecurity protocol.

- Implementation of the actions that will guarantee the continuity of the activities and the integral protection of employees, contractors, persons hired for the execution of a specific task, and other individuals present in the facilities or workplaces.

- Adoption of administrative control measures in order to reduce exposure, such as flexible shifts and working schedules, as well as encouraging remote working.

- Reports to the Health Promotion Entities ("**EPS**") and to the Occupational Risk Insurance Companies ("**ARL**") regarding suspicious and confirmed cases of COVID-19.

- Incorporation to the official communication channels and attention centers information related to prevention, propagation and attention of COVID-19, with the purpose of communicating to direct employees and contractors, or persons hired for the execution of a specific task, and to the community in general.

- Support from the ARL regarding identification and risk assessment and along with the EPS in relation with the promotion of health activities and prevention of illness.
- Request of assistance and technical assessment from the ARL to verify the measures adopted for their different activities.
- Provide employees with personal protection elements that must be used for employment-related activities.
- Promote the use of CoronApp application to its employees and contractors who have smartphones and to register their health situation.
- Implementations of special protocols for cleaning and disinfecting facilities.
- Modification of the workspace to comply with social distancing and comply with the requirements of personal hygiene.

Resolution 666 also establishes the following obligations for remote working:

- Training through the training and development area.
- Use of virtual content to strengthen skills and communicate with employees.
- Randomized daily follow-up on the health and temperature status of the staff that are working remotely, according to the self-diagnosis that allows identifying symptoms and trajectories of exposure to COVID-19 by the staff.
- Those employees that have pre-existing risk factors and/or are over the age of 60 are permitted to perform their jobs remotely.

Following the declaration of the state of national emergency in Colombia on March 17, 2020,· we began implementing our business continuity plan to safeguard the health of our employees and support our business continuity amid the COVID-19 pandemic, and adopted, among others, the following measures: (i) enacted safety and health protocols to prevent contagion at the work place and implemented a safe return plan divided in three phases to preserve the health of our employees; (ii) home-office was promoted for those positions that do not require physical presence at our offices, having 92% of our total employees working from home during the lockdown; however, some of our stores are still open and 38% of those employees are attending their workplace (with our personal protective equipment), mainly in commercial and technical areas; (iii) hygiene measures have been reinforced and prevention actions have been implemented; (iv) we are encouraging customers and employees to use our digital channels; and (v) there are continuous communication campaigns to keep our employees informed of the protocols and measures we are adopting.

In the event home office mode is to be imposed indefinitely, we will have to comply with the requirements for teleworking modality established in Law 1221 of 2008 and Decree 884 of 2012.

For the adoption of these protocols, we may be required to incur additional costs and expenses to allocate funds to industrial safety and health compliance under Colombian law. Additionally, new and complementary protocols and inspections for the adequate management of COVID-19 may be issued and required, which could delay the timing for the personnel to be able to return to day-to-day activities and otherwise disrupt the normal operation of our business. These additional costs, disruptions and delays may adversely affect the continuance and completion of ongoing projects and affect our cash flow, financial condition and results of operation.

Risks Relating to Colombia

Our assets are located in, and our revenues and cash flows are derived from, Colombia, making us highly dependent on economic and political conditions in Colombia.

Our assets are located in, and our revenues and cash flows are derived from, Colombia and denominated in *pesos*. Accordingly, our financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Colombia. Decreases in the growth rate, periods of negative growth, increases in inflation, changes in law, regulation, policy, or future judicial rulings and interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia may affect the overall business environment and may, in turn, impact our financial condition and results of operations.

The Colombian GDP grew 3.3% in 2019 compared to 2.5% in 2018, mainly as a result of improved performance in household consumption and private investments, and investment in machinery and equipment also grew in 2019 as a result of the Financing Law which established certain tax benefits for the purchase of certain capital goods. Despite these good results, on the first quarter of 2020 the economy slowed down its growth rate on 1.1% for the last 12 months, lower than the growth in fourth quarter of 2019 and the growth of 2.9% in first quarter of 2019.The result was due to the behaviour of commerce, tourism, restaurants, entertainment and construction, that slowed their growth rate in the first quarter of 2020 because of the social distancing by COVID-19.

The Colombian economy is facing the effects of both COVID-19 and a crash of global oil prices. This has weakened the external profile of the country by reducing export earnings since the oil sector represents around 40% of Colombia's total export revenues. Also, the fall in oil prices has direct implications on the exchange rate, that since the beginning of COVID-19, has presented constant depreciations. The fluctuations in commodity prices pose a significant challenge to their contribution to Colombia's balance of payments and fiscal revenues.

In addition, we cannot assure you that growth achieved over the past decade by the Colombian economy will continue in future periods. Between 2014 and 2019, Colombia had an average GDP growth of 2.8%, a decrease from an average of 4.3% between 2009 to 2013. For 2020, the Colombian economy is expected to slow down its growth rate more rapidly and even decline. In this way, the Colombian economy continues to be vulnerable to risks, including, lower economic growth globally, concerns about the current account and fiscal deficit in Colombia, harsher financial conditions and the possibility of higher unemployment rates.

According to the International Monetary Fund ("IMF") report from April 2019, the key external risks that could affect the Colombian economy, which would, in turn, impact our business, include commercial tensions between the United States and China and the Euro Zone, decreased confidence of businesses, restrictive financial conditions, higher political uncertainty in both emerging and developed markets and the exit of the United Kingdom from the European Union ("**Brexit**"). Furthermore, Colombia is also subject to risks related to ongoing migration pressures from Venezuela, low oil prices given importance of oil exports as source of income for the Colombian government, and the outbreak of COVID-19.

Additionally, Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. The Colombian fiscal deficit was 1.4% of GDP in 2017, 2.5% of GDP in 2018, and 3.3% of GDP in 2019. According to the Fiscal Rule Advisory Committee, the fiscal deficit of 2020 could be negative 6.1% of GDP, considering the actual slowdown of the Colombian economy. In addition, the U.S. dollar/*peso* exchange rate has shown some instability in the last three years, particularly with the *peso* experiencing significant fluctuations during the last 12 months. For instance, the *peso* appreciated by 0.56% against the U.S. dollar in 2017, depreciated by 8.91% during 2018, and depreciated again by 0.84% during 2019, and by 24% on March 31, 2020, against the U.S. dollar. Amid current uncertainty regarding global liquidity conditions, possible deceleration of global economic activity, and the volatility of oil demand and prices, we cannot assure you that measures recently adopted by the Colombian government and the Central Bank will suffice to control this instability.

The Colombian government frequently intervenes in Colombia's economy and from time to time makes significant changes in monetary, fiscal and regulatory policy. Our business and results of operations or financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia. In addition, the actions of the Colombian courts may have an impact on our business, as exemplified by the actions described under "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*". We cannot predict what policies will be adopted by the Colombian government and whether those policies would have a negative impact on the Colombian economy or our business and financial performance.

The Board of Directors of the Colombian Central Bank may seek to implement new policies aimed at controlling further fluctuation of the *peso* against the U.S. dollar and fostering domestic price stability. The Central Bank is allowed to impose certain mandatory deposit requirements in connection with foreign-currency denominated loans obtained by Colombian residents, including us. Although no mandatory deposit requirement is currently in effect (currently, the rate is 0%), a mandatory deposit requirement was set at 40.0% in 2008 after the *peso* appreciated against foreign currencies. We cannot predict or control future actions by the Central Bank in respect of such deposit requirements, which may involve the establishment of a different mandatory deposit percentage. The use of such measures by the Central Bank may be a disincentive for us to obtain loans denominated in a foreign currency. We cannot predict the effects that such policies will have on the Colombian economy. In addition, we cannot assure you that the *peso* will not depreciate or appreciate relative to other currencies in the future.

Colombian government policies will likely significantly affect the economy and, as a result, our business and financial condition.

Market prices of securities issued by Colombian companies, including us, are subject to the prevailing economic conditions in Colombia. The Colombian government has historically exercised substantial influence over the Colombian economy, and its policies are likely to continue to have an important effect on Colombian entities (including us), market conditions, prices and rates of return on Colombian securities. Our business and financial condition could be adversely affected by changes in policy, or future judicial interpretations of such policies, involving exchange controls and other matters such as currency devaluation, inflation, interest rates, taxation, telecommunications laws and regulations and other political or economic developments in or affecting Colombia.

We have no control over the extent and timing of government intervention and policies. The investment and security climate in the country will continue to be tied to how the results and performance of the incumbent administration and the application of its economic, security and social policies are perceived by foreign investors.

In June 2020 and following the economic distress caused by the COVID-19 in Colombia, the Consulting Committee of the Fiscal Rule (*Comité Consultivo de la Regla Fiscal*) approved suspending the application of the Fiscal Rule for the years 2020 and 2021. This intends to allow further flexibility for the Colombian government in the administration of its budget and expenses.

In addition to the above, due the pandemic of COVID-19, during the first semester of 2020, the Central Bank has intervened in several occasions on the discount rate. Indeed, on March 27, 2020, the Central Bank decreased the discount rate by 50 basis points to 3.75%. On April 30, 2020, the Central Bank decreased the discount rate by an additional 50 basis points to 3.25% as a countercyclical monetary policy stance in response to the global economic downturn caused by COVID-19. Finally, on May 29, 2020 and June 30, 2020, the Central Bank decreased the discount rate by an additional 50 basis points and 25 basis points, respectively, as a further countercyclical measure in response to COVID-19.

Although Colombia has maintained an economic growth with an average inflation rate of 3.8% during the last ten years, in the past, economic growth has been negatively affected by lower foreign direct investment and high inflation rates and the perception of political instability. If the perception of improved overall security in Colombia deteriorates or if foreign direct investment declines, the Colombian economy may face a downturn, which could negatively affect our financial condition and results of operations. See "*—Our assets are located in, and our revenues and cash flows are derived from, Colombia, making us highly dependent on economic and political conditions in Colombia*."

Economic developments in other emerging market countries or the United States may affect our financial condition and results of operations.

Many Latin American countries are emerging market countries and have a history of political, social and economic instability. Investing in emerging markets generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

Our revenue is derived primarily from the sale of telecommunications services, and the demand for these services is largely driven by the economic conditions of Colombia. Yet, our results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political and social stability in surrounding emerging market countries. Should economic conditions deteriorate in Colombia or in emerging markets generally, we could be materially and adversely affected.

A significant decline in the economic growth of any of Colombia's major trading partners, such as the United States and China, could have a material adverse impact on Colombia's balance of trade and adversely affect Colombia's economic growth. The United States is Colombia's largest export market. A decline in U.S. demand for imports could have a material adverse effect on Colombian exports and Colombia's economic growth, which would, in turn, likely have detrimental results on our business activities. Further, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Colombia could be adversely affected by negative economic or financial developments in other emerging market countries.

In the past, Colombia has been adversely affected by such contagion effects on a number of occasions, including following the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real and the 2001 Argentine financial crisis. Furthermore, the world financial crisis of 2008, the sovereign debt crises in certain European countries in 2011 and the political and economic actions in the Latin American region, including Argentina, may negatively affect the perception of the region. Other events resulting in disruptions to the global economy may adversely affect Colombia's economic growth and prospects, thereby affecting investor interest, including the effects of the United Kingdom's separation from the European Union, whether and to which effect any other member state decide to exit the European Union in the future, the outbreak of COVID-19, first identified in Wuhan, Hubei Province, China, the 2020 U.S. presidential election, and any unexpected shift in the U.S. Federal Reserve's monetary policies.

In the past, as a result of crises in other countries, flows of investments into Colombia have been reduced. Crises in other countries, especially in emerging market countries, may hamper investor enthusiasm for securities of Colombian issuers. If Latin America experiences a new slow-down or if the price for securities of Latin American issuers falls, the market for the Notes could follow this trend and could be adversely affected. We cannot assure you that growth achieved over the past decade in the Colombian economy will continue in future periods.

Inflation rates may be subject to volatility and upward pressure. Therefore, we cannot assure that inflation will remain within the Central Bank's target range in future years.

Unanticipated domestic or international supply shocks and domestic demand pressures could result in sustained increases in prices, which may significantly impact financial and credit markets, and adversely affect investors. In addition, commercial constraints and climatic events may adversely affect trade and food prices. These factors, among others, may result in volatility and upward pressure on inflation rates in Colombia, which in turn may increase our costs and expenses as our supply agreements are indexed by inflation.

Violence and political instability in Colombia may adversely affect the Colombian economy and our business and financial performance.

Colombia has experienced periods of severe violence over the past four decades, primarily due to the activities of guerillas, paramilitary groups and drug cartels. In remote regions of the country, with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers. In response, the Colombian government has implemented various security policies and has strengthened its military and police forces, including the creation of specialized units. Despite these efforts, drug-related crime and guerrilla and paramilitary activity continue to exist in Colombia. Any escalation in the violence associated with these activities may have a negative impact on the Colombian economy, as well as on us and our customers, employees, assets or projects.

Even though the Colombian government reached a peace agreement with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia)* ("**FARC**") in 2016 and the Colombian government's programs and policies have reduced guerrilla and criminal activity, particularly in the form of terrorist attacks, homicides, kidnappings and extortion, such criminal activity persists in Colombia. For example, although the Colombian government had entered into peace negotiations with the National Liberation Army (*Ejército de Liberación Nacional)* ("**ELN**") in October 2016, these were suspended in January 2019 as a result of an attack made by ELN to a police academy in Bogotá. In February 2020, the ELN carried out additional militant activities disrupting Colombia as a whole. Any breakdown in peace, renewed or continuing drug-related crime and guerilla and paramilitary activities may have a negative impact on the Colombian economy in the future. Our business or financial condition could be adversely affected by rapidly changing economic or social conditions, including the implementation of the peace agreement with the FARC, or any peace negotiation with ELN or other group, which may result in legislation that increases our tax burden, or that of other Colombian companies, which could, in turn, impact the overall economy, or legislation that could directly impact our business, such as those requiring more flexible credit conditions for, or the employment of, former FARC members.

Tensions with Venezuela and Ecuador may affect the Colombian economy and, consequently, our results of operations and financial condition.

Some of Colombia's neighboring countries, particularly Venezuela, have experienced and continue to experience periods of political and economic instability. According to figures from the United Nations, more than two million Venezuelans have emigrated amid food and medicine shortages and profound political divisions in their country. Approximately half of those migrants have opted to live in Colombia. Providing migrants with access to healthcare, utilities and education may have a negative impact on Colombia's economy if the Government is not able to respond adequately to legalize migrants, generate programs to help them find formal jobs, and increase tax revenue and consumption. Additionally, political tensions inside of Venezuela have risen as a number of countries have not recognized the legitimacy of Nicolás Maduro as the Venezuelan head of state and the Colombian government joined an international campaign against Nicolás Maduro asking him to relinquish power, which has further increased diplomatic tensions with Venezuela. In addition, on January 25, 2019, President Trump signed an Executive Order amending prior economic sanctions targeting the Maduro government.

Moreover, diplomatic relations with Venezuela and Ecuador have from time to time been tense and affected by events surrounding the Colombian military forces' confrontations with guerilla groups, particularly on Colombia's borders with each of Venezuela and Ecuador. Further economic and political instability in Colombia's neighboring countries or any future deterioration in relations with Venezuela, Ecuador, Nicaragua and other countries in the region may result in the closing of borders, the imposition of trade barriers and a breakdown of diplomatic ties, or a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

Our operations are subject to extensive regulation.

The agencies that regulate the telecommunications industry in Colombia may take actions that affect our operations and profitability. The nature and degree of the regulation and legislation affecting telecommunications companies in Colombia has been evolving since privatization of the sector commenced in the early 1990s and has become significantly more comprehensive during the past decade. Such laws and regulations relate to, among other things, required licenses, permits and other approvals, the fees that we may charge for our services, the terms and conditions which apply to our services contracts, our ability to recover various categories of costs and the acquisition, construction and disposition of facilities.

In particular, the CRC regulates certain fees we are permitted to charge our customers in connection with the provision of telecommunications services. If (i) the services tariff rates were reduced or redesigned pursuant to regulations issued by the CRC in the future, (ii) the many relevant aspects of our business, including volume of business under currently permitted rates were decreased significantly, or (iii) we were required to substantially discount the rates for our services because of regulatory pressure, the profitability of our businesses could be significantly affected. CRC Resolution 4960 of 2016, deregulated tariffs for calls originating in fixed networks and ending in mobile networks, when both such networks are owned by fixed telephone services providers. Tariffs for fixed-to-mobile calls remain regulated only in cases where these calls are owned by a mobile provider, which is not our case. For additional information regarding recent regulatory developments in the telecommunications industry, see "*The Colombian Telecommunications Industry—Regulation of the Colombian Telecommunications Industry—Potential Regulatory Developments*."

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our results of operations and financial condition.

The Colombian government enacted Law 1943 on December 28, 2018 (the "Financing Law") which modified Law 1819 of 2016 and introduced substantial changes to the then-existing tax framework including, among others, modification to the income tax for the fiscal years 2019 to a rate of 33% and 2020 to a rate of 32%. After review by the Constitutional Court of the procedures for implementation of this modification, it was declared unconstitutional but remained in force until January 1, 2020. On December 27, 2019, the Colombian government enacted Law 2010 of 2019 (the "Economic Growth Law") in an effort to remedy the difficulties from the previous tax reform and which generally included the provisions from the previous tax reform that had been declared unenforceable. The Economic Growth Law introduced modifications to gradually reduce the applicable rate of income tax from a rate of 32% in 2020, to a rate of 31% in 2021 and to a rate of 30% in 2022 and subsequent years.

In addition, it introduced changes to the taxation of dividends distributed to shareholders that are non-residents of Colombia, increasing the applicable withholding rate at the level of the distributing entity from 7.5% to 10% for dividends or profits received by foreign companies, entities and non-resident persons, and if the dividends correspond to taxable profits, they will be subject first to the applicable rates under Article 240 of the Colombian Tax Code as the applicable income tax rate in force for the taxable period in which they are distributed and which, for the years 2020 and 2021, will be at a rate of 32% and 31%; respectively, at for the year 2022 and onwards will be at a rate of 30%, and the remainder will then be subject to the 10% tax dividend. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Operating Results—Effects of Changes in Tax Laws*."

Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties.

The Colombian government could seize or expropriate our assets under certain circumstances.

Pursuant to Articles 58 and 59 of the Colombian Constitution, the Colombian government can exercise its eminent domain powers in respect of our assets in the event such action is deemed by the Colombian government to be required in order to protect public interests. According to Law 388 of 1997, eminent domain powers may be exercised through (i) an ordinary expropriation proceeding (*expropiación ordinaria*), (ii) an administrative expropriation (*expropiación administrativa*) or (iii) an expropriation for war reasons (*expropiación en caso de guerra*). In all cases we would be entitled to fair compensation (which entails both a direct negotiation between the parties and an expert valuation of the subject of the expropriation) for the expropriated assets. Also, as a general rule, compensation must be paid before the asset is effectively expropriated, except for expropriations for reasons of war, in which case compensation may be quantified and paid later. However, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business.

Natural disasters in Colombia could disrupt our businesses and affect our results of operations and financial condition.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, floods, tropical storms and hurricanes. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our business, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

Political conditions in the United States may adversely affect our results of operations and financial condition.

The Colombian economy and the market value of securities issued by Colombian issuers and issuers with operations in Colombia may be, to varying degrees, affected by economic and market conditions in other emerging market countries and in the United States. Furthermore, economic conditions in Colombia are correlated with economic conditions in the United States as a result, among other things, of the United States-Colombia Free Trade Agreement ("**USCOFTA**"), and increased economic activity between the two countries. On November 8, 2016, Donald Trump was elected president of the United States and he assumed office on January 20, 2017. He has made public announcements about the intention to re-negotiate certain terms of free trade agreements, but the content of any potential revisions has not been specified. There can be no assurance as to the outcome of these negotiations and the impact of these and any other similar measures adopted by the new U.S. administration cannot be predicted.

Adverse economic conditions in the United States, the termination or re-negotiation of free trade agreements, including USCOFTA, or other related events could have an adverse effect on the Colombian economy. Although economic conditions in other emerging market countries and in the United States may differ significantly from economic conditions in Colombia, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Colombian assets. There can be no assurance that future developments in other emerging market countries and in the United States, over which we have no control, including the re-negotiation of free-trade agreements such as USCOFTA, will not have a material adverse effect on our ability to service our debt, which could impair our ability to make dividend payments and could adversely affect the market price of the Notes.

If the United States imposes sanctions on Colombia in the future, our business may be adversely affected.

Colombia is among several nations whose eligibility to receive foreign aid from the United States is dependent on its progress in stemming the production and transit of illegal drugs, which is subject to an annual review by the President of the United States. Although Colombia is currently eligible for such aid, Colombia may not remain eligible in the future. A finding by the President of the United States that Colombia has failed demonstrably to meet its obligations under international counter-narcotic agreements may result in the imposition of economic and trade sanctions on Colombia which could result in adverse economic consequences in Colombia including potentially threatening our ability to obtain necessary financing to develop our business and further heightening the political and economic risks associated with our operations.

Any further downgrade in the credit rating of Colombia could adversely affect the Colombian economy.

The outlook of Colombia's credit rating was changed to "negative" by S&P and Fitch in 2016 and by Moody's in February 2018. In March 2017 Fitch upgraded its rating outlook for Colombia from "negative" to "stable" due to the perceived reduction in macroeconomic imbalances as a result of the sharp reduction in the current account deficit, diminished uncertainties surrounding Colombia's fiscal consolidation path due to the tax reform measures passed in December 2016, and the expectation that inflation will meet the Central Bank's target. However, the outlook of Colombia's credit rating was again changed to "negative" by S&P and Fitch in March 2020, and in April 2020, Fitch downgraded Colombia's long-term foreign currency issuer default rating to "BBB-" from "BBB" with a "negative" outlook on the grounds of Colombia's likely weakening of key fiscal metrics primarily as a result of the economic downturn caused by a combination of the fall in the price of oil and efforts to combat COVID-19.

As a result of these downgrades, as of the date of this Offering Memorandum, Colombia's long-term debt denominated in foreign currency is rated "Baa2" by Moody's, "BBB-" by S&P and "BBB-" by Fitch. Any further downgrade of Colombia's credit rating could adversely affect the Colombian economy and our operations and the market value of securities of Colombian issuers, including the Notes.

Risks Relating to the Notes

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength and Colombian sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each scheduled payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and their rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. An assigned rating may be raised or lowered as a result of, among other reasons, changes in a rating agency's rating methodologies, the respective rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

There is no existing market for the Notes and one may not develop in the future; thus, it may be difficult to resell investors' Notes.

There is currently no public market for the Notes. Application will be made for the listing and quotation of the Notes on the SGX-ST. No assurance can be given that such listing will be accomplished. The Notes constitute a new issue of securities with no established trading market. In addition, in the event there are changes in the listing requirements, we may conclude that continued listing on the SGX-ST is unduly burdensome. No assurance can be given as to (i) the liquidity of any markets that may develop for the Notes, (ii) whether an active public market for the Notes will develop, (iii) investors' ability to sell their Notes (or beneficial interests therein) or (iv) the price at which investors will be able to sell their Notes. In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "*Transfer Restrictions*."

We do not intend to provide registration rights to holders of Notes nor to file any registration statement with the SEC in respect of the Notes. Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, our operating results, and the market for similar securities. The Initial Purchasers have informed us that they may make a market in the Notes. However, the Initial Purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Securities Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. See "*Plan of Distribution*." In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this Offering Memorandum arising from this transaction or the market for securities of Colombian issuers generally.

The obligations under the Notes will be subordinated to statutory preferences.

Under Colombian law, the obligations under the Notes and the Indenture are subordinated to specified statutory preferences for payment of claims, including claims for salaries, wages, social security, taxes, court fees and expenses, secured claims and claims of suppliers of raw materials necessary for the production or transformation of goods or for rendering services. In the event of our liquidation, these preferences will have priority over any other claims, including claims by any holder in respect of the Notes, and, as a result, holders of Notes may be unable to recover amounts due under the Notes, in whole or in part.

Enforcing your investors' rights under the Notes in Colombia may prove difficult.

Investors' rights under the Notes will be subject to the insolvency and administrative laws of Colombia, and we cannot assure that you will be able to effectively enforce investors' rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Colombia are materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Colombia may not be as favorable to investors' interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Colombian laws should apply. Such issues may adversely affect investors' ability to enforce their rights under the Notes in Colombia or limit any amounts that investors may receive.

The Notes will rank pari passu in right of payment with all our other unsecured obligations and will be effectively subordinated to any secured indebtedness that we may incur in the future to the extent of the security interest of any such secured indebtedness.

The Notes will be part of our general unsecured and unsubordinated obligations and will rank *pari passu* amongst themselves and equal in right of payment with all of our other unsecured and unsubordinated obligations that are not, by their terms, expressly subordinated in right of payment to the Notes. As of March 31, 2020, all of our consolidated indebtedness consisting of credit facilities and local and international bonds, or COP$5,589,442 million (U.S.$1,379 million), was unsecured.

We are allowed to incur secured debt under the terms of the Indenture governing the Notes. If we incur secured debt in the future, the Notes will effectively rank junior to any such secured indebtedness to the extent of the assets securing such debt. In the event of bankruptcy, liquidation, reorganization or similar proceedings, or if payment under any secured obligation is accelerated, claims of any secured creditors for the assets securing the obligation will be satisfied prior to any claim of the holders of the Notes for these assets. After the claims of the secured creditors are satisfied, there may not be enough assets remaining to satisfy our obligations under the Notes. In addition, our creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach our assets at the inception of judicial proceedings, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the Notes.

The U.S. and Colombian securities laws impose certain restrictions on the resale of the Notes.

The Notes are being offered in reliance upon an exemption from registration under the Securities Act and applicable state securities laws. Thus, the Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Transfer Restrictions*."

The offering of the Notes is not a public offering of securities in Colombia. Therefore, the Notes may not be offered, sold or otherwise transferred in Colombia, except under circumstances which do not constitute a public offering or distribution of securities under applicable Colombian laws and regulations. Furthermore, foreign financial entities must abide by terms of Decree 2555 of 2010 to offer the Notes privately to their Colombian clients.

Corporate and financial disclosure in Colombia may differ from disclosure regularly published by or about issuers of securities in other countries, including the United States.

A principal objective of the securities laws of Colombia is to promote full and fair disclosure of all material corporate information, including accounting and financial information. However, we are not subject to most of the U.S. securities regulations and securities regulations of other jurisdictions; therefore, our reported and disclosed information may be different or not as complete or extensive as that of public companies in the United States and other jurisdictions.

The Indenture governing the Notes does not include a change of control covenant. If a change of control is consummated we will not be required to make an offer to repurchase the Notes.

We are currently controlled by Telefónica and benefit from the Telefónica Group's experience as a global telecommunications operator, especially in terms of strategic initiatives and technological innovation. As of March 31, 2020, the Telefónica Group provided telecommunications services in 13 countries to over 342 million subscribers, of which 260.4 million are mobile subscribers, 8.6 million are fiber optic customers and 8.3 million are television subscribers. Given its global footprint, the Telefónica Group actively participates in mobile telecommunications developments and deploys best practices and innovative solutions from one market across all of its markets. Additionally, we benefit from the Telefónica Group's economies of scale. The Indenture governing the Notes does not include a change of control covenant. If a change of control is consummated we will not be required to make an offer to repurchase the Notes. A change of control may result in changes in management and strategy, a downgrade of our Company and securities, including the Notes, and/or may materially and adversely affect our business, financial condition and results of operations. A change of control may also be the result of a highly leveraged transaction which may have a negative effect on our financial condition. A change of control may also result in a decrease in the market value of the Notes.

The Notes will be effectively junior to any liabilities of our existing subsidiary or any future subsidiaries, and our existing subsidiary and any future subsidiaries may not be subject to the covenants under the Notes.

The Notes are our unsecured obligations and will rank equally in right of payment with all of our other existing and future unsecured obligations. Our obligations under the Notes will be structurally subordinated to the indebtedness and other liabilities of our existing subsidiary and any future subsidiaries. As of the date of the Offering Memorandum, our only subsidiary was Optecom, which, as of March 31, 2020, did not have financial obligations outstanding.

Any future payment of dividends, loans or advances to us by Optecom or any future subsidiaries could be subject to statutory or contractual restrictions. Payments to us by Optecom or any future subsidiary would also be contingent upon such subsidiary's earnings and business considerations. Our right to receive any assets of Optecom or any future subsidiaries upon their bankruptcy, liquidation or reorganization, or any other applicable insolvency procedure, could be effectively subordinated to all claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of Optecom or any of our future subsidiaries, if any, our right as a creditor could be subordinated to any security interest in the assets of such subsidiary. Furthermore, in the event of a bankruptcy, liquidation or reorganization, or any other applicable insolvency procedure, of Optecom or any of our future subsidiaries, our right as a creditor to receive any payment could be subordinated to any other indebtedness of third-party creditors of such subsidiary, whether secured or unsecured.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to law and may be subject to review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) the Notes are lawful investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the Notes, which are estimated to be U.S.$496.9 million (COP$2,014,626 million at the exchange rate of COP$4,054.54 per U.S.$1.00 corresponding to the exchange rate as of March 31, 2020), after deducting expenses and fees in connection with this offering, to refinance certain of our existing indebtedness, including our indebtedness under the 2022 Notes that remain outstanding as of the date of this Offering Memorandum, and the remainder, if any, for general corporate purposes.

FOREIGN EXCHANGE CONTROLS AND EXCHANGE RATES

Foreign Exchange Controls

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Central Bank to the spot foreign exchange market.

Law 9 of 1991 and Resolution 1 of 2018 of the Central Bank establish two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX market (as defined below), or the free market. The free market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market, or the FX market, which consist of all foreign currencies originated in operations considered to be operations of the FX market, or the controlled operations, by means of imports and exports of goods, international investments, international indebtedness and warranties and derivatives, which may only be transacted through foreign exchange intermediaries (financial entities duly qualified as FX intermediaries), or through the registered compensation accounts mechanism, or the compensation accounts, or foreign currencies of the free market, which although not required to be bought from foreign exchange intermediaries, including the FX market, are voluntarily channeled through such market. Compensation accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Central Bank in order to channel foreign currency originated in controlled operations of the FX market or carry out payments in foreign currency between Colombian residents.

Under Colombian FX regulations, FX intermediaries are authorized to enter into foreign exchange transactions, or FX transactions, to convert *pesos* into foreign currencies or foreign currencies into *pesos*. In addition, there are certain requirements and obligations established by law and by the Board of Directors of the Central Bank, in order to transfer currency into or out of Colombia. Colombian law allows the Central Bank to intervene in the foreign exchange market if the value of the *peso* is subject to significant volatility. The Central Bank may, at its discretion, temporarily limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports.

In addition to its past interventions in the exchange rate market, the Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the *peso* against the U.S. dollar. To this end, the Central Bank has on some occasions required that a certain percentage of the debt incurred be deposited in *pesos* or foreign currency with the Central Bank in a non-interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). A debtor of foreign loans can early prepay or redeem the certificate given by the Central Bank evidencing the deposit, but said prepayment or early redemption may imply a discount. The discount is reduced as the term for maturity is reduced. Currently, the deposit requirement is equal to 0.0% of the disbursements made under the corresponding loan, so in practice, there is no deposit that has to be made with the Central Bank by the debtor of foreign loans. In addition to the deposit requirements, the Central Bank has prohibited Colombian financial institutions from funding foreign currency loans with borrowings having shorter maturities. The Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Exchange Rates

The Board of Directors of the Central Bank, has, in recent years, adopted a set of measures intended to tighten monetary policy and control the fluctuation of the *peso* against the U.S. dollar. Pursuant to Resolution 5 of 2008, Resolution 11 of 2008 and Resolution 1 of 2018 of the Central Bank, such measures include, among others: reserve requirements on private demand deposits, government demand deposits, savings deposits and other deposits on liabilities currently set at 8.0%; (reduced from 11% as part of COVID-19 measures in April, 2020) reserves of 3.5% (reduced from 4.5% as part of COVID-19 measures in April, 2020) for deposits with maturities of less than 540 days and 0.0% for term deposits with maturities of more than 540 days; and the deposit requirements with respect to indebtedness in a foreign currency and proceeds resulting from imports financings, currently set at 0.0%.

The Central Bank may also, at its own discretion, temporarily limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. We cannot assure you that the Central Bank will not intervene in the future. However, since the creation of the current foreign exchange regime in 1991, the Central Bank has never taken any such action, and, according with the reports filed by the Central Bank to the Congress of Colombia, the Colombian international reserves are in 2020 at its highest level.

The Colombian government and the Central Bank have considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the *peso* against other currencies and fostering domestic price stability.

During 2019, the Colombian peso depreciated 0.84% against the U.S. dollar, during 2018 depreciated 8.91%, and in contrast during 2017 it appreciated 0.56%. As of March 31, 2020, the Colombian peso depreciated 24.03% against the U.S. dollar. The principal reason for this high depreciation is due to the historical drop in oil prices.

The following table sets forth, for the periods indicated, the high, low, average and end of period rate for the exchange of U.S. dollars for *pesos* as certified by the SFC.

Year ended December 31,	**High**	**Low**	**Average(1)**	**Period End**
2015	3,356.00	2,360.58	2,743.39	3,149.47
2016	3,434.89	2,833.78	3,050.98	3,000.71
2017	3,092.65	2,837.90	2,951.32	2,984.00
2018	3,289.69	2,705.34	2,956.43	3,249.75
2019	3,522.48	3,072.01	3,281.09	3,277.14

(1) Represents the average yearly exchange rate expressed in *pesos* per U.S. dollar as certified by the SFC for the period. Calculated including only business days in Colombia and the U.S.

Month	**High**	**Low**	**Average(1)**	**Period End**
January 2020	3,522.48	3,277.14	3,317.20	3,277.14
February 2020	3,411.45	3,253.89	3,408.24	3,411.45
March 2020	4,153.91	3,455.56	3,870.01	4,054.54
April 2020	4,081.06	3,858.21	3,975.54	3,932.72
May 2020	3,990.10	3,718.82	3,859.76	3,718.82
June 2020	3,760.22	3,565.06	3,696.17	3,756.28
July 2020 (through July 3, 2020)	3,723.67	3,645.90	3,676.58	3,645.90

(1) Represents the average monthly exchange rate expressed in *pesos* per U.S. dollar as certified by SFC for the period. Calculated including only business days in Colombia and the U.S.

We make no representation that the *peso* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *pesos*, as the case may be, at the rates indicated, at any particular rate or at all. The Federal Reserve Bank of New York does not report a noon buying rate for *pesos*.

CAPITALIZATION

The following table sets forth our debt and capitalization as of March 31, 2020, derived from our unaudited consolidated interim balance sheet as of March 31, 2020:

1. on a historical basis;

2. as adjusted for:

   - our incurrence of U.S.$320.0 million (COP$1,248,429 million at the exchange rate of COP$3,901.34 per U.S.$1.00 corresponding to the exchange rate as of May 12, 2020) of long-term debt under the 2020 Syndicated Facility; and

   - the redemption of U.S.$320.0 million (COP$1,198,867 million at the exchange rate of COP$3,746.46 per U.S.$1.00 corresponding to the exchange rate as of June 12, 2020) principal amount of our existing 2022 Notes with the proceeds from the 2020 Syndicated Facility; and

3. as further adjusted for:

   - the sale of the Notes offered hereby and the receipt of U.S.$496.9 million (COP$2,014,626 million at the exchange rate of COP$4,054.54 per U.S.$1.00 corresponding to the exchange rate as of March 31, 2020) of net proceeds therefrom after deduction of commissions and expenses in connection with this offering; and

   - the application of the net proceeds from the sale of the Notes to the refinancing of certain of our existing indebtedness, including our indebtedness under the 2022 Notes that remain outstanding as of the date of this Offering Memorandum.

You should read this table in conjunction with "*Presentation of Financial and Other Information*," "*Use of Proceeds*," "*Selected Financial and Other Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our Consolidated Financial Statements and the related notes thereto, included elsewhere in this Offering Memorandum.

	As of March 31, 2020					
	Actual	**As adjusted**[(1)]	**As further adjusted**[(2)]	**Actual**	**As Adjusted**[(1)]	**As further adjusted**[(2)]
	(*in millions of U.S.$*)[(3)]			(*in millions of* pesos)		
Cash and cash equivalents	29.8	47.7	47.7	120,870	193,360	193,360
Current debt						
Financial obligations[(4)]	136.8	136.8	99.2	554,749	554,749	402,019
Total current debt	**136.8**	**136.8**	**99.2**	**554,749**	**554,749**	**402,019**
Non-current debt						
Financial obligations[(4)]	1,520.3	1,538.2	1,078.9	6,164,019	6,236,509	4,374,612
Notes offered hereby	–	–	500.0	–	–	2,027,270
Total non-current debt	**1,520.3**	**1,538.2**	**1,578.9**	**6,164,019**	**6,236,509**	**6,401,882**
Total debt	**1,657.1**	**1,675.0**	**1,678.1**	**6,718,768**	**6,791,258**	**6,803,901**
Total shareholders' equity	**1,216.7**	**1,216.7**	**1,216.7**	**4,933,252**	**4,933,252**	**4,933,252**
Total capitalization[(5)]	**2,873.8**	**2,891.7**	**2,894.8**	**11,652,020**	**11,724,510**	**11,737,153**

(1) As adjusted to reflect our incurrence of U.S.$320.0 million (COP$1,248,429 million at the exchange rate of COP$3,901.34 per U.S.$1.00 corresponding to the exchange rate as of May 12, 2020) of long-term debt under the 2020 Syndicated Facility and the redemption of U.S.$320.0 million (COP$1,198,867 million at the exchange rate of COP$3,746.46 per U.S.$1.00 corresponding to the exchange rate as of June 12, 2020) principal amount of our existing Senior Notes with the proceeds from the 2020 Syndicated Facility.

(2) As further adjusted to reflect our receipt of the net proceeds from this offering in an amount of U.S.$496.9 million (COP$2,014,626 million at the exchange rate of COP$4,054.54 per U.S.$1.00 corresponding to the exchange rate as of March 31, 2020), after deduction of commissions and expenses in connection with this offering and the application of the net proceeds from the sale of the Notes to the refinancing of our certain of our existing indebtedness in an aggregate amount of COP$496.9 million, including (i) our indebtedness under the 2022 Notes in an aggregate amount of U.S.$430.0 million (COP$1,743,452 million at the exchange rate of COP$4,054.54 per

U.S.$1.00 corresponding to the exchange rate as of March 31, 2020), and (ii) a portion of our indebtedness in an aggregate amount of U.S.$66.9 million (COP$271,174 million at the exchange rate of COP$4,054.54 per U.S.$1.00 corresponding to the exchange rate as of March 31, 2020).

(3) Solely for the convenience of the reader, *peso* amounts have been translated into U.S. dollars at the exchange rate as of March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(4) Consists of our financial leases, credit facilities, local and international bonds, and hedging instruments. See note 15 to our Consolidated Financial Statements.

(5) Total capitalization is the sum of current and non-current financial obligations and total shareholders' equity.

Other than as described above, there have been no material changes to our capitalization since March 31, 2020.

SELECTED FINANCIAL AND OTHER INFORMATION

The summary financial and other information as of and for the three-month periods ended March 31, 2020 and 2019 and as of and for the years ended December 31, 2019, 2018 and 2017 has been derived from our Consolidated Financial Statements included elsewhere in this Offering Memorandum. Our Consolidated Financial Statements were prepared in *pesos* in accordance with IFRS, as issued by the IASB, including the interpretations issued by the IFRIC, in each case, as adopted in Colombia, or Colombian IFRS. See "*Presentation of Financial and Other Information—Financial Statements*." The financial information in this section should be read in conjunction with "*Presentation of Financial and Other Information*," "*Selected Financial and Other Information*," and "M*anagement's Discussion and Analysis of Financial Condition and Results of Operations*," and our Consolidated Financial Statements and the related notes thereto included elsewhere in this Offering Memorandum. Our historical results are not necessarily indicative of our results of operations for the year ending December 31, 2020, or for any future periods.

Statement of Comprehensive Income

	For the three month period ended March 31,			For the year ended December 31,			
	2020	**2020**	**2019**	**2019**	**2019**	**2018**	**2017**
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*		*(in millions of U.S.$)*[(1)]	*(in millions of pesos)*		
Services and data transmission – connectivity	89.0	360,896	326,707	350.1	1,419,449	1,333,320	1,346,179
Basic charges and airtime	37.8	153,189	191,501	162.0	656,710	827,356	865,958
Sale of terminal equipment	30.7	124,510	126,373	132.5	537,400	468,448	477,655
Interconnection and roaming	15.5	62,909	54,117	55.6	225,420	178,064	151,581
Value-added services[(2)]	11.5	46,608	47,676	47.4	192,338	182,812	101,124
Carrier services[(3)]	3.0	12,341	17,880	15.2	61,812	70,486	85,768
Mobile services	**187.6**	**760,453**	**764,254**	**762.9**	**3,093,130**	**3,060,486**	**3,028,264**
Data transmission services	55.8	226,346	220,741	221.0	896,211	887,083	766,061
Local and long distance telephony	23.5	95,413	112,506	105.1	425,989	496,145	555,895
Satellite TV	24.6	99,639	87,278	94.5	383,266	310,021	284,825
Business solutions[(4)]	22.9	92,819	77,162	75.0	304,036	297,038	224,234
Sale of equipment	1.0	3,891	234	0.7	2,787	1,398	2,145
Interconnection	—	—	—	13.2	53,579	63,900	—
Networking	2.7	10,974	14,654	—	—	—	—
Leasing investment properties	—	53	21	—	185	267	—
Fixed-line services	**130.5**	**529,135**	**512,595**	**509.6**	**2,066,051**	**2,055,849**	**1,833,160**
Income from services provided	**318.1**	**1,289,588**	**1,276,849**	**1,272.4**	**5,159,181**	**5,116,335**	**4,861,423**
Sale of movable and immovable property	4.2	17,201	14,100	81.8	331,724	209,531	22,500
Other operating income[(5)]	3.9	15,919	18,993	33.1	134,340	91,416	77,777
Work carried out for fixed assets	—	—	32,255	16.2	65,769	53,383	48,318
Other operating income	**8.1**	**33,120**	**65,348**	**131.2**	**531,833**	**354,331**	**148,595**
Operating income	**326.2**	**1,322,708**	**1,342,197**	**1,403.6**	**5,691,014**	**5,470,666**	**5,010,018**
Operating costs and expenses	(242.0)	(981,076)	(884,848)	(931.4)	(3,776,203)	(3,636,795)	(3,477,141)
Operating profit before depreciation and amortization	**84.3**	**341,632**	**457,349**	**472.3**	**1,914,811**	**1,833,871**	**1,532,877**
Depreciation and amortization	(85.9)	(348,150)	(365,229)	(350.8)	(1,422,459)	(1,349,105)	(1,169,438)
Operational result	**(1.6)**	**(6,518)**	**92,120**	**121.4**	**492,352**	**484,767**	**363,439**
Financial expense, net	(27.5)	(111,622)	(68,010)	(71.4)	(289,416)	(308,330)	(378,656)
PARAPAT Payment Obligations[(6)]	—	—	—	—	—	—	(350,451)
Income before wealth tax	**(29.1)**	**(118,140)**	**24,110**	**50.1**	**202,936**	**176,437**	**(365,668)**
Wealth tax	—	—	—	—	—	—	(7,086)
Income before taxes	**(29.1)**	**(118,140)**	**24,110**	**50.1**	**202,936**	**176,437**	**(372,754)**
Income tax and complementary	2.6	10,551	(33,837)	(44.3)	(179,505)	212,475	672,577
Net (loss) income for the period	**(26.5)**	**(107,588)**	**(9,727)**	**5.8**	**23,431**	**388,912**	**299,823**
Profit attributable to:							
Controlling shareholders	(26.5)	(107,587)	(9,497)	5.8	23,437	394,279	302,676
Minority shareholders	—	(1)	(230)	—	(6)	(5,367)	(2,853)
Net (loss) income for the period	**(26.5)**	**(107,588)**	**(9,727)**	**5.8**	**23,431**	**388,912**	**299,823**
Items that are classified to the income statement:							
Valuation of hedging derivative instruments	42.6	172,922	1,858	4.9	19,804	(24,997)	(22,899)
Actuarial results	—	—	—	—	136	(14,495)	1,973
Items that are not reclassified on the income statement:							
Revaluation of real estate, net of taxes	—	—	—	42.9	174,058	(7)	152,065
(Loss) profit in other comprehensive income	**42.6**	**172,922**	**1,858**	**47.8**	**193,999**	**(39,499)**	**131,138**
Comprehensive income of the period	**16.1**	**65,334**	**(7,869)**	**53.6**	**217,430**	**349,413**	**430,961**

	For the three month period ended March 31,			For the year ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*		*(in millions of U.S.$)*[(1)]	*(in millions of pesos)*		
(Loss) income in other comprehensive income attributable to:							
Controlling shareholders	16.1	65,335	(7,158)	47.8	193,999	(39,285)	131,183
Minority shareholders	—	(1)	(711)	—	—	(214)	(45)
(Loss) income in other comprehensive income of the period	**16.1**	**65,334**	**(7,869)**	**47.8**	**193,999**	**(39,499)**	**131,138**

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.
(2) Includes application downloads, text messages, reconnection fees, preferred subscription and space in communication channels for advertisers.
(3) Includes services provided to Virgin Mobile.
(4) Includes consulting project development services, administration of applications, equipment and communication infrastructure and security management.
(5) Includes operating leases, income from disposal of other assets, subsidies and compensation.
(6) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

Balance Sheet

	For the three month period ended March 31,		For the year ended December 31,			
	2020	2020	2019	2019	2018[(2)]	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*	*(in millions of U.S.$)*[(1)]	*(in millions of* pesos)		
Current assets:						
Cash and cash equivalents	29.8	120,870	101.4	411,083	123,697	316,372
Financial assets measured at fair value	190.3	771,730	17.8	72,312	191,692	54,791
Debtors and other accounts receivable, net	279.2	1,131,835	248.0	1,005,468	1,008,569	827,976
Pre-paid expenses	47.6	193,076	44.3	179,614	111,648	41,602
Contractual asset	6.3	25,715	6.3	25,345	31,480	—
Inventories	40.5	164,328	48.6	197,129	189,870	133,237
Taxes and public administrations	120.6	489,136	95.7	387,945	224,298	196,430
Assets held for sale	—	—	33.2	134,566	—	—
Total current assets	**714.4**	**2,896,689**	**595.2**	**2,413,462**	**1,881,254**	**1,570,409**
Non-current assets						
Financial assets measured at fair value	44.0	178,584	7.7	31,023	11,032	19,425
Debtors and other accounts receivable, net	44.0	178,541	32.8	132,902	158,262	178,051
Pre-paid expenses	37.7	152,990	41.6	168,804	151,621	58,071
Contractual asset	—	61	—	85	168	—
Right of use assets	190.4	772,032	152.9	619,921		
Properties, plant and equipment	1,270.7	5,152,302	1,255.0	5,088,525	4,984,366	5,267,947
Investment properties	1.9	7,543	1.9	7,543	6,886	6,886
Intangibles	417.6	1,693,172	434.6	1,761,923	2,135,780	2,577,624
Goodwill	338.5	1,372,302	338.5	1,372,302	1,372,302	1,449,138
Deferred taxes	399.4	1,619,398	414.5	1,680,411	1,865,724	1,763,224
Total non-current assets	**2,744.3**	**11,126,923**	**2,679.3**	**10,863,438**	**10,686,141**	**11,320,366**
Total assets	**3,458.7**	**14,023,613**	**3,274.6**	**13,276,901**	**12,567,395**	**12,890,774**
Current liabilities:						
Financial obligations[(3)]	136.8	554,749	101.1	410,048	347,175	359,567
Suppliers and accounts payable[(4)]	371.1	1,504,815	439.4	1,781,446	1,568,249	1,523,652
Contractual liability	21.1	85,556	20.7	84,001	80,344	—
Taxes and public administrations	44.4	179,919	29.1	118,145	105,307	92,678
Deferred liabilities	0.8	3,383	1.0	3,899	4,138	117,454
Provisions and pension liabilities	33.3	134,935	41.1	166,620	197,556	218,995
Total current liabilities	**607.5**	**2,463,357**	**632.4**	**2,564,158**	**2,302,768**	**2,312,346**

	For the three month period ended March 31,		For the year ended December 31,			
	2020	2020	2019	2019	2018[(2)]	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*	*(in millions of U.S.$)*[(1)]	*(in millions of* pesos)		
Non-current liabilities						
Financial obligations[(3)]	1,520.3	6,164,019	896.8	3,636,024	3,220,865	3,614,282
Suppliers and accounts payable[(4)]	35.5	144,132	36.4	147,719	172,388	176,470
Contractual liabilities	11.2	45,491	11.7	47,440	55,325	—
Deferred liabilities	2.9	11,675	3.0	12,068	14,871	74,751
Provisions and pension liabilities	64.5	261,687	63.2	256,198	249,038	247,836
Deferred taxes	—	—	—	—	—	60,435
Total non-current liabilities	**1,634.5**	**6,627,004**	**1,011.1**	**4,099,450**	**3,712,488**	**4,173,775**
Total liabilities	**2,242.0**	**9,090,361**	**1,643.5**	**6,663,608**	**6,015,256**	**6,486,121**
Total equity, attributable to the parent company	**1,216.7**	**4,933,252**	**1,631.1**	**6,613,292**	**6,544,233**	**6,395,321**
Equity attributable to minority interests	—	(0.4)	—	0.7	7,905	9,332

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and financial expenses. The financial expense is recorded on our results of operations over the lease period to generate a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Given our option to use the modified retrospective approach established in IFRS 16, our 2018 comparative information has not been restated in our audited consolidated financial statements as of and for the year ended December 31, 2018 is reported under IAS 17.

(3) As of March 31, 2020 and December 31, 2019, Consists of our financial leases (IFRS 16), credit facilities, local and international bonds, and hedging instruments. Given our option to use the modified retrospective approach established in IFRS 16, our financial obligations as of December 31, 2018 and 2017 consist of credit facilities, local and international bonds and hedging instruments and, therefore, do not include financial leases under IFRS 16.

(4) Suppliers and accounts payable include foreign currency balances as of December 31, 2019 and 2018 of U.S.$144,936 thousand and U.S.$.132,686 thousand, respectively, and as of December 31, 2017 of U.S.$60,686 thousand and €$374 thousand. See notes 20 and 17 to our 2019 and 2017 audited consolidated financial statements, respectively.

Other Financial Information

	For the three month period ended March 31,			For the year ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(in millions of U.S.$) [(1)]	*(in millions of pesos)*		*(in millions of U.S.$)*[(1)]	*(in millions of* pesos)		
Cash flow data							
Net cash provided by operating activities	6.2	25,268	115,363	204.1	827,684	1,176,919	1,016,639
Net cash used in (provided by) investing activities	(105.9)	(429,206)	(123,837)	14.3	57,977	(572,205)	(2,398,770)
Net cash (used in) provided by financing activities	28.0	113,725	57,915	(147.6)	(598,275)	(797,389)	1,435,244
Other financial information							
Capital expenditures (excluding licenses)	60.6	245,884	130,078	246.8	1,000,469	525,049	819,242
Licenses (radio spectrum)	13.4	54,458	—	33.1	134,066	143,745	1,917,828
PARAPAT Payment Obligations[(2)]	—	—	—	—	—	—	(350,451)
Consolidated EBITDA[(3)]	84.3	341,632	457,349	472.3	1,914,811	1,833,871	1,532,877
Consolidated EBITDA Margin[(4)]	—	25.8%	34.1%	—	33.6%	33.5%	30.6%
Net Debt[(5)]	1,459.5	5,917,803	5,182,360	1,178.5	4,778,311	4,747,667	4,722,042
Net Debt to Consolidated EBITDA[(6)]	—	n.m.[(6)]	—	—	2.50x	2.59x	3.08x

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

(3) We calculate Consolidated EBITDA as net income (loss) before depreciation and amortization for the period; financial expenses, net and income tax. Consolidated EBITDA are not presentations made in accordance with Colombian IFRS. Consolidated EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to us to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS and the requirements of the SFC. See "Presentation of Financial and Other Information—

Non-IFRS Financial Measures." For a reconciliation of our Consolidated EBITDA, see "Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures."

(4) Consolidated EBITDA Margin is calculated as Consolidated EBITDA for the period divided by operating income.

(5) Net debt means total current and non-current financial obligations, net *plus* perpetual equity instruments (including our Subordinated Notes) *less* cash and cash equivalents and market to market valuation of foreign exchange derivatives as of the end of the relevant period. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures." For a calculation of our Net Debt, see "Selected Financial and Other Information—Reconciliation of Non-IFRS Financial Measures."

(6) Net Debt to Consolidated EBITDA is calculated as Net Debt as of the end of the year to Consolidated EBITDA for the year then ended. Our Net Debt to Consolidated EBITDA ratio calculated as of March 31, 2020 and for the three-month period ended March 31, 2020, is n.m.

Reconciliation of Non-IFRS Financial Measures

We have included non-IFRS financial measures in this Offering Memorandum to clarify and enhance the understanding of our past performance and future prospects, such as Consolidated EBITDA and the ratios related thereto. These measures are not recognized measures under IFRS or Colombian IFRS and do not have standardized meanings prescribed by IFRS or Colombian IFRS. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS or Colombian IFRS.

We believe that these non-IFRS financial measures may be useful for potential purchasers of the Notes in assessing our operating performance, our ability to generate cash and our ability to meet our debt service requirements. Our definitions of Consolidated EBITDA or other measures are not necessarily comparable to similarly titled measures reported by other companies in the telecommunications sector or otherwise. Furthermore, these measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, profit (loss), gross profit, cash flows from operations or other income or cash flow data prepared in accordance with IFRS or Colombian IFRS. You should exercise caution in comparing the non-IFRS financial measures reported by us to such metrics or other similar metrics as reported by other companies in the telecommunications sector or otherwise. None of our non-IFRS measures is a measurement of performance under IFRS or Colombian IFRS, and you should not consider those measures as an alternative to profit determined in accordance with IFRS or Colombian IFRS. The non-IFRS metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We present in this Offering Memorandum Consolidated EBITDA, Consolidated EBITDA Margin, Net Debt and Net Debt to Consolidated EBITDA ratio, all of which are non-IFRS financial measures.

Consolidated EBITDA and Consolidated EBITDA Margin. We calculate Consolidated EBITDA as net income (loss) before depreciation and amortization; financial expenses, net and income tax. Our Consolidated EBITDA Margin for a relevant period consists of our Consolidated EBITDA for the period divided by operating income. Consolidated EBITDA and Consolidated EBITDA Margin are not presentations made in accordance with Colombian IFRS. Consolidated EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, as indicative of the cash available to us to make payments under the Notes or as a substitute for analysis of our results as reported under Colombian IFRS and the requirements of the SFC. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*."

The table below sets forth our reconciliation of Consolidated EBITDA and Consolidated EBITDA Margin:

	For the three month period ended March 31,			For the year ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(in millions of U.S.$, except for percentages) [(1)]	*(in millions of* pesos, *except for percentages)*		*(in millions of U.S.$, except for percentages)* [(1)]	*(in millions of* pesos, *except for percentages)*		
Consolidated EBITDA and Consolidated EBITDA Margin Reconciliation							
Net (loss) income for the period	(26.5)	(107,588)	(9,727)	5.8	23,431	388,912	299,823
(+) Depreciation and amortization	85.9	348,150	365,229	350.8	1,422,459	1,349,104	1,169,438
(+) Financial expense, net	27.5	111,622	68,010	71.4	289,416	308,330	378,656
(+) PARAPAT Payment Obligations[(2)]	—	—	—	—	—	—	350,451
(+) Wealth tax	—	—	—	—	—	—	7,086
(+) Income tax and complementary	(2.6)	(10,551)	33,837	44.3	179,505	(212,475)	(672,577)
Consolidated EBITDA	**84.3**	**341,632**	**457,349**	**472.3**	**1,914,811**	**1,833,871**	**1,532,877**
Operating income	326.2	1,322,708	1,342,197	1,403.6	5,691,014	5,470,666	5,010,018
Consolidated EBITDA Margin		**25.8%**	**34.1%**		**33.6%**	**33.5%**	**30.6%**

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

Net Debt and Net Debt to Consolidated EBITDA ratio. We define our Net Debt as current and long-term financial obligations, net *plus* perpetual equity instruments *less* cash and cash equivalents and market to market valuation of foreign exchange derivatives of the end of the relevant period. Net Debt is not a measure of financial performance under IFRS and should not be considered as a measure of liquidity or our ability to pay interest on the Notes. We calculate our Net Debt to Consolidated EBITDA ratio for a relevant period as Net Debt as of the end of such period to our Consolidated EBITDA for the relevant period.

The table below sets forth our reconciliation of Net Debt:

	For the three month period ended March 31,		For the year ended December 31,			
	2020	2020	2019	2019	2018	2017
	(in millions of U.S.$)[(1)]	*(in millions of* pesos*)*	*(in millions of U.S.$)*[(1)]	*(in millions of* pesos*)*		
Net Debt Reconciliation:						
Current financial obligations[(3)(4)]	136.8	554,749	101.1	410,048	347,175	359,567
(-) Interests accounts payable	(1.9)	(7,618)	(9.3)	(37,661)	(39,161)	(57,980)
(-) Liability derivative instruments	(9.5)	(38,538)	(9.0)	(36,775)	(16,712)	(63,580)
Current financial obligations, net	**125.4**	**508,593**	**82.8**	**335,612**	**291,301**	**238,006**
Long-term financial obligations[(3)(5)]	647.9	2,626,987	168.3	682,320	732,801	1,340,666
Other non-current financial obligations	—	—	—	—	2,275	—
Liability derivative instruments	—	57	—	100	52,463	40,641
Local Bonds	123.0	498,760	123.0	498,698	—	—
Senior bonds	749.3	3,038,216	605.5	2,454,906	2,433,326	2,232,975
Perpetual equity instruments[(6)]	—	—	315.3	1,278,425	1,278,425	1,278,425
Long-term financial obligations, net	**1,520.3**	**6,164,019**	**1,212.1**	**4,914,449**	**4,499,290**	**4,892,707**
Total financial debt	**1,645.7**	**6,672,612**	**1,294.9**	**5,250,061**	**4,790,591**	**5,130,713**
(-) Market to market valuation of foreign exchange derivatives.	(157.3)	(637,812)	(16.0)	(64,818)	(176,715)	(56,788)
(-) Cash and cash equivalents	(29.8)	(120,870)	(101.4)	(411,083)	123,697	(316,372)
Net Debt	**1,458.6**	**5,913,930**	**1,177.5**	**4,774,160**	**4,490,180**	**4,757,553**

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee model of accounting for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and financial expenses. The financial expense is recorded on our results of operations over the lease period to generate a constant

periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Given our option to use the modified retrospective approach established in IFRS 16, our 2018 comparative information has not been restated in our audited consolidated financial statements as of and for the year ended December 31, 2018 is reported under IAS 17.

(3) As of March 31, 2020 and December 31, 2019, consists of our financial leases (IFRS 16), credit facilities, local and international bonds, and hedging instruments. Given our option to use the modified retrospective approach established in IFRS 16, our financial obligations as of December 31, 2018 and 2017 consist of credit facilities, local and international bonds and hedging instruments and, therefore, do not include financial leases under IFRS 16.

(4) As of March 31, 2020 and December 31, 2019, includes COP$226,810 million (U.S.$55.9 million) and COP$203,313 million (U.S.$50.1 million), respectively, of financial leases.

(5) As of March 31, 2020 and December 31, 2019, includes COP$856,303 million (U.S.$211.2 million) and COP$682,320 million (U.S.$168.3 million), respectively, of financial leases.

(6) Consists of our Subordinated Notes.

Other Operating Information

	For the three month period ended March 31,	For the year ended December 31,		
	2020[(1)]	**2019**	**2018**	**2017**
Operating information				
Total mobile subscribers	**15,913,964**	**16,080,371**	**15,716,258**	**14,590,546**
Total – pre-paid subscribers	11,773,388	12,003,145	11,880,779	10,857,664
Voice – post-paid subscribers	3,660,711	3,549,220	3,319,471	3,215,884
Mobile data – post-paid subscribers	479.865	528,005	516,008	516,998
Total mobile subscribers growth	0.2%	2.3%	7.7%	6.3%
ARPU (per mobile subscriber, in *pesos*)	12,479	12,800	13,416	14,224
Average churn rate for mobile subscribers	3.1%	3.1%	3.2%	3.3%
Total fixed lines	**1,482,724**	**1,487,738**	**1,582,376**	**1,609,560**
Total fixed lines growth	(5.0%)	(6.0%)	(1.7%)	(3.7%)
ARPU – fixed-line (in *pesos*)	20,636	22,883	25,554	28,006
Average churn rate for fixed-line subscribers	2.6%	2.6%	2.4%	2.1%
Total Internet subscribers	**1,167,769**	**1,163,237**	**1,204,287**	**1,193,789**
Total Internet subscribers growth	(1.9%)	(3.4)%	0.9%	0.3%
ARPU – Internet (in *pesos*)	49,385	46,495	43,769	39,826
Average churn rate for Internet subscribers	3.0%	3.0%	2.9%	2.6%
Television subscribers	532,464	528,128	548,247	529,907
Television subscribers growth	(1.4%)	(3.7%)	3.5%	2.4%
ARPU – television (in *pesos*)	42,951	43,631	41,270	44,869
Average churn rate for television subscribers	3.2%	3.5%	3.5%	3.1%

(1) Solely for the convenience of the reader, *peso* amounts for the period ended March 31, 2020 and the year ended December 31, 2019 have been translated into U.S. dollars at the exchange rate published by the Central Bank on March 31, 2020 of COP$4,054.54 to U.S.$1.00. See "Foreign Exchange Controls and Exchange Rates" for further information about recent fluctuations in exchange rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with (i) our unaudited condensed consolidated interim financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019, together with the notes thereto, (ii) our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018, and the notes thereto, and (iii) our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2016, and the notes thereto, in each case included elsewhere in this Offering Memorandum, as well as the information presented under the sections entitled "Presentation of Financial and Other Information," and "Selected Financial and Other Information." The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

Overview

We are a full-service telecommunications provider offering a range of integrated telecommunications services including fixed-line, mobile, data transmission (including broadband access, mobile internet connectivity and value-added services) and television subscription services throughout Colombia. We believe we are the second-largest integrated fixed-line and mobile telecommunications provider in Colombia in terms of subscribers and revenues, based on information available from the MINTIC and SIC as of December 31, 2019 and the information available from the ANTV as of June 30, 2019. As of December 31, 2019, we operated the largest fixed-line network in Colombia in terms of number of municipalities we service, according to information available from the MINTIC. We are an indirect subsidiary of Telefónica, one of the world's largest telecommunications company in terms of market value. Our relationship with Telefónica benefits us through the use of Telefónica's internationally recognized *Movistar* brand, present in 11 Spanish-speaking countries, including Colombia, and through access to Telefónica's industry experience, economies of scale, synergies, strategic initiatives and technical expertise.

We serve residential customers, small, medium and large companies and governmental agencies. As of March 31, 2020 and December 31, 2019, we had 15,913,964 and 16,080,371 mobile subscribers, respectively, 1,482,724 and 1,487,739 fixed lines in service, respectively, 1,167,769 and 1,163,237 internet subscribers, respectively, and 532,464 and 528,128 television subscribers, respectively. As of December 31, 2019, we had a market share in Colombia of 24.3% for mobile services, 20.3% for fixed-line services and 16.7% for internet broadband services and, as of June 30, 2019, we had a market share in Colombia of 9.2% for television subscription services, according to the MINTIC and the ANTV. We offer all of our telecommunications services under the *Movistar* brand.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

Our unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020 and 2019, our audited consolidated financial statements for the years ended December 31, 2019 and 2018 and our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2016, which are included elsewhere in this Offering Memorandum, are prepared in accordance with Colombian IFRS.

Changes to Accounting Principles

Our Consolidated Financial Statements have been prepared in accordance with Colombian IFRS. Pursuant to Colombian IFRS, we adopted IFRS-9 (financial instruments) and IFRS-15 (revenue from contracts with customers) beginning on January 1, 2018, and IFRS-16 (leases) beginning on January 1, 2019. For a description of our accounting principles applied for our Consolidated Financial Statements, see our Consolidated Financial Statements included elsewhere in this Offering Memorandum, together with the notes thereto.

IFRS 15 - Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognize revenue derived from contracts with customers in an amount that reflects about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contracts with customers. Specifically, the IFRS 15 introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract with a customer.
- Step 2: Identity the performance obligations in the contract.
- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

We have adopted this new standard using the retrospective effect method, in accordance with IAS 8, with the cumulative effect of the initial application of this standard, if any, recognized as an adjustment on the date of first application, January 1, 2018. In addition, the new standard allows the adoption of certain practical solutions to reduce the complexity in the application of the new criteria. The main practical solutions we have applied are the following:

- *Completed contracts*: we do not apply the new criteria retrospectively to those contracts that were completed before January 1, 2018.
- *Contract grouping*: we apply the requirements of this standard to groups of contracts with similar characteristics (e.g., wholesale subscribers, where a standard offer is marketed), for contracts with corporate subscribers all obligations transferred and agreed through the offer are identified as non-standard.

The table below sets forth the movement in contractual assets and liabilities as of March 31, 2020:

	As of December 31, 2019	Registration	Amortization	Transfers	Reversal	As of March 31, 2020
			(in millions of pesos)			
Contractual asset	26,069	7,345	(7,196)	250	—	26,468
Corrections for impairments	(723)	(51)	—	—	21	(753)
Current contractual assets	**25,345**	**7,294**	**(7,196)**	**250**	**21**	**25,715**
Contractual asset	85	226	—	(250)	—	61
Non-current contractual assets	**25,430**	**7,520**	**(7,196)**	—	**21**	**25,776**
Current contractual liabilities	**84,001**	**195,595**	**(195,989)**	**1,949**	—	**85,556**
Non-current contractual liabilities	**47,440**	—	—	**(1,949)**	—	**45,491**
Total	**131,441**	**195,595**	**(195,989)**	—	—	**131,047**

The table below sets forth the movement in contractual assets and liabilities as of December 31, 2019:

	As of December 31, 2018	Registration	Amortization	Transfers	Reversal	As of December 31, 2019
			(in millions of pesos)			
Contractual asset	32,121	39,504	(46,920)	1,364	—	26,069
Corrections for impairments	(641)	(725)	—	—	642	(724)
Current contractual assets	**31,480**	**38,779**	**(46,920)**	**1,364**	**642**	**25,345**
Contractual asset	168	1,281	—	(1,364)	—	85
Non-current contractual assets	**31,648**	**40,061**	**(46,920)**	**—**	**642**	**25,430**
Current contractual liabilities	**80,344**	**580,810**	**(585,039)**	**7,886**	**—**	**84,001**
Non-current contractual liabilities	**55,325**	**—**	**—**	**(7,886)**	**—**	**47,440**
Total	**135,669**	**580,810**	**(585,039)**	**—**	**—**	**131,441**

The table below sets forth the movement in contractual assets and liabilities as of December 31, 2018:

	Impact of first application of IFRS 15	Registration	Amortization	Transfers	Reversal	As of December 31, 2018
			(*in pesos*)			
Contractual asset	14,716	42,060	(38,792)	14,137	—	32,121
Corrections for impairments	(700)	(351)	410	—	—	(641)
Current contractual assets	**14,016**	**41,709**	**(38,382)**	**14,137**	**—**	**31,480**
Contractual asset	183	3,197	—	(3,213)	—	168
Non-current contractual assets	**14,199**	**44,906**	**(38,382)**	**10,924**	**—**	**31,648**
Current contractual liabilities	**8,021**	**335,527**	**(283,469)**	**20,266**		**80,344**
Non-current contractual liabilities	**5,837**	**1,391**	**(5,947)**	**54,044**	**—**	**55,325**
Total	**13,857**	**336,918**	**(289,416)**	**74,310**	**—**	**135,669**

For additional information, see notes 5.1 and 10 in our 2019 audited consolidated financial statements included elsewhere in this Offering Memorandum.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) impairment for financial assets and (3) general hedge accounting. The main impact of IFRS 9 on our financial statements was the adoption of a new impairment loss model, which uses the expected credit loss model, replacing the incurred loss model applied until December 31, 2017. For details of these new requirements, see note 5.1.2 in our 2019 consolidated financial statements included elsewhere in this Offering Memorandum.

IFRS 16 – Leases

As of January 1, 2019, we adopted IFRS 16, which introduced a single lessee accounting model for leases on the lessee's balance sheet. IFRS 16 standards are effective for annual periods beginning after January 1, 2019 and change the recognition, measurement, presentation and disclosure of leases. It requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases.

Under IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

We opted to use the modified retrospective approach, in which the cumulative effect of the initial adoption is recognized as an adjustment to the opening balance of the accumulated results on January 1, 2019. Therefore, the comparative information as of December 31, 2018 (or our "2018 comparative information") included in our audited consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2018, has not been restated and is presented as previously reported in accordance with IAS 17. Until 2018, property, plant and equipment leases where we, as a lessee, did not have substantially all of the risks and benefits derived from the property were classified as operating leases, while those where such risks and benefits were derived from the property were classified as financial leases. With the adoption of IFRS 16, we recognized lease liabilities related to leases that had been previously classified as "operating leases" under the principles of IAS 17. These liabilities were calculated at the present value of the remaining lease payments, discounted using an incremental indebtedness rate as of January 1, 2019.

The impact of the application of IFRS 16 is shown below:

	As of January 1, 2019
	(in million of pesos)
Land and buildings	373,692
Technical installations	237,219
Transport equipment	7,931
Right of use assets	**618,842**
Transfer of transport equipment[(1)]	3,532
Prepaid expenses[(2)]	(4,200)
Assets	**618,174**
Short-term finance lease	170,097
Long-term leasing	448,077
Liability	**618,174**

Source: DANE and Central Bank.

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

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

The table below sets forth the impact of the application of IFRS 16 on the consolidated statement of financial position:

	As of December 31, 2019		
	IFRS 16	**IAS 17**	**Impact IFRS 16**
		(in millions of pesos)	
Current assets			
Cash and cash equivalents	411,083	411,083	—
Financial assets measured at fair value	72,312	72,312	—
Debtors and other accounts receivable, net	1,005,468	1,005,468	—
Pre-paid expenses	179,614	179,614	—
Contractual asset	25,345	25,345	—
Inventories	197,129	197,129	—
Taxes and public administrations	387,945	387,945	—
Assets held for sale	134,566	134,566	—
Total current assets	**2,413,462**	**2,413,462**	—
Non-current assets			
Financial assets measured at fair value	31,023	31,023	—
Debtors and other accounts receivable, net	132,902	132,902	—
Pre-paid expenses	168,804	168,804	—
Contractual asset	85	85	—
Right of use assets	619,921	—	619,921
Properties, plant and equipment	5,088,525	5,101,525	(13,017,510)
Investment properties	7,542	7,543	—
Intangibles	1,761,923	1,761,923	—
Goodwill	1,372,302	1,372,302	—
Deferred taxes	1,680,411	1,680,411	—
Total non-current assets	**10,863,438**	**10,256,535**	**606,903**
Total assets	**13,276,901**	**12,669,997**	**606,903**
Current liabilities			
Financial obligations[(3)]	410,048	207,573	202,475
Suppliers and accounts payable[(4)]	1,781,446	1,785,935	(4,489)
Contractual liability	84,001	84,001	—
Taxes and public administrations	118,144	118,144	—
Deferred liabilities	3,899	3,899	—
Provisions and pension liabilities	166,620	166,620	—
Total current liabilities	**2,564,158**	**2,366,172**	**197,986**

	As of December 31, 2019		
	IFRS 16	IAS 17	Impact IFRS 16
		(*in millions of pesos*)	
Non-current liabilities			
Financial obligations(3)	3,636,024	2,955,079	680,946
Suppliers and accounts payable(4)	147,719	147,719	—
Contractual liabilities	47,440	47,430	—
Deferred liabilities	12,068	12,068	—
Provisions and pension liabilities	256,198	256,198	—
Total non-current liabilities	**4,099,450**	**3,418,504**	**680,946**
Total liabilities	**6,663,608**	**5,784,676**	**878,932**
Total equity, attributable to the parent company	**6,613,292**	**6,885,320**	**(272,028)**
Equity attributable to minority interests	703	703	—
Total liabilities and shareholders' equity	13,276,901	12,669,997	609,903

The table below sets forth the impact of the application of IFRS 16 on the consolidated statement of comprehensive income:

	For the year ended December 31,		
	IFRS 16	IAS 17	Impact IFRS 16
		(*in millions of pesos*)	
Income from services provided	5,159,181	5,159,181	—
Other operating income	531,833	793,209	(261,376)
Operating income	**5,691,014**	**5,952,391**	**(261,376)**
Operating costs and expenses	(3,776,203)	(3,968,012)	191,809
Operating profit before depreciation and amortization	**1,914,811**	**1,984,379**	**(69,567)**
Depreciation and amortization	(1,422,459)	(1,240,454)	(182,005)
Operational result	**492,352**	**743,924**	**(251,573)**
Financial expense, net	(289,416)	(268,960)	(20,456)
Income before taxes	**202,936**	**474,964**	**(272,028)**
Income tax and complementary	(179,505)	(179,505)	—
Net (loss) income for the period	**23,431**	**295,459**	**(272,028)**

For additional information, see note 5.2 in our 2019 consolidated financial statements included elsewhere in this Offering Memorandum.

Critical Accounting Policies and Estimates

In preparing our financial statements, we rely on estimates and assumptions derived from historical experience and on various other factors deemed reasonable and relevant. Our accounting policies and estimates are described in note 3 to our Consolidated Financial Statements.

Critical accounting policies are those that are important to the portrayal of our financial position and results of operations and require management's subjective and complex judgments, estimates and assumptions. The application of these critical accounting policies often requires judgments made by management regarding the effects of matters that are inherently uncertain with respect to our results of operations and the carrying value of our assets and liabilities. Our results of operations and financial position may differ from those set forth in our financial statements, if our actual experience differs from management's assumptions and estimates. In order to provide an understanding of our critical accounting policies, including some of the variables and assumptions underlying the estimates, and the sensitivity of those assumptions and estimates to different parameters and conditions, we set forth below a discussion of our critical accounting policies relating to:

- impairment of non-monetary assets;
- useful lives of property, plants and equipment;
- provisions;
- taxes;
- fair value of financial instruments;

- impairment of accounts receivable; and
- retirement employees benefits.

Impairment of non-monetary assets

We evaluate, on an annual basis, whether the value of our property, plant and equipment, intangibles, goodwill and usage rights has been impaired in accordance with the accounting principles set out in note 3 to our financial statements. We have not identified events or changes in economic circumstances indicate that the value of such assets is not recoverable.

Useful lives of property, plants and equipment

The determination of the economic useful life of our properties, plants and equipment is based on our management's estimates of the use of the assets, the expected technological evolution and the valuations from our technical areas. Based on the foregoing, we review the depreciation rates at the end of each year to take into account any changes with respect to the use of the assets, technological framework and its future development, which may be difficult to foresee and which are adjusted as necessary.

Provisions

We estimate the amounts for future provisions for contractual obligations, pending litigation or other liabilities based on our interpretations of current events and circumstances, future projections and estimates of the financial effects of such events.

Taxes

We are subject to Colombian tax regulations and significant judgment is required in determining our tax provisions. There may be uncertainty in determining the amount of tax provisions for certain transactions and calculations in the ordinary course of operations. We evaluate the recognition of liabilities for discrepancies that may arise with the tax authorities on the basis of additional tax estimates that must be paid. The amounts provisioned for the payment of income tax are estimated by our management based on our management's interpretation of the current tax regulations.

Actual liabilities may differ from the amounts provisioned, which could generate a negative effect on our results and the differences could impact current and deferred income tax assets and liabilities in the relevant period.

We evaluate the recoverability of deferred tax assets based on estimates of future tax results and the ability to generate sufficient profits during the periods in which such deferred taxes are deductible. Deferred tax liabilities are recorded in accordance with estimates of net assets that will not be tax deductible in the future.

Fair value of financial instruments

The fair value of financial instruments for the purpose of their initial recognition and presentation of financial information is estimated by deducting future contractual cash flows at the current market interest rate available to us for similar financial instruments.

The fair value of financial instruments that are traded in active markets is based on market prices at the date of the balance sheet. The market price that is used for financial assets is the current price of the buyer. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Our management determines the selection of a variety of methods and uses assumptions that are mainly based on existing market conditions at the date of each balance sheet. Other techniques, such as estimated discounted cash flows, are used to determine the fair value of other financial instruments.

We assume that the fair value is approximated by deducting the provision for impairment of accounts receivable from the carrying amount.

Impairment of accounts receivable

We estimate the expected credit loss provision for financial assets measured at amortized cost and fair value with changes in other comprehensive income using complex models and significant assumptions about future economic conditions and credit behavior. We also use significant judgment when applying the accounting requirements to measure the expected credit loss, such as determining the criteria for a significant increase in credit risk, properly choosing the models and assumptions for measuring the expected credit loss, establishing the number and expected result of the prospective scenarios for each type of product or market and the associated expected credit loss, and establishing groups of similar financial assets in order to measure the expected credit loss.

Retirement employee benefits

The current value of the required amounts for retirement pensions and other post-employment benefits depends on certain factors that are determined on an actuarial basis using a series of assumptions, including mortality tables, other factors and the discount rate. Any change in these assumptions could have an effect on the carrying amount of the amounts for post-employment benefits.

Factors Affecting Our Operating Results

Effect of COVID-19

The most relevant impacts of COVID-19 have been to (i) our prepaid services due to the mandated lockdowns in Colombia, given that the only recharge sales channel available was online recharge, (ii) our smartphone sales, as a result of the temporary closures of our retail points-of-sale, customer centers and direct sales force, and (iii) our SME segment considering an increase in past-due invoices and even bankruptcy of a number of small-business subscribers in Colombia. The impact of these events has been partially offset by (i) strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, showing an important increase of 63.0% in traffic levels for the three-month period ended June 30, 2020, and (ii) an increase in our mobile data traffic, especially in residential areas. We expect the telecommunications sector to weather the impact of COVID-19 better than most other industries.

Below is a description of the main impacts observed on our consolidated financial position and results of operations, as well as some of the measures adopted in light of the COVID-19 outbreak as of March 31, 2020:

Impairment of Financial Instruments – Accounts Receivable

The COVID-19 outbreak created unforeseen challenges for the application of the calculation of expected credit losses under IFRS 9 - Financial Instruments. Accordingly, we have considered adjusting the approach to forecasting and determining when expected credit losses ("**ECPs**") should be recognized to reflect the current environment. However, the potential impacts of customer defaults will be reflected mostly from the second quarter of 2020 and onwards in accordance with payment behavior. Similarly, we are validating the model for portfolio provisioning by customer segmentation and/or any type that best reflects these effects.

At the end of the first quarter of 2020, the financial instruments that were within the scope of the ECP model of IFRS 9 (including trade and other accounts receivable, debt instruments not measured at fair value through profit and loss, contractual assets, and lease receivables), were evaluated considering the impacts of COVID-19 on ECPs. In addition to the effects of COVID-19, and due to the policies adopted by the Colombian government on the extension of the payment term for certain commercial plans contracted by customers, the credit risk (risk of default) has significantly increased for accounts receivable. ECPs are measured for that group of accounts receivable for the entire term of the instrument.

Recognition of Income, Costs and Expenses

In relation to revenue recognition under IFRS-15, we have focused on identifying the financial impacts in the following areas:

- Valuation of the potential present or future effects arising from the commercial strategy involving variable consideration in a contract with a customer (e.g. discounts, fringe benefits, free services, price reductions, etc.), to determine, at the beginning of the contract, the amount of consideration to be received in exchange for transferring the promised goods or services.
- Modifications to contracts - Validation if it corresponds to a change in the scope or price of a contract or both and if it creates or changes the rights and obligations of the parties to the contract and, therefore, their accounting recognition.
- Valuation of the costs of obtaining or fulfilling a contract and advance payments to customers and whether these in the new environment require updating the amortization approach to reflect any significant changes in the expected time of transfer of the related goods or services.

Valuation of Accounting Estimates

Accounting estimates have been reviewed and evaluated for impairment of assets, expected cash flows, the net realizable value of inventories, and the measurement value of financial instruments has been adjusted so that the impacts are reflected in the financial statement figures once they are confirmed in conjunction with a qualitative assessment of all of our activities.

Recoverability of Assets

For the impairment test, internal and external sources were reviewed. The "WACC" (weighted average cost of capital) variable was updated based on the COVID-19 pandemic conditions to reflect this situation. It was applied to the impairment test determined at the end of 2019, maintaining the other variables at this cut-off point.

In the validation of the external sources, no significant changes were identified that would have an adverse effect on the entity, in aspects related to the legal, economic, technological or market environment in which it operates, in the present or immediate future. The validation of internal sources assessed significant changes in the extent or manner in which we use or expect to use the Company's assets that could adversely affect the entity. These changes include the fact that the asset is idle, or as a result of the pandemic, plans are in place to discontinue or restructure the operation to which the asset belongs, including plans to dispose of the asset before the anticipated date and reconsider the useful life of an asset as finite, rather than indefinite.

Considering the existence of goodwill in the financial statements, the awareness of the WACC was carried out with a step of +/- 1% using the current strategic plan and the other variables used at the end of 2019. Additionally, long-term assets subject to impairment testing were sensitized by +/- 5%. Based on the previous year and on the aforementioned conditions, it was not necessary to anticipate and/or recognize an impact of impairment on the recoverability of the assets. In 2020 we will continue to monitor significant variables, including the strategic plan and/or budgetary deviation, that could trigger an update of asset recoverability analysis.

In addition to the analyses indicated above, as of March 31, 2020, no significant assets have been identified that are paralyzed and/or are estimated to have an idle capacity as a result of the COVID-19 pandemic. Concerning the deferred tax asset for tax losses, we have estimated that by the end of the third quarter of 2020, it will carry out a recoverability analysis based on the current strategic plan, which will aim to raise awareness of the effects of the COVID-19 pandemic.

Liquidity Situation

To mitigate the impact of the COVID-19 outbreak and maintain our liquidity and strength, we have implemented the following measures:

- Review of the implementation of the capex, taking into account current projects and commercial activity. Future projects will be assessed in detail.
- Optimization of certain items in the financial statements such as commissions to third parties for reduced commercial activity, staff freezing, advertising, travel, sponsorships, rental and preventive maintenance, and public services, among others.
- Structural plan for optimizing opex and post-confinement capex resources.
- Delay and rescheduling of orders and arrival plans for mobile handsets and home-customer equipment.

Effect of Economic Conditions in Colombia

Because we derive our revenues from our operations in Colombia, we are affected by economic conditions in the country. According to the DANE, from 2015 through 2019, Colombia's GDP grew at an annual average rate of 2.5% and in 2018 and 2019, it grew by 2.5% and 3.3%, respectively. According to the DANE, on the first quarter of 2020, Colombia's GDP grew 1.1% on its original series, reflecting a slowdown in its growth rate compared to 2.9% for the same period in 2019. The revenues generated by companies in the Colombian telecommunication industry are largely correlated with GDP growth. Economic analysts, including the Central Bank, predict a wide range of forecasts for economic activity in 2020 due to the effects of COVID-19 and the decline in oil prices; the predictions show contractions ranging from around negative 2% to negative 7%. Historically, a slowdown in Colombia's GDP growth has led to a slowdown in the demand for telecommunications services. A substantial and prolonged deterioration of economic conditions in Colombia could have a material adverse effect on the number of subscribers to our services and the volume of usage of our services by our subscribers and, as a result, our net operating revenue.

Central Bank independence, and the adoption of an inflation-targeting regime and a free-floating currency in 1999, have contributed to declining inflation rates and increased price stability in Colombia. According to the DANE, Colombia's annual inflation rate as measured by the Consumer Price Index (*Indice de Precios al Consumidor*) ("**CPI**") was 3.8% in 2019 and 3.2% in 2018, in each case within the Central Bank's target band of 2.0% to 4.0%. However, all the macroeconomic projections have changed due to the effect of the COVID-19 pandemic on the economy of Colombia and the world. The Central Bank's target now for 2020 is between a range of 1% to 3%; however, these projections may change as more data of the behavior of the economy becomes known. The annual inflation as of March 31, 2020 was 3.86% on a 12 month basis. Even though some of our tariffs are benchmarked to the CPI and other similar indicators of inflation, effects thereof are passed-through to end users.

The following table sets forth the year-over-year changes in Colombia of various key economic indicators, including its GDP, CPI, the unemployment rate and the benchmark interest rate, as well as a comparison of these changes to the changes in the growth in the telecommunications industry in Colombia for the periods indicated.

	For the three-month period ended March 31,	**For the Year Ended December 31,**		
	2020	**2019**	**2018**	**2017**
		(*percentages*)		
Real GDP	1.1%	3.3%	2.5%	1.4%
CPI	3.86%	3.80%	3.18%	4.1%
Unemployment	12.6%	9.5%	9.7%	8.6%
IBR(1)	3.55%	4.49%	4.72%	6.03%
Telecommunications sector as percentage of GDP	2.8%	2.7%	2.8%	2.9%

Source: DANE and Central Bank.

(1) Colombian Interbank Reference Rate (*Interés Bancario de Referencia*) ("**IBR**"). This reference rate was first calculated and published in 2008.

Effects of Demand for Our Telecommunications Services

The Colombian telecommunications industry is highly competitive. The competitive environment is significantly affected by key trends, including the convergence of technology and services, which enables telecommunications service providers that were previously limited to providing a single service to provide services in other industry segments, such as in the case of broadband services provided by cable television service providers and by mobile service providers (using 3G and 4G technologies) and in the case of traditional fixed-voice services transmitted by mobile telecommunications service providers.

Demand for Our Mobile Services

We believe that our customer base for mobile services has grown from 14.6 million as of December 31, 2017 to 16.1 million as of December 31, 2019, primarily as a result of the broad market shift to mobile services and the success of our marketing and promotional campaigns, our innovative product offerings and the launch of new services. However, the market is highly competitive. We incur selling expenses in connection with marketing and sales efforts designed to retain existing mobile customers and attract new mobile customers. Also, from time to time, we offer discounts in connection with our promotional activities, which lead to charges against our gross operating revenue from mobile services. In addition, competitive pressures have in the past required us to introduce service plans under which the monthly and per-minute rates that we charge our mobile customers are lowered, reducing our average revenue per customer.

Demand for Our Data Transmission Services

The number of internet subscribers in Colombia increased by 9.8% to 7.0 million as of December 31, 2019 from 6.3 million as of December 31, 2017. We have been able to take advantage of this growth in demand by enlisting new subscribers and increasing our revenues from internet services each year since 2007. We believe that this is a result of (i) our marketing and promotional campaigns, (ii) the growth in the number of households that own personal computers, and (iii) a shift in consumer preferences that has led an increasing number of our fixed-line customers to value the data transmission speeds available through our broadband services. The growth in our revenues from data transmission services has partially offset the decrease in our revenues from fixed-line telephone services. Our broadband services customer base has remained stable at 1.2 million subscribers between December 31, 2017 and December 31, 2019.

Demand for Our Local Fixed-Line Services

Since 2000, traditional voice customers (local and long-distance customers) in Colombia have increasingly been migrating to new generation services such as mobile telephone services and internet. The proportional share of revenues derived from the provision of traditional voice services in relation to the overall revenues from the industry has been decreasing steadily since 2000. We intend to address this trend by (i) offering value-added services to our fixed-line customers, primarily subscriptions for broadband services and (ii) promoting convergence of our telecommunications services through offerings of bundled packages of local fixed-line, long-distance, mobile and broadband services. However, we cannot assure you that we will be successful in mitigating this trend. As of March 31, 2020, 78.2% of our fixed-line customers also subscribed to at least one additional service.

Effects of Our Level of Indebtedness and Interest Rates

As of March 31, 2020, our total outstanding indebtedness (which consists of our financial leases, credit facilities, local and international bonds, and hedging instruments) was COP$6,718,768 million, of which COP$554,749 million was short-term indebtedness and COP$6,164,019 million was long term indebtedness. Our financial expenses consisted of interest expense, exchange variations of U.S. dollar-denominated debt, foreign exchange losses or gains, and other items as set forth in note 23 to our consolidated financial statements. We recorded financial expenses, net of COP$111,622 million in the first quarter of 2020 and COP$68,010 million in 2019. As of March 31, 2020, 39.4% of our total outstanding indebtedness consisting of credit facilities and international and local bonds bore interest at floating rates, mainly IBR and LIBOR plus a spread, and the remaining 60.6% bore interest at fixed rates before hedge derivatives.

As of March 31, 2020, 25.2% of our dollar-denominated credit facilities was linked to LIBOR. The average six-month LIBOR was 1.2% in the first quarter of 2020, 2.3% in 2019, 2.5% in 2018 and 1.5% in 2017. As of March 31, 2020, 77.3% of our peso-denominated credit facilities and local bonds was linked to the CPI and IBR. The average one-month IBR was 4.2% in the first quarter of 2020, 4.3% in 2019, and 4.3% in 2018.

As of March 31, 2020, under IFRS16, we recorded indebtedness of COP$1,083,113 million as financial leases, which corresponds to the properties that we have in leases for the fulfillment of our operations. This value increased during the first quarter of 2020 due to a real estate sale project that began at the end of 2017.

The interest rates that we pay depend on a variety of factors, including prevailing Colombian and international interest rates and risk assessments of our Company, our industry and the Colombian economy made by potential lenders to our Company, potential purchasers of our debt securities and the rating agencies that assess us and our debt securities.

Effects of Fluctuations in Exchange Rates between the Peso and the U.S. Dollar

Substantially all of our revenues and operating expenses, other than depreciation and amortization, are incurred in *pesos* in Colombia. As a result, the appreciation or depreciation of the *peso* against the U.S. dollar does not have a material effect on our operating margins. However, the costs of a substantial portion of the network equipment and handsets that we purchase for our capital expenditure projects, which we recognize over time through depreciation and amortization, are U.S. dollar-linked or, to a lesser extent denominated in U.S. dollars. The network equipment and handsets are recorded on our balance sheet at their cost in *pesos* based on the contractual exchange rate or at the exchange rate on the date the transfer of ownership, risks and rewards related to the purchased equipment and handset occurs. As a result, depreciation of the *peso* against the U.S. dollar results in the network equipment and handsets being more costly in *pesos* and leads to higher depreciation charges subsequent to the acquisition and use of the assets. Conversely, appreciation of the *peso* against the U.S. dollar results in the network equipment and handsets being less costly in *pesos* and leads to lower depreciation charges. The *peso* appreciated by 0.56% against the U.S. dollar in 2017 and depreciated by 8.91% and 0.84% against the U.S. dollar in 2018 and 2019, respectively. In the information available as of March 31, 2020, the Colombian peso depreciated by approximately 24% regarding the closure of December 31, 2019.

As of December 31, 2019, COP$2,458,248 million of our total credit facilities and local and international bonds was denominated in U.S. dollars, of which COP$3,342 million was short-term indebtedness, including the current portion of long-term indebtedness, and COP$2,454,906 million was long-term indebtedness. When the *peso* depreciates against the U.S. dollar:

- the interest costs on our U.S. dollar-denominated indebtedness increase in *pesos*, which negatively affects our results of operations in *pesos*;

- the amount of our U.S. dollar-denominated indebtedness increases in *pesos*, and our total liabilities and debt service obligations in *pesos* increase; and

- our net financial expenses tend to increase as a result of foreign exchange losses that we must record.

- An appreciation of the *peso* against the U.S. dollar has the converse effects.

In order to mitigate the effects of foreign exchange variations, Telefónica established a global hedging policy, which requires its subsidiaries, including us, to hedge all of their exposure to foreign exchange risk either through natural hedges or derivatives. As of December 31, 2019, we had entered into hedging agreements in respect of all of our U.S. dollar-denominated financial obligations. We also had outstanding hedging agreements in a nominal amount of U.S.$751 million as of December 31, 2019 in respect of our net exposure to foreign exchange variations arising from the mismatch between our foreign currency-denominated investments, accounts payable and accounts receivable. We cannot assure you that we will maintain similar hedge positions in the future or that our hedging policy will successfully mitigate effects of any foreign exchange variations. See *"—Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange and Interest Rate Risk*."

Effect of our Status as an Empresa de Servicios Públicos

Pursuant to applicable Colombian tax laws, Colombian corporations must pay income tax at a rate of 32% for 2020. Pursuant to Colombian tax regulations, presumptive income is equal to a percentage of the net tax equity (*patrimonio líquido fiscal*) of the entity on the last day of the immediately preceding taxable year. Given the status of our Company as a public utility company (*empresa de servicios públicos*), we and our subsidiaries (other than Optecom) have not determined nor paid income tax pursuant to our presumptive income, as a result of certain exceptions for public utilities companies set forth in Article 73 of Law 1341 and Article 24 of Law 142. Optecom is not a public utilities company and therefore does not benefit from these exemptions.

Effect of our Accumulated Tax Losses and Excess of Presumptive Income

Colombian taxpayers are permitted to carry forward tax losses accrued 2017 and 2018 to offset future taxable income for up to twelve years after the fiscal year in which the losses were assessed, in accordance with Law 1819 of 2016. Furthermore, Colombian taxpayers are permitted to carry forward tax losses generated in income and complementary taxes and/or in the income tax for equity (*Impuesto de Renta para la Equidad*) ("**CREE**"), accrued before 2017, to offset future taxable income, without limitation as to time but considering the requirements set forth in article 290 of the Colombian Tax Code.

In addition, taxpayers may also carry forward the excess of presumptive tax over net income accrued in 2020 to offset future taxable income for up to five years after the fiscal year in which that excess was assessed, in accordance with Law 2010 of 2019.

As of December 31, 2019, we had accumulated tax losses of COP$6,102,902 million. The following table sets forth our tax losses as of December 31, 2019:

Tax	Year	Adjusted Losses	Loss compensation	Loss Balance	Expiration date
		(in millions of pesos)			
Income tax	2008	203,775	(203,775)	0	Unlimited
	2009	516,343	(325,470)	190,873	Unlimited
	2010	258,284	0	258,284	Unlimited
	2011	384,978	0	384,978	Unlimited
	2012	147,255	0	147,255	Unlimited
	2013	152,496	0	152,496	Unlimited
	2015	148,816	0	148,816	Unlimited
	2017	3,910,927	(366)	3,910,561	Year 2029
	2018	5,953	0	5,953	Year 2029
	Total	**5,728,827**	**(529,611)**	**5,199,216**	
CREE	2015	374,075	0	374,075	
	Total	**6,102,902**	**(529,611)**	**5,573,291**	

(1) As of 2017, the CREE was eliminated pursuant to Law 1819 of 2016.

Effects of Legal and Regulatory Developments Affecting the Colombian Telecommunications Industry

The agencies that regulate the telecommunications industry in Colombia may take actions that affect our operations and profitability. The nature and degree of the regulation and legislation affecting telecommunications companies in Colombia has become significantly more comprehensive during the past decade. Such laws and regulations relate to, among other things, required licenses, permits and other approvals, the fees that we may charge for our services, the terms and conditions which apply to our services contracts, our ability to recover various categories of costs and the acquisition, construction and disposition of facilities. In particular, the CRC regulates certain fees we are permitted to charge other telecommunications service providers in consideration for interconnecting with our network. If (i) the services tariff rates were reduced or redesigned pursuant to regulations issued by the CRC in the future, (ii) the many relevant aspects of the business including volume of business under currently permitted rates were decreased significantly, or (iii) we were required to substantially discount the rates for our services because of regulatory pressure, the profitability of our businesses could be significantly affected.

Access charges applicable to mobile networks are regulated by the CRC in accordance with Resolution 1763 of 2007, as amended by Resolution 5108 of 2017. As a result, the mobile termination rates have decreased from COP$22.53 per minute in 2012 to COP$12.44 per minute in 2020. The CRC adopted asymmetric interconnection prices between 2012 and 2016, seeking to reduce the concentration in the market, imposing a scheme to reduce the mobile termination rate to Claro Colombia. Currently these prices are the same for all operators.

Effects of Changes in Tax Laws

On December 27, 2019, the Colombian government enacted the Economic Growth Law, which introduced modifications to gradually reduce the applicable rate of income tax from a rate of 33% in 2019, to 32% in 2020, to a rate of 31% in 2021 and to a rate of 30% in 2022 and subsequent years, and the presumptive income from 3.5% in 2017 and 2018, and 1.5% in 2019, to a rate of 0.5% in 2020 and eliminating it for 2021 and subsequent years. In addition, the Economic Growth Law also amends the following:

- General rule that determines that 100% of taxes, rates and contributions effectively paid in the taxable year that have a causal relationship with the income generating activity (except income tax, equity tax and normalization tax (*impuesto de normalización*)) will be deductible. As special rules, it provides that 50% of the tax on financial transactions paid during the respective taxable year (and duly certified by the withholding agent) will be deductible, regardless of whether or not it has a causal relationship with the income generating activity.

- 50% of the industry and trade tax may be taken as a tax credit or be deductible from the income tax in the taxable year in which it is actually paid, and to the extent that it has a causal relationship with its economic activity. As of 2022, 100% of the aforementioned tax may be used as a tax credit.

- The value added tax on the import, formation, construction or acquisition of productive real fixed assets, including services associated to those assets, may be used as a tax credit against income tax due (applicable only by taxpayers who are responsible for invoicing VAT on their business income).

Recent Developments

Recent Developments Relating to Our Indebtedness

2020 Syndicated Facility

On March 18, 2020, we entered into a syndicated loan agreement with Banco Santander, S.A., as administrative agent, Bank of America, N.A., BNP Paribas Securities Corp. and JP Morgan Chase Bank, N.A., as lenders and joint lead arrangers and bookrunners, for a principal amount of U.S.$320 million (the "**2020 Syndicated Facility**"). Loans under this facility have a five-year term as of the date of execution and accrue interest at 3-month London Inter-Bank Offered Rate, or LIBOR, plus an applicable margin. We disbursed the total amount available under the 2020 Syndicated Facility on May 12, 2020, and used the proceeds thereunder to redeem U.S.$320.0 million principal amount of our 2022 Notes on June 12, 2020. For additional information on the terms of the 2020 Syndicated Facility, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

Partial Redemption of our 2022 Notes

As of March 31, 2020, Notes in an aggregate principal amount of U.S.$750 million (COP$3,040,905 million) were outstanding. On May 13, 2020 we notified The Bank of New York Mellon, as trustee, our decision to redeem U.S.$320,000,000 in aggregate principal amount of our 2022 Notes. On June 12, 2020, the partial redemption was effected at a redemption price equal to 100.896% of the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest on the principal amount of the 2022 Notes. We used the proceeds from the loan disbursed under the 2020 Syndicated Facility and cash in hand to pay the redemption price plus accrued and unpaid interest. For additional information on the terms of our 2022 Notes, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

Recent Developments Relating to COVID-19

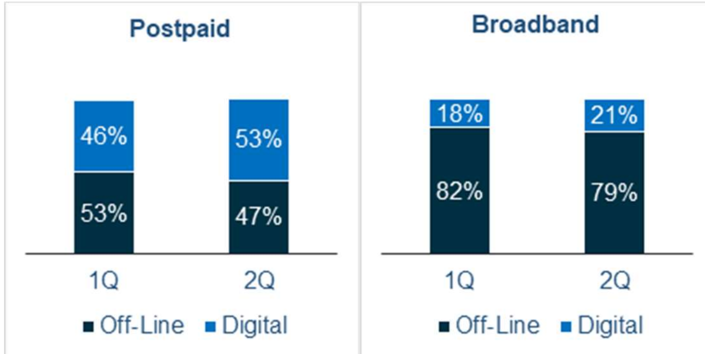
An outbreak of respiratory illness caused by COVID-19 first emerged in Wuhan city, Hubei province, China in late 2019 and continues to expand globally. The new strain of coronavirus is considered highly contagious and poses a serious public health threat. On January 30, 2020, the World Health Organization ("**WHO**") declared the outbreak of COVID-19 a Public Health Emergency of International Concern. As of the date of this Offering Memorandum, the virus had spread across numerous countries and territories globally, with most deaths in the United States of America, and death toll and number of infected cases continue to rise. The magnitude and duration of the COVID-19 pandemic are uncertain as its ramifications and adverse impacts continue to evolve in Colombia.

The impact of the COVID-19 pandemic has been significant in general. Most of the public-health restrictions in Colombia were implemented after the second week of March, 2020, and the telecommunications industry was declared as an essential service providing business continuity to the Colombian market. On March 17, 2020, the Colombian government, through Legislative Decree 417 of 2020, declared a 30-day state of national emergency in light of the health and economic crisis caused by the outbreak of COVID-19. On May 6, 2020, through Legislative Decree 637 of 2020, the Colombian government declared a state of emergency for an additional 30 days. The Colombian government is implementing various economic and public health measures to address the crisis, including (i) mandatory shelter in place orders; (ii) border closure for all non-citizens and non-residents; (iii) short term and low interest loans for all types of agricultural producers; (iv) payroll subsidies for companies and credit lines for different sectors of the economy; (iv) closure of all schools and universities; (v) incentivizing working from home and a mandatory work from home order for 80% of government employees; (vi) actions by the Central Bank, including reductions of its interest rate by 150 basis points in 2020, the provision of non-delivery forwards in the amount of up to U.S.$1 billion and supplying liquidity auctions up to COP$20 trillion; (vii) suspension of increases in utility tariffs; (viii) reduction in the prices of gasoline; (ix) changes to the general budget and measures to render more flexible certain procedures to enable the Colombian government to access the credit markets; and (x) increased COVID-19 testing of up to 15,000 per day, among others. The efficacy of these measures cannot yet be evaluated, and their duration and effect remain uncertain.

Following the declaration of the state of national emergency in Colombia on March 17, 2020, we began implementing our business continuity plan to safeguard the health of our employees and support our business continuity amid the COVID-19 pandemic, and adopted, among others, the following measures: (i) enacted safety and health protocols to prevent contagion at the work place and implemented a safe return plan divided in three phases to preserve the health of our employees; (ii) home-office was promoted for those positions that do not require physical presence at our offices, having 92% of our total employees working from home during the lockdown; however, some of our stores are still open and 38% of those employees are attending their workplace (with our personal protective equipment), mainly in commercial and technical areas; (iv) we are encouraging customers and employees to use our digital channels; and (v) there are continuous communication campaigns to keep our employees informed of the protocols and measures we are adopting.

In addition, COVID-19 has resulted in the majority of our contractors, suppliers, customers and other business partners having to work remotely and/or being prevented from conducting certain normal business activities for an indefinite period of time. This has been largely a result of shutdowns that have been requested or mandated by governmental authorities in Colombia and China, where many of our suppliers are based. The most relevant impacts of COVID-19 have been to (i) our prepaid services due to the mandated lockdowns in Colombia, given that the only recharge sales channel available was online recharge, (ii) our smartphone sales, as a result of the temporary closures of our retail points-of-sale, customer centers and direct sales force, and (iii) our SME segment considering an increase in past-due invoices and even bankruptcy of a number of small-business subscribers in Colombia. The impact of these events has been partially offset by (i) strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, and showing an important increase in traffic levels in recent months, and (ii) an increases in our mobile data traffic, especially in residential areas. We expect the telecommunications sector to weather the impact of COVID-19 better than most industries.

The chart below shows our commercial sales pre and post COVID-19:



In addition, as part of our response to the COVID-19 situation, we have recently decided to optimize U.S.$33.5 million of our capital expenditures by allocating resources only to essential investments, such as revenue generation and business stability; prioritizing the following activities: (i) deployment of fiber optic and IPTV, (ii) FTTH deployment, transmission and core mobile, (iii) personnel costs associated with projects, and (iv) commercial activity related to B2B projects.

As of the date of this Offering Memorandum, it remains uncertain whether the COVID-19 outbreak can be contained and what its impact will be in the long term. However, during this time, we will continue to rely on our operational flexibility to manage the risks of COVID-19 to our business.

Recent Developments Relating to Our Second Quarter Results

As of the date of this Offering Memorandum, we do not have available consolidated financial information or unaudited consolidated financial statements for the three-month period ended June 30, 2020. Based on available preliminary financial information and estimates for the three-month period ended June 30, 2020 (consisting of preliminary consolidated financial information for the months of April and May), we currently expect (i) our consolidated operating income for the three-month period ended June 30, 2020 to show a decrease as compared to the corresponding period in 2019, primarily due to a decrease in handset sales and prepaid revenues and, to a lesser extent, on our post-paid mobile revenues, all associated to the slowdown in economic activity due to the mandatory lockdowns implemented by the Colombian authorities in response to COVID-19, and (ii) our consolidated EBITDA for the three-month period ended June 30, 2020 to show a decrease as compared to the corresponding period in 2019, primarily due to higher other operating income we recorded in the three-month period ended June 30, 2019, associated to sales of real estate assets and towers we conducted as part of our divestiture plan, when compared to the corresponding period in 2020 and, to a lesser extent, to the decrease in our consolidated operating income during the three-month period ended June 30, 2020, primarily as a result of the lockdowns in Colombia associated to COVID-19, a devaluation of the peso against the U.S. dollar and higher one-time costs we incurred also in the second quarter of 2020 associated to B2B new projects. This preliminary financial information for the three-month period ended June 30, 2020 may be subject to changes. Neither our preliminary consolidated financial information for the months of April and May nor our preliminary financial information estimates for the three-month period ended June 30, 2020 have been subject to a limited review by our auditors, and such preliminary consolidated information is subject to normal recurring and other period-end adjustments and does not rise to the level of finality of quarterly unaudited consolidated financial statements. Therefore, our actual consolidated second quarter results may differ from the information presented herein once unaudited consolidated financial statements for the three-month period ended June 30, 2020 become available. This preliminary financial information is derived from calculations or figures that have been prepared internally by our management and should not be viewed as a substitute for full financial statements prepared in accordance with Colombian IFRS.

Recent Development Relating to Our Operations

Sale of accounts receivables associated to handsets

On June 30, 2020, we sold a portfolio of accounts receivables associated to handset sales for COP$102,300 million (U.S.$27.2 million), after our Board of Directors approved the transaction together with the sale of accounts receivables associated to our corporate customers segment for an amount of COP$110,000 million (U.S.$27.2 million).

Results of Operations

For the three-month periods ended March 31, 2020 and 2019

In this section we present certain information regarding our financial and operating results for the three-month periods ended March 31, 2020 and 2019. This information should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited consolidated financial statements included elsewhere in this Offering Memorandum.

The following table sets forth the principal components of our net (loss) income for the three-month periods ended March 31, 2020 and 2019:

	For the three-month period ended March 31,		**Variation**	
	2020	**2019**	**Amount**	**Percentage**
	(in millions of pesos)		*(%)*	
Mobile services	760,453	764,253	(3,800)	(0.5%)
Fixed-line services	529,135	512,595	16,539	3.2%
Income from services provided	1,289,588	1,276,849	12,740	1.0%
Other operating income	33,120	65,348	(32,228)	(49.3%)
Operating income	**1,322,708**	**1,342,196**	**(19,488)**	**(1.5%)**
Operating costs and expenses	(981,076)	(884,848)	(96,228)	10.9%
Operating profit before depreciation and amortization	**341,632**	**457,348**	**(115,716)**	**(25.3%)**
Depreciation and amortization	(348,150)	(365,229)	17,079	(4.7%)
Operational result	**(6,518)**	**92,119**	**(98,637)**	**(107.1%)**
Financial expense, net	(111,622)	(68,010)	(43,612)	64.1%
Income before taxes	**(118,140)**	**24,109**	**(142,249)**	**(590.0%)**
Income tax and complementary	10,551	(33,837)	44,388	(131.2%)
Net (loss) income for the period	**(107,589)**	**(9,728)**	**(97,861)**	

Operating Income

Our operating income consists of our income from services provided and other operating income. Our income from services provided consists of revenues derived from the provision of (i) mobile services, which includes services and data transmission – connectivity, basic charges and airtime, sale of handsets, value-added services (including application downloads, text messages, re-connection fees, preferred subscription and space in communication channels for advertisers), interconnection and roaming and carrier services (including services provided to the Virgin Mobile), and (ii) fixed-line services, which includes data transmission services, local and long distance telephony, satellite TV, business solutions (including consulting project development services, administration of applications, equipment and communication infrastructure and security management), interconnection, sale of equipment and leasing investment properties.

Our other operating income includes revenues derived from (i) sale of movable and immovable property, including the sale of certain cell towers and infrastructure and the sale of certain land and buildings, as part of our strategy for the optimization of our assets, (ii) other operating income, which consists primarily of support from suppliers, reimbursement of expenses and fees with affiliated companies, lease of physical space, and collection of compensation for breach of contract and government subsidies and (iii) work carried out for fixed assets, which consists of work carried out by our personnel which is directly related to the development and implementation of fixed assets.

Our operating income for the three-month period ended March 31, 2020 decreased by 1.5%, or COP$19,489 million, from COP$1,342,196 million in the three-month period ended March 31, 2019 to COP$1,322,708 million in the three-month period ended March 31, 2020, primarily due to (i) an increase in our income from services provided of 1.0%, or COP$12,739 million, from COP$1,276,849 million in the three-month period ended March 31, 2019 to COP$1,289,588 million for the same period in 2020, and (ii) the impact of COVID-19 in the commercial activity, affecting our pre-payment income and generally handset sales.

Furthermore, for the three-month periods ended March 31, 2020 and 2019, other operating income decreased by 49.3%, or COP$32,228 million, from COP$65,348 million in 2019 to COP$33,120 million in 2020, mainly due to the profit on the sale of fixed assets generated during 2019.

Operating Costs and Expenses

Our operating costs and expenses includes costs related to the provision of our services, including (i) inventory costs, which are the costs of mobile and fixed equipment sold to our customers; (ii) labor costs, which corresponds to the cost of staff;

(iii) equipment rental and infrastructure costs, which are the costs of leasing capacity in international media and rental costs of posts and towers; (iv) sales commissions costs, which are the remuneration to commercial agents for the marketing of our products; (v) maintenance of equipment and devices costs, which are the costs for maintenance of the network and fixed and mobile equipment; (vi) interconnection and roaming charges, which are the direct costs for the network traffic; (vii) energy expenses, which corresponds to concepts of electric energy; (viii) IT expenses, which are support expenses; (ix) marketing costs, which are the costs of marketing and advertising of our products; and (x) customer service expenses, which are the expenses of attention and retention of customers by call centers.

Our operating costs and expenses increased by 10.9%, or COP$96,228 million, from COP$884,848 million in the three-month period ended March 31, 2019 to COP$981,076 million in the three-month period ended March 31, 2020, mainly due to (i) an increase in third party and customer activities of 117.7%, or COP$27,898 million, from COP$23,696 million in the three-month period ended March 31, 2019 to COP$51,593 million in the three-month period ended March 31, 2020, mainly due to the new SENA B2B agreement; (ii) an increase in portfolio impairment costs of 89.2%, or COP$12,068 million, from COP$13,536 million in 2019 to COP$25,604 million in 2020, as a result of a portfolio provision with Corporación Red Nacional for an amount of COP$7,413 million, a higher provision for national interconnection portfolio for an amount of COP$2,986 million and an increase in the provision for mobile consumption for an amount of COP$1,679 million; (iii) an increase in equipment costs of 6.4%, or COP$10,887 million, from COP$169,077 million in the three-month period ended March 31, 2019 to COP$179,964 million in the three-month period ended March 31, 2020 as a result of to the amortization of deferred cost harvests related to new subscribers of customer-owned equipment; and (iv) an increase in interconnection and roaming costs of 15.9%, or COP$10,154 million, from COP$63,823 million in the three-month period ended March 31, 2019 to COP$73,977 million in the three-month period ended March 31, 2020 due to the increase in mobile-to-mobile access charges with national operators and in traffic in international interconnection minutes.

An increase in sales commissions of 8.9%, or COP$5,744 million, from COP$64,643 million in the three-month period ended March 31, 2019 to COP$70,387 million in the three-month period ended March 31, 2020 due to (i) the increase in the corporate segment as a result of improvements in incentives and commissions from direct sales, and (ii) a considerable increase in commissions from the telesales channel where mainly due to greater migration activities and the sale of Value Added Services.

Depreciation and Amortization

We amortize and depreciate our property, plant and equipment and amortize intangible assets. In accordance with IFRS 16, we began accounting of the amortization of right-of-use assets beginning in January 2019. We recorded depreciation expenses for assets associated with our network infrastructure, buildings, furniture, network software and IT software, as well as amortization of our network infrastructure use rights (towers and technical sites) and buildings. Depreciation and amortization expenses are calculated and recorded in accordance with depreciation rates (useful life).

Our depreciation and amortization decreased in 4.7%, or COP$17,079 million, from COP$365,229 million in the first quarter of 2019 to COP$348,150 million in 2020, mainly due to (i) a decrease of 12.5%, or COP$23,899 million, in our depreciation of property, plant and equipment, from COP$191,762 million in 2019 to COP$167,862 million in 2020, due to the termination of the useful life of network equipment in the amount of COP$7,538 million, the disposal of assets for sale and the termination of the useful life of assets related to the sale of real property and the re-calculation of the useful life of certain assets related to civil infrastructure for an amount of COP$6,013 million, and (ii) an increase of 3.9%, or COP$6,820 million, in the amortization of assets, from COP$173,467 million in 2019 to COP$180,288 million for the first quarter in 2020, as a result of the termination of the useful life of our network software and IT software for COP$3,103 million, new assets associated to network software and IT software that resulted in a loss of COP$5,155 million and the acquisition of new network infrastructure use rights for COP$4,769 million.

Financial Expenses, Net

Our financial expenses, net, consist of revenues derived from late fees from our subscribers and investments and expenses incurred in connection with our indebtedness, hedging arrangements, and financial expenses related to our leases, among others.

Our financial expenses, net, increased by 60.9%, from COP$68,010 million in the first quarter of 2019 to COP$111,622 million in the first quarter of 2020, mainly as a result of increase of 70.8% in our interest expense for our debt from COP$69,177 million in 2020 to COP$48,981 million in 2019, as a result of (i) interest of the Subordinated Notes during part of the first quarter of 2020; provided that in 2019 they were recognized as equity, (ii) increase of 73% in coverage contracted in February 2020 for transfer of the equity of the Subordinated Notes to financial debt and (iii) increase of 21% exchange difference for coupon payment.

Income Tax and Complementary

Income tax and complementary expenses comprise of the use of deductible temporary differences for useful lives, the use of deferred tax for tax losses to compensate tax profits for the year and the calculation of the tax on occasional earnings generated by the profits in the sale of fixed assets.

Our income tax and complementary expenses decreased by 131.2%, or COP$44,388 million, from a tax expense of COP$(33,837) million in the three-month period ended March 31, 2019 to a tax credit of COP$10,551 million in the three-month period ended March 31, 2020.

This variation was mainly due to the reversal of the deferred tax expense from the revaluation of the properties sold, and the corresponding use in the depreciation of fixed assets in the same period. In the three-month period ended March 31, 2020, we recorded a tax loss as result of the deduction of the difference in exchange made for the payment of the Subordinated Notes.

Net Profit (Loss)

As a result of the foregoing factors, for the period ended March 31, 2020 we had a net loss of COP$107,588 million (U.S.$26.5 million). The net loss generated was mainly due to the increase in financial expense as a result of the redemption of our Subordinated Notes, substituted with financial indebtedness including exchange rate swaps, interest expenses and the volatility of the exchange rates between the *peso* and the U.S. dollar.

For the years ended December 31, 2019 and 2018

In this section we present certain information regarding our financial and operating results for the years ended December 31, 2019 and 2018. This information should be read in conjunction with, and is qualified in its entirety by reference to, our 2019 audited consolidated financial statements included elsewhere in this Offering Memorandum.

The following table sets forth the principal components of our net (loss) income for the years ended December 31, 2019 and 2018:

	For the year ended December 31,		Variation	
	2019	**2018**	**Amount**	**Percentage**
	(in millions of pesos)		*(%)*	
Mobile services	3,093,130	3,060,486	32,644	1.1%
Fixed-line services	2,066,051	2,055,849	10,203	0.5%
Income from services provided	5,159,181	5,116,335	42,846	0.8%
Other operating income	531,833	354,331	177,502	50.1%
Operating income	**5,691,014**	**5,470,666**	**220,348**	4.0%
Operating costs and expenses	(3,776,203)	(3,636,795)	(139,408)	3.8%
Operating profit before depreciation and amortization	**1,914,811**	**1,833,871**	**80,940**	4.4%
Depreciation and amortization	(1,422,459)	(1,349,105)	(73,355)	5.4%
Operational result	**492,352**	**484,767**	**7,585**	1.6%
Financial expense, net	(289,416)	(308,330)	18,914	(6.1)%
Income before taxes	**202,936**	**176,437**	**26,499**	15.0%
Income tax and complementary	(179,505)	212,475	(391,980)	(184.5)%
Net (loss) income for the year	**23,431**	**388,912**	**(365,481)**	(94.0)%

Operating Income

Our operating income increased by 4.0%, or COP$220,348 million, from COP$5,470,666 million in 2018 to COP$5,691,014 million in 2019, primarily due to (i) an increase in our data transmission services for both mobile and fixed subscribers of 4.3% from COP$2,220,403 million in 2018 to COP$2,315,660 million in 2019, as a result of the expansion of services through platforms and applications, integrated solutions, cloud storage and *Movistar Play* in 2019, as well as the introduction of our "all in one" packages ("*todo en uno*"), which combines data and voice allowances for different periods of time ranging from day to months, which resulted in higher subscription to our packages, (ii) an increase in our sales of equipment for both mobile and fixed-line subscribers of 15.0% from COP$469,846 million in 2018 to COP$540,187 million in 2019, as a result of increase in product models that customers are looking for as technological renovation, and (iii) an overall increase in our interconnection and roaming services for both mobile and fixed-line subscribers of 15.3% from COP$241,963 million in 2018 to COP$278,999 million in 2019 mainly due to the expansion of our 4G infrastructure coverage to 70.8% of the Colombian population, notwithstanding a decrease in interconnection and roaming for our fixed subscribers over the period of 16.2%, which were offset by a decrease of 20.6% of our air and basic charges from COP$827,356 million in 2018 to COP$656,710 million in 2019 due to use preferences by direct communication through applications and tools that facilitate the interaction of several people, in a personal or business environment, and a decrease of 14.1% in our local and international phone services from COP$496,145 million in 2018 to COP$425,989 million in 2019 due to changes in communication preferences through applications, instant messaging and platforms that improve effectiveness and are increasingly technologically advanced, the effect of which resulted in our income from services provided to remain relatively stable, increasing by 0.8%, or COP$42,846 million, from COP$5,116,335 million in 2018 to COP$5,159,181 million in 2019.

Furthermore, our other operating income increased by 50.1%, or COP$177,502 million, from COP$354,331 million in 2018 to COP$531,833 million in 2019, primarily due to an increase of 58.3% in the sale of property from COP$209,531 million in 2018 to COP$331,724 million in 2019 mainly due to the sale of certain cell towers and infrastructure in an aggregate amount of COP$323,191 million in 2019 compared to COP$127,409 million in 2018 and the sale of certain land and buildings in an aggregate amount of COP$8,534 million in 2019 compared to COP$82,122 million in 2018, as part of our strategy for the optimization of our assets, including with respect to the sale and leaseback transactions for the cell towers with Phoenix Tower International Colombia Ltda. ("**Phoenix**") and Andean Tower Partners Colombia SAS. ("**ATP**"), as well as the sale of properties made to different suppliers.

Operating Costs and Expenses

As of December 31, 2019, COP$891,463 million (U.S.$219.9 million), COP$866,464 million (U.S.$213.7 million) and COP$2,018,276 million (U.S.$497.8 million) of our operating costs and expenses were attributable to non-commercial, commercial and direct costs, respectively. As of December 31, 2018, COP$841,979 million (U.S.$207.7 million), COP$728,359 million (U.S.$179.6 million) and COP$2,066,457 million (U.S.$509.6 million) of our operating costs and expenses were attributable to non-commercial, commercial and direct costs, respectively. As of December 31, 2017, COP$1,964,573 million (U.S.$484.5 million), COP$626,077 million (U.S.$154.4 million) and COP$886,491 million (U.S.$218.6 million) of our operating costs and expenses were attributable to non-commercial, commercial and direct costs, respectively.

Our operating costs and expenses increased by 3.8%, or COP$139,408 million, from COP$3,636,795 million in 2018 to COP$3,776,203 million in 2019, primarily as a result of (i) an increase of 29.5% in our inventory costs from COP$570,487 million in 2018 to COP$738,682 million in 2019 due to the high volume of sales of high-end equipment for the period, (ii) an increase of 10.7% in equipment maintenance costs from COP$294,118 million in 2019 compared to COP$ 265,016 million in 2018, due primarily to comprehensive maintenance Level 1 with Huawei, Ericsson and Netcol, as well as increased tower sales reinforcement expenses, and (iii) an increase of 18.6% in our interconnection and roaming costs due to the depreciation of the peso against the U.S. dollar (x) on the international front, due to the increase in global risk aversion as a consequence of the escalation of the trade war between the US and China; and (y) on the domestic front, due to an increase in the current account deficit and the uncertainty surrounding the fiscal balances and credit ratings of the Republic of Colombia, all of which were offset by the application of IFRS 16, which resulted in a decrease to our leasing of infrastructure and other leases of 35.1% and 25.1%, respectively, in 2019 compared to 2018. The depreciation of the *peso* in 2019 compared to 2018 occurred.

Depreciation and Amortization

Our depreciation and amortization increased by 5.4%, or COP$73,355 million, from COP$1,349,105 million in 2018 to COP$1,422,459 million in 2019, primarily due to:

- a decrease of 8.9%, or COP$70,054 million, in our depreciation of property, plant and equipment, from COP$789,087 million in 2018 to COP$719,034 million in 2019, due primarily to the depreciation of new assets related mainly to fiber optic infrastructure deployments as well as capacity and coverage expansion of 4G mobile technology in the period to COP$44,654 million, the disposal of assets for sale and end of useful life of assets related to sale of real estate and termination of copper cable in an aggregate amount of COP$139,956 million and the recalculation of the useful life of certain of our assets related to civil infrastructure works in an aggregate amount of COP$25,249 million in 2019;

- a decrease of 7.0%, or COP$39,307 million, in our amortization of intangible assets, from COP$560,017 million in 2018 to COP$520,710 million in 2019, due primarily to end of the useful life of our network equipment software (mobile access and core) and office equipment software of COP$54,120 million, new assets in the period to COP$21,367 million and a decrease recognized due to the sale of certain assets related to office equipment software in an aggregate amount of COP$6,554 million; and

- the recognition of COP$182,715 million in 2019 for amortization of the right-of-use assets due to the adoption of IFRS 16.

Financial Expenses, Net

Our financial expenses, net, decreased by 6.1%, from COP$308,330 million in 2018 to COP$289,416 million in 2019, mainly as a result of an increase of 31.3% in our revenues derived from late fees from our subscribers from COP$19,335 million in 2018 to COP$25,390 million in 2019, a decrease of 12.1% in our interest expense for our debt from COP$223,762 million in 2018 to COP$196,702 million in 2019 as a result of the refinancing of certain of our debt with our Local Bonds, which was offset by the recognition of COP$20,456 million in 2019 for our financial expenses related to our leases as a result of the application of IFRS 16 beginning in January 2019.

Income Tax and Complementary

Our income tax and complementary expenses decreased significantly by 184.5%, or COP$391,980 million, from COP$212,475 million in 2018 to a tax credit of COP$179,505 million in 2019, due to higher retentions made by us during 2019 and an increase in tax credits related to the implementation of new tax regulations in Colombia that allow 50% of the industry and trade tax to be deductible from the income tax in the taxable year in which it is actually paid and to the extent that it has a causal relationship with its economic activity. See "*—Factors Affecting our Operating Results—Effects of Changes in Tax Laws.*"

Net Profit (Loss)

As a result of the foregoing factors, our net income of the year decreased by 94.0%, or COP$365,481 million, from COP$388,912 in 2018 to COP$23,431 million in 2019.

For the years ended December 31, 2018 and 2017

In this section we present certain information regarding our financial and operating results for the years ended December 31, 2018 and 2017. This information should be read in conjunction with, and is qualified in its entirety by reference to, our 2018 audited consolidated financial statements included elsewhere in this Offering Memorandum.

The following table sets forth the principal components of our net (loss) income for the years ended December 31, 2018 and 2017:

	For the year ended December 31,		**Variation**	
	2018	**2017**	**Amount**	**Percentage**
	(in millions of pesos)		*(%)*	
Mobile services	3,060,486	3,028,264	32,222	1.1%
Fixed-line services	2,055,849	1,833,160	222,690	12.1%
Income from services provided	5,116,335	4,861,423	254,912	5.2%
Other operating income	354,331	148,595	205,736	138.5%
Operating income	**5,470,666**	**5,010,018**	**460,648**	9.2%
Operating costs and expenses	(3,636,795)	(3,477,141)	(159,654)	4.6%
Operating profit before depreciation and amortization	**1,833,871**	**1,532,877**	**300,994**	19.6%
Depreciation and amortization	(1,349,105)	(1,169,438)	(179,667)	15.4%
Operational result	**484,767**	**363,439**	**121,328**	33.4%
Financial expense, net	(308,330)	(378,656)	70,326	(18.6)%
PARAPAT Payment Obligations(1)	—	(350,451)	350,451	(100.0)%
Income before wealth tax	**176,437**	**(365,668)**	**542,105**	(148.3)%
Wealth tax	—	(7,086)	7,086	(100.0)%
Income before taxes	**176,437**	**(372,754)**	**549,191**	(147.3)%
Income tax and complementary	212,475	672,577	(460,102)	(68.4)%
Net (loss) income for the year	**388,912**	**299,823**	**89,089**	29.7%

(1) Our PARAPAT Payment Obligations were terminated as of September 27, 2017, pursuant to the PARAPAT Termination Agreement.

Operating Income

Our operating income increased by 9.2%, or COP$460,648 million, from COP$5,010,018 million in 2017 to COP$5,470,666 million 2018, primarily due to (i) an increase in our value-added services, including download of applications, SMS, reconnection charges, preferred subscribers, among others, for mobile subscribers of 80.8% from COP$101,124 million in 2017 to COP$182,812 million in 2018, as a result of (ii) an increase in our value-added services, including application downloads, SMS, reconnection charges, preferred subscribers, as a result of digital services projects, such as cloud and security services, (iii) an increase in our data transfer services for our fixed subscribers of 15.8% from COP$766,061 million in 2017 to COP$887,083 million in 2018, as a result of commercial strategies to encourage the use of internet services at home and IT solutions for corporate subscribers, and (iv) an increase in our data transfer services for our other projects, which includes consulting services, administration of applications, equipment and infrastructure and security services, of 32.5% from COP$224,234 million in 2017 to COP$297,038 million in 2018, as a result of the expansion of the portfolio adaptable to the needs of corporate customers, both in infrastructure and process optimization, which were offset by a decrease of 4.5% of our air and basic charges from COP$865,958 million in 2017 to COP$827,356 million in 2018 due to an increase in the use of applications, voice transmission programs or instant messages., the effect of which resulted in an increase of 5.2%, or COP$254,912 million, of our income from services provided from COP$4,861,423 million in 2017 to COP$5,116,335 million in 2018.

Furthermore, our other operating income increased by 138.5%, or COP$205,736 million, from COP$148,595 million in 2017 to COP$354,331 million in 2018, primarily due to a the sale of certain cell towers and infrastructure in an aggregate amount of COP$209,531 million in 2018 compared to COP$22,500 million in 2017 as part of our strategy for the optimization of our assets and as a result of the acquisition of Telebucaramanga and Metrotel on September 27, 2017, related to the sale of towers and properties.

Costs and Operating Expenses

Our operating costs and expenses increased by 4.6%, or COP$159,654 million, from COP$3,477,141 million in 2017 to COP$3,636,795 million in 2018, primarily as a result of (i) the consolidation of costs of newly-acquired subsidiaries in the amount of COP$160,197 million in 2018 compared to COP$92,098 million for the last three months in 2017 as a result of the of the acquisition of Telebucaramanga and Metrotel on September 27, 2017, (ii) an increase of 20.8% in sales commissions from COP$219,409 million in 2017 to COP$265,047 million in 2018, mainly due to the application of changes to IFRS 15 that recognized this item as a lower value of operating income, (iii) an increase of 13.1% in content providers from COP$159,460 million in 2017 to COP$180,278 million in 2018, primarily as a result of growth in the categories of television contents, which experienced growth in our HD subscriber platform, as well as the *Movistar Play* platform and (iv) the effect of exchange rates, in light of the depreciation of the *peso* in 2018 compared to 2017 that occurred, on the international front, due to the increase in global risk aversion as a consequence of the declaration of trade war by U.S. president Donald Trump to China, and on the domestic front, due to the weakness of the Colombian economy derived from the oil prices.

These items were partially offset by (a) a decrease of 22.1% in advertising expenses from COP$146,807 million in 2017 to COP$114,330 million in 2018, primarily as a result of the temporary suspension of the causation and payment of the expense for brand use, Al Telefonica, as licensor, expressly waived the revenue and payment of the Brand Fee for the use of its trademarks for the period from January 1, 2018 to March 31, 2019, and (b) a decrease of 13.8% in customer service expenses from COP$80,140 million in 2017 to COP$69,061 million in 2018, primarily as a result of negotiating rates with call center and technical service desk providers.

Depreciation and Amortization

Our depreciation and amortization increased by 15.4%, or COP$179,667 million, from COP$1,169,438 million in 2017 to COP$1,349,105 million in 2018, primarily due to the following:

- a decrease of 2.7%, or COP$21,968 million, in our depreciation of property, plant and equipment, from COP$811,055 million for 2017 to COP$789,087 million for 2018, due primarily to depreciation of new assets in the period to COP$178,260 million, the disposal of assets for sale and end of useful life of assets in an aggregate amount of COP$111,700 million and the recalculation of the useful life of certain of our assets in an aggregate amount of COP$ 88,524 million; and

- an increase of 56.3%, or COP$201,630 million, in our amortization of intangible assets, from COP$358,387 million in 2017 to COP$$560,017 million for 2018, mainly due to the amortization of our spectrum license to COP $167,191 million in 2018, end of the useful life of our network equipment software (mobile access and core) and office equipment software assets which resulted in a write-off of COP$37,188 million and new assets in the period to COP$71,628 million.

Financial Expenses, Net

Our financial expenses, net decreased by 18.6%, or COP$70,326 million, from COP$378,656 million in 2017 to COP$308,330 million in 2018, mainly due to (i) a decrease of 12.1% in interest of our loans, obligations and bonds expenses from COP$254,581 million in 2017 to COP$223,762 million in 2018 as a result of an agreement with commercial banks for a decrease in debt of COP$470,593 million; (ii) a decrease of 36.1% in interest hedging transactions expenses from COP$106,130 million in 2017 to COP$67,816 million in 2018, primarily due to foreign exchange effects (the *peso* devaluation against the U.S. dollar) and the fall of interest rates; and (iii) an increase of 61.0% in other financial expenses from COP$9,283 million in 2017 to COP$15,132 million in 2018, primarily due to expenses generated in the commercial account receivable sale process and the senior bond issuance costs.

PARAPAT Payment Obligations

Due to the termination of our PARAPAT Payment Obligations as of September 27, 2017, pursuant to the PARAPAT Termination Agreement, we no longer record this line item. In 2017, our PARAPAT Payment Obligations were COP$350,451 million. See "*Business—Our History*."

Wealth Tax

As a result of the implementation of new tax regulations in Colombia, legal entities are no longer subject to the payment of the wealth tax as of 2018. Beginning in January 2018, we no longer recorded this line item. In 2017, our wealth tax was COP$7,086 million. See "*—Factors Affecting our Operating Results—Effects of Changes in Tax Laws*."

Income tax and complementary

Our income tax decreased significantly by 68.4%, or COP$460,102 million, from COP$672,577 million in 2017 to COP$212,475 million in 2018, primarily due to the effect of the recognition of the deferred tax asset generated by tax losses and temporary differences of useful lives of intangibles and property, plants and equipment with a recovery period of ten years in 2018, compared to a recovery period of six years recognized at the end of 2017, in accordance with our strategic plan and our financial projections.

Net Profit for the Year

As a result of the foregoing factors, our net profit for the year increased 29.7%, or COP$89,089 million, from COP$299,823 million in 2017 to COP$388,912 million in 2018.

Liquidity and Capital Resources

Our financial condition is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the interest we are obligated to pay on this indebtedness;
- our capital expenditure requirements; and
- changes in exchange rates which will impact the interest in *pesos* we are obligated to pay on our foreign-denominated indebtedness.

We expect our principal cash requirements to be:

- working capital requirements;
- capital expenditures related to investments in operations, expansion of our networks and enhancements of the technical capabilities and capacity of our networks; and
- servicing of our indebtedness.

Historically we have relied primarily on short-term and long-term loans; sales of senior and subordinated debt securities in the international capital markets, and more recently in the domestic capital markets; equipment financing by suppliers; and cash from operations to fund our operations. We expect our principal sources of liquidity to continue to be:

- short-term and long-term loans;
- equipment financing by suppliers;
- sales of debt and equity securities in domestic and international capital markets; and
- cash flows from operating activities.

Working Capital

We finance our working capital through cash generated by our operations, accounts receivables, and financings from financial institutions under currently available uncommitted credit limit approvals.

As of March 31, 2020, we had COP$120,870 million in cash and cash equivalents and temporary investments. As of the same date, our working capital (defined as the difference between current assets and current liabilities) was COP$433,333 million, primarily consisting of (i) debt and other receivables of COP$1,131,835 million, (ii) financial assets of COP$771,730 million, (iii) short-term debt obligations of COP$554,749 million, and (iv) accounts payable and provisions of COP$1,504,815 million and COP$134,350 million, respectively, corresponding to suppliers of goods and services.

As of December 31, 2019, we had COP$411,083 million in cash and cash equivalents and temporary investments. As of the same date, our working capital was negative COP$150,696 million, primarily consisting of (i) short-term debt obligations of COP$410,048 million, and (ii) accounts payable and provisions of COP$1,781,446 million and COP$166,620 million, respectively, corresponding to suppliers of goods and services.

As of December 31, 2018, we had COP$123,697 million in cash and cash equivalents and temporary investments. As of the same date, our working capital was negative COP$421,514 million, primarily consisting of (i) short-term debt obligations of COP$347,175 million, and (ii) accounts payable and provisions of COP$1,568,249 million and COP$197,556 million, respectively, corresponding to suppliers of goods and services.

As of December 31, 2017, we had COP$316,372 million in cash and cash equivalents and temporary investments. As of the same date, our working capital was negative COP$741,937 million, primarily consisting of (i) short-term debt obligations of COP$359,567 million, and (ii) accounts payable and provisions of COP$1,523,652 million and COP$218,995 million, respectively, corresponding to domestic suppliers of goods and services.

Projected Sources and Uses of Cash

We expect that we will meet these cash requirements for (i) our operating and maintenance activities through sales of our services, and (ii) our debt service and capital expenditure commitments through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financings.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the three month period ended March 31,		**For the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
	(*in millions of pesos*)				
Net cash provided by (used in) operating activities	25,268	115,363	827,684	1,176,919	1,016,639
Net cash provided by (used in) investing activities	(429,206)	(123,837)	57,977	(572,205)	(2,398,770)
Net cash provided by (used in) financing activities	113,725	57,915	(598,275)	(797,389)	1,435,244
Net decrease in cash and cash equivalents	**(290,213)**	**49,441**	**287,386**	**(192,675)**	**53,114**
Cash and cash equivalents at the beginning of the period	411,083	123,697	123,697	316,372	214,662
Cash and cash equivalents upon consolidation of subsidiaries	—	—	—	—	48,597
Cash and cash equivalents at the end of the period	120,870	173,138	411,083	123,697	316,372

Cash Flows from Operating Activities

Our net cash provided by operating activities was COP$25,268 million in the three-month period ended March 31, 2020, compared to COP$115,362 million in the three-month period ended March 31, 2019. This decrease of COP$90,094 million was primarily due to: (i) a decrease of COP$146,873 million in our cash received from customers, mainly as a result of a decrease in other operating income, and (ii) an increase of COP$63,714 million in cash used in connection with suppliers and other accounts payable from COP$1,156,660 million in the three-month period ended March 31, 2020 and COP$1,220,374 million in the three-month period ended March 31, 2019, as a result of a decrease in accounts payable to suppliers.

Our net cash provided by operating activities was COP$827,684 million in 2019, compared to COP$1,176,919 million provided in 2018. The COP$349,235 million decrease in cash provided by operating activities was primarily attributable to: (i) a COP$653,580 million increase in cash used in connection with suppliers and account payable related to a decrease in accounts payable of COP$490,610 million and an increase in operating costs and expenses of COP$139,408 million, from COP$3,809,483 million in 2018 to COP$4,463,063 million in 2019, and (ii) an increase of COP$21,086 million in interest for financial leases accounted as a result of changes to IFRS 16, which were offset by (x) a COP$142,656 million increase in cash received from subscribers, mainly attributable to an increase in our operating income, from COP$5,750,586 million in 2018 to COP$5,893,242 million in 2019, partially generated by the sale of portfolio in the amount of U.S.$30.8 million in the first half of the year and U.S.$35.7 million in the second half, and (y) a COP$129,632 million decrease in cash used for the payment of interest and other financial expenses mainly attributable to a reduction in interest expense following the refinancing of certain of our *peso*-denominated debt with the proceeds from the issuance of our 2029 Notes and our 2024 Notes on May 29, 2019.

Our net cash provided by operating activities was COP$1,176,919 million in 2018, compared to COP$1,016,639 million in 2017. The COP$160,279 million increase was primarily attributable to a COP$269,628 million increase in cash received from subscribers, mainly attributable to an increase in our operating income, which was offset by (x) a COP$263,987 million increase in cash used for suppliers and account payable, from cash used of COP$3,545,495 million in 2017 to COP$3,809,483 million in 2018, mainly attributable to an increase in accounts payable to suppliers and (y) a COP$124,443 million increase in our net paid interest and other financial expenses, mainly attributable to a COP$26,875 million decrease in cash flow for local currency interest in 2018, and a COP$156,423 million increase in cash flow for derivative interests due to the impact of the *peso* devaluation against the dollar over swap instruments.

Our net cash provided by operating activities was COP$1,016,639 million in 2017, primarily attributable to COP$5,480,957 million of cash received from subscribers, offset by (i) COP$3,545,495 million of cash paid to suppliers and other accounts payable, (ii) COP$246,220 million of net interest paid and other financial expenses, (iii) COP$242,277 million payment for direct taxes, (iv) COP$161,994 million payment of self-withholdings on income tax, (v) COP$6,797 million of interest paid on financial leases, and (vi) COP$261,534 million for payment of PARAPAT Payment Obligations.

Cash Flows Used in (Provided by) Investing Activities

Our net cash used in investment activities was COP$429,206 million in the three-month period ended March 31, 2020, compared to COP$123,837 million used in the three-month period ended March 31, 2019. This decrease of (COP$305,369) million was mainly due to a higher payment from capex in the three-month period ended March 31, 2020 for COP$311,617 million as a result of higher execution aligned with higher payments related to the SENA project.

Our net cash provided by investing activities was COP$57,977 million in 2019, compared to COP$572,205 million used in 2018. This difference was primarily attributable to a COP$855,386 million payment for sale of property located in Morato in connection with the sale of real estate for COP$193,062 million and COP$77,302 million in 2019 and 2018, respectively, and the sale of towers for COP$662,324 million and COP$146,759 million in 2019 and 2018, respectively, from COP$224,061 million in 2018, which was primarily offset by net cash used in investments in plants, equipment and intangibles related to capital expenditures projects in an aggregate amount of COP$782,434 million in 2019, compared to COP$796,790 million in 2018.

Our net cash used in investing activities was COP$572,205 million in 2018, compared to COP$2,398,770 million used in 2017. This decrease in cash used in investment activities was primarily attributable to (i) a tax assessment which resulted in COP$1,129,991 million being paid under the concept of spectrum license payments, and (ii) investments in plant and equipment payments in an aggregate amount of COP$895,848 million in 2017.

Our net cash used in investing activities was COP$2,398,770 million in 2017, primarily attributable to (i) cash used in spectrum license payments in an aggregate amount of COP$1,129,991 million, (ii) cash used in payments for material investments with third parties in an aggregate amount of COP$895.847 million, and (iii) cash used in payment of non-equivalent financial investments in an aggregate amount of COP$344,233 million, among other things.

Cash Flows Provided by Financing Activities

On March 31, 2020, our net cash generated in financing activities was COP$113,725 million, compared to COP$57,915 million generated in the first quarter of 2019. The variation was mainly attributable to the redemption of the U.S.$500 million principal amount outstanding under our Subordinated Notes issued in March 2015. We used the proceeds from bank loans denominated in *pesos* and U.S. dollars we obtained during the first quarter of 2020 to pay the redemption price for our Subordinated Notes, and accrued and unpaid interest, for COP$1,924,457 million.

Our net cash used in financing activities was COP$598,275 million in 2019, compared to COP$797,389 million used in 2018. This difference was primarily attributable to repayment, at and prior to maturity, of various bank loans in an aggregate principal amount of COP$1,238,862 million, including (i) the repayment in full, at maturity of a loan with Scotia Bank in an aggregate amount of COP$349,410 million, (ii) the repayment in full, prior to maturity of a loan with Bancolombia in an aggregate amount of COP$533,569 million, (iii) the repayment in full, prior to maturity of a loan with Banco de Bogota in an aggregate amount of COP$100,000 million, and (iv) the repayment in full, prior to maturity of a loan with Banco Corpbanca in an aggregate amount of COP$106,281 million which was offset by the issuance of our Local Bonds in an aggregate principal amount of COP$152,410 million of our 2029 Notes and COP$347,590 million of our 2024 Notes issued on May 29, 2019.

Our net cash used in financing activities was COP$797,389 million in 2018, compared to COP$1,435,244 million provided in 2017. This difference was primarily attributable to a decrease in indebtedness, including the repayment of debt prior to maturity.

Our net cash provided by financing activities in 2017 was COP$1,435,244 million, primarily attributable to shareholders contributions and the extinction of the PARAPAT Agreement.

Indebtedness

Our total outstanding indebtedness consists of our short-term and long-term financial leases, credit facilities, local and international bonds, and hedging instruments. As of March 31, 2020, our total outstanding indebtedness was COP$6,718,768 million, consisting of COP$554,749 million of short-term indebtedness, including the current portion of long-term indebtedness (or 8.3% of our total indebtedness), and COP$6,164,019 million of long-term indebtedness (or 91.7% of our total indebtedness).

Our peso-denominated credit facilities and local loans as of March 31, 2020, was COP$1,524,081 million (or 27.3% of our total indebtedness consisting of credit facilities and local and international loans) and our U.S. dollar-denominated credit facilities and international bonds was COP$4,065,362 million (or 72.7% of our total indebtedness consisting of credit facilities and international bonds). As of March 31, 2020, our peso-denominated credit facilities and local bonds bore interest at an average rate of 6.7% per annum, and our U.S. dollar-denominated credit facilities and international bonds bore interest at an average rate of 4.8% per annum. As of March 31, 2020, 39% of our total credit facilities and local and international bonds bore interest at floating rates and 61% bore interest at fixed rates before hedge derivatives. Of our total credit facilities and local and international bonds with floating interest rates, 7% was linked to CPI, 47% to IBR and 46% to LIBOR. Our cash interest expense for the three-month period ended March 31, 2020 was COP$69,177 million.

Short-term Indebtedness

As of March 31, 2020, our short-term indebtedness, including the current portion of long-term credit facilities, was COP$554,749 million, which was composed by (i) COP$281,784 million in credit facilities; (ii) COP$226,810 million in financial leases; (iii) COP$38,538 million in hedging instruments; and (iv) COP$7,618 million in interest payable. We maintain available credit limit approvals denominated in *pesos* with a number of financial institutions in Colombia, which we use to meet our working capital needs. As of the date of this Offering Memorandum, we had uncommitted credit limit approvals with Colombian financial institutions in an aggregate principal amount of COP$526,000 million. We believe that we will continue to be able to obtain sufficient credit to finance our working capital needs based on current market conditions and our liquidity position.

Long-term Indebtedness

Our total long-term indebtedness as of March 31, 2020, was COP$6,164,019 million , which was composed by (i) COP$3,536,975 million in local and international bonds, of which COP$3,038,216 million correspond to our 2022 Notes, with an interest rate of 5.375%, COP$152,031 million to our notes due 2024 (our "**2024 Notes**"), and COP$346,728 million in our notes due 2029 (our "**2029 Notes**," and together with our 2024 Notes, the "**Local Bonds**"); (ii) COP$1,770,683 million in credit facilities; (iii) COP$856,303 million in financial leases; and (iv) COP$57 million in hedging instruments.

The following table sets forth selected information with respect to our principal outstanding long-term credit facilities and local and international bonds, as of March 31, 2020.

					As of March 31, 2020		
Debt	**Maturity date**	**Payments of principal**	**Interest rate**	**Currency**	**Short-term portion**	**Long-term portion**	**Total debt**
				(*in millions of pesos*)			
U.S.$750 million – Senior Notes................	Sep 2022	At maturity date	5.375%	*U.S. dollar*	–	3,038,216	3,038,216
Bilateral Facility...........	March 2025	At maturity date	IBR + 2.6%	*Pesos*	–	300,000	300,000
Bilateral Facility...........	March 2025	At maturity date	IBR + 2.63%	*Pesos*	–	298,957	298,957
Bilateral Facility...........	March 2025	At maturity date	IBR + 2.5%	*Pesos*	–	300,000	300,000

Debt	Maturity date	Payments of principal	Interest rate	Currency	As of March 31, 2020 Short-term portion	Long-term portion	Total debt
			(*in millions of pesos*)				
Bilateral Facility..........	March 2025	At maturity date	LIBOR + 1.95%	*U.S. dollar*	–	871,726	871,726
COP$348 million – Notes...........................	May 2024	At maturity date	6.65%	*Pesos*	–	346,728	346,728
COP$152 million – Notes...........................	May 2029	At maturity date	CPI + 3.39%	*Pesos*	–	152,031	152,031

The following discussion briefly describes certain of our principal financing agreements as of March 31, 2020.

Senior Notes. On September 27, 2012, we issued our 2022 Notes for an aggregate principal amount of U.S.$750 million. These notes bear interest at 5.375% per annum, payable semi-annually and mature on September 27, 2022. The principal amount under the notes is payable in a single installment upon maturity. The proceeds of these notes were used to repay a portion of our outstanding U.S. dollar-denominated and peso-denominated indebtedness. These notes contain certain covenants that restrict, among other things, our ability to: (i) incur additional indebtedness, (ii) make certain payments; (iii) enter into agreements that restrict the payment of dividends by certain subsidiaries; (iv) consummate certain asset sales; (v) enter into certain transactions with affiliates; (vi) incur additional liens; (vii) enter into certain sale and leaseback transactions; and (viii) merge or consolidate with any other person. As of the date of this Offering Memorandum, we are in compliance with these covenants. The 2022 Notes also contain a cross-default provision for unpaid or accelerated amounts in excess of U.S.$50.0 million. As of March 31, 2020, our 2022 Notes in an aggregate principal amount of U.S.$750 million (COP$3,040,905 million) were outstanding. On May 13, 2020 we notified The Bank of New York Mellon, as trustee, our decision to redeem U.S.$320,000,000 in aggregate principal amount of our 2022 Notes. On June 12, 2020, the partial redemption was made at the redemption price equal to 100.896% of the principal amount of such 2022 Notes, plus any accrued and unpaid interest on the principal amount of the 2022 Notes.

Local Bonds. On May 29, 2019, we issued COP$152,410 million in aggregate principal amount of our 2029 Notes and COP$347,590 million in aggregate principal amount of our 2024 Notes. Our 2029 Notes bear interest at a rate of IPC plus 3.39% per annum, payable quarterly and mature on May 29, 2029. Our 2024 Notes bear interest at a fixed rate of 6.65% per annum, payable quarterly and mature on May 29, 2024. The principal amount under these notes is payable in a single installment upon maturity. The proceeds of these notes were used to repay a portion of our outstanding peso-denominated indebtedness. As per Colombian regulations, as a result of the issuance of the Local Bonds, we have certain restrictions in order to carry certain corporate reorganizations, such as mergers and spinoffs. As of March 31, 2020, the outstanding principal amount under our 2029 Notes was COP$152,410 million and under our 2024 Notes was COP$347,590 million.

2020 Syndicated Facility with Banco Santander, S.A. as Administrative Agent. On March 18, 2020, we entered into a syndicated loan agreement with Banco Santander, S.A. (as administrative agent), Bank of America, N.A., BNP Paribas and JP Morgan Chase Bank, N.A., as lenders and joint lead arrangers and bookrunners, for a principal amount of U.S.$320 million. The loan has a five-year term as of the date of execution and accrues interest at a variable rate. Pursuant to the 2020 Syndicated Facility, we are required to comply with certain restrictive covenants that, among other things, limit our ability to: (1) create or permit the creation of any lien on the property to secure any indebtedness in excess of certain thresholds, subject to certain exceptions, (2) merge, sell, lease or otherwise transfer all or substantially all of our assets, except as permitted thereunder and in compliance with specific requirements related to the proceeds therefrom, (3) enter into certain restrictive agreements that may limit our ability to make or declare dividends or other distributions or create, incur or assume the existence of liens on property, and (4) upon an event of change of control, certain financial covenants shall apply. In case of breach of any such covenants, or other events of default set forth in the 2020 Syndicated Facility, including among others, our bankruptcy, the required lenders may accelerate the loan. We disbursed the total amount available under the 2020 Syndicated Facility on May 12, 2020, and used the proceeds thereunder to redeem U.S.$320.0 million principal amount of our 2022 Notes on June 12, 2020.

Bilateral Loan Agreement with Banco Bilbao Vizcaya Argentaria Colombia, S.A. On March 12, 2020, we entered into a loan agreement with Banco Bilbao Vizcaya Argentaria Colombia, S.A., as lender, for a principal amount of COP$300,000 million, to be used for the redemption of our Subordinated Notes. The loan has a 60-month term from the disbursement date and accrues interest at a fixed rate. Restrictive covenants similar to the 2020 Syndicated Facility are applicable.

Bilateral Loan Agreement with Banco de Bogotá, S.A. On February 25, 2020, we entered into a loan agreement with Banco de Bogotá, S.A., as lender, for a principal amount of COP$300,000 million, to be used for the redemption of our Subordinated Notes. The loan has a 60-month term from the disbursement date and accrues interest at a variable rate. Restrictive covenants similar to the 2020 Syndicated Facility are applicable.

Bilateral Loan Agreement with Bancolombia, S.A. On February 25, 2020, we entered into a loan agreement with Bancolombia, S.A., as lender, for a principal amount of COP$300,000 million, to be used for the redemption of our Subordinated Notes. The loan has a 60-month term from the disbursement date and accrues interest at a variable rate. Restrictive covenants similar to the 2020 Syndicated Facility are applicable.

Bilateral Loan Agreement with Banco Davivienda, S.A. On February 25, 2020, we entered into a loan agreement with Banco Davivienda, S.A., as lender, for a principal amount of U.S.$215 million, to be used for the redemption of our Subordinated Notes. The loan has a 60-month term from the disbursement date and accrues interest at a variable rate. Restrictive covenants similar to the 2020 Syndicated Facility are applicable.

Subordinated Instruments

In 2015, we issued our Subordinated Notes in an aggregate principal amount of U.S.$500.0 million, under an indenture, dated as of March 30, 2015, among the Company, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent. The indenture governing our Subordinated Notes did not contain events of default, and contained only limited covenants and events of acceleration. As of December 31, 2019, the aggregate principal amount outstanding under the Subordinated Notes was COP$1,638,570 million (corresponding to U.S.$500.0 million). The Subordinated Notes were recognized on our balance sheet under total shareholders' equity as perpetual equity instruments considering their deep subordination and perpetual feature. On March 30, 2020, we redeemed all of the principal amount outstanding under our Subordinated Notes with the proceeds from the loans under our bilateral loan agreements described above in an amount of COP$1,854,313 million.

Capital Expenditures

Our total capital expenditures as of March 31, 2020 was COP$300,342 million. In the three-month period ended March 31, 2020, COP$113,301 million, or 37.7% of our total capital expenditures, were allocated to B2B, including the SENA Project; COP$20,540 million, or 6.8% of our total capital expenditures, were allocated to mobile network mainly for 4G infrastructure; COP$10,517 million, or 3.5% of our total capital expenditures, were allocated to fixed network mainly for the development of fiber optics; COP$83,368 million, or 27.8% of our total capital expenditures, were allocated to home equipment for broadband and IPTV; and COP$44,566 million, or 14.8% of our total capital expenditures, were allocated to strategic IT projects.

The following table presents our capital expenditures by type for the periods indicated:

	For the three month period ended March 31,	**For the year ended December 31,**		
	2020	**2019**	**2018**	**2017**
		(in millions of pesos)		
B2B	13,281	80,666	53,678	61,208
SENA	100,020	275,010	–	–
Mobile network	23,111	319,239	233,354	361,242
Fixed network	13,863	173,891	177,905	164,875
Others: capitalized, administrative and security	18,390	84,956	91,219	82,358
Massive service	83,368	50,839	(14,278)	168,051
Full stock	44,566	113,072	88,678	136,575
Technical services	3,742	36,863	38,238	60,323
Total	**300,342**	**1,134,535**	**668,794**	**1,034,631**

Our main capital expenditures between 2017 and 2019 included the following:

- Our investments focused on: (i) expansion of the 4G and 3G network for mobile phones and deployment of the fixed network through greater infrastructure, platforms, subscribers, among others; (ii) evolution of applications and technological platforms for the unification of systems that allow greater agility in serving customers; (iii) investment in modems for the connection of fiber services; (iv) improvements in marketing platforms and sales channels; and (v) other minor investments to improve coverage and quality of services provided.

- In 2017, 35.0% of our capital expenditures were allocated to our mobile network, 16.0% was allocated in our fixed-line network (fiber optic), 16.2% was allocated to equipment, materials and labor for fiber optics and IPTV connection and the remaining 32.8% were allocated as follows: 13.2% to strategic IT projects; 5.9% in B2B; 4.7% in network quality; 5.2% in capitalized expenses and 3.8% in distribution channels and points of sale, among others. We allocated COP$303,390 million (equivalent to 29.3% of our capital expenditures) to the expansion of our 4G network infrastructure. We also allocated COP$16,230 million to the expansion of our 3G infrastructure. As a result, we expanded our 3G and 4G coverage to 76.0% and 67.5%, respectively, of the Colombian population. We allocated COP$165,474 million (equivalent to 15.9% of our capital expenditures) to the expansion of infrastructure for fixed-line broadband services (fiber optic). We also allocated COP$136,575 million in certain strategic IT projects and COP$167,454 million to our massive services, such as retail and B2B projects.

- In 2018, 34.9% of our capital expenditures were allocated to our mobile network, 30.8% to our fixed-line network, and the remaining 34.3% was allocated as follows: 13.3% in strategic IT projects; 7.7% in B2B; 8.0% in capitalized expenses; 5.7% in technical services and (0.4)% in others subsidiaries. We allocated COP$196,587 million (equivalent to 29.4% of our capital expenditures) to the expansion of our 4G network infrastructure and COP$18,678 million (equivalent to 2.8% of our capital expenditures) to the expansion of our 3G infrastructure. As a result we expanded our 4G and 3G infrastructure coverage to 70.0% and 76.0%, respectively, of the Colombian population. We also allocated COP$135,646 million (equivalent to 20.3% of our capital expenditures) to the expansion of infrastructure for fixed-line broadband services (fiber optic) and COP$88,678 million (equivalent to 13.3% of our capital expenditures) in certain strategic IT projects.

- In 2019, 31.2% of our capital expenditures were allocated to our B2B customers, 28.1% to our mobile network, and the remaining 15.3% to our fixed-line network. We allocated COP$294,794 million (equivalent to 26.0% of our capital expenditures) to the expansion of our 4G network infrastructure. As a result we expanded our 4G coverage to 70.8% of the Colombia population. We also allocated COP$131,204 million (equivalent to 11.6% of our capital expenditures) to the expansion of infrastructure for fixed-line broadband services (fiber optic) million. We also allocated COP$113,072 million in certain strategic IT projects.

Recently and as a response to COVID-19, we have decided to optimize U.S.$33.5 million of our capital expenditures by allocating resources only to essential investments, such as revenue generation and business stability. We have prioritized the following activities: (i) deployment of fiber optic and IPTV, (ii) FTTH deployment, transmission and core mobile, (iii) personnel costs associated with projects, and (iv) commercial activity related to B2B projects.

The following table presents our budgeted capital expenditures for 2020 as estimated at the beginning of 2020 (pre COVID-19) compared to our revised estimates as of June 30, 2020 (post COVID-19) with a difference of 17.4%:

	2020 January estimate	**2020 June update**
	(in millions of pesos)	
Subscribers homes	71	50
Mobile network	32	14
Fixed network	15	10
Full Stack	5	11
STC subscribers	1	6
Others	70	69
Total	**193**	**160**

Contractual Obligations and Commitments

The following table presents information relating to our contractual obligations as of March 31, 2020:

Contractual Obligations	Payment Due by Period 2020	2021	2022	2023	Thereafter	Total
			(in millions of pesos)			
Financial agreements[1]	281,784	—	—	—	1,770,683	2,052,467
Bonds and securities	—	—	3,038,216	—	498,759	3,536,975
Cash interest expense[2]	7,618	—	—	—	—	7,618
Sale and leaseback of towers and real estate assets	226,810	137,410	96,575	93,453	528,865	1,083,113
Total	**516,212**	**137,410**	**3,134,791**	**93,453**	**2,798,307**	**6,680,173**

(1) Includes payments of principal.
(2) Calculated using interest rates as of March 31, 2020.

With the proceeds of the Notes offered hereby, we intend to continue extending our maturity profile by refinancing the remaining 2022 Notes with an intermediate maturity security. See "*Use of Proceeds*" and "*Capitalization.*"

For additional information on our contractual commitments, see note 15 to our condensed consolidated interim financial statements as of March 31, 2020 included elsewhere in this Offering Memorandum.

Sale and Leaseback of Towers

We have entered into various sale and leaseback arrangements with third parties. In 2018, we entered into various agreements with ATC Sitios Colombia SAS ("**ATC**"), for the sale of 253 cell towers for an aggregate purchase price of COP$113,850 million, and four lease agreements with ATC pursuant to which it granted us the right to use the cell towers sold to ATC for a term of ten years. In 2019, we entered into various agreements with Phoenix, for the sale of 1,046 towers for an aggregate purchase price of COP$510,971 million, and five lease agreements with Phoenix pursuant to which it granted us the right to use the cell towers sold to ATC for a term of ten years. On September 30, 2019, we entered into an agreement with ATP, for the sale of 314 cell towers for an aggregate purchase price of COP$153,389 million, and in 2019, we entered into 314 lease agreements with ATP pursuant to which it granted us the right to use the cell towers sold to ATC for a term of ten years.

We have made payments under these lease agreements in the aggregate amount of COP$19,427 million as of March 31, 2020, COP$59,797 million as of December 31, 2019 and COP$45,125 million as of December 31, 2018.

Sale and Leaseback of other Real Estate

Starting in 2018, we have sold 248 properties pursuant to a leaseback arrangement, obtaining the right to use all or a portion of such property for terms between one and 25years, subject to the type of property and our needs. These sales originated revenues of COP$127,409 million for the year ended December 31, 2018, COP$323,190 million for the year ended December 31, 2019. In February 2020, as part of our strategy to optimize non-strategic assets and our program to allocate resources efficiently, we sold the property where we located our administrative headquarters in Bogotá D.C.

Obligations Deriving from the Auction of Radio Spectrum

In September 2011, we were awarded the use of 15 MHz of radio spectrum in the 1900 MHz band by the MINTIC for a period of ten years in exchange for COP$95,542 million, to be paid in two equal installments. We paid the first installment of COP$44,309 million in March 2012. The payment of the remaining installment is met through a commitment to provide mobile service coverage to 36 municipalities and internet service to certain educational institutions to be determined at a later date, according to a list provided by the MINTIC that must be validated by field studies. These obligations are being implemented in accordance with the deadlines and terms provided under applicable regulations.

In October 2013, we were awarded the use of 30 MHz of AWS radio spectrum by the MINTIC for a period of ten years as part of an auction process carried out in June 2013 in exchange for an aggregate consideration of COP$268,997 million, combined in-cash and in-kind. We paid a first installment of COP$164,739 million in November 2013 and nine additional installments for an aggregate of COP$32,009 million during 2014. The payment of the remaining installment will be met through a commitment to (i) distribute 119,317 tablets to members of vulnerable segments of the Colombian population, and (ii) migrate the telecommunications network of the Colombian National Police and the Command of the Colombian General Armed Forces. This last commitment was undertaken jointly by all licensed mobile operators in Colombia. These obligations are being implemented in accordance with the deadlines and terms provided under applicable regulations.

In March 2014, we renewed our licenses to use 40 MHz of radio spectrum, which we previously operated under mobile concession agreements, for a period of ten years, as part of a renewal process we commenced in November 2013, in exchange for an aggregate consideration of COP$286,610 million plus a quarterly payment of 0.7% of net income from the provision of mobile services. We paid the first installment of COP$150,000 million in April 2014. The remaining value could be paid in a pre-established set of obligations to duty fixed by the MINTIC in Resolution 597, but to be selected by us, such as coverage in some localities or municipalities or in national and regional roads, among others, or through quarterly payments of COP$3,794 million indexed with long-term TES. As of the date of this Offering Memorandum, we have payed COP$75,000 million (COP$92,000 million already indexed). We are also committed to provide mobile service coverage to 39 municipalities. As of the date of this Offering Memorandum, the MINTIC is in process of auditing the fulfillment of those commitments. These obligations are being implemented in accordance with the deadlines and terms provided under applicable regulations.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Risk Management

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in interest rates and foreign exchange rates, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in interest rates or foreign exchange rates.

Our risk management strategy is designed to mitigate the financial impact derived from our exposure to market risks, and accordingly, we have used and may continue to use foreign currency and interest rate derivative instruments to mitigate our exposure to market risks. Our hedging activities are governed by a market risk management policy, which establishes applicable corporate governance standards and guidelines for application by us. Our risk management policies are defined with the purpose of identifying and analyzing our risk exposure, putting in place effective risk controls and thresholds, and monitoring risks and the observance of those thresholds. Our risk management policies and systems are reviewed periodically to ensure that they reflect changes in market conditions and in our business. . For additional information on our risk management policy, see note 24 to our unaudited consolidated interim financial statements, included elsewhere in this Offering Memorandum.

Foreign Exchange and Interest Rate Risk

To the extent some of our indebtedness is denominated in U.S. dollars, and bears interest at floating rates, our financial condition and results of operations may be affected by changes in foreign currency exchange rates, primarily the U.S. dollar/*peso* rate, and market interest rates such as CPI, IBR and LIBOR, which are the base interest rates for all of our floating rate indebtedness.

In order to mitigate the effects of foreign exchange variations, Telefónica established a global hedging policy, which requires its subsidiaries, including us, to hedge all of their exposure to foreign exchange risk either through natural hedges or derivatives. In addition to entering into derivative instruments to hedge exposure to exchange variations in connection with our indebtedness denominated in foreign currencies, we manage exposure to exchange variations affecting our accounts receivable and accounts payable denominated in foreign currency. These accounts originate primarily from foreign suppliers and operators, and affect both capital expenditures, and operating expenditures.

As of March 31, 2020, our outstanding U.S. dollar-denominated credit facilities and international bonds amounted to COP$4,062,672 million (U.S.$1,002 million), of which 25.2% bears interest at LIBOR plus a spread between 0.70% and 1.95%, while the remaining 74.8%, consists of our 2022 Notes, bears interest at a fixed rate of 5.375%. As of the same date, we had entered into non-deliverable forward, or NDF, contracts with respect to all of our U.S. dollar-denominated indebtedness. As of March 31, 2020, we had outstanding hedging agreements in a nominal amount of U.S.$1,002 million in respect of our net exposure to foreign exchange variations arising from the mismatch between our foreign currency-denominated investments, accounts payable and accounts receivable.

Derivative Financial Instruments

In an effort to hedge our exposure to market risk derived from our foreign currency-denominated debt, we have entered into various derivative financial instrument transactions with foreign and domestic financial institutions. We actively evaluate the creditworthiness of the financial institutions and corporations that are counterparties to our derivative financial instruments, and we believe that we have the financial capacity to honor our obligations in connection with such instruments.

To offset foreign exchange and interest rate risk, we have entered into derivative financial instruments to minimize the impact of fluctuations in exchange rates on our U.S. dollar-denominated indebtedness and also on our net foreign exchange exposure from accounts payable and receivable and investments in foreign currency. These derivative instruments typically consist of cross currency swaps, or CCS, and non-delivery forward contracts, or NDF contracts. As of March 31, 2020, we had outstanding CIRSs, IRSs and NDFs covering U.S. dollar-denominated interest and principal bonds of COP$3,040,905 million (U.S.$750 million) and NDFs covering U.S. dollar-denominated liabilities of COP$1,024,457 million (U.S.$252,7 million). As of March 31, 2020, we had outstanding non-deliverable forward contracts covering U.S. dollar-denominated and Euro-denominated liabilities of COP$146,689 million (U.S.36.1 million). The table below lists our derivative financial instruments as of March 31, 2020.

	Contractual Obligations Hedged					
	Bond	Bond	Liabilities	Assets / Liabilities[1]	Cashflow / Capex & Opex	Cashflow / Capex & Opex
Principal Amount (in millions)..	U.S.$750.0	U.S.$750.0	U.S.$252.7	U.S.$36.2	U.S.$110.4	U.S.$68.4
Date of Hedging Contract	01-Oct-19	22-Sept-17	15-Feb-2019	12-Jul-2019	11-Dec-19	22-Dec-19
Term of Hedge[2]	0.7 years	5.0 years	0.2 years	1.1 years	0.9 years	0.9 years
Maturity[3]	08-Jun-20	27-Sept-22	08-May-20	01-Aug-20	20-Oct-20	15-Nov-20
Instrument[4]	NDF	NDF	NDF	NDF	NDF	Option

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(1) Consisting of accounts payable and receivable with suppliers denominated in foreign currency.
(2) Considering from the initial date of the hedging contracts.
(3) Considering the average maturity of the hedging contracts.
(4) Consisting of either CCS or NDF contracts.

Sensitivity Analysis

As of March 31, 2020, after hedge derivatives 91% of our indebtedness bears interest at variable rates. As a result, we are exposed to risks from fluctuating interest rates. We enter into derivative financial instruments to minimize the impact of fluctuations in variable interest rates on our indebtedness. For example, under these derivative instruments, if the average interest rate applicable to our indebtedness for the year ended December 31, 2020 had been 1.0% higher than the average interest rate in such period, our financial expenses in 2019 would have increased by COP$57,198 million. . For additional information, see note 24 to our unaudited consolidated interim financial statements, included elsewhere in this Offering Memorandum.

THE COLOMBIAN TELECOMMUNICATIONS INDUSTRY

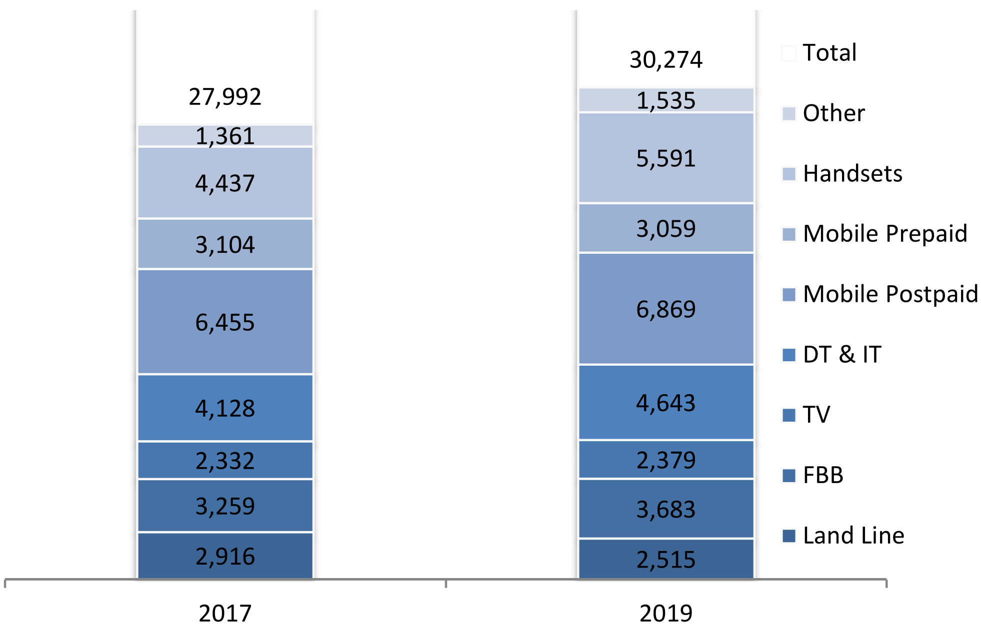
General

The Colombian telecommunications industry comprises, among others, the following services:

- mobile telecommunications services, which include mobile voice, mobile data and value-added services, such as SMS, MMS, voicemail and chat;
- fixed-line telecommunications services, which include local and long-distance services;
- internet services; and
- television subscription services.

The total revenues of the telecommunications industry in Colombia increased by 4.5% from COP$28,974,000 million in 2018 to COP$30,274,000 million in 2019, according to operators' annual reports and internal estimates.

The following diagram presents the Colombian telecommunications industry revenues by type of service for 2017 as compared to projected growth for each service in 2019.



Source: MINTIC, ANTV, SFC, Superintendency of Corporations, operators' annual reports and internal estimates.

As a general trend, mobile telecommunications services have been increasingly replacing fixed-line telecommunications services in Colombia since 2005, as evidenced by a continued decline in fixed-line telecommunications penetration (calculated as the total number of subscribers divided by total population for a given period) in Colombia, according to information from the SIC, the MINTIC and the ANTV. In recent years, fixed-line penetration has decreased from 14.1% in 2017 to 13.9% in 2018 and further decreasing to 13.8% in 2019. By contrast, mobile telecommunications penetration (calculated as the number of subscribers per 100 residents) increased from 125.5% in 2017 to 129.4% in 2018 and increased slightly to 130.9% in 2019. As of December 31, 2019, the number of subscribers to fixed-line services was 7.0 million subscribers, resulting in a penetration rate of 13.8%.

In addition, the number of subscribers to dedicated internet access services, whereby the user has continuously active internet access (typically provided through the sum of digital subscriber lines, or xDSL, cable or fiber optic technologies), has continued to increase. In recent years, broadband internet penetration increased from 12.8% in 2017 to 13.4% in 2018 and further increasing to 13.7% as of December 31, 2019. As of December 31, 2019, there were 6,956,403 dedicated internet service subscribers in Colombia, according to MINTIC, representing an increase of 3.65% from 6,702,159 subscribers at the end of 2018 and positioning Colombia as a country with a stable growth rate for dedicated internet access services. As of

December 31, 2019, the number of subscribers to internet broadband services was 6.9 million subscribers, with a penetration rate of 13.8%.

The number of television subscription service subscribers has also increased. In recent years, television subscription service penetration increased from 11.2% in 2017 to 11.7% in 2018, and remained at 11.7% as of June 30, 2019. The Colombian television subscription market has benefited from the prevalence of televisions in Colombian households. According to the DANE, 90.7% of Colombian homes had a television as of December 31, 2018. Combined with an increasing number of bundled service packages (consisting of two or more of television, internet and telephone services), the increasing number of homes with television sets has enabled the television subscription market to grow at a faster pace than the other components of the telecommunications industry as a whole, according to the MINTIC and the ANTV. According to reports from the ANTV, the television subscriber base has grown at an annual rate of 5.6% between 2017 and 2018, and 1.3% between 2018 and June 30, 2019. As of June 30, 2019, the number of subscribers to television subscription services was 5.9 million subscribers, with a penetration rate of 11.7%.

The table below presents the total number of subscribers and penetration rates for mobile voice, internet broadband, television and fixed-line telephone services in Colombia, each calculated as the total number of subscribers divided by the population of Colombia at the end of a given period, since 2007.

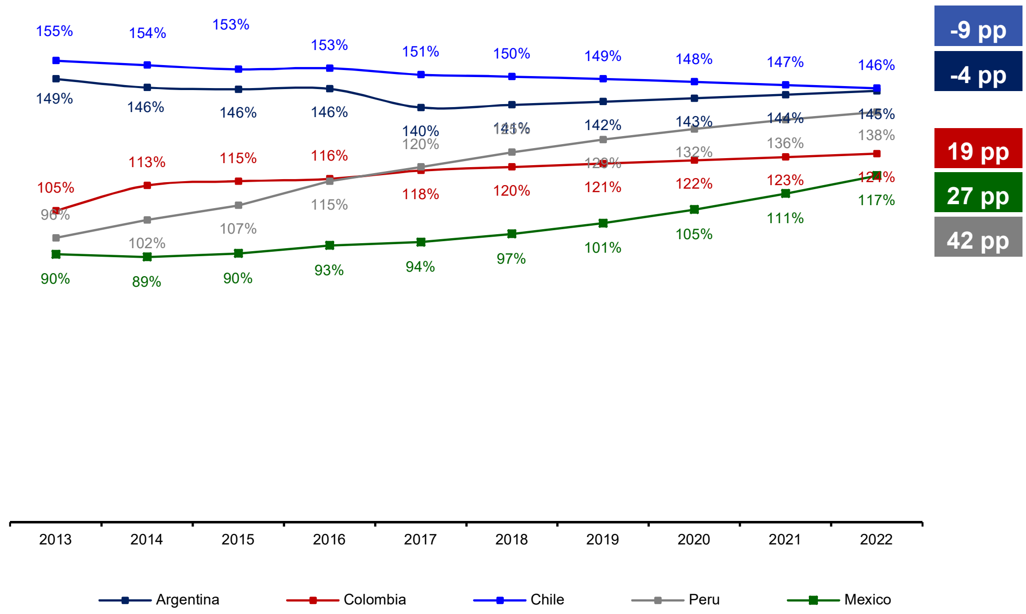
	Year ended December 31,							
	2012	2013	2014	2015	2016	2017	2018	2019
Mobile voice								
Total subscribers (thousand)	49.066	50.428	55.331	57.327	58.685	62.220	64.825	66.283
Penetration(1)	104.7%	106.4%	115.4%	118.3%	119.7%	125.5%	129.4%	130.9%
Internet broadband								
Total subscribers (thousand)	4.039	4.498	5.052	5.552	5.936	6.334	6.702	6.956
Penetration(1)	8.6%	9.5%	10.5%	11.5%	12.1%	12.8%	13.4%	13.7%
Television(2)								
Total subscribers (thousand)	4.310	4.679	4.897	5.131	5.434	5.557	5.868	5.890
Penetration(1)	9.2%	9.9%	10.2%	10.6%	11.1%	11.2%	11.7%	11.6%
Fixed-line telephone								
Total subscribers (thousand)	6.291	7.133	7.181	7.109	7.116	6.988	6.974	7.012
Penetration(1)	13.4%	15.1%	15.0%	14.7%	14.5%	14.1%	13.9%	13.8%

Source: SIC, MINTIC and ANTV.
(1) Calculated as the total number of subscribers divided by total population for a given period.
(2) Television source as of June 30, 2019.

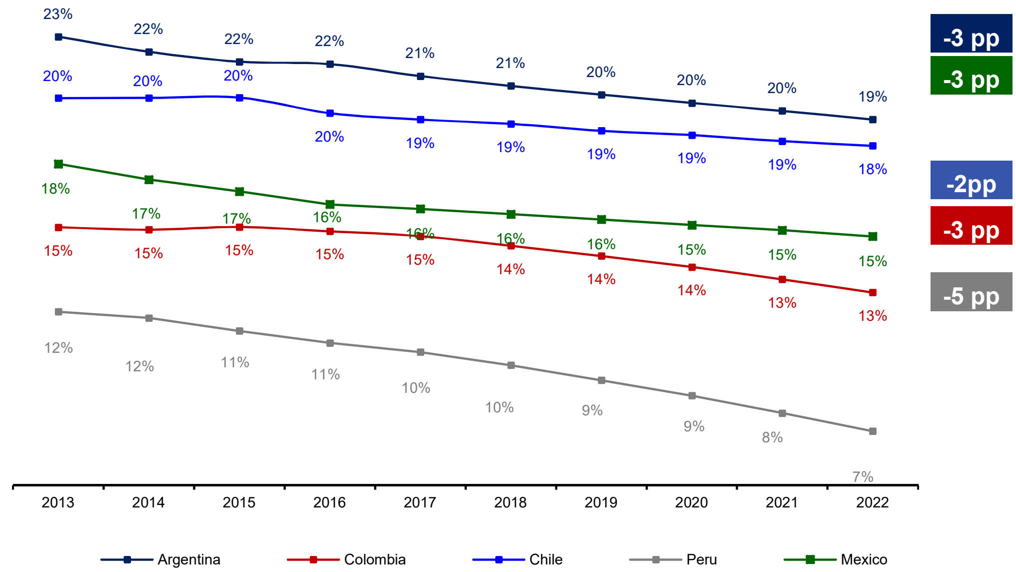
Projection of Telecommunications Penetration Rates

The graphics below illustrate the historical and estimated penetration for mobile, fixed-line, internet and television subscription services in Colombia, which are calculated by dividing the number of total subscribers by the total population in Colombia. These projections are based on information from Pyramid Research, and there can be no assurance that these projections will be realized.

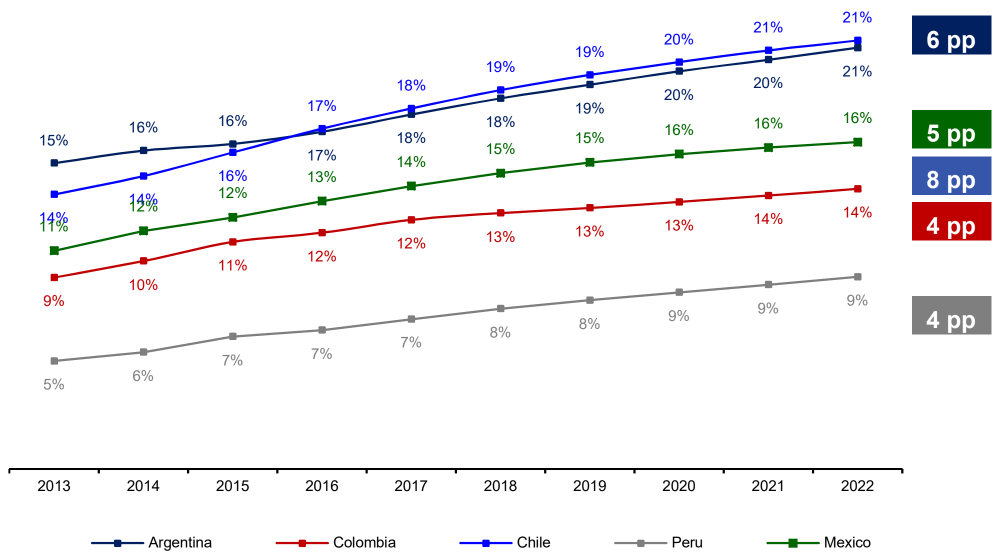
Penetration rates for mobile phone services in Colombia are expected to increase by 19.0% from 2013 to 2022, according to Global Data, as presented below:



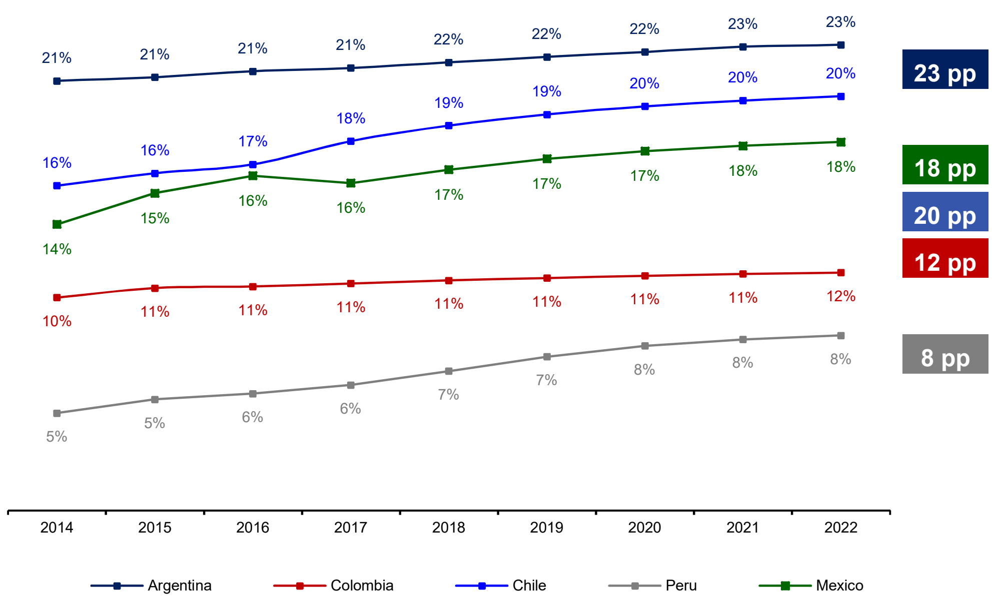
Penetration rates for fixed-line phone services in Colombia are expected to decline by 3.0% from 2013 to 2022, according to Global Data, as presented below:



Penetration rates for internet broadband services in Colombia are expected to increase by 4.0% from 2013 to 2022, according to Global Data, as presented below:



Penetration rates for television subscription services in Colombia are expected to increase by 12.0% from 2014 to 2022, according to Global Data, as presented below:



Key Characteristics and Trends

The key characteristics and trends of the Colombian telecommunications market are the following:

Significant industry growth. Overall, the global telecommunications industry is expanding. Similarly, revenues in the Colombian telecommunications market have nearly tripled since 2000 and are expected to continue growing, according to MINTIC. The Colombian mobile telecommunications services sector generates the highest revenues within the telecommunications industry; mobile telecommunications services represented 56% of the telecommunications industry's revenues in 2019, according to internal estimates based on annual reports of market operators. Likewise, internet broadband services had a CAGR of 11% between 2012 and 2018, according to internal estimates. The growth illustrated by these figures has been the key driver of growth in the Colombian telecommunications industry as a whole. Additionally, within the

Colombian mobile telecommunications sector, there has been a strong predominance of pre-paid versus post-paid subscribers, with 78.8% of subscribers constituting Pre-paid subscribers as of December 31, 2019, according to information available from the MINTIC.

Revenue substitution and expanding market segments. Since 2000, the telecommunications industry, in Colombia and elsewhere, has experienced a revenue substitution trend due to the migration of traditional voice customers (*i.e.* landline) to services such as mobile telephone and internet services. The share of revenues attributable to traditional voice services as a portion of overall industry revenues has been decreasing steadily since 2000, when fixed-line telecommunications revenues represented 63.0% of the revenues of the telecommunications industry as a whole, to 17% at the end of 2012 and to an estimated 8.3% at the end of 2019, according to information available from the MINTIC, the ANTV, the SFC, the Superintendency of Corporations, operators' annual reports and internal estimates.

Accordingly, the share of revenues attributable to newer services, such as mobile telephone, internet and digital services, has been increasing. For instance, revenues associated with mobile telecommunications services represented 12.0% of the industry's revenue as of December 31, 2000, 38.0% at the end of 2005 and an estimated 56.0% as of December 31, 2019, in each case according to operators' annual reports and internal estimates.

Transition towards Next Generation Networks. Colombian telecommunications providers, which traditionally used multiple networks for their various services, are integrating their networks into Next Generation Networks ("**NGNs**"). NGNs incorporate IP technology and implement new network architecture which allows next generation services to be provided through a single network, rather than separate networks for each service.

4G network deployment. After being awarded with a spectrum license in June 2013, we were the first integrated operator to launch 4G services in Colombia in December 2013, with other competitors launching these services in the following months of 2014. Due to the important increase in data traffic, LTE networks have been rapidly deployed by all operators, including newer market entrants like DirecTV, ETB and Avantel, which offer television and internet services through this technology. Historically, these newer market entrants have focused on specific segments: DirecTV, with a focus on its 1.1 million television subscribers, Avantel with a focus on increasing the percentage of total prepaid access from 33% as of December 31, 2014 to 74% as of December 31, 2019, and ETB with focus on its 1.0 million landline subscribers in Bogotá and surrounding municipalities. Additionally, we recently developed 4.5G networks that offer higher speed benefits than 4G, with an aim to meet the increasingly demanding and competitive market.

Increasing levels of internet access penetration. The penetration rate of internet and broadband access services in Colombia has significantly increased in recent years due to increased availability of personal computers in Colombia and the efforts of the Colombian government to promote the use of internet technologies. Dedicated internet access grew from 3.8 million subscribers as of December 2012 to 7.0 million subscribers as of December 31, 2019, according to MINTIC, which represents a CAGR of 8.6% between 2012 to 2019.The Colombian government also works to facilitate increasing internet access penetration, through its sponsorship and development of the *Inclusión Social Digital Plan*. This program has five projects that are segmented into supply incentives and demand incentives.

Transition towards IP-based integrated telecommunications solutions. The telecommunications industry in Colombia is undergoing a rapid transition towards IP-based integrated telecommunications solutions. Large telecommunications service providers, including us, are offering bundled services whereby multiple telecommunications services are provided jointly through a single provider, rather than separately through different providers. This marketing strategy assumes that a service provider delivering multiple telecommunications services lowers the transaction costs for customers who would otherwise be forced to pay multiple service providers for separate services at higher costs and with higher administrative burdens. Among the main television subscription operators, we, Claro Colombia, Colombia Móvil and ETB offer bundled landline voice, internet broadband and television subscription services.

High levels of regulation and transition from a service-based regulatory framework towards a regulatory framework for an integrated market. Historically, telecommunications services in Colombia were regulated through several laws, decrees and regulations, which were designed to protect consumers and grant powers to several authorities to oversee the activities of telecommunications service providers, in addition to establishing a regulatory framework based on the various telecommunications services offered. However, since the enactment of Law 1341, the regulatory framework is based on a technological-neutrality and an open market regime, allowing any person to carry out any telecommunications activity as long as they comply with legal and regulatory requirements. In general, the Colombian telecommunications regulations are aimed at promoting service quality, universal access, free competition and restricting anti-competitive practices. See "*Regulation of the Colombian Telecommunications Industry*," below.

International disputes concerning reversion of assets. Colombia is currently the respondent in two international arbitrations concerning the scope of reversion of assets upon liquidation of mobile telecommunications contracts. One of these arbitrations was brought by Telefónica, as described under "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*". The other arbitration was brought by América Móvil in 2016, pursuant to the Mexico-Colombia Free Trade Agreement, alleging an unlawful expropriation of its investment. Both cases are still pending.

Market Operators

The table below provides information relating to our market share as compared to that of our competitors in Colombia, in the different telecommunications segments in which we operate as of the periods indicated below:

	December 31, 2019			June 30, 2019
	Fixed-line	**Mobile[(1)]**	**Internet**	**Television**
	(market share in subscribers)			
Movistar	20.4%	24.3%	16.7%	9.2%
Claro Colombia	36.0%	46.9%	38.3%	42.3%
Tigo and Une (on a combined basis)	24.2%	17.6%	24.4%	20.0%
ETB	14.5%	0.6%	9.1%	1.9%
DirecTV	0.0%	0.0%	2.7%	18.6%
Others	5.0%	10.7%	8.8%	8.0%
Penetration[(2)]	47.2%	130.9%	46.8%	40.0%
Total subscribers (in thousands)	**7,012**	**66,283**	**6,956**	**5,942**

Source: MINTIC and ANTV.

(1) Includes voice and data services.

(2) Penetration for fixed-line, television and internet services is calculated by dividing the total number of subscribers by the total number of households in Colombia according to the DANE. Penetration for mobile services is calculated by dividing the number of total subscribers by the total population in Colombia, according to the DANE.

The Colombian telecommunications market is competitive. Fixed-line and mobile service operators employ aggressive marketing strategies to gain market share. Consistent with global trends, operators in the Colombian fixed-line telecommunications market are offering plans consisting of voice, internet and television services targeted specifically to residential customers and small- and medium-sized enterprises. As of December 31, 2019, we were the first operator in broadband services in the B2B segment with 29.4% of market share, followed by Claro with 27.6%, Tigo with 22.5%, ETB with 9.6% and others with 10.9%. For large corporate customers, operators are offering customized services to consolidate their IP networks for data and voice services, enabling them to integrate all of their IT. Digital services, including security, cloud, Internet of Things ("**IoT**") and big data services, are mainly offered in the B2B segment.

With respect to mobile and internet services, the development of 4G and 4.5G technologies has resulted in significant growth in the wireless broadband market. Coverage and internet speeds have improved as a result of the introduction of these technologies.

According to the MINTIC and ANTV, as of December 31, 2019, Claro Colombia, Movistar, Tigo and ETB controlled 95.0% of the fixed-line telephony business in Colombia, in terms of number of subscribers, while Movistar, Tigo and Claro Colombia collectively controlled 88.7% of the mobile business in Colombia (with Claro Colombia alone accounting for 46.9%) in terms of subscribers. For additional information regarding the competitive market in the Colombian telecommunications industry, see "*Business—Competition*."

The Colombian Mobile Telecommunications Industry

Overview

Mobile telecommunications services providers began entering the Colombian telecommunications market in 1994, and a series of acquisitions and consolidations resulted in three authorized operators serving the Colombian market in 2003: Claro Colombia, Colombia Móvil and us. In Colombia, mobile telecommunications is one of the most dynamic segments within the broader telecommunications market. Mobile telecommunications have spread throughout all regions of Colombia, including rural areas where residents only gained access to fixed-line telecommunications services relatively recently.

The Colombian mobile telecommunications market has grown steadily between 2012 and 2019. As of 2019, there were 66.3 million mobile subscribers in Colombia, representing a CAGR of 4.4% compared to 49.1 million in 2012, according to MINTIC. Reasons for this growth include gains in commercial activity in Colombia, the development of value-added services, mobile internet and the introduction of 4G technologies, the growth in pre-paid mobile services and the strategy of marketing these services. Market trends have also indicated the continued growth of mobile services, especially for wireless internet and value-added services.

Demographics and Subscriber Characteristics

Mobile telecommunications services are available to most Colombians. As of December 31, 2019, mobile services (including voice and data services) were available in 100% of Colombia's 1,122 municipalities, while landline services were available in 63.5% of Colombia's municipalities, according to MINTIC.

As Colombia continues to experience improving macroeconomic conditions, consumers benefit from expanding purchasing power, greater consumer financing and higher levels of disposable income, which serve to increase consumer demand for mobile telecommunication services. These favorable conditions, including growth in the target demographic market, offer an opportunity for profitable growth and the ability to serve an ever-increasing number of customers.

Networks

According to the DANE, Colombia covers 1,141,748 square kilometers and, as of September 30 2014, had a population of approximately 48.3 million. As of December, 2019, 2G, 3G and 4G networks in Colombia covered approximately 98.1%, 98.3% and 95.4% of the country's municipalities, respectively. 4G networks have been deployed in 1,070 municipalities (95.4%) that contain 99.8% of the population residing in urban areas in the country, according to internal estimates. WOM is expected to enter the mobile services sector in 2020 through a 4G network auction held by the Colombian government.

Voice Services

The Colombian mobile telecommunications market is characterized by a large number of pre-paid subscribers. As of December 31, 2019, 78.8% of mobile subscribers in Colombia were pre-paid subscribers, according to MINTIC. Voice services and mobile data services have driven the increase of market penetration in mobile telecommunications.

Mobile Internet Services

According to information available from MINTIC, mobile internet subscribers increased 73.16% from 7.3 million as of December 31, 2015, to 12.6 million as of December 31, 2019. Mobile data subscribers reached 12.6 million as of December 31, 2019, according to information available from MINTIC. Internet service subscribers through mobile phones increased 48.6% from 20.3 million in 2015 to 30.1 million in 2019, according to MINTIC.

Data and Value-Added Services

Continued growth of the mobile broadband segment in Colombia has been an important factor in the overall growth of the Colombian mobile telecommunications industry. Consumers are increasingly utilizing mobile data services such as MBB, mobile web browsing, video and audio streaming through services such as *Netflix* and *YouTube*, social networks such as *Facebook*, *Twitter* and *Instagram*, wireless online purchases and utilizing user-to-user services (such as including online chat services, SMS, MMS and e-mail) and "machine-to-machine" communications.

Every mobile telecommunication company in Colombia offers multiple wireless products, including handsets, smartphones, accessories and value-added services, such as SMS, voice mail, roaming, MMS, data transmission, entertainment media and content, voicemail and chat, which represents a significant portion of value-added service revenues.

Major Competitors in Mobile Telecommunications in Colombia

The Colombian telecommunications market is regarded as competitive due to the extensive and aggressive marketing strategies of fixed-line and mobile services operators. Claro Colombia and Colombia Móvil are our primary competitors in the Colombian mobile telecommunications market. Mobile telecommunications penetration has increased in Colombia from 105.3% in 2012 to 131.58% in 2019, and in post-paid from 22.7% in 2013 to 27.7% in 2019, according to information available from MINTIC.

Claro Colombia

The *Claro* brand comprises all the fixed and mobile telecommunications services provided by América Móvil through Claro Colombia. Formerly operating under the *Comcel* brand, América Móvil commenced operations under the *Claro* brand in June 2012. Claro Colombia is the largest mobile operator in Colombia and is focused on aggressive growth in mobile broadband and increasing the loyalty of its subscriber base. Claro Colombia has been declared a dominant operator in the mobile market by the CRC and is currently the market leader, with 46.9% of all subscribers as of December 31, 2019, according to the MINTIC. In addition, Claro Colombia supplies 36.0% of the fixed-line services and 38.3% of internet broadband services (in terms of subscribers), as of December 31, 2019 according to information from the MINTIC, and 42.3% of television subscription services (in terms of subscribers), as of June 30, 2019 according to information from the ANTV.

Colombia Móvil

After the merger between Colombia Móvil, a subsidiary of Millicom International Cellular S.A., or Millicom International, operating under the *Tigo* brand, and UNE EPM Telecomunicaciones S.A., or UNE EPM, a fixed-line and internet services provider operating under the *Une* brand, in August 2014, the *Tigo* and *Une* brands are both operated by Colombia Móvil. The *Tigo* brand comprises all communications services. Colombia Móvil received its license from the Colombian government following a bidding process in 2003. Currently, Millicom International owns 50% minus one share of Colombia Móvil, while UNE EPM owns the remaining 50% plus one share. Even though UNE EPM holds a majority stake in the company, administration of the company has been granted to Millicom International under the merger agreement. As of December 31, 2019, Colombia Móvil *(Tigo* and *Une* on a combined basis) had a market share of 17.6% in mobile services, 24.2% in fixed line services, and 24.4% in internet broadband services (in terms of subscribers). As of June 30, 2019, *Tigo* had a 20.0% market share of television subscription services (in terms of subscribers).

Other Competitors

Competition in the Colombian mobile telecommunications market is intensifying as the result of several new participants entering into the Colombian mobile telecommunications market.

Certain operators, such as DirecTV, Avantel and ETB, were granted a 4G spectrum in the 2013 auction and are now offering mobile services, each of which has deployed networks and launched new offers to the Colombian market. Such services and products are tailored to specific market segments; DirecTV focuses on its 1.1 million television subscription subscribers, Avantel focuses on its corporate subscribers, and ETB focuses on its 1.0 million fixed-line telecommunications customers in Bogotá and its surrounding municipalities.

Additionally, WOM is expected to enter the market after being awarded with blocks in the 700MHz and 2500MHz bands in the December 2019 spectrum auction, which is expected to further enhance the competitive landscape in the telecoms market in Colombia.

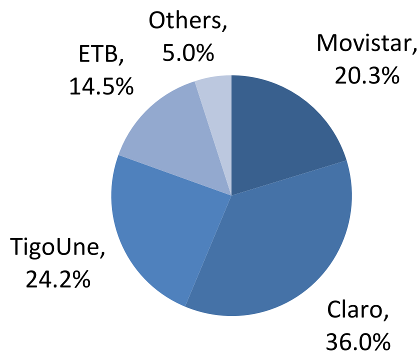
In addition to these operators are the MVNOs, which are mobile operators that do not own their own spectrum and generally do not own their own network infrastructure, but instead typically enter into business arrangements with traditional mobile operators to buy minutes for sale to their own customers. Beginning in 2012, five MVNO's operate in Colombia, consisting of (i) UFF, (ii) Exito, (iii) Flash, (iv) Suma and (v) Virgin Mobile. On July 27, 2018, UFF announced it had ceased operations. Exito, Flash and Suma use the Tigo network, while Virgin Mobile uses our network. These four MVNOs have collectively captured 7.2% market share of mobile subscribers as of December 31, 2019, as compared to 5.5% market share captured by Exito, UFF and Virgin Mobile as of September 30, 2015, according to the MINTIC. Virgin Mobile, the largest MVNO which operated through our network, had captured 4.5% of the mobile market in terms of subscribers as of December 31, 2019. For additional information, see "*Business—Competition*" in this Offering Memorandum.

Fixed-line Telecommunications Services

Local Telephone Services

As of December 31, 2019, Colombia had 14 telephone lines per 100 inhabitants, according to MINTIC, and we estimate that local telephone services represented approximately 8% of the revenues of the Colombian telecommunications industry representing a decrease from 10% as of December 31, 2017. Telecommunications providers have responded to increased competition from different market participants, including the mobile telecommunication sector, by implementing strategies such as flat fee limited and unlimited minute plans.

The following chart sets forth the share, in terms of telephone lines in service, of the various local service providers as of December 31, 2019:



Source: MINTIC.

Long-Distance Services

Domestic long-distance traffic decreased 6.2%, from 1.8 billion minutes in 2012, to 1.7 billion minutes in 2013, according to MINTIC. This decrease is largely the result of traffic migration from fixed-line long-distance to mobile technologies, since calls between mobile telephones in Colombia are charged as local calls rather than long-distance calls, regardless of the caller's geographical location, allowing callers using mobile devices for domestic long-distance calls to avoid charges associated with long-distance calls.

The volume of incoming international long-distance traffic increased 21.0%, from 3.4 billion minutes in 2012, to 4.1 billion minutes in 2013. The volume of outgoing international long-distance traffic in 2013 decreased by 8.2%, from 354 million minutes in 2012 to 325 million minutes in 2013. In general, this decrease was mainly due to the increase in the demand of VoIP, services, whereby telephone services are provided over the internet as opposed to being provided over fixed telephone lines, among other technologies.

We expect that long-distance traffic and revenues will decline in the future due to the substitution of IP technologies for traditional voice channels and the further expansion of the mobile market. However, long-distance providers, including us, have implemented strategies designed to combat this trend, including package services and discounts and unlimited minutes.

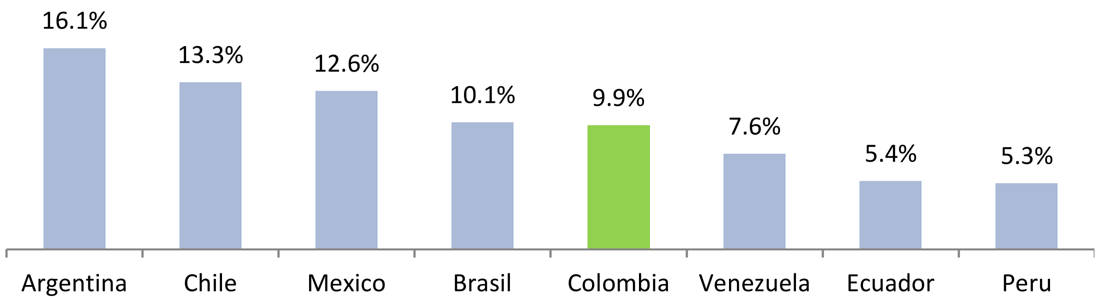
Internet

The internet services market in Colombia has grown rapidly in the last several years. According to MINTIC, the subscriber base in Colombia has grown from 4.04 million subscribers as of December 2012, to 6.7 million subscribers as of December 2018, and 7.0 million as of December 31, 2019. This represents an increase in penetration (expressed in terms of subscribers-to-population ratio) from 8.67% at the end of 2012 to 13.8% as of December 31, 2019.

Broadband reached 7.0 million subscribers in 2019, representing an increase of 3.8% from 2018, according to MINTIC. At December 31, 2019, we had captured 16.7% of the broadband subscriber market. Our main competitors in the broadband internet services are Claro Colombia, Colombia Móvil, and ETB, each of which held a 38.3%, 24.4% (*Tigo* and *Une* on a combined basis) and 9.1% market share, respectively, as of December 31, 2019, according to the MINTIC.

The following graph presents the penetration levels of dedicated internet access in Latin America:

Mobile Broadband Penetration (subscribers / population) as of December 31, 2019



Source: 180327_Global Data_Latin America Fixed Communications Forecast Pack.

The table below presents the number of internet subscribers in Colombia according to the type of access and the change for the periods indicated:

	2017	2019	Change
Fixed Dedicated Access (Broadband)			
xDSL	1,969,145	1,505.558	(24%)
Cable (including HFC)	3,407,851	4,144.611	22%
Fiber	704,348	959.126	36%
Others	252,837	345,581	37%
Total fixed	**6,334,181**	**6,954,876**	**10%**
Datacard subscription	114,145	130,800	15%
TOTAL	**6.448.326**	**7,085,676**	**10%**

Source: MINTIC.

Television

The television subscription industry in Colombia has experienced growth as a result of various factors, including:

- 90.7% of Colombian households owning at least one television set as of 2018 according to the DANE;
- positive economic outlook resulting in the transition from illegal operators to legal operators offering a superior product and service;
- technological advances allowing for the expansion of network coverage;
- reduction in overall service prices as a result of bundling strategies; and
- a seasonal increase in subscribers as a result of the FIFA, World Cup.

As of June 30, 2019, the Colombian television subscription industry had 5.9 million subscribers. The primary market operators are Claro Colombia, Colombia Móvil, DirecTV and us, with market shares of 42.3%, 20.0% (*Tigo* and *Une* on a combined basis), 18.6% and 9.2%, respectively, in terms of number of subscribers, according to the ANTV.

An important trend in the television subscription market consists of the OTT services that deliver content through the customer's broadband connection, without any revenue for the operator. The most popular OTT service is Netflix. In response, network operators such as Claro Colombia, Colombia Móvil, DirecTV and Movistar have launched their own OTT services, and created alliances with the main global players, such as Colombia Móvil with Amazon and Movistar with Netflix.

Regulation of the Colombian Telecommunications Industry

Historical Background

Prior to 1989, the Colombian government had a monopoly on the provision of telecommunications services in Colombia. Telecom was created in 1943 as a public utility with a mandate to provide telecommunications services to the public. Together with certain local government-owned operators, Telecom carried out and exercised the state monopoly over telecommunications services in Colombia.

As communications technologies evolved, changes in applicable laws allowed private entities to own and operate telecommunications networks and services in Colombia. Law 72 of 1989 and Decree-Law 1900 of 1990 reclassified telecommunications services in Colombia into basic services, broadcast services (television and radio), telematics and value-added services, special services and ancillary services. The provision of each of these services by a private entity required an authorization or a concession agreement executed with the Colombian government's telecommunications authorities, in accordance with the specific laws and regulations relating to each type of service.

Initially, fixed-line telecommunications landline service was a public utility service subject to the general regulatory framework for public utilities under Law 142 of 1994, and was subject to legal authorization for the provision of local fixed-line service and to a concession regime for long distance services. The mobile service was subject to a concession regime ruled by Law 37 of 1993 and the PCS service was subject to a concession regime ruled by law 555 of 2002. These concessions regimes where further converted into license regimes as a result of Decree 2870 of 2007, except for mobile and PCS services which were converted pursuant to Law 1341. Decree 2870 of 2007 replaced the concession regime, allowing long-distance services to be provided by obtaining a special license from the Colombian government. Law 1341 established a general habilitation regime for mobile and PCS telecommunications services, which only required registration with the MINTIC. Under Colombian law, ICT includes the resources, tools, equipment, data programs, applications, networks and means that allow the compilation, processing, storage and transmission of information as voice, data, text, video and images. Law 1341 governs items such as the establishment and operation of networks, the provision of communications services, and the use of the radio spectrum. Although the provision of telecommunications services is technically still a public utility that regulated and supervised by the Colombian government, it is no longer subject to the general legal framework applicable to other public utilities.

Law 1978 was established to modernize the ICT sector by achieving the following main objectives: (i) reducing the digital gap, (ii) improving connectivity (iii) improving universal access to new technologies for Colombia, especially in remote and rural areas and (iv) improving the institutional framework with one regulator of the ICT sector. Law 1978 aims to increase investment from the private sector, simplify the institutional framework and improve efficiency in payment of regulatory fees. Television and postal services are subject to Law 1978 but are also subject to Law 182 of 1995 and Law 1507 of 2011, and to Law 1369 of 2009, respectively.

Law 1978 reformed Law 1341, including the television subscription services in the general habilitation regime, and extending the licenses or permits for use of spectrum to a maximum period of 20 years. Law 1978 also established a transition period providing operators that previously had concession contracts for the provision of television subscription services the option of early termination of such concession contracts in order to be included under the general habilitation regime. In accordance with the provisions of Law 1978, prior and express permission from the MINTIC is required in order to use the spectrum permits or licenses. Law 1978 also increased the term of spectrum permits and licenses to up to 20 years from ten years and permits the renewal of spectrum permits and licenses, subject to certain applicable payments and duties established by the MINTIC upon review of the applications for renewal. In addition, pursuant to Law 1978, up to 60% of spectrum costs may be financed through investment programs for the expansion, replacement and maintenance of services and infrastructure of low-income and/or rural telephone networks.

General

Since the enactment of Law 1341, any telecommunications services provider that completes a registration procedure with MINTIC, is allowed to provide telecommunications services and operate networks (other than radio broadcast services but including television services in accordance with Law 1978) under a general habilitation license, or the General Habilitation License. To obtain a General Habilitation License, a telecommunications services provider must file a form including certain technical and corporate information to MINTIC. The information required to be provided varies according to the type of activity proposed to be undertaken. Rights to use the radio spectrum are not included in a general habilitation and must be obtained through a separate procedure described under "—Radio Spectrum and Pricing."

Law 1978 reformed Law 1341, including the television subscription services in the general habilitation regime, and extending the licenses or permits for use of spectrum to a maximum period of 20 years.

Telecommunications services providers that had obtained permits, authorizations, licenses from, and/or entered into concession agreements with, the Colombian government prior to the enactment of Law 1341 and the ICT regime were granted the right to continue to provide services under such prior permits, authorizations, concessions or licenses until its expiration, except as relates to the scope of reversion of assets upon liquidation, as described under "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*". Pursuant to Law 1978, television services providers may continue to provide services under prior permits, authorizations, concessions or licenses until their expiration. As of the date of this Offering Memorandum, regulation for the transition from the prior regime to the new regime has not yet been enacted.

Although the ICT regime allows private entities to provide telecommunications services, the Colombian government reserves the right to impose additional obligations on telecommunications service providers in exceptional circumstances relating to issues of national defense, emergencies, public safety, internal unrest, disaster or similar events. These additional obligations may include making networks and services available to the Colombian government at no cost, and/or the imposition of easements on telecommunications networks and infrastructure, among others.

Regulatory Entities

The following is a brief description of the principal regulatory entities in charge of the design, regulation, operation, surveillance and control of the ICT regime in Colombia:

MINTIC

MINTIC establishes the national policy for ICTs, manages the radio spectrum allotted to Colombia, regulates its use through the ANE, manages the use of the ".co" domain name, manages the national registry of networks and service providers, and establishes the fees to be charged to private entities for the use of radio spectrum and the provision of communications services.

ANE

The ANE is a special administrative unit related to MINTIC and was created under to Law 1341 and regulated by Decree 4169 of 2011. The ANE's purpose is to provide the required technical support to the MINTIC for the management, planning, surveillance and control of the radio spectrum. In this capacity, the ANE performs surveillance and control of the radio spectrum, designs radio spectrum management policies, initiates and carries out investigations relating to violations of regulations applicable to the use of the radio spectrum and imposes related sanctions and orders the ceasing of operations of unauthorized networks, as well as conducting seizures of equipment used in such activities.

CRC

The CRC was created by Law 142 of 1993, as amended, and is also a special administrative unit attached to the MINTIC. The purpose of the CRC is to promote competition within the ICT regime and prevent the abuse of a dominant position in the market, as well as to regulate the market for networks and communications services other than radio broadcast services. The CRC is empowered to issue regulations, including, but not limited to, those relating to:

- antitrust;
- interconnection, access, and use of essential facilities;
- bundled telecommunications and television services;
- compensation for the access and use of networks and infrastructure;
- wholesale prices;
- service quality standards;
- invoicing and collection of payment for the provision of networks and services; and
- dispute resolutions among services providers.

FTIC

The FTIC is a special administrative unit attached to the MINTIC. Its purpose is to finance plans, programs and projects aimed at facilitating universal access to information and communication technologies by all the inhabitants of

Colombia. The FTIC also financially supports the purposes and activities of the MINTIC and the ANE, including funding the improvement of the MINTIC's and the ANE's administrative, technical and operating capacity, the universal services fund and public television content development.

ANTV in Liquidation

Up until 2019, the ANTV was responsible for the allocation of television frequencies in general and the frequencies previously allocated by the ANE for the operation of television service. The ANTV was created under Law 1507 of 2012 to carry out state policy in connection with television in general as a public service, and to adjudicate and grant the concession contracts or licenses for the provision of television services, including broadcast, cable, and direct to home television services, and protecting the interests of television services consumers, among other functions and powers.

However, pursuant to Law 1978 in term, the ANTV was liquidated and all of its regulatory and oversight, surveillance and control functions in terms of content were transferred to the CRC, and the other oversight, surveillance and control functions of the ANTV were transferred to the MINTIC. In addition, all anti-trust and consumer protection responsibilities assigned to the ANTV were transferred to the SIC.

SIC

The SIC has been granted powers by the Colombian government to oversee consumer protection in the provision of telecommunications services, including television services. The SIC is also the national data protection authority and the antitrust authority. Accordingly, the SIC may initiate administrative investigations and impose fines for breaches of applicable antitrust laws and regulations on consumer protection.

Radio Spectrum and Pricing

Granting of Radio Spectrum to Services Providers

Pursuant to the Colombian constitution, radio spectrum is a public resource which cannot be transferred to or acquired by any person, and shall be subject to no encumbrances. Furthermore, the ICT regime does not confer rights to use the radio spectrum. Instead, Law 1341 requires a prior and express permit granted by MINTIC in order to use any radio spectrum.

In Colombia, permits for the use of the radio spectrum are, in most cases, granted solely through a public procurement process in accordance with Law 1341, as modified by Law 1978, Decree 4392 of 2010, Resolution 2118 of 2011 and Resolution 1588 of 2012. Pursuant to Law 1978, television subscription services are included as telecommunications networks and, because of the transition period established under Law 1978, operators that previously had concession contracts for the provision of television subscription services may choose to terminate such concession contracts in order to be included under the general habilitation regime, in line with the more technologically-neutral framework of an open market regulatory regime.

In accordance with the provisions of Law 1978, prior and express permission from the MINTIC is required in order to use the radio spectrum permits or licenses. Furthermore, Article 10 of Law 1978 provides that any grant or renewal of a permit to use a segment of the radio spectrum is subject to certain applicable payments by the permit holder to the MINTIC. In addition, pursuant to Law 1978, up to 60% of spectrum costs may be financed through investment programs for the expansion, replacement and maintenance of services and infrastructure of low-income and/or rural telephone networks. See "*—Regulation of the Colombian Telecommunications Industry—Historical Background*."

In the case of permits relating to the use of radio spectrum for all types of services except international mobile telecommunications and broadcast services (including any radio communication services in which the transmissions are intended for direct reception by the general public, as defined by the International Telecommunications Union), applicable rules are set forth in (i) Resolution 2118 of 2011 ("**Resolution 2118**"), and Resolution 1588 of 2012 ("**Resolution 1588**"), each of which are allocated in accordance with the general rules of Resolution 1588 and of Resolution 2118, and the particular terms and conditions of each auction process. Under Resolution 2118, MINTIC is required to first determine the availability of radio spectrum and then publicly summon interested parties. This summoning must contain information on the type of radio spectrum to be awarded, the specific frequencies and bandwidth available, the relevant geographic location, and the authorized uses and applications. So long as they have not exceeded the limits for radio spectrum assignment as described under "—Antitrust" below, all interested service providers may submit a letter of interest to MINTIC. MINTIC then makes a determination whether there are sufficient interested parties to justify opening the public procurement process for the radio spectrum to be offered.

If MINTIC decides to initiate the process, the interested parties are then required to submit their applications within the established term. MINTIC evaluates each and all of the applications to verify due compliance with regulatory and legal requirements. Following the verification process, MINTIC may grant permits for the use of the offered radio spectrum assuming that no applications coincide for the same frequencies and for the same area of coverage. If this is the case, then

MINTIC determines whether it can assign frequencies that are technically equivalent among the applicants or arrive at an equitable distribution thereof among the applicants. If applicants decline MINTIC's proposal for distributing the allocated radio spectrum, then MINTIC must assign the relevant radio spectrum to applicants that successfully demonstrate their dependence on the radio spectrum for the provision of telecommunications services to the public. The use of the radio spectrum for the provision of services to the public shall prevail over the use of radio spectrum for private purposes. If similarities exist among applicants with respect to the same radio spectrum, then MINTIC will determine the final award through a lottery. Radio spectrum permits granted by MINTIC are awarded for a maximum term of 20 years with the possibility of renewal for an equal term.

Notwithstanding the above, Law 1341 provides an exception to the general rule of assignment through a public procurement process. Accordingly that MINTIC can directly assign a portion of the radio spectrum to a party on a temporary basis whenever (i) such assignment is required in order to guarantee continuity of service, (ii) the party that requests a direct allocation is in full compliance with all of its obligations with the FTIC, and (iii) the concession, license or authorization for the provision of telecommunications services in Colombia issued to such party has not been revoked.

In any case, the use of radio spectrum gives rise to the payment of fees to the FTIC and the MINTIC depending on the amount of radio spectrum granted and effectively used, and is also subject to an additional payment depending on the number of potential users, the expansion plans of the applicant, and the availability (offer and demand of radio spectrum).

Pricing and Payments to the FTIC

Companies that have a General Habilitation License are required to pay quarterly regulatory fees to the FTIC in accordance with MINTIC rules. Such fees are currently set at a fixed amount of 2.2% of the gross income received by the telecommunications services provider for the provision of its network and telecommunication services (including television subscription services), excluding handset sales and advertising income. In addition, a fee of 0.7% of gross revenues from network usage and mobile telecommunications services provided over the mobile network for the use of radio spectrum, in accordance with Resolution 597 of 2014. On June 1, 2020, the Colombian government issued the Resolution 903, decreasing the fixed amount to 1.9%, starting on July 1, 2020.

The compensation payable for the use of radio spectrum other than for international mobile telecommunications is determined by MINTIC in Decree 1161 of 2010, Resolution 290 of 2010, as amended, Resolution 2877 of 2011, as amended and Resolution 903 of 2020. To calculate the amount payable, MINTIC must take into account among other criteria, the assigned bandwidth, the number of potential users, the availability of the service, any expansion plans, geographic coverage, demand for the radio spectrum and its availability, and any other technical parameter that the MINTIC and the authorities may find useful to determine the amounts that the FTIC would receive as a compensation for the use of the radio spectrum. Companies that provide telecommunications services are also required to pay to the CRC up to 0.15% of the gross income received from telecommunications services provided, to compensate for the regulatory services provided by the CRC.

Mobile Telecommunications Frequency Bands

The Colombian National Table of Frequency Attributions (*Cuadro Nacional de Atribución de Bandas de Frecuencias*), adopted by the MINTIC, specifies the frequencies that can be used in the operation and supply of telecommunications services, and regulations issued by the ANE set the ranges and the technical characteristics in which specific telecommunication services may be provided.

The following tables show the radio spectrum assigned to each telecommunications service provider by frequency bands.

700 MHz

Service Provider	**Assigned Frequency**	**Band**
Colombia Móvil (under the *Tigo* brand)	703 MHz – 723 MHz paired with 758 MHz – 778 MHz	700 MHz
WOM	723 MHz – 733 MHz paired with 778 MHz – 788 MHz	700 MHz
Claro Colombia	733 MHz – 743 MHz paired with 788 MHz – 798 MHz	700 MHz

800 MHz

Service Provider	**Assigned Frequency**	**Band**
Claro Colombia	824 MHz – 835 MHz paired with 869 MHz – 880 MHz	850 MHz

700 MHz

Service Provider	Assigned Frequency	Band
Telefónica Colombia	836.5 MHz – 849 MHz paired with 881.5 MHz – 894 MHz	850 MHz

1900 MHz

Service Provider	Assigned Frequency	Band
Claro Colombia	1850 MHz – 1865 MHz paired with 1930 MHz – 1945 MHz	1900 MHz
Telefónica Colombia	1867.5 MHz – 1882.5 MHz paired with 1947.5 MHz – 1962.5 MHz	1900 MHz
Colombia Móvil (under the *Tigo* brand)	1882.5 MHz – 1910 MHz paired with 1962.5 MHz – 1990 MHz	1900 MHz

2500 MHz

Service Provider	Assigned Frequency	Band
WOM	2515 MHz – 2525 MHz paired with 2635 MHz – 2645 MHz	2.5 GHz
Claro Colombia	2525MHz - 2565 MHz paired with 2645MHz – 2675MHz	2.5 GHz
DirecTV	2555 MHz - 2570 MHz paired with 2675MHz – 2690 MHz 2575MHz - 2615 MHz	2.5 GHz

AWS

Service Provider	Assigned Frequency	Band
ETB-Colombia Móvil Consortium	1740 – 1755 MHz paired with 2140 – 2155 MHz	AWS
Telefónica Colombia	1725 MHz – 1740 MHz paired with 2125 MHz – 2140 MHz	AWS
Avantel	1710 – 1725 MHz paired with 2110 – 2125 MHz	AWS

Interconnection

Resolution 3101 of 2011 (which was included in Compilatory Resolution 5050 of 2016) issued by the CRC establishes the legal framework for the access, use and interconnection of telecommunications networks in an environment of technological convergence.

Pursuant to Law 1341, the CRC has issued regulations with respect to consumer protection. The main rules are provided in Compilatory Resolution 5050 of 2016 as amended, or the general telecommunications consumer protections framework.

The general telecommunications consumer protection framework establishes that all networks and telecommunications services providers have the right to request and to be provided with interconnection from other telecommunications services providers with the purpose of guaranteeing networks, services and applications to function across platforms. However, telecommunications services providers that allow other telecommunications services providers to connect to their networks are entitled to an interconnection fee. Network operators are free to determine this fee among themselves, subject to the limits set by the CRC and the principle of efficient costs. If telecommunications services providers are unable to reach an agreement, the CRC may impose the interconnection terms in accordance with applicable regulations. The limits on interconnection fees set by the CRC have been decreasing in recent years for both voice and SMS services. In addition, Resolution 4458 of 2014 grants content providers and SMS applications the right to access the network and to charge for such access in accordance with the provisions of Resolution 3501 of 2011.

Furthermore, regulatory wholesale rates were established to provide access and/or interconnection between networks for services and network elements that are considered essential by the CRC, including mobile traffic between networks and the provision of network access for national roaming and/or for MVNO.

Infractions and Sanctions

The MINTIC has the authority to impose sanctions, including warnings, fines, suspension of activities and termination of concessions, licenses, permits or authorizations. Any sanction imposed by the MINTIC is subject to judicial review. Law 1341 specifies certain causes for the termination of a license, permit or authorization, including, among others:

- breaches of confidentiality with respect to communications;
- failure to pay required fees to the FTIC, as set forth in the respective license, permit or authorization;
- unauthorized use of radio spectrum;
- failure to comply with quality standards of service as set forth by applicable regulations;
- failure to comply with certain technical requirements; failure to comply with standards quality of service as set forth by applicable regulations; and
- any practice that adversely affects the environment, the radio spectrum, rights of other telecommunications services providers or public health.

Consumer Protection Laws

Pursuant to Law 1341, the CRC has issued regulations with respect to consumer protection. The main rules are provided in Compilatory Resolution 5050 of 2016 as amended, or the general telecommunications consumer protections framework. Compilatory Resolution 5050 sets forth the rights and duties of the users and telecommunications services providers, including fixed-line and mobile telephone, internet and data services. In particular, telecommunications services providers are required to, among others:

- provide adequate information to users about, among other aspects, the applicable terms and conditions of contracted services, prices, invoicing methods, and the users' rights;
- include specific provisions in the user's service agreements, such as invoicing policies, price of the services and form of payment and conditions for assignment and termination of the services contract;
- comply with a strict invoicing and pricing regulatory framework; and
- establish a consumer complaint system including the means to receive and process submitted complaints by online, remote and in-person means.

The SIC has been granted powers by the Colombian government to oversee consumer protection in the provision of telecommunications services. Accordingly, SIC may initiate administrative investigations for breaches of applicable regulations pertaining to users' rights, including for television services.

The CRC has launched regulatory programs for the deployment of innovative technologies and services for the benefit of costumers, called regulatory sandboxes. The scope of these so-called sandboxes is to analyze the impact and development of disruptive tools or mechanisms for the attention of the consumer's needs, interactions, petitions and even complaints, as well as to analyze the implementation of new and cheaper technologies to deploy coverage in rural areas where some of the regulatory duties increase the deployment and operational costs.

Antitrust

As a result of the exercise of MINTIC's powers over the radio spectrum, regulations have been issued to impose limits on the maximum amount of radio spectrum that a single operator of certain services or using a certain range of frequencies can be awarded. See "—*Radio Spectrum and Pricing*." Pursuant to Decree 2194 of 2017, the maximum amount of radio spectrum for the provision of mobile telecommunications services was set at 90 MHz per provider for high bands (between 1710 MHz and 2690 MHz) and 45 MHz for the low bands (between 698 MHz and 960 MHz).

In addition, the CRC is in charge of promoting fair competition between the service providers and regulating the market, thus it is empowered to issue regulations designed to protect competition. The CRC is also empowered to intervene in the telecommunications market by issuing general or special regulations whenever there is monopolistic conduct regarding tariffs, interconnection, access to essential installations and infrastructure, and to prevent and correct market failures. Some of the scenarios in which the CRC may intervene in the market to guarantee fair competition environment include:

- defining relevant markets in the telecommunications sector and identifying companies with dominant position in those markets for purposes implementing market-specific regulations to promote fair competition;
- requiring telecommunications services providers to submit periodic information concerning their market share and technical and operational information;
- regulating prices in the relevant markets in the fixed and mobile voice services;
- specifying essential telecommunications facilities and the conditions for access thereto, as well as networks interconnection; and
- regulating assignment and use of numbering and signaling resources.

The CRC may declare a market participant as having a "dominant position" if it has the ability to set the conditions of a market, regardless of the ability of consumers or competitors to contest its actions. There is market share threshold at which dominance is present or presumed. Furthermore, Colombian law establishes that if a market participant (including in the telecommunications services market) has a dominant position, then it may be prohibited from undertaking certain actions that would be permissible to participants with a smaller market share. The CRC has express powers to determine if a company in the telecommunications sector has a dominant position, and subsequently require them to comply with special obligations, as determined on a case by case basis.

Pursuant to Colombian antitrust laws and although the CRC responsibilities outlined above, the SIC is the only agency authorized by Colombian law to investigate, sanction and impose penalties for antitrust breaches, and to authorize mergers and acquisitions.

Potential Regulatory Developments

The CRC has disclosed its regulatory agenda for 2020, which includes the following projects:

- digitalization of the regime for protection of the rights of users of communications services;
- adoption of a regulatory program for innovation in telecommunications services;
- review of the access, use and interconnection regime;
- infrastructure sharing of other services in the provision of telecommunications services;
- review of regulatory conditions for adopting 5G networks; and
- review of the provision of the national automatic roaming service.

For more information on recent regulatory developments, see "*Risk Factors—Risks Relating to Our Business and the Colombian Telecommunications Industry.*"

Regulatory Developments due to COVID-19

Due to the COVID-19 outbreak, the Colombian government has issued several specific decrees and resolutions in for the telecommunications industry. The following are the most relevant of such regulations:

Decree 540 of 2020.

The MINTIC issued the Decree 540 on April 13, 2020, adopting the following measures to expand access to telecommunications during the health emergency (and according to Resolution 844 of 2020 issued by the Ministry of Health, the national health emergency will continue until August 31, 2020):

- Expedited approval process for requests for deployment of telecommunications infrastructure. The competent public or private entities shall respond to requests for deployment of telecommunications infrastructure (construction, connection, installation, etc.) within 10 days following the request date. If there is no response within this period, positive administrative silence will operate, and its effects must be recognized by the entity within the following 72 hours.

- VAT exemption. Mobile voice and data plans where the price does not exceed two Tax Value Units (COP$71,214 approx. U.S.$18.50), will be exempted from VAT (19%) during the four months following the issuance of the Decree. This exemption must be reflected in the billing to each user.

Decree 555 of 2020.

MINTIC issued Decree 555 on April 15, 2020, setting forth the following measures during the health emergency caused by COVID-19:

- Radio, television and postal services are essential public services and cannot be suspended during the state of emergency.
- Protective measures for users of mobile phone services (voice and data), including an extra 30-day period for payment of bills, as well as some services that must be guaranteed even after these 30 days (e.g. 200 free text messages, free navigation in 20 URLs, among others).
- There is also added free navigation in the education website that will be provided by the Ministry of National Education and the MINTIC for mobile phone services worth no more than COP$71,214 (approx. U.S.$17.60).
- Companies that provide e-commerce and shipping services and logistics operators must give priority to sending products and services requested online that include food, beverages, basic needs products and goods, pharmaceuticals, medical products, optics, orthopedic products, cleaning and hygiene products, pet food and medicine, and devices that allow access to telecommunications (telephones, computers, tablets, televisions).
- CRC will define the rules and events in which telecommunications network and service providers (TNSPs), which provide internet connection services, subject to the needs generated by increases in traffic on the networks and greater demands for service, may prioritize user access to content or applications related to health services, government and public sector pages, work activities, education and the exercise of fundamental rights.
- Video-on-demand services on internet will prioritize the transmission of their content in standard definition format, i.e. not high definition or higher.
- Payment deadlines for fees paid by TNSPs, concessionaires, postal operators and holders of permits for the use of scarce resources to the Fund for Information and Communication Technologies will be suspended until May 30, 2020.
- Compliance with the quality regime and other obligations of TNSPs and postal services will be flexible, if they do not constitute essential elements for the provision of the service.
- CRC may directly assign SMS/USSD short codes to government entities as a mechanism for communication, registration and activation of beneficiaries to be used exclusively by the government entity through the PRSTs, without these entities having to register as PRSTs or content and application providers.

Resolution 903 of 2020.

MINTIC issued Resolution 903 of June 1, 2020, by which it reduces the periodic fee paid by TNSPs from 2.2% to 1.9% as of June 1 to protect jobs, improve competitiveness and investment in the sector. Nonetheless, such resolution warns that MINTIC may review at any time the behavior of the gross revenues of the TNSP's and will modify the single periodic payment in accordance with variations in market behavior.

Regulation of the Colombian Television Industry

General

As described above, television services are included in the general habilitation regime established pursuant to the ICT regime and Law 134, as amended by Law 1978. The television industry laws categorize the industry into: (i) free-to-air broadcast television and (ii) television subscription service (including cable television and satellite television or any other technologies such as IPTV).

As a general rule, the provision of television services in Colombia required a license or a concession agreement executed with the ANTV (former Television authority). As of 1998, free-to-air broadcast television services could be provided by private companies selected after a public bidding process, pursuant to Law 182 of 1995. In 1997, the CNTV, as the predecessor of the ANTV, granted two concession contracts for the provision of television broadcast service at the national level. The CNTV also regulated the provision of the free-to-air television broadcast service at the local level, and the provision of television subscription services. Providers of television services at both the national and the local level are required to comply both by contract and by way of general regulation with different content, programming, technical, tariffs, and operational obligations.

In 1996, there were 10 television subscription providers in Colombia. By 1999, through the granting of concessions between 1996 and 1999, the number of television subscription providers had increased to 106. However, this number was reduced to 59 licenses by 2008 and 49 licenses by 2010, due to certain corporate reorganizations and the implementation of the Normalization Plan (*Plan de Normalización*), which was implemented between 1996 and 2002, for the purpose of standardizing television subscription services and to allow the CNTV to collect fees from subscribers and protect copyrights.

Regulatory Entities

In accordance with Law 1507 of 2012 and Law 1978, the key governmental agencies charged with the design, regulation, operation, surveillance and control of the television industry in Colombia are described below.

MINTIC

The MINTIC is responsible for the allocation of television frequencies in general and the frequencies previously allocated by the ANE and later the ANTV for the operation of television service.

CRC

In addition to its powers in connection with the ICT regime, the CRC has the power to, among other things, regulate the operation and provision of television services, as well as set forth the conduct that constitutes a breach to the rights of viewers or affects free competition.

SIC

With respect to the television sector, SIC is in charge of, among other functions:

- investigating and imposing sanctions on television services providers for the violation of the antitrust regime;
- authorizing the merger among commercial broadcast television providers holding concessions for public national free-to-air services; and
- issuing regulations for bundled telecommunications and television services.

ANE

In addition to the functions mentioned above in connection with the ICT regime, the ANE has the following functions with respect to television services:

- issuing regulations for the use of the radio spectrum used by television services providers of incidental signals (*señales incidentales*);
- regulating the use of the radio spectrum allocated to television services, including allocation of its use;
- defining technical standards for networks;
- designing and implementing research, knowledge and education programs with respect to the spectrum;
- determining the radio spectrum bands intended for television services and record-keeping with respect to frequencies that can be used to provide television services; and
- taking measures when there is an illegal occupation of the radio spectrum with respect to the provision of television services.

Pricing

Pursuant to Law 1978 of 2019, the MINTIC may set the amounts that concessionaires are required to pay as consideration for awarded concessions, the use of the radio spectrum and the economic exploitation of such concessions.

Regulations currently in force in Colombia provide that television subscription service providers, including satellite television subscription service providers, must pay monthly regulatory fees in an amount equal to: (i) the number of subscribers during the previous month multiplied by (ii) the monthly tariff per subscriber.

Infractions and Sanctions

The MINTIC and the CRC are responsible for the regulation, direction, management, imposing of sanctions and control of television services in Colombia and have the authority to impose sanctions, including warnings, fines, suspension of activities, and termination of the relevant concession. The list below sets forth certain causes for the imposition of sanctions:

- breaches of the legal and regulatory regimes pertaining to protection of competition, media pluralism and prevention of monopolistic practices;
- participation in activities or arrangements, which (i) are contrary to free and fair competition, (ii) result in the concentration of ownership or informational power in television services, (iii) result in a dominant market position or (iv) constitute monopolistic practices in the use of the radio spectrum and the provision of the television service;
- breach of the constitutional and legal provisions which specifically protect the rights of families and children;
- unauthorized reception or distribution of the satellite television signals; and

failure to comply with the obligations for television service providers established in applicable laws and regulations.

Consumer Protection Laws

Pursuant to Law 1978, the ANT was eliminated and its functions with respect to protecting the interests of consumers of television services were transferred to the CRC and the Superintendency of Industry and Commerce. The ANTV has the power to protect the interests of consumers of television services.

BUSINESS

Overview of Our Company

We are a full-service telecommunications provider offering a range of integrated telecommunications services including fixed-line, mobile, data transmission (including broadband access, mobile internet connectivity and value-added services) and television subscription services throughout Colombia. We believe we are the second-largest integrated fixed-line and mobile telecommunications provider in Colombia in terms of subscribers and revenues, based on information available from the MINTIC and SIC as of December 31, 2019 and the information available from the ANTV as of June 30, 2019. As of December 31, 2019, we operated the largest fixed-line network in Colombia in terms of number of municipalities we service, according to information available from the MINTIC. We are an indirect subsidiary of Telefónica, one of the world's largest telecommunications company in terms of market value. Our relationship with Telefónica benefits us through the use of Telefónica's internationally recognized *Movistar* brand, present in 10 Spanish-speaking countries, including Colombia, and through access to Telefónica's industry experience, economies of scale, synergies, strategic initiatives and technical expertise.

We serve residential customers, small, medium and large companies and governmental agencies. As of March 31, 2020 and December 31, 2019, we had 15,913,964 and 16,080,371 mobile subscribers, respectively, 1,482,724 and 1,487,739 fixed lines in service, respectively, 1,167,769 and 1,163,237 internet subscribers, respectively, and 532,464 and 528,128 television subscribers, respectively. As of December 31, 2019, we had a market share in Colombia of 24.3% for mobile services, 20.3% for fixed-line services and 16.7% for internet broadband services and, as of June 30, 2019, we had a market share in Colombia of 9.2% for television subscription services, according to the MINTIC and the ANTV. We offer all of our telecommunications services under the *Movistar* brand.

As of March 31, 2020, we had total assets of COP$14,023,613 million (U.S.$3,458.7 million), and total equity of COP$4,933,252 million (U.S.$1,216.7 million). For the three-month period ended March 31, 2020, we had operating income of COP$1,322,708 million (U.S.$326.2 million), net loss of COP$107,588 million (U.S.$26.5 million), and Consolidated EBITDA of COP$341,632 million (U.S.$84.3 million). As of December 31, 2019, we had total assets of COP$13,276,901 million (U.S.$3,274.6 million), and total equity of COP$6,613,292 million (U.S.$1,631.1 million). In 2019, we had operating income of COP$5,691,014 million (U.S.$1,403.6 million), net income of COP$23,431 million (U.S.$5.8 million), and Consolidated EBITDA of COP$1,914,811 million (U.S.$472.3 million). In 2018, we had operating income of COP$5,470,666 million (U.S.$1,349.3 million), net income of COP$388,912 million (U.S.$95.9 million), and Consolidated EBITDA of COP$1,833,871 million (U.S.$452.3 million).

Mobile Telecommunications Services

We offer mobile voice and data services under a variety of rate plans to meet the needs of different user segments. The rate plans are either "pre-paid," where the customer pays in advance for a specific amount of voice services, SMS, data and other value added services, including international minutes or video streaming services such as *Movistar Play*, that may be used over a specified period, or "post-paid," where the customer is billed on a monthly basis for services provided during the previous month. As of December 31, 2019, pre-paid subscribers represented approximately 74.6% and post-paid subscribers represented 25.4% of our total mobile services subscribers, and we had the largest percentage of post-paid subscribers to total mobile subscribers among telecommunications providers in Colombia, according to information available from the MINTIC. Migrating pre-paid subscribers to post-paid plans is one of our primary strategies to add value to our subscriber base and to grow our post-paid subscriber base without adding significant credit risk. Our marketing strategy for pre-paid plans promotes the recurrent use of voice, SMS, and data services with integrated plans that are automatically activated upon payment by the subscriber, which helps familiarize the subscriber with the operation of a post-paid plan for potential migrations to post-paid plans.

Currently, our post-paid subscribers generate significantly higher revenue than our pre-paid subscribers and have a lower churn rate. As of March 31, 2020 and December 31, 2019, ARPU from our pre-paid subscribers was COP$2,982 (U.S.$0.74) and COP$3,024 (U.S.$0.74), respectively, while ARPU from our post-paid subscribers was COP$40,028 (U.S.$9.9) and COP$41,354 (U.S.$10.2), respectively. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of our post-paid subscribers was 1.8% and 1.7% respectively, compared to 3.6% and 3.6% respectively, for our pre-paid subscribers.

Through our mobile telecommunications business, we provide numerous data services, including messaging services, wireless internet services and value-added services. Our messaging services, which have experienced significant traffic growth in recent years, include SMS and MMS. Our wireless internet services include mobile broadband, which allows our customers to access the internet from a laptop or desktop computer using USB broadband cards, and SIM cards to connect tablets or other mobile devices to our wireless network. Our value-added services include e-mail and entertainment content downloads. We hold licenses to operate wireless networks in all geographic regions in Colombia using both the 850 MHz and 1900 MHz radio spectrums to operate our 2G and 3G networks, and the AWS band (1710 to 1755 MHz paired with 2110 to 2155 MHz) to operate our 4G network. Our mobile services are based on GPRS, EDGE, UMTS, HSPA, HSPA+ and LTE technologies.

For the three-month period ended March 31, 2020, we derived COP$760,453 million (U.S.$187.6 million) of our operating income from mobile services, representing 59.0% of our operating income in such period. For the years ended December 31, 2019 and 2018, we derived COP$3,093,130 million (U.S.$762.9 million) and COP$3,060,486 million (U.S.$754.8 million), respectively, of our operating income from mobile services, representing 60.0% and 59.8% of our operating income in such periods, respectively.

Fixed-Line Telecommunications Services

Our fixed-line telecommunications business includes domestic and long-distance telephone services, network usage services (interconnection), high-speed data transmission and internet services and public telephones. As of December 31, 2019, we operated the largest fixed-line network in Colombia in terms of number of municipalities we service, representing 49% of the total municipalities in Colombia, according to information available from the MINTIC. As of December 31, 2019, we had 1.2 million fixed lines in service and a 20.3% market share, according to information available from the MINTIC. We offer a variety of high-speed data transmission services, including broadband services, primarily utilizing fiber optic and ADSL2+ technology. We had approximately 1.1 million internet subscribers and a market share of 16.7%, according to information available from the MINTIC as of December 31, 2019.

We also own and operate a nationwide fiber optic network, consisting of approximately 11,135 km of fiber optic as of March 31, 2020. In addition, we have an IP MPLS core network that utilizes internet access technologies such as broadband ADSL2+ and GPON for our fixed-line operations. We have access to five international submarine connection points located in the Atlantic Ocean, two of which are landing points. As of March 31, 2020, 21% of our broadband network was in FTTH and 68% of the our customers on FTTH include IPTV services.

Through Telebucaramanga, we have consolidated our leadership position in Santander, Colombia, with a market share in the local fixed-line and internet services of 43.5% and 55.2%, respectively, as of December 31, 2019. As of March 31, 2020, we achieved 16% growth with respect to 2019 in new household fiber optic internet connections with a volume of 241,489 approved homes, increasing total internet connections with fiber optics in 2018 by 127% as of December 31, 2019, with a volume of 208,323 approved homes. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of ADSL services was 3.2% and 3.1% respectively, and the average churn rate of our FTTH services was 2.1% and 2.2% respectively.

For the three-month period ended March 31, 2020, we derived COP$529,135 million (U.S.$130.5 million) of our operating income from fixed-line services, representing 41.0% of our operating income in such period. For the years ended December 31, 2019 and 2018, we derived COP$2,066,051 million (U.S.$509.6 million) and COP$2,055,849 million (U.S.$507 million), respectively, of our operating income from fixed-line services, representing 40.0% and 40.2%, respectively, of our operating income in such years.

Television Subscription Services

We offer satellite television subscription services, through which we offer a selection of 138 channels, of which 53 are HD channels. We offer basic subscription packages as well as a variety of premium packages, allowing subscribers to tailor the content to their individual preferences. We also offer satellite television subscription as part of an integrated package of services designed to attract and retain customers seeking to subscribe to a single provider for all of their telecommunications needs. As of June 30, 2019, we had approximately 544,556 television subscribers and, according to information available from the ANTV as of June 30, 2019, a market share of 9.2%. In addition, as of March 31, 2020 and December 31, 2019, the average churn rate of television subscription services was 3.2% and 3.5%, respectively.

In recent months, we have continued to expand our television subscription service, and particularly our HD channel offerings. In 2019, we launched our IPTV service for our FTTH customers and, as of March 31, 2020, we had approximately 110,385 IPTV subscribers. As of December 31, 2019, we derived COP$383,266 million (U.S.$94.5 million) of our operating income from television subscription services, representing 7.4% of our operating income in such period.

Telecommunications Industry in Colombia

Colombia's telecommunications sector has experienced growth consistent with the expansion of telecommunications services around the world. In recent years, the rate of revenue growth in the Colombian telecommunications industry has exceeded the rate of growth of Colombia's GDP. From 2006 to 2019, the telecommunications sector accounted for more than 1.0% of Colombia's GDP, according to the DANE, and Colombia's telecommunications sector grew at a CAGR of 5.2% from

2006 to 2019 according to the DANE, compared to a 3.9% CAGR of Colombia's GDP during the same period. In the information available for the first quarter of 2020, the added value of the telecommunications sector, grew 4.5% in its original series, compared to the same period in 2019; also, the added value fell 0.1%, compared to the immediately previous quarter. For which, the information and communications sector accounted 2.8% of Colombia's GDP for the first quarter of 2020, according to the DANE.

Although the Colombian telecommunications industry is highly concentrated with a few service providers, it remains open to competition and new market participants. For example, Partners is expected to enter the Colombian mobile services sector in 2020 through a 4G network auction held by the Colombian government. Over the last decade, the Colombian telecommunications market has undergone consolidation through mergers, acquisitions and privatizations of government-owned service providers. See "*The Colombian Telecommunications Industry—The Colombian Mobile Telecommunications Industry—Major Competitors in Mobile Telecommunications in Colombia.*"

Other than our Company, which operates under the *Movistar* brand, the main providers of telecommunications services in Colombia are (i) Claro Colombia, a subsidiary of America Móvil, which operates under the *Claro* brand, and (ii) Colombia Móvil, which operates under the *Tigo* brand. We estimate that we, Claro Colombia and Colombia Móvil generated 77% of the revenues for the Colombian telecommunications services sector as of December 31, 2019, individually generating 19%, 39% and 19%, respectively. Certain operators, such as DirecTV, Avantel and ETB, were granted a 4G spectrum in the 2013 auction and are now offering mobile services. Each of DirecTV, Avantel and ETB has deployed networks and launched new offers to the Colombian market. Such services and products are tailored to specific market segments; DirecTV focuses on its 1.1 million television subscribers, Avantel focuses on its corporate and B2C subscribers, and ETB focuses on its 1.0 million fixed-line telecommunications customers in Bogotá and its surrounding municipalities. Additionally, Partners is expected to enter the market after being awarded with 750 MHz and 2.5 GHz in the December 2019 spectrum auction, which is expected to further enhance the competitive landscape in the telecoms market in Colombia. In addition to these operators are the MVNOs, which are mobile operators that do not own their own spectrum and generally do not own any network infrastructure, but instead typically enter into business arrangements with traditional mobile operators to buy services for sale to their own customers. Beginning in 2012, five MVNOs operated in Colombia, consisting of (i) UFF, (ii) Exito, (iii) Flash, (iv) Suma, and (v) Virgin Mobile. On July 27, 2018, UFF announced it had ceased operations. Exito, Flash and Suma use the Tigo network, while Virgin Mobile uses our network. These four MVNOs have collectively captured 7.2% market share of mobile subscribers as of December 31, 2019, as compared to 5.5% market share captured by Exito, UFF and Virgin Mobile as of December 31, 2015, according to the MINTIC. As of December 31, 2019, Virgin Mobile, the largest MVNO which operates through our network, captured 4.5% of the mobile market in terms of subscribers.

The growth of the mobile services sector and internet services have been the key drivers of growth in the Colombian telecommunications industry as a whole. Internet and broadband access services in Colombia have significantly increased in recent years from 31.4% of households in 2012 to 46.8% as of December 31, 2019, according to information available from the MINTIC and DANE, which we believe is primarily due to increased availability of personal computers in Colombia, increased competition among internet providers and the efforts of the Colombian government to promote the access and use of internet technologies.

The mobile services industry has also experienced significant growth in recent years, increasing from 50.3 million subscribers and a penetration rate of 106.1% in 2013 to 66.3 million subscribers and a penetration rate of 130.9% in 2019, according to information available from the MINTIC and DANE. The penetration rate for mobile services is expected to increase by 3.0% from 2019 to 2022, according to information available from Global Data as of March 2018, not including the impact of the 700 MHz auction which resulted in the entry of WOM. However, we do not expect penetration growth will necessarily be higher due to the entry of WOM because the penetration rate is estimated to be relatively high (expected to reach 124% in 2022, according to Global Data) and we believe it is most likely that WOM's customers will come mainly from other operators, not from higher penetration. Penetration rates can reach more than 100.0% due to individuals using more than one phone and *smishing*. The increase in mobile penetration and competition from other telecommunication services has led to traffic migration from fixed-line traffic to mobile traffic and the substitution of mobile services for fixed-line services. However, as result of COVID-19, we have recently experienced a strong demand for our fixed broadband services due to its connectivity for both home office and home entertainment, showing an increase in traffic levels.

In addition, the television subscription service also shows significant growth, increasing from 4.7 million subscribers in 2013 to 5.9 million as of June 30, 2019, and penetration in such market grew steadily from 35.5% in 2013 to 40% as of June 30, 2019, according to information available from the ANTV and DANE. The fixed-line services sector has remained stable since 2013 with approximately 7.1 million customers. However, household penetration for this service has decreased by 7.6%, from 54.3% in 2013 to 47.2% as of December 31, 2019, according to information available from the MINTIC and DANE.

For more detailed information regarding the Colombian telecommunications industry, see "*The Colombian Telecommunications Industry*" elsewhere in this Offering Memorandum.

2017 Capitalization

During 2017, our shareholders authorized the increase of our share capital in an amount of COP$1,634,103 million (U.S.$403.0 million) on August 29, and in an amount of COP$4,800,966 million (U.S.$1,184.1 million) (excluding transaction costs) subsequently, on September 27, to strengthen our financial condition. In connection with these capital increases, we issued a total of 1,454,870,740 new common shares, which where subscribed by Telefónica and the Republic of Colombia in proportion to their share ownership at the time. Telefónica paid for the shares it subscribed in cash (COP$4,355,085 million), while the Republic of Colombia assumed 32.5% of our payment obligations both in connection with arbitration award issued in the arbitration initiated by the MINTIC against us with respect to the reversion of certain assets (see "*Business—Legal Proceedings—Proceedings in Connection with the Reversion of Assets*") and the PARAPAT Termination Agreement. We used the cash proceeds we received from Telefónica to pay the remaining portion of the arbitration award relating to the reversion of assets not assumed by the Republic of Colombia, and to pay to PARAPAT all amounts due under the PARAPAT Agreement.

Termination of the PARAPAT Agreement

Following negotiations with the Colombian government on September 16, 2017, we executed the PARAPAT Termination Agreement with PARAPAT, pursuant to which Telefónica agreed to pay 67.5% of the outstanding balances under the PARAPAT Agreement and the Republic of Colombia assumed the obligation to pay the remaining 32.5% of the outstanding balances under the PARAPAT Agreement and agreed to release us from any and all payment obligations in favor of PARAPAT. See *"—Our History*."

On September 16, 2017, Telefónica paid, and the Republic of Colombia assumed, the required obligations pursuant to the PARAPAT Termination Agreement. Since such date, neither we nor Telefónica have any outstanding obligations under the PARAPAT Agreement. The PARAPAT Termination Agreement also established the terms and conditions under which PARAPAT would transfer the assets and rights derived from the PARAPAT Agreement to us, including (i) the shares of the capital stock of Metrotel and Telebucaramanga owned by PARAPAT, (ii) movable assets and telecom elements and networks, (iii) intellectual property rights, (iv) the rights and obligations derived from the liquidation process of TC USA LLC, (v) possessory rights (*derechos de posesión*), (vi) real estate, and (vii) improvements. As of the date of this Offering Memorandum, other than real estate property subject to the PARAPAT Agreement, all rights and assets subject to the PARAPAT Agreement have been transferred to us. The transfer of real estate property subject to the PARAPAT Agreement was subject to special transfer procedures and formalities. As of the date of this Offering Memorandum, the transfer of three real estate properties is pending resolution of ongoing judicial and administrative proceedings. However, since the execution of the PARAPAT Termination Agreement, we hold physical possession of such properties. We expect that the transfer of such properties will be completed upon final resolutions on the pending judicial and administrative proceedings.

Consolidation and Merger of Telebucaramanga and Metrotel

On September 27, 2017, we acquired a 94.8% equity interest in Telebucaramanga and an 87.45% equity interest in Metrotel. Subsequently, in 2019, we acquired an additional 5.19% equity interest in Telebucaramanga, and an additional 12.52% equity interest in Metrotel. As of March 31, 2020, we owned 99.99% of the total capital stock of Telebucaramanga and 99.97% of the total capital stock of Metrotel.

Since these acquisitions, we achieved: (i) the operational integration of Telebucaramanga and Metrotel without affecting the services provided, (ii) the integrated management of internal processes, and (iii) the unification of the brand and services offered. As a result of the operational integration with Telebucaramanga and Metrotel, we have been able to strengthen our leadership position with respect to broadband services in the locations of Bucaramanga and Barranquilla. The final step for the integration of Telebucaramanga and Metrotel was the merger of these subsidiaries with and into the Issuer, with the Issuer as the surviving entity. This merger was approved by our shareholders and the shareholders of each of Metrotel and Telebucaramanga on August 28, 29 and 30, 2019, respectively, and the noteholders of our COP-denominated bonds approved the merger on October 9, 2019. The merger was approved by the SFC on May 10, 2020, and the amendment to our bylaws reflecting the merger was formalized by means of a public deed dated May 27, 2020. Pursuant to the authorization of the SFC, the merger was deemed effective as of May 28, 2020, the date on which the public deed amending our bylaws was registered before the Commercial Registry of Chamber of Commerce of Bogotá.

Telefónica's New Action Plan

On November 27, 2019, the Board of Directors of Telefónica approved a new strategic action plan that is expected to serve as a catalyst for Telefónica's transformation and that will be implemented around five strategic decisions, which include, among others, an operational spin-off of its businesses in Latin America (excluding Brazil). According to Telefónica, this initiative will include the creation of a unit that brings together the businesses of Telefónica in Spanish-speaking Latin American countries where it currently operates, and which will have a specific and dedicated management team. Telefónica expects the new unified structure to attract investors and obtain potential synergies with other market agents, with a focus on guaranteeing and maximizing the service that Telefónica offers to its customers.

On March 31, 2020, Telefónica and Telefónica Latinoamérica Holding S.L. entered into a stock purchase agreement to transfer 269,339,586 and 1,756,837,597, respectively, of our common shares to Latin America Cellular Holdings S.L., a wholly-owned subsidiary of Telefónica that already held 8.0% of our capital stock. The transfer was perfected on May 7, 2020.

Our Strengths

We believe the following are our competitive strengths:

Integrated, diversified and complementary portfolio that limits volatility. We believe we are the second-largest integrated fixed-line and mobile telecommunications provider in Colombia in terms of subscribers and revenues, with a market share of 22.3% with respect to revenues, based on information available from the MINTIC as of December 31, 2019 and from the ANTV as of June 30, 2019. We offer our customers a broad range of telecommunications products and services under the *Movistar* brand, including fixed-line telecommunications, mobile telecommunications, broadband services and television subscription in integrated service packages. We have increased our revenues in recent years through growth in our internet broadband, data transmission, television subscription and mobile voice and data business segments, even as the market for fixed-line telecommunications services has contracted according to the MINTIC. For example, our operating income from data transmission services in connection with our fixed-line services and satellite television services grew from COP$887,083 million (U.S.$218.8 million) and COP$310,021 million (U.S.$76.5 million), respectively, in 2018 to COP$896,211 million (U.S.$221.0 million) and COP$383,266 million (U.S.$94.5 million), respectively, in 2019, while our operating income from our mobile segment grew from COP$3,060,486 million (U.S.$754.8 million) in 2018 to COP$3,093,130 million (U.S.$762.9 million) in 2019. As of December 31, 2019, our internet broadband network reached over 265 municipalities in Colombia, representing over 23.0% coverage based on municipalities served. In addition, our high quality television subscription services have allowed us to capture a market share of 9.2% as of June 30, 2019, according to information available from the ANTV.

We are able to offer bundled packages, with double-play plans including broadband and PayTV services, and triple-play plans including broadband, fixed line and PayTV services. Bundled plans are designed to meet customers' needs, supplementing a successful wireless strategy to provide a comprehensive integrated product offering for a growing customer base. We believe the offering of integrated service packages and the consolidation of our mobile services offerings result in greater customer loyalty and, consequently, a decrease in churn rates. As an integrated service provider, we also benefit from synergies that lead to reductions in operating costs and investments.

Diverse spectrum portfolio. We have a diverse and complete band portfolio that allow us to have efficient bit rates. We have licenses to use a total of 25 MHz in the 850 MHz band, 30 MHz in the 1900 MHz band and 30 MHz in the AWS band (1710 to 1755 MHz paired with 2110 to 2155 MHz). We believe our low band portfolio gives us an advantage in low traffic areas (such as rural zones), as low bands between 698 MHz and 960 MHz have a better bit rate than high bands (between 1710 MHz and 2690 MHz), allowing us to cover larger areas using fewer resources and less infrastructure. In addition, we believe that we have a strong high band portfolio. We offer 4G services in the AWS band in the 1710 to 1755 MHz radio spectrum paired with the 2110 to 2155 MHz radio spectrum, which has a better propagation rate and lower installation costs than the 2500MHz band. We also provide 2G, 3G and 4G services in both a low band (850 MHz) and high band (1900 MHz).

Leading full-service operator with extensive network coverage. As of December 31, 2019, we had a market share of 20.3% of fixed-line services in Colombia, 24.3% of the total number of mobile subscribers and 16.7% of the total number of internet subscribers in service, based on information available from the MINTIC. We have established ourselves as a leading integrated operator in Colombia and are ranked as the number two player in both the wireless and fixed-line services market, according to the MINTIC as of December 31, 2019. As of June 30, 2019, we had a 9.2% market share for television subscription services and in the satellite television market we were ranked second with a market share of 29.5%.

We operate the largest fixed-line network in Colombia in terms of number of municipalities we service, representing 49% of the total municipalities in Colombia, according to information available from the MINTIC as of December 31, 2019. As of March 31, 2020, we also had an extensive mobile network, with 75.1% and 83.1% coverage for 2G wireless voice services, as measured by Colombia's population and total number of municipalities in Colombia, respectively, and 75.4% and 84.4% coverage for 3G wireless data services, as measured by Colombia's population and total number of municipalities in Colombia, respectively, according to internal estimates. In addition, we have coverage along approximately 12,875 kilometers of Colombia's intercity highways, according to internal estimates as of December 31, 2019. We also host Virgin Mobile on our network, which is the largest MVNO in Colombia and holds a 4.5% market share as of December 31, 2019, according to information from the MINTIC.

We are expanding our 4G footprint, offering this technology in 422 municipalities with their own network and 381 municipalities with LTE roaming, adding to 3G services currently available in 941 of Colombia's 1,122 municipalities. In addition, as of March 31, 2020, our 4G network had 70.2% and 71.6% coverage (including roaming LTE coverage), measured by Colombia's population and total number of municipalities, respectively, according to internal estimates. The remaining municipalities in Colombia use their own 4G network, HSPA+, and RAN sharing arrangements, achieving the 100% established as a commitment in the spectrum auction. As of March 31, 2020, our 4.5G network had 901 sites in 132 municipalities, with 44.3% and 11.8% coverage, measured by Colombia's population and total number of municipalities, respectively. In 2013, we entered into the 4G Network Sharing Agreement with Colombia Móvil (*Tigo*), pursuant to which we have implemented a deployment plan for the joint development of 2,762 coverage sites for the 4G network in 22 clusters located in the northern and southern regions of Colombia using a MORAN during a term of ten years. Pursuant to the 4G Network Sharing Agreement, each operator was required to develop 1,075 coverage sites during the first five years and 612 additional sites thereafter, subject to certain conditions. Under the 4G Network Sharing Agreement, although each operator maintains ownership of its assets, the right-to-use of our assets was transferred to a trust that is responsible for the service level agreement, planning and compensation for use. We believe, the 4G Network Sharing Agreement with Colombia Móvil has been successful, as we have achieved efficiencies of up to approximately EUR$45.0 million over a period of seven years.

Strong base of post-paid subscribers. As a result of a successful post-paid strategy we increased our post-paid customer base through a simplified product offering, benefiting more profitable and stable base with post-paid ARPUs being over 13.7 times greater than those of pre-paid and with lower churn rates as well. According to the MINTIC, our ratio of post-paid to pre-paid subscribers was the highest among Colombian operators as of December 31, 2019. We have an increasing percentage of LTE traffic, which increases efficiency and quality. Our ratio of post-paid to pre-paid subscribers was approximately 25.4% to 74.6% as of December 31, 2019, compared to 23.6% to 76.4%, respectively, for Claro Colombia, and 15.8% to 84.2%, respectively, for Colombia Móvil, according to information available from the MINTIC. We have achieved this position through our practice of regularly encouraging pre-paid subscribers to migrate to our higher value post-paid plans. We use mobile packs, which are packages of additional minutes, to encourage recurrent spending by pre-paid subscribers, thereby creating an economic incentive to migrate from pre-paid plans to post-paid plans. We also work to identify pre-paid subscribers who may not have initially been able to qualify for a post-paid plan, but whose payment patterns and behaviors indicate that they can safely afford higher-value plans. Our strong base of post-paid subscribers contributes to our profitability.

Diversified and strong distribution channels with specialized sales and service teams. We have developed an extensive distribution network consisting of 83 *Movistar* stores, 113 exclusive dealers and a broad network of non-exclusive retail outlets, reaching 440 points of sale as of March 31, 2020. We have eight call centers dedicated to servicing our existing and potential customers, which also engage in cross-selling efforts. In addition, seven of our commercial dealers are focused on marketing our pre-paid mobile products, while 15 additional commercial dealers are focused on distributing our pre-paid cards and marketing recharges of pre-paid phones. We continuously perform training and evaluation programs for the personnel in our agencies in order to maintain a high level of service quality. We also have a specialized corporate sales team with 442 salespeople to service the needs of our SME subscribers and 85 people for corporations. Our largest corporate subscribers are serviced by a specialized direct sales team with industry-specific knowledge to better serve their needs.

Our strong relationship with Telefónica, a leading worldwide telecommunications operator focused on innovation and digitalization. We benefit from the Telefónica Group's experience as a global telecommunications operator, especially in terms of strategic initiatives and technological innovation. The Telefónica Group is one of the largest telecommunications company in the world in terms of market value. As of March 31, 2020, the Telefónica Group provided telecommunications services in 13 countries to over 342 million subscribers, of which 260.4 million are mobile subscribers, 8.6 million are fiber optic customers and 8.3 million are television subscribers. Given its global footprint, the Telefónica Group actively participates in mobile telecommunications developments and deploys best practices and innovative solutions from one market across all of its markets. Additionally, we benefit from the Telefónica Group's economies of scale. For example, Telefónica negotiates the supply of most of its handsets and hardware on a centralized basis for all of its subsidiaries, which we believe allows us to purchase equipment at lower prices than would otherwise be possible.

We also benefit from the use of the *Telefónica* brand, which we believe is recognized as a leading, experienced and reliable global telecommunications operator, and we offer all of our services under Telefónica's *Movistar* brand. We believe the *Movistar* brand is among the most valuable brands in Latin America, with a presence in Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela, and Mexico and is known for its high-quality mobile communications services, innovation, reliability, accessibility and dependability. While we benefit from Telefónica's uniform marketing and branding strategy across Spain and Latin America, we apply a customized marketing approach that is highly adapted to the Colombian market and local culture. For example, we have developed regional products and marketing campaigns tailored to the preferences of our customers in the north coast of Colombia, which focuses on our pre-paid mobile products. Our branding strategy also includes sponsoring activities that are widely followed by the population in Colombia, such as soccer and cycling, which contribute to the recognition of our brand.

Experienced management and talented employees. We are led by a seasoned management team with a proven execution track record and an average of 19 years of experience in the telecommunications industry. We also have highly qualified engineers with significant experience and industry expertise. Additionally, our employees strive to provide excellent customer service and we are continuously implementing training and development programs. We support our employees with a positive working environment. In 2019, we conducted a survey with Employee Net Promoter Score, the result of which was a rate of 82.9% of our employees recommending us as a positive workplace.

We operate our business pursuant to strong corporate governance standards which are based on value creation and protection for shareholders and investors. In 2014, we approved our new code of corporate governance which, among other things, provides for specific rules regarding conflicts of interest, establishes information disclosure requirements for shareholders and investors, and creates an office of investor relations. The principles set forth in our code of corporate governance are a fundamental part of our corporate culture and our business strategy, and we believe that our corporate governance practices follow, to the extent applicable, the highest corporate governance standards in Colombia, which correspond to those of the companies listed on the BVC.

Our Strategy

Our specific strategic initiatives include:

Enhance customer satisfaction. We continue to implement strategies designed to achieve the highest levels of customer satisfaction. Our main priority is to improve the quality of our services and enhance our customers' experience with new products that respond to their preferences. We have identified three key areas of focus as part of our strategy to enhance customer satisfaction: (i) improve the customer experience by offering new products (including M2M services and on-demand television) and strengthening online service channels; (ii) increase the quality of our installation and maintenance services through continuous technological improvement in order to reduce customer claims and complaints and improve customer service response times, as well as efficient deployment of our 3G, 4G and 4.5G networks to satisfy regulatory requirements; and (iii) improve our tools and streamline our processes. In addition, we continue to consolidate areas of management in both the mobile and fixed-line segments to provide customers with a more comprehensive and convenient service experience. By anticipating customers' future needs and providing customers with rapid assistance, we are able to offer a meaningful customer service experience. If our customers are satisfied, the demand for our brand, products and services will grow. Despite increased competition, high customer satisfaction thereby enhances our ability to increase customer loyalty and retention, while allowing us to attract new customers.

Develop innovative value-added services in the mobile segment. In addition to our voice data and television services, we are seeking to introduce innovative products and services to diversify our revenue stream and attract new customers. We intend to expand our current value-added service offerings, including access to premium entertainment content and location-based services for our mobile customers. We also intend to focus on acquiring additional spectrum capacity to increase our capabilities, so that we may continue to provide our customers with advanced technological and differentiated service offerings. Furthermore, by expanding our ability to bundle several telecommunications services together, including fixed and mobile internet and premium television subscription services, into a convenient package for our customers, we believe that we can continue to successfully attract more subscribers through the use of our cross-selling strategies and the expansion of our products and services.

Maintain our leadership in innovation. We intend to maintain our focus on developing and providing a wide range of digital services to our corporate subscribers, including integration services, internal and external business communications, management of network systems, IT workstations, business continuity, network and sector applications and security services, and we believe we are well positioned to become the market leader in this segment. We are also adopting an innovative marketing strategy to increase our market share in the mobile voice segment. For instance, we encourage customer loyalty through the use of "friends and family" plans, whereby customers are able to achieve cost savings by purchasing additional lines. In addition, we have expanded the services provided as part of our pre-paid plans to include various additional benefits not offered by our competitors, including international long-distance minutes, data that accumulates if the subscriber activates their plan before the expiration date, and video services such as *Movistar Play Lite*. Within a dynamic market, *Movistar* also remains competitive in its post-paid products, providing customers with differential and exclusive products and services such as: (i) Pasagigas, a data roaming option included for plans over COP$99,000, (ii) Netflix, the video streaming service, charged to the customer's bill, and (iii) Rappi Prime, a food delivery service, free of charge for a certain period of time depending on the plan acquired.

Enhance our financial strength. As of March 31, 2020, our total outstanding indebtedness (which corresponds to our financial obligations, including financial leases) amounted to COP$6,718,768 million (U.S.$1,657.1 million), consisting of COP$554,749 million (U.S.$136.8 million) of short-term indebtedness, including the current portion of long-term indebtedness (or 8.3% of our total indebtedness), and COP$6,164,019 million (U.S.$1,520.3 million) of long-term indebtedness (or 91.7% of our total indebtedness). As of March 31, 2020, the average term of our indebtedness was 3.5 years. Of our total outstanding indebtedness as of March 31, 2020, 72.7% was denominated in U.S. dollars and 27.3% was denominated in *pesos*.

As part of our efforts to enhance our financial strength and mitigate our exposure to currency mismatches, during the first quarter of 2020, we concluded the refinancing of our Subordinated Notes issued under an indenture, dated as of March 30, 2015, among us, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, with the proceeds from loans under credit agreements with local and international banks, for an amount of COP$1,854,313 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

In addition, as part of our financial strategy, we are currently engaged in an effort to extend the average maturity of our existing indebtedness. To that effect, on May 13, 2020 we notified The Bank of New York Mellon, as trustee, our decision to redeem U.S.$320,000,000 in aggregate principal amount of our 2022 Notes, of the U.S.$750 million (COP$3,040,905 million) aggregate principal amount of the 2022 Notes that were outstanding as of the redemption notice date. On June 12, 2020, the partial redemption was effected at a redemption price equal to 100.896% of the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest on the principal amount of the 2022 Notes. Furthermore, we intend to use the proceeds from the Notes offered hereby to refinance our indebtedness under the 2022 Notes that remain outstanding as of the date of this Offering Memorandum.

We also seek to avoid currency mismatches through the use of hedging instruments, as of March 31, 2020, we had entered into hedging agreements in respect of 100% of our U.S. dollar-denominated financial indebtedness. We intend to continue using derivative instruments to mitigate our exposure to foreign exchange and, to a lesser extent, interest rate market risks.

Maintain high efficiency and cost controls. In January 2020, we launched our #RECONECTA2020 strategic plan based on the following value drivers (i) relevance of our services and platforms for our subscribers and personalized services to our consumer base supported by our brands and platforms, (ii) focus on revenue growth by monetizing our core and extended product offering and by creating a network of partners, (iii) social responsibility and (iv) motivation of our employees to develop new solutions for our subscribers and maintaining our corporate values. In addition, seven initiatives were designed, including the Co-Investment Model and the Operational Excellence Model, which aim at increasing relevance, agility, quality and, above all, innovation capacity and promotion of a simpler operational model for us, as well as the Convergence Model which aims to increase new revenues.

The aim of the Co-Investment Model is to manage and ensure the implementation of co-investment models that allow the deployment of fiber optic networks in Colombia. This initiative follows market trends and seeks to ensure that our new operational model guarantees that we operate at more competitive costs. To this end, the design of new alliances has been fundamental, as well as the long-term vision of these projects.

The Operational Model initiative aims to optimize processes of our operating model in order to achieve greater quality, speed and efficiency, through process automation and management of third parties. We adopted five processes under the Operational Model: (i) invoicing, collection and portfolio processing; (ii) network operation, maintenance and support processing; (iii) commercial processing and B2B customer service; (iv) commercial processing and B2C customer service, and (v) new prepaid SIM card distribution model.

We launched the Convergence Model in order to focus efforts that, in addition to supporting our position in the market, would allow us to ensure new revenues. The Convergence Model initiative aims to increase the participation of the convergent subscribers and associated revenues through the intervention of all processes necessary to ensure an enriched experience for customers who access our fixed and mobile products. This vision seeks to have a convergent value proposal for potential and existing customers.

We intend to continue pursuing initiatives to increase the efficiency of our internal processes in order to control our costs and improve the quality of our services. As part of the Telefónica Group, we intend to continue to take advantage of shared services on a global level to benefit from gains in economies of scale and operating synergies. For example, we derive benefits from the economies of scale that Telefónica Global Services generates when it conducts global negotiations with providers, resulting in significant savings for each of the members of the Telefónica Group. To maintain cost control, we continuously perform budget controls through weekly meetings of our operating expenditures and capital expenditure committees; additionally, we perform daily general budget controls. For instance, our costs and expenses as a percentage of our operating revenues have improved from 69.4% in 2017 to 66.5% in 2018 and to 66.4% as of December 31, 2019. For the three-month period ended March 31, 2020 our costs and expenses as a percentage of our operating revenues went to 74.2% mainly due to the execution of new contracts for integral solutions with corporate subscribers, higher commercial expenses with telesales channels, increase in charges for mobile-mobile accesses due to increased minute traffic, greater deterioration of accounts receivable with a slight impact for this period generated for COVID-19 and for higher cost of service equipment at the customer's home. We achieved corporate integration with our subsidiaries Telebucaramanga and Metrotel in seeking to increase synergies and reduce costs of operations. As part of these efforts, on June 12, 2019, our board of directors approved the merger (by absorption) of Telebucaramanga and Metrotel with and into our Company, with our Company as the surviving entity. Our shareholders and the shareholders of each of Telebucaramanga and Metrotel approved the merger on August 28, 29 and 30, 2019, respectively, and the noteholders of our bonds approved the merger on October 9, 2019. The merger was formalized by means of the public deed No. 769 granted before the notary public No. 16 in the Bogotá Circuit, D.C., and the merger deed was registered with the Commerce Registry of Bogota's Chamber of Commerce (*Registro Mercantil de la Cámara de Comercio de Bogotá, D.C.*) on May 28, 2020. See "*—Consolidation and Merger of Telebucaramanga and Metrotel*."

Our History

We were created in 2003 as a result of the Colombian government's decision to liquidate Telecom and certain of its affiliated companies. Following our assumption of Telecom's operations in 2003, we entered into the PARAPAT Agreement whereby we (i) acquired the exclusive right to use and operate the telecommunications properties and assets of Telecom and its affiliated companies and (ii) would receive these assets at the expiration date of the agreement. In exchange for this right, we agreed to make annual payments in consideration for the exclusive right to use and operate the telecommunications properties and assets of Telecom and certain of its affiliated companies, or the PARAPAT Payment Obligations. The PARAPAT Payment Obligations were intended to be used for the payment of Telecom's labor and pension obligations incurred prior to 2003.

In April 2006, Telefónica acquired a controlling stake in our Company through its subsidiary Telefónica Internacional S.A.U., and entered into the Investment Agreement. For more information on the Investment Agreement, see "*Principal Shareholders—Investment Agreement with the Republic of Colombia*."

Our Company is the result of a merger with TEMCO, a Colombian mobile telecommunications provider owned by Telefónica, for which the deed of merger was executed on June 29, 2012, and upon which our Company was the surviving entity.

Following negotiations with the Colombian government on September 16, 2017, we executed the PARAPAT Termination Agreement, pursuant to which Telefónica agreed to pay 67.5% of the outstanding balances under the PARAPAT Agreement and the Republic of Colombia assumed the obligation to pay 32.5% of the outstanding balances under the PARAPAT Agreement and released us from any payment obligations in favor of PARAPAT. For this purpose, on August 27, 2017, our shareholders authorized an issuance of 1,454,870,740 of our shares to capitalize our company. On September 16, 2017, Telefónica paid, and the Republic of Colombia assumed, the required obligations pursuant to the PARAPAT Termination Agreement. Since such date, neither we nor Telefónica have any outstanding obligations under the PARAPAT Agreement. The PARAPAT Termination Agreement also established the terms and conditions under which PARAPAT would transfer the assets and rights derived from the PARAPAT Agreement to us, including (i) the shares of the capital stock of Metrotel and Telebucaramanga owned by PARAPAT, (ii) movable assets and telecom elements and networks, (iii) intellectual property rights, (iv) the rights and obligations derived from the liquidation process of TC USA LLC, (v) possessory rights (*derechos de posesión*), (vi) real estate, and (vii) improvements. As of the date of this Offering Memorandum, other than real estate property subject to the PARAPAT Agreement, all rights and assets subject to the PARAPAT Agreement have been transferred to us. The transfer of real estate property subject to the PARAPAT Agreement was subject to special transfer procedures and formalities. As of the date of this Offering Memorandum, the transfer of three real estate properties is pending resolution of ongoing judicial and administrative proceedings. However, since the execution of the PARAPAT Termination Agreement, we hold physical possession of such properties. We expect that the transfer of such properties will be completed upon final resolutions on the pending judicial and administrative proceedings.

On March 22, 2018, the Republic of Colombia, acting through the MHCP, informed us and Telefónica of its intention to sell its ownership participation in our through one or more offerings of securities in the local and international markets, pursuant to the Democratization Process. The Democratization Process contemplated two phases, as required by applicable law: (i) the first phase, which ended on October 3, 2018, in which the Colombian government's shares were offered in

Colombia solely to a limited number of eligible investors, such as current and former employees, pension funds and other entities which make up the "solidarity sector" (*sector solidario*), and (ii) the second phase in which the remaining shares were to be offered to the general public in Colombia. Phase 1 was unsuccessful and, therefore, no Phase 2 was conducted. Phase 1 concluded without the Colombian government receiving any offers for its shares and Phase 2 was never conducted as the authorization for the Colombian government sale of its shares was valid until July 13, 2019. After such date, if the Colombian government decides to sell its shares under Law 226 of 1995, another decree authorizing the sale is required.

As part of the Democratization Process, on May 10, 2018, the SFC authorized the registration of our shares in the RNVE and, on August 2, 2018, our shares were listed on the BVC. In connection with the listing of our shares on the BVC, we have cancelled our physical share certificates (*desmaterialización de títulos de acciones*) and made certain amendments to our bylaws to incorporate certain provisions of the governmental recommendations for the improvement of standards and corporate practices of the *Código País.* As of December 31, 2019, 32.5% of our shares were held by the Republic of Colombia.

Our Services

Our telecommunications services consist of:

- mobile telecommunications services utilizing 2G, 3G, 4G and 4.5G technology;
- data transmission and internet access services using copper and FTTH technologies;
- usage of our network (i) to complete calls initiated by customers of other telecommunications service providers (interconnection services) or (ii) by service providers that do not have the physical telecommunications networks;
- value-added services, including, but not limited to, voice, text and data applications, including voicemail, caller identification, or caller ID, and other services, such as e-mail and push e-mail solutions;
- fixed-line telephone services, including local, long-distance and international services;
- international roaming service, including voice and data usage for customers travelling outside of Colombia;
- advanced voice services, digital tools and integrated IT solutions to corporate customers, including audio and video conferencing, data protection and cybersecurity, cloud computing, advertising, M2M and e-health, among others;
- television subscription services using DTH and IPTV technologies;
- OTT services, including our own streaming service (*Movistar Play*) and partnerships with significant players on video, music and security sectors; and
- a wide portfolio of smartphones (hand set sales) and accessories from major industry players.

We also provide our customers with other complementary products and services, including, but not limited to, access to entertainment content, handsets and other accessories, e-banking and insurance. In addition, we offer our customers *Movistar* Mobile Insurance (*Seguro de Móviles Movistar*).

The table below sets forth certain information on our operating income by product line for the three-month period ended March 31, 2020:

	Amount	**Percentage**
	(in millions of pesos)	*(%)*
Mobile services	760,453	57.5%
Broadband(1)	319,218	24.1%
Television(2)	99,639	7.5%
Fixed-line(3)	110,278	8.3%
Other operating income	33,120	2.5%
Operating income	**1,322,708**	100.0%

(1) Includes data transmission services and business solutions.
(2) Includes satellite TV.
(3) Includes local and long distance telephony, interconnection and sale of equipment.

Mobile Telecommunications Services

We are a full-service mobile telecommunication services provider in Colombia. We operate under the brand *Movistar*. Our mobile services have been active since 1994, and we currently have a GSM network, a 3G network and a 4G network to provide wireless voice, video and data services.

For the year ended December 31, 2019, we derived COP$3,093,130 million (U.S.$762.9 million) of our operating income from these services, representing 54.4% of our consolidated revenue in such period. We offer mobile voice and data services under a variety of rate plans to meet the needs of different user segments. The rate plans are either "pre-paid," where the customer pays in advance for a specific amount of voice services, SMS, data and other value added services, including international minutes or video streaming services such as *Movistar Play*, that may be used over a specified period, or "post-paid," where the customer is billed on a monthly basis for services provided during the previous month. As of December 31, 2019, pre-paid subscribers represented approximately 74.6% and post-paid subscribers represented 25.4% of our total mobile services subscribers, and we had the largest percentage of post-paid subscribers to total mobile subscribers among telecommunications providers in Colombia, according to information available from the MINTIC.

Migrating pre-paid subscribers to post-paid plans is one of our primary strategies to add value to our subscriber base and to grow our post-paid subscriber base without adding significant credit risk. Our marketing strategy for pre-paid plans promotes the recurrent use of voice, SMS, and data services with integrated plans that are automatically activated upon payment by the subscriber, which helps familiarize the subscriber with the operation of a post-paid plan for potential migrations to post-paid plans.

Currently, our post-paid subscribers generate significantly higher revenue than pre-paid subscribers and have a lower churn rate. Our ARPU from pre-paid mobile voice services and post-paid mobile data services decreased from COP$3,024 (U.S.$0.74) and COP$41,360 (U.S.$10.20) in 2019 to COP$2,982 (U.S.$0.74) and COP$40,028 (U.S.$9.9) in March, 2020, respectively, as a result of increased competition. The following table shows our ARPU for the periods indicated:

	For the three month period ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
Average ARPU			(in *pesos*)	
Pre-paid Mobile	2,982	3,024	3,328	3,552
Post-paid Mobile	40,028	41,360	43,436	44,573

Pre-paid plans

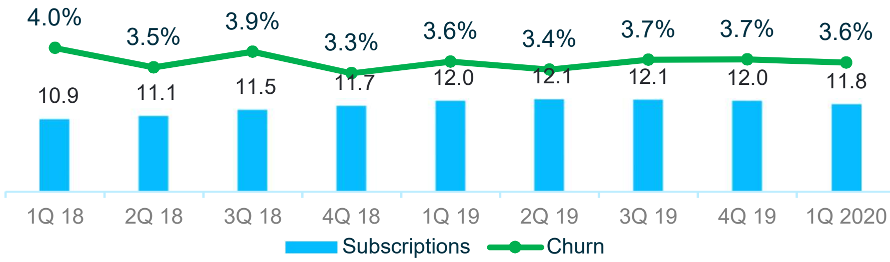
We have offered pre-paid plans to our customers since 1998. Pre-paid customers purchase a SIM card at any of our points of sale and a pre-paid credit to activate a package or a plan, which includes various services such as voice minutes, SMS and data. In most of our packages and plans, voice minutes to call to all operators are unlimited. In addition, we offer added-value services such as international long-distance voice minutes or *Movistar Play*, as well as the option to advance the balance, permitting frequent prepaid users to continue using a service and the charge will be discounted from the next recharge, when the subscriber elects not to purchase a pre-paid credit or recharge.

Because customers who prefer pre-paid services are generally those who are unwilling or unable to make a fixed financial commitment or do not have a credit profile consistent with the purchase of post-paid plans, compared to a typical post-paid plan, pre-paid packages and plans have a lower average disbursement ticket, lower consumption of services by the subscriber, shorter availability periods and higher cost. A pre-paid subscriber who purchases airtime credit does not have to use it within a specific time period, because our recharged airtime credits do not expire. However, if pre-paid costumers have no account activity (including making or receiving calls or SMS, or purchasing additional credit) for a period of three months, then service is discontinued and any remaining airtime credit expires. In addition, pre-paid customers on average use substantially fewer minutes than post-paid subscribers and prefer the flexibility of purchasing pre-paid credits or recharging based on their needs or usage instead of paying the monthly fees of post-paid plans.

As part of our efforts to migrate pre-paid customers to post-paid programs to increase our ARPU, we analyze the profile of our pre-paid subscribers after they have been in the pre-paid program for a period of six months in order to conduct migration campaigns to a post-paid monthly plan with limits on consumption, which we call a controlled plan. Controlled plans limit our payment risk and allow the subscriber to access better per-minute rates in exchange for a small price increase. If the subscriber remains current in its payment obligations under the controlled plan for a certain period of time, we then try to migrate those users to full post-paid plans and our full range of value-added services. As of March 31, 2020 and December

31, 2019, COP$153,189 million (U.S.$37.8 million) and COP$656,710 million (U.S.$162.0 million) of our operating income was generated from pre-paid plans, respectively.

The chart below sets forth certain information about our subscribers and average churn rates for our pre-paid plans for the periods indicated:



Post-paid plans

Post-paid customers pay a monthly subscription fee and are billed on a monthly basis for services provided during the previous month. Our post-paid plans include the following charges:

- monthly fees, which include unlimited voice and data; and
- additional charges for value-added services not included in the monthly fee, such as voicemail, SMS, internet browsing and entertainment content.

Some post-paid plans are designed for high- and moderate-usage subscribers, who are typically willing to pay higher monthly fees in exchange for more data and digital services such as data sharing, family plans (for customers with two or more subscriptions), free international data roaming, cloud services, and OTT video and music services. To satisfy the more limited needs of low-usage post-paid subscribers, we also offer plans with unlimited voice but lower data allowances at moderate prices. We offer these plans to our pre-paid customers as part of our efforts to migrate these subscribers to post-paid packages and plans.

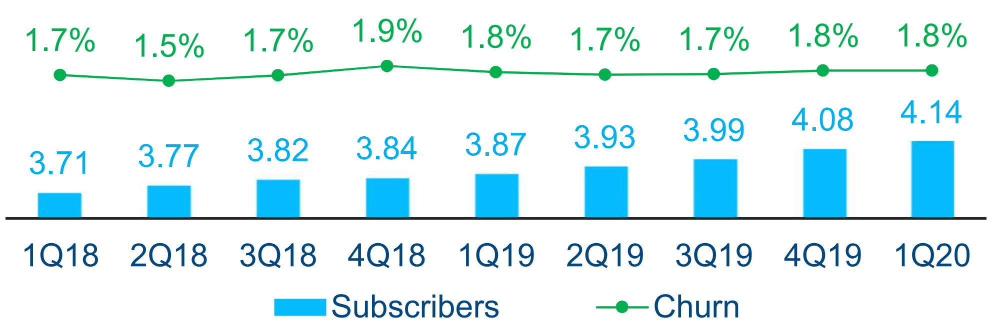
We have also launched special offers for our existing and migrating customers (with both fixed and wireless access plans), including higher data allowances, discounted fees for fixed-line services and enrolment to a high-yield customer loyalty program with exclusive benefits, such as priority access to *Movistar Arena* events (concerts and others), discounts and freebies from partners, and discounted prices on handhelds.

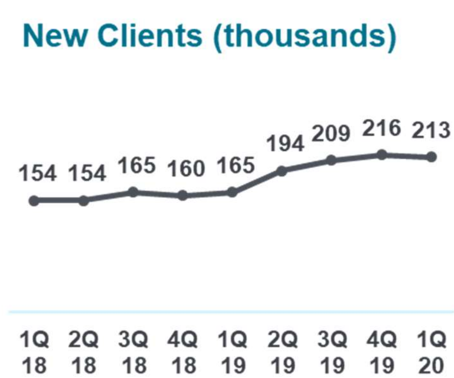
As of March 31, 2020 and December 31, 2019, COP$485,406 million (U.S.$119.7 million) and COP$1,956,849 million (U.S.$482.6 million) of our operating income was generated from post-paid plans, respectively. As of March 31, 2019 and December 31, 2018, COP$453,080 million (U.S.$111.7 million) and COP$1,801,768 million (U.S.$444,4 million) of our operating income was generated from our business to consumer segment of post-paid plans, respectively.

Our average customers in mobile post-paid for B2C services increased by 3.6% from 2.8 million in 2019 to 2.9 million in March 31,2020. More specifically, as of December 31, 2019 and December 31, 2018, COP$1,366,602 million (U.S.$337 million) and COP$1,306,484 million (U.S.$322 million) of our operating income derived from post-paid B2C services.

The chart below sets forth certain information on our subscribers and average churn rates for our mobile post-paid for B2C services for the periods indicated:

The chart below sets forth certain information on our subscribers and average churn rates for our post-paid plans for the periods indicated, as well as certain information on our new subscribers and net portability for the periods indicated:





Roaming

We offer international roaming services to our subscribers through the networks of international mobile service providers with whom we have entered into roaming agreements. Subscribers are able to use our mobile services outside of Colombia by paying international roaming fees or by using data roaming on some post-paid plans. We have entered into approximately 225 agreements including Roaming HUB worldwide covering 4G network usage.

Roaming payments between us and our international roaming partners are settled through Syniverse Technologies, Inc., which provides us the data and financial clearing house services that collects traffic and facilitates the settlement of payments among the participating providers. Our subscribers traveling to countries where the Telefónica Group operates a mobile network receive a discounted roaming rate.

Data Services

Mobile Broadband (MBB)

Our MBB service allows our subscribers to access the internet from smartphones and tablets, or from laptops or desktops computers with USB broadband cards to provide wireless connection. Our MBB service allows our subscribers to always be connected without relying on passwords, fixed web, cables or Wi-Fi availability. The main features of our MBB platform are e-mail, anytime and anywhere internet access (subject to signal strength), instant text messaging, chats and downloads. We were the first telecommunications company in Colombia to deploy a 4G network, allowing for connection speeds up to 10 times as fast as the 3G network, which is available to our customers with smartphones and other devices capable of broadband connection in 422 municipalities with our own network and nationwide in 70.2% of the municipalities through RAN-sharing networks of other providers. As of March 31, 2020, we had over 4.7 million users accessing the internet through our 4G network.

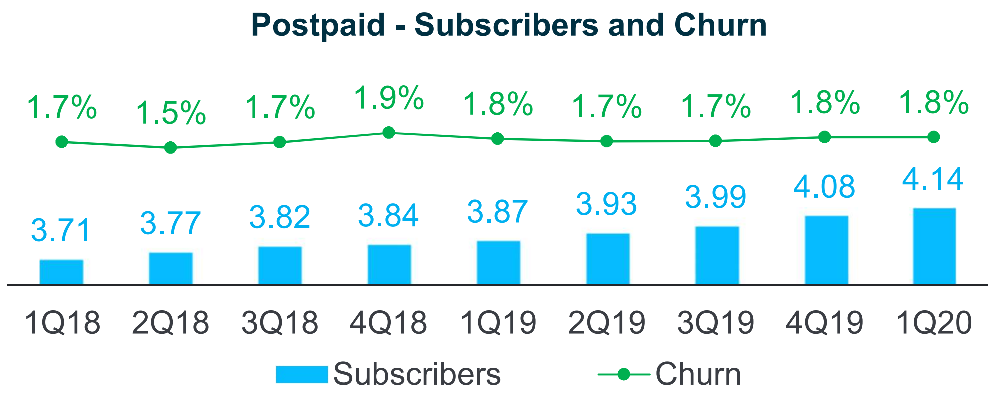
We offer a wide variety of plans to meet our customers' needs. We currently offer plans that vary by the amount of data (expressed in megabytes) customers may access for a monthly fee and plans that offer unlimited data for specific services, including SMS, Whatsapp, e-mail, social networking, Office365, geo workflow management app and Endpoint Detection and Response tools, among others. In addition, we offer the following services:

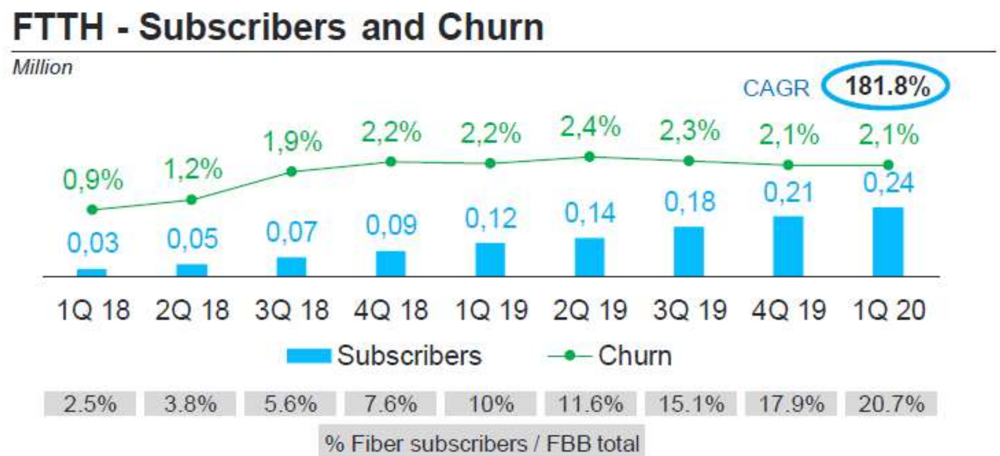
Voice…..........….........................	Unlimited all-inclusive voice All destination minutes International Long Distance Minutes ("ILD") minutes to the United States, Puerto Rico and Canada ILD minutes to Spain and Latin American countries
Data Roaming............…......................	Up to 61 countries
SMS.............…...........................	Unlimited in any country
Data.............…...........................	From 8 to 85 Gigas
Browsing after consumed data......	Social networks, emails and Waze Movistar Enterprise App
APP.............…...........................	Cloud from 10 to 35 Gigas Mobile Enterprise Security – Secure Mobile Device Management (SMDM) Total McAfee Security Geo Workflow Management App Office 365 Business Essentials
Voice Roaming............…..........	Up to 300 minutes

Fixed Broadband

We have offered broadband service in Colombia since 2000 through our ADSL, ADSL2+ and VDSL technology. Since 2016, we have also offered FTTH access technology, with more than 1.2 million passed homes and businesses, in 31 cities across Colombia. We are the only FTTH operator in some of these markets, providing our customers access to data speeds starting from 100 Mbps to up to 300Mbps, which is three times higher than our main competitors. In 2020, 21% of our broadband plant used FTTH technology and 68% of new customers in FTTH included IPTV. As of March 31, 2020 and March 31, 2019, COP$163,684 million and COP$162,203 million of our operating income was attributed to FTTH services, respectively, representing an increase of 0.9%. As of December 31, 2019, COP$659,771 million of our operating income was attributed to FTTH services. As of March 31, 2020 and December 31, 2019, the average ARPU for our basic line, broadband and television services was COP$33,639 and COP$35,334, respectively. As of December 31, 2018 and 2017, the average ARPU for our basic line, broadband and television services was COP$36,013 and COP$36,035, respectively. We have repositioned our fiber optics offers, increasing the maximum speed from 200Mbps to 300Mbps, and reached 1,107,623 homes and 241,489 connected subscribers, giving us a presence in 31 municipalities in Colombia.

The charts below set forth certain information on our subscribers and churn rates for each of our basic-line, broadband, and television services and our FTTH services for the periods indicated.





Interconnection

In order to permit other telecommunications operators to carry calls originating with their customers over our network, and to permit our customers' calls to be carried over their networks, we have active interconnection relations (contractual or mandatory) with a number different operators. We earn interconnection revenues from calls made to any of our subscribers that originate from the network of another service provider. We charge the originating network's service provider an interconnection charge for the time our network is used in connection with the call. Likewise, we must pay interconnection charges for calls made by our subscribers to subscribers of other service providers, whether mobile or fixed.

The interconnection charges are set based on the maximum rates established by the CRC, although they can be freely negotiated between the parties, complying with the CRC principles of non-discriminatory treatment, transparency, cost-oriented prices and a reasonable benefit and promotion of competition. The current standard is set forth in resolution CRC 5108 of 2017, which establishes termination rates for mobile networks of U.S.$ 0.004 per minute and U.S.$1.489 for monthly capacity for established operators. These values represent a drop of 40% and 42% compared to previous usage and capacity termination charges. Likewise, the CRC sets a differential value of U.S.$0.008 per minute and U.S.$3.301 per monthly capacity were established for new incoming operators for a period of five years beginning in February 2017. In addition, the CRC adopted specific measures to promote the entry of MVNOs in the market, including the regulation of prices for access to mobile networks. Lower termination rates on mobile networks and additional measures were taken seeking to create a more competitive environment at the wholesale level that would produce results in the retail market. The CRC published two consultations in December 2018 for the reduction of access or capacity charges ("FTRs") from U.S.$0.01 to U.S.$0.003 in 2019 and to substitute national roaming charges in incoming calls for operators using National Roaming with mobile termination rates, which was generated by periodic reviews from the CRC or other actors to regulate certain items in the sector. By the end of 2020, FTRs between fixed networks are expected to be completely eliminated in accordance with the CRC's order for the reduction of the FTRs in July 2019, pursuant to which the value was set in August 2019 at COP$34.21 per minute and COP$10,406,721 per E1. It will be reduced annually each January and, on January 1, 2022, will be COP$8.97 per minute and COP $ 2,468,027 per E1.

The table below sets forth certain information on for the year 2020 related to the remuneration scheme for mobile and fixed broadband, considering that Resolution 5826 of 2019 from the CRC seeks to eliminate the differences among them and avoid any discrimination of distance in order to promote competence and achieve a better service:

Value/year/ COP$	**2020**
MTRs	
Charge per minute	12.44
Capacity Charge (E1)	4,839,063.84
FTRs	
Charge per minute	27.08
Capacity Charge (E1)	8,149,756.56

The calling-party-pays, or CPP, tariff structure was implemented in 1994. Under this tariff structure, telephone companies pay other telephone companies an interconnection charge for calls placed from their networks to third-party networks. Telephone companies may pass this interconnection charge on to their subscribers. For mobile to mobile calls, the originating network operator pays an access charge to the terminating network operator. For fixed-line to mobile calls, the fixed-line network operator receives a regulated origination charge, while the remainder of the tariff is paid to the mobile network operator.

Mobile Virtual Network Operators

During the first quarter of 2013, Virgin Mobile launched its services in Colombia, using our *Movistar* network. Virgin Mobile focuses on customers in the younger segment of the population by offering packages that allow subscribers to use large quantities of data and charge for airtime by seconds instead of minutes. Currently, Virgin Mobile is ranked as the most successful MVNO in Colombia, according to MINTIC. According to the MINTIC, as of December 31, 2019, Virgin Mobile has 4.5% of the market share including all mobile services providers and 7.2% of the market share of MVNOs, in each case in Colombia, with approximately 2.98 million subscribers.

In 2017, the CRC intervened in the MVNO wholesale market pursuant to Resolution 5108, granting access to mobile networks for MVNOs, regulating wholesale rates, and establishing a formula for the determination of usage rate for its network for MVNO in the event no agreement exists between the MVNO and the network provider. This regulatory intervention resulted in the renegotiation of prices for MVNO's. Nevertheless, in every MVNO contract or commercial relationship that we have entered into to date, the prices have been negotiated.

Complementary Services and Value Added

Entertainment and Music

We offer a variety of entertainment to our customers including access to premium video content through OTT applications such as Netflix (allowing different payment schemes such as hard bundle, carrier billing or pre-paid promotions), HBO, Fox, and Disney. In addition, our subscribers can access our unlimited streaming platform, "*Movistar Musica*", of our music catalog of more than 40 million songs, in multiple genres and hundreds of playlists, without advertising. *Movistar* is the #1 brand in Colombia associated to music.

We also offer a wide variety of content and applications to our pre-paid and post-paid customers, including language courses, music, sports club (cycling and soccer), kids club (with access to games and educational lessons) and applications that encourage the consumption of data by accumulating points that can be redeemed for prizes. These applications can be downloaded on any smartphone and the customer can subscribe to these through a SMS.

Movistar Arena, Movistar Team and Colombian Soccer Federation Sponsorship

Through our *Movistar* brand, we have developed a strong sponsorship strategy through the *Movistar Arena*, the Colombia Soccer Federation and the *Movistar Team* and Tour Colombia. We have been able to leverage our sponsorships for marketing and brand awareness and recognition, including a high level of social media engagement, as well as product and commercial gain.

- *Movistar Arena*. We entered into a private-public association with the District of Bogotá for the renovation, rebranding, commercialization and operation of the "Coliseo El Campin", a major concert venue in Bogotá, Colombia, renamed "*Movistar Arena.*" As part of this sponsorship, we offer our premium customers, discounts, early access for purchasing tickets for events before the general public, exclusive entrance to the venue and a 20% discount in food and beverages sold at the concession stands in the Arena, among other benefits. Our association is the first private-public association with the District of Bogotá.

- *Movistar Team World Tour*. We sponsor the *Movistar Team*, a cycling team ranked by the International Union of Cyclists (*Union Cycliste Internationale*) ("**UCI**") that competes worldwide, and the Tour Colombia, a professional cycling race held annually in Colombia as part of the UCI America Tour. Team merchandising and uniforms are key assets that have help us create engagement and participation in our commercial and brand activities. *Movistar* is currently the #1 brand associated with cycling in Colombia.

Handsets and Other Accessories

We offer a variety of products as complements to our wireless and value-added services, including handsets and accessories such as chargers, headsets and batteries. We classify our product offerings according to our subscribers' needs. Our current product offerings are divided into two categories:

- Standard Smartphones, which are designed for customers requiring faster connection speeds, such as professionals requiring continuous internet connection for work-related use; and

- Premium Smartphones, designed for our customers with very high data usage and a preference for high-end devices for work-related and entertainment use.

We currently offer a balanced portfolio of handsets for use in 3G and 4G networks, in which devices for 4G LTE networks have rapidly increased their share in sales, representing 99.9% as of March 31, 2020 of our total equipment sales. One benefit of belonging to the Telefónica Group is that we have early access to new product releases, including the release of handheld devices from leading providers.

McAfee Protection

Subscribers benefit from our partnership with McAfee, providing software to protect mobile, computer and tablet devices from real-time attacks, online threats or information theft.

Seguro de Móviles Movistar Insurance Plan

Our "*Seguro de Móviles Movistar*" insurance plan provides free or reduced-cost repairs or replacements as a result of accidental damage to, failure or theft of, our customers' mobile equipment. The cost of these insurance plans varies based on the type of equipment that is covered. The program charges a monthly fee and covers the customer for up to two claims within 12 months.

Messaging Services

Short Message Services (SMS)

With SMS, subscribers are able to send and receive short text messages domestically or internationally from users both inside and outside of our network. The use of SMS as a means of communication has been decreasing in our customers. For pre-paid customers, we offer packages that range from 25 to 500 SMS to any operator with expiration dates ranging from one day to one month. We use SMS to communicate offers to our customers and notify them of transactions made in connection to their plans.

Multimedia Messaging Service (MMS)

MMS is an enhanced version of SMS, which allows our subscribers to send and receive multiple color images, sounds and text in a single message domestically or internationally from users both inside and outside of our networks. Basic rates for MMS depend on certain factors, including the number of messages and whether the plan is pre-paid or post-paid.

Fixed-Line Services

In 2020, revenues from our fixed-line services accounted for 40% of our consolidated revenues.

Our digital services portfolio focuses on Cloud, IoT, security and Bigdata. In the last three years, we have focused on introducing digital equipment in our network in order to improve our current exchanges and for the development of new transmission lines. Digital systems are more profitable than analog systems because of less necessity for the purchase of equipment to maintain the service, which in turn reduces the costs associated with maintenance and installation, and allow a wider range of voice, text and data to be transmitted simultaneously on the same network.

Corporate Services

We offer customized mobile and fixed voice and data services to our corporate customers, which represented approximately 30% of our total income as of March 31, 2020. Our corporate services include among others:

Traditional voice services

Our portfolio includes fixed and mobile voice services, including basic lines, legacy telephone connections, managed mobility, ToIP and SIP.

Corporate portfolio

Our corporate portfolio includes fixed-line and mobile coverage, including a wide variety of services ranging from mobile data plans to complex fixed-line networks. Our corporate services include:

- *Enterprise communications services*. We provide telecommunications integration services for our corporate customers, including branches and employees, using voice and data applications. Our enterprise communications services are supported by our infrastructure and cover all business needs, including VPN IP MPLS, voice VPN, fixed-mobile VPN, Interlan, Clear Channel, satellite services and international data services. This coverage ranges from voice and data communications to more advanced communications.

- *Collaboration and workplace management*. We provide advanced communications and collaboration solutions among the people, departments or branches within a company, and integrate different forms of media sharing and information formats, such as voice, video, data, file sharing and streaming. We offer customizable service packages, which are tailored to specific customer needs, such as the number of participants and whether the communication or collaboration is internal or external. Our collaboration services include voice and video conferencing services. We also provide for and manage all IT and communications elements that comprise the workplace, and can assist with convergence of IT, fixed-line and mobile services in work environments. This service operates desktop and LAN management, internet and intranet connectivity and fixed-line and mobile extensions, as well as unified communications.

Digital services

We have a complete portfolio of digital services, including:

- *Cloud Computing*. Our cloud computing services include the management of IT infrastructure and application services. These services include information storage at data centers, which is accessible through our network, in addition to application management, server consolidation and dedicated hosting. Our portfolio for medium and large companies includes cloud computing services (public and private) and other virtual information management services featuring on-demand self-service, broad network access, resource pooling, rapid elasticity, measured service, Unify Communications Services, managed Wi-Fi, Software as a Service (SaaS), and Platform as a Service (PaaS).

- *Business Continuity*. Our business continuity services allow us to focus on providing and managing plans, processes and infrastructure to ensure business continuity within a company. Coverage ranges from data recovery to dedicated support centers which are integrated with our data center and accessible from our network. This service operates disaster recovery, backup and storage.

- *Network Applications.* We provide services for the use of collaborative applications and communication programs, which transforms operating platforms, basic software and applications into our "Software as a Service" format. Such services are available from our data centers and are accessible from our network. This service operates content distribution, mail, agenda management, corporate chatting and a contact center.

- *Machine-to-Machine*. "Machines" use network resources to communicate with remote application infrastructure for monitoring and control purposes, either of the "machine" itself, or the surrounding environment. Our portfolio includes connectivity solutions and productivity apps such as *Automatización de Personal en Campo*, *Empresa en Línea* and the automatic vehicle locator, or AVL, among others.

- *CyberSecurity Services.* Our cybersecurity services ensure confidentiality, integrity and availability of information within the IT and communications fields. Our security systems integrate knowledge, technology resources and processes, enabling customers to meet regulatory requirements and protect against growing environmental threats. Our security services include managed security operations, managed detection and response, digital exposure, cloud security and integrated risk management.

Since December 2017, we have seen a relevant increase of 80.9% in the operational income derived from value-added services as a result of digital service projects, which represented COP$436,674 million as of December 31, 2019, such as cloud computing with an increase of 123.4%, security with an increase of 32.6%, IoT derived from commercial strategies with an increase of 41.2%, advertising with an increase of 427.6%, content and applications with an increase of 124.3%, among others. As a result from COVID-19, we are expecting to continue to have a significant increase in our commercial sales derived from digital services.

Customized integration and project solutions

We offer a number of customized integration and project solutions, including:

- *Outsourcing Services.* We provide outsourcing services, which include management of corporate customers' IT and communications operations, and are designed to complement the business decisions of our corporate customers. In providing these services, we leverage our relationship with Telefónica, as a specialized technology partner that ensures proper operation and technical and operational development consistent with the individual business strategy of each of our corporate customers.

- *Integration services*. We provide integration services to assist with the design, implementation and maintenance of complex infrastructures for voice, data, IT and security. Our services are designed to assist corporate customers with integrating these various components, and cover a wide range of equipment, systems and services from the best technology providers.

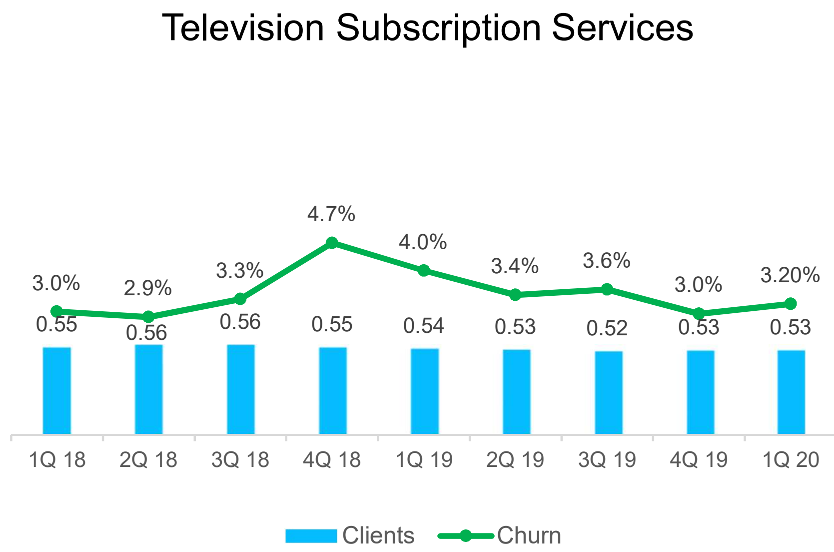
- *Sector solutions.* We provide services designed to cover sector-specific needs, integrating and managing all components of IT and communications. We are capable of combining catalog services with specific products or applications, integrated and managed by us.

Television Subscription

We commenced offering television subscription services in Colombia in February 2007. We offer basic subscription packages for our television services, as well as a variety of premium packages, allowing subscribers to tailor the content that they receive to their individual preferences. We also offer satellite television subscription as part of an integrated package of services designed to attract and retain customers seeking to subscribe to a single provider for all of their telecommunications needs. Several of our packages, including *Plan Movistar TV Zafiro*, which includes access to approximately 91 channels, and *Plan Movistar TV Diamante*, which includes access to approximately 108 channels, including the 50 most-watched channels in Colombia, and merge lineal television with on demand television on one screen, linking applications such as Netflix, Movistar Play, HBO GO and Fox Play. In addition, we launched the new IPTV platform in 2019, connecting approximately 110,385 subscribers as of March 31, 2020, which partially offset the decrease in DTH that is expected to continue in 2020 and 2021.

According to data published by the ANTV as of June 30, 2019, we had a market share of 9.2% and our main competitors in the market for television subscription services were Claro Colombia, Colombia Móvil and DirecTV which had a 42.3%, 20.0% (*Tigo* and *Une* on a combined basis) and 18.6% subscriber market share, respectively. In recent months, we have continued to expand our television subscription service, and particularly our HD channel offerings. In 2019, we launched our IPTV service for our FTTH customers and, for each of the first, second, third and fourth quarters of 2019, had approximately 3,493, 17,611, 47,613, 79,555, and for March 31, 2020, 110,385 IPTV subscribers, respectively. As of the date of this Offering Memorandum, we offer 86 channels on our IPTV platform, of which 53 are HD and 68 channels on our Advance TV platform. As of February 2020, approximately 67.4% of our channels had advanced features.

The chart below sets forth certain information on our subscribers and average churn for our television subscription services for the periods indicated:



Rates

Mobile Services

Mobile telecommunications services in Colombia, unlike in the United States, are offered on a CPP basis, under which a mobile subscriber pays only for calls that he or she originates (in addition to roaming charges paid on calls made or received outside the subscriber's home registration area). A mobile subscriber receiving a collect call is also required to pay mobile usage charges. The use of these services has been declining in our customers and is only prevalent in our pre-paid plans.

Our operating income from mobile services mainly consist of packages and plans that include voice, data and SMS, among other benefits. Our plans vary in prices subject to the amount of data allowance. Our operating income from pre-paid mobile subscribers historically consisted of charges for local and international calls. In January 2016, we introduced "all in one" packages ("*todo en uno*"), which combines data and voice allowances for different periods of time ranging from day to months. Although most of our packages and plans have unlimited voice minutes to all operators, our base value per minute is COP$306 (charged in seconds at COP$5.1). Our rates for data allowance range from COP$10/MB to COP$950/MB, which is our on-demand data rate.

Our revenues from post-paid subscribers consist of monthly subscription charges paid by our post-paid plan subscribers based on each subscriber's service plan. Our typical service plan involves a package combining voice, SMS and data services, while some subscribers pay additional charges for services such as international calls and roaming, services outside of their plan, and recharges for purchases of airtime minutes or data packages. The greatest increase in revenues has come from data services. Currently, monthly fees for post-paid plans range from COP$61,990 (U.S.$15.3) to COP$269,990 (U.S.$66.6) per month, depending on the structure of the plan and the number of lines per subscription.

Fixed-line Services

We obtain revenue from local fixed-line service through installation charges and monthly fees for bundle packages of television, fixed line and broadband services, marketed either as "dual" bundles of fixed line services and broadband, or as "triple" bundles, with all three services included. We are also the only operator that bundles a Netflix subscription fully integrated with our IPTV service, creating a streamlined experience for accessing internet and video content for our customers.

Regulation of Rates

The pricing regime for the provision of telecommunications services in Colombia is set forth in Article 23 of Law 1341, pursuant to which the providers of telecommunications networks and services can freely establish the prices to be charged to users. Such prices are only regulated by the CRC when (i) there is insufficient competition, (ii) a market failure occurs, or (iii) the telecommunications services offered do not meet required quality levels. Pursuant to this regulation, telecommunications services charges and rates are subject to a free pricing principle.

Historically, the CRC has only declared one market failure in connection with the mobile voice market, in with Resolution 2062 of 2009, when it declared that Claro Colombia was a "dominant operator." The CRC declared that Claro Colombia had significant market power at that time and, in order to address asymmetric pricing caused by market concentration, the CRC issued Resolution 4002 of 2012 and Resolution 4050 of 2012, which established a lower termination rate for the mobile network of Claro Colombia, the dominant operator in Colombia. This lower termination rate was aimed at reducing the access charges that other mobile operators have to pay for calls completed using Claro Colombia's network, as well as the cost of outgoing calls for Claro Colombia's subscribers calling to third parties using other networks.

CRC Resolution 4960 of 2016, deregulated tariffs for calls originating in fixed networks and ending in mobile networks, when both such networks are owned by fixed telephone services providers. Tariffs for fixed-to-mobile calls remain regulated only in cases where these calls are owned by a mobile provider, which is not our case.

In addition, the CRC regulates rates for wholesale services and interconnection agreements, such as National Roaming Agreements and MVNO agreements, pursuant to Resolutions 5107 and 5108 issued in 2017, and Resolution 5827 issued in 2019.

Furthermore, Colombia is party to the Andean Community of Nations, or CAN. On February 19, 2020, the General Secretary of CAN issued Agreement 854, which sets maximum price and rates that are permitted for international roaming services. These restrictions only apply to CAN members (e.g., Ecuador, Peru and Bolivia).

For more information, see "*The Colombian Telecommunications Industry—Regulation of the Colombian Telecommunications Industry.*"

Marketing

The Colombian telecommunications market is among the most competitive and developed in Latin America, with relatively high penetration rates for both broadband and mobile telephone services. In order to increase profitability, we have focused on maintaining our market position through convergent product offerings (including fixed and mobile access services). Our strategy is focused on offering high quality connections based on state-of-the-art technologies (e.g., FTTH and 4.5G) as platforms to launch innovative product and service offerings (i.e. first 4G service launched in Colombia in December 2013, first voice over LTE service provider in Colombia in 2016 and several other innovations), resulting high customer satisfaction rates and steep growth on our mobile and FTTH access business.

We market our telecommunications services to different customer segments based on their specific product and service needs. Our targeted marketing efforts help us build up our brand and customer loyalty, thereby increasing our customer retention. For instance, *Movistar Preferencial* is Movistar's loyalty program, offered to our post-paid subscribers with the highest ARPUs. The loyalty program has various tiers depending on the packages of each subscriber and offers a variety of privileges subject to the applicable tier, including preferential assistance, presales with the best locations, preferential access to events, discounts on food and beverages at *Movistar Arena*, mobile replacement bonus, home mobile technical service (with no additional cost), discounts with allied brands, preferential *Movistar* days and invitations to events and activities in which they participate for gifts. We also offer our lower-income and pre-paid customers targeted promotions, including the ability to recharge accounts, manage voice and data usage, add and subtract plan services and access online customer service, based on such customers' frequency and amounts of recharge. We believe these promotions create loyalty to the *Movistar* brand, which improves customer retention in these segments.

Sales and Distribution

We have created a distribution network that integrates various sale channels in order to offer mobile and fixed-line services to our customers at all of our points of sales. We currently offer our products and services through the types of sales and distribution channels set forth below.

In-Store Sales

Our in-store sales channel includes Company-owned stores. As of March 31, 2020, we have 95 Company-owned stores that operate as sales centers for our mobile and fixed-line services and provide customer service to our existing customers. Our in-store sales accounted for 31.0% of post-paid sales for mobile services and 15.0% of fixed-line services as of March 31, 2020.

On-Location Sales

Our on-location sales channel consists of door-to-door sales as well as agreements with developers to sell our products, primarily our fixed-line services, to new customers. As of March 31, 2020, our on-location sales channel consists of approximately 1,882 representatives operating throughout Colombia, that have helped us to develop our fiber optic program. The sale force is divided in 1,064 salespeople focused on fiber sales to individual customers, 524 salespeople focused on sale of copper to individual subscribers and 285 salespeople focused on sales to small and medium sized businesses (*Pequeñas y Medianas Empresas*, or PYMES). Our on-location sales accounted for 44.0% of broadband connection sales as of March 31, 2020.

Retail and Shopping Center Sales

Our retail sales channel consists of a network of exclusive and non-exclusive retailers, generally located in commercial centers in the largest cities in Colombia. With approximately 196 non-exclusive points of sale as of March 31, 2020, this channel offers customers both mobile and fixed-line products and services. We also have 83 exclusive stores located in major shopping centers, resulting in our presence in 113 total stores located in major cities. Our retail and shopping center sales accounted for 9.0% of post-paid sales for mobile and fixed-line services as of March 31, 2020.

Dedicated Corporate Sales Team

We also have a dedicated corporate sales team, with 442 sales people for our SME subscribers and 85 sales people for corporation. This channel offers customers both mobile and fixed-line products and services in the largest cities of Colombia. Revenues of our B2B segment represented an average of 29.7% of our total revenues as of March 31, 2020, and we had sales revenue in the amount of COP$22,563 million for recurring payments and COP$96,086 million for one-time charges in 2019, respectively, and COP$5,563 million for recurring payments and COP$20,255 million for one-time charges as of March 31, 2020, respectively.

Call Centers and Online Sales

As of March 31, 2020, we have 8 call centers that rely on inbound (customer calls to our service centers), outbound (calls to our customer base and to offer products) and cross selling (calls from customers for reasons other than to offer products) platforms to sell minute packages, upgrades, promotional rates and additional services to our post-paid subscribers and voice and SMS packages to our pre-paid subscribers. Our inbound platforms are serviced by 1,051 salespeople and our outbound platforms are serviced by 878 persons as of March 31, 2020. Our call centers and online sales accounted for 49% of post-paid sales for mobile and 19% of fixed-line services as of March 31, 2020.

Mixed Sales

Our mixed sales channel operates through commercial distributors that exclusively sell pre-paid products, such as SIM cards and pre-paid packs. This channel is serviced by 318 salespeople as of March 31, 2020, and it seeks to automate sales of these products in commercial establishments, such as internet cafes, bookstores and neighborhood stores, among others.

Recharge Sales

Our recharge sales channel is independent of the recharges made by our digital channel and operates through commercial distributors that exclusively sell pre-paid recharge cards (physical and electronic) at points of sale pursuant to certain agreements. As of March 31, 2020, we had approximately 15 sales agencies specialized in marketing recharge cards, which collectively reach approximately 57,073 points of sale.

Suppliers

To take advantage of economies of scale, Telefónica negotiates the supply of equipment, handsets and modems on a centralized basis for all of its worldwide subsidiaries, which we believe allows us to purchase equipment at lower prices than our competitors. We provide Telefónica with our equipment requirements, and Telefónica negotiates the terms of the purchases directly with the relevant equipment manufacturers.

Globally Centralized Purchasing Structure

The Telefónica Group uses the Telefónica Purchasing Model (*Modelo de Compras de Telefónica*) (“**MCT**”), for all of its affiliates worldwide, which is characterized by the following features:

- an organizational structure that facilitates management coordination on a global, country and individual company level;
- an operational management scheme oriented towards globalized purchasing, which also considers local factors and the specific needs of each individual entity;
- a competitive process which provides for equal opportunity, transparency and objectivity in decision-making and a clear differentiation between the roles of supplier and purchaser, while still meeting our commitments to our suppliers;
- expansion and integration of the supplier base of the different companies within the Telefónica Group;
- a negotiation model based on auction or successive rounds of negotiation and establishment of target prices;
- determination of awards based on the consensus of the affected areas;
- involvement of our purchasing department in the specifications for products and services in the earliest stages of development; and
- knowledge sharing to ensure the implementation of best practices and benchmarking in the purchasing process.

In general, MCT regulates all contracts between companies of the Telefónica Group, as well as contracts of Telefónica Group companies with external, including many of our purchase agreements. However, certain exceptions to MCT regulation include contracts for the acquisition of companies, operating licenses and radio frequencies; staffing; financial and legal services; insurance policies; external audits; services with regulated prices and commissions to the sales network, among others.

Mobile equipment

Our mobile equipment consists primarily of (i) handsets and accessories we sell to customers and (ii) equipment required to expand, maintain and operate our network. We source our handsets from major mobile phone suppliers such as Apple, Samsung, Nokia, ZTE, Huawei, Motorola, TCT Mobile and LG. We purchased approximately U.S.$160 million worth of handsets in 2018 and U.S.$189 million in 2019 and U.S.$58.6 million in the first quarter of 2020. We source our network equipment from Nokia Siemens, Ericsson and Huawei. We believe that we will continue to be able to purchase the mobile equipment that we require to meet our customers’ demands and to satisfy our requirements for expansion, maintenance and operation of our network in the future.

Fixed-line equipment

We purchase materials and equipment for our exchanges and transmission lines from a variety of telecommunications equipment suppliers. As of March 31, 2020, approximately 56.62% of our installed service voice lines were manufactured by Ericsson, NEC and Nortel, each of which accounted for approximately 49.2% of our installed fixed voice lines. In addition, we have two broadband ADSL providers, Alcatel-Lucent and Huawei, each of which support 38.4% and 61.6% of our fixed broadband lines, respectively. We believe that we will continue to be able to purchase the telecommunications equipment that we require for new projects and for maintenance of our existing system from a variety of providers in the future.

Television subscription equipment

We purchase equipment for television subscription services from several sources. We purchase approximately 63.9% of our antennas from Observa Telecom and 36.1% from Sirrick (SVEC). We purchase approximately 28% of our decoders from Kaon Merdia, 71% from ED Asia and 1% from Technicolor. We also purchase all of our smart cards from Nagravisión and remote controls from Ohsung Electronics, for security reasons. We believe that we will continue to be able to purchase the telecommunications equipment that we require for new projects and for maintenance of our existing system from a variety of providers in the future.

Billing and Collection

We send each of our fixed-line customers a monthly bill that details all the services (including broadband internet, fixed-line telephone and television subscription) provided during the prior monthly period. Customers are grouped in billing cycles based on the date their bills are issued. Each bill separately itemizes local calls, long-distance calls, toll-free services and other services such as call-waiting, voicemail and call forwarding. We have agreements with several banks and other vendors for the receipt and processing of payments from our customers.

Our collection management model consists of a series of processes and tools designed to manage our subscribers with debt according with the segment. Currently, we employ the following three processes:

- *Segmentation*. We engage in activities to place subscribers in the correct collection strategy procedure, in accordance with predictive models of portfolio risk, based established collection policies and the results obtained in the recovery or effectiveness in collection delinquent payments. Portfolio criteria and analysis are applied in order to determine the strategies of the period, according to their impact on the financial indicators (churn/provision of unpaid (*impagados*)). Once determined, each classified portfolio is sent to the corresponding area for collection management, which may be digital internal management, agent or through a third party.

- *Mass collection management*. We apply procedures and tools to prevent and manage debt for mass groups of subscribers, including residential customers and SME customers. Generally, the same procedures and tools are automatically utilized with the entire group, which are aligned with our management model, which includes digital internal management for up to 60 days delinquent payments and management through an agent from day 61 onward.

- *Corporate collection management.* We utilize specific procedures and custom tools to prevent and manage debt for customers in certain segments, such as corporations, companies and wholesale segments. These procedures and tools include strategies with commercial and customer service departments in order to minimize the provision for doubtful accounts while simultaneously increasing customer satisfaction. For corporate customers whose turnover volume is between COP$120 million and COP$2,500 million, and wholesale segments, the management is carried out with our own staff and/or third parties (collection partners), through collection actions such as telephone calls, visits, letters, SMS messaging, e-mail and IVR, among others. In addition, collection management includes the activities of preparing statements and account movements, negotiating payment agreements, reconciling balances and escalation with internal areas (mainly customer service) for the solution of customer disagreements regarding their billing and the provision of the service claims or related to non-applied payments. The process for escalation with the service area begins when in the customer contact it is identified the reason for the non-payment, the claims are consolidated on a weekly basis, sent to the service area and followed up so that the service area can resolve the case quickly and the customer can pay the balance as soon as possible. For customers in the corporation whose turnover volume is between zero and COP$120 million and companies the management is made by an external collection provider.

Additionally, our collections process guarantees a nationwide network of collectors. We currently have 42,285 collection points, including through a website, bank, shops, chain stores, external collection points or our own collection points (collection machines in customer service centers). We believe that this process facilitates payment for our customers by allowing them to pay through the channel that they find most convenient. We also provide the option of payment through monthly direct deposit to B2B customers. Approximately, 96.4% of our mobile payments and 96.5% of fixed-line services are made online, which ensures that we can quickly reflect any payments in customers' accounts, thereby helping to handle immediate reconnections and prevent unnecessary late charges or cancellation of service.

Fraud Detection and Prevention

We have implemented fraud detection and prevention measures in accordance with international standards. We classify fraud into four different types:

- *Subscription Fraud.* Subscription fraud is perpetrated by a prospective customer or the distribution channel at the moment of contracting mobile services through the use of a false identity or other action aimed at avoiding payments. Some of our preventative measures to avoid subscription fraud include reviewing identity fraud claims, considering payment defaults and including them in the predictive models, blocking roaming based on fraudulent behavior, and monitoring abnormal behavior.

- *Distribution Channel Fraud.* Distribution channel fraud is perpetrated by an intermediary between us and the customer to obtain economic benefit or excess commissions by taking advantage of accessibility to systems, process deficiencies or false data. Some of our preventative measures to avoid distribution channel fraud include: imposing penalties to suppliers for improper sales, identifying sellers for sales misconduct, review leaks in terminals, reviewing unused lines and monitoring the fraud indicator by distribution channel and seller.

- *Technical Fraud.* Technical fraud is perpetrated in an organized manner by taking advantage of any technical gap or deficiency. Some of our preventive measures to prevent technical fraud include constantly reviewing inconsistencies in the supply of our services, analyzing transfer behaviors and registering the IMSI, a security number for SIM cards that is used to complete sales. We also employ an ethical hacker to permanently monitor and close vulnerability in our systems, platforms and networks.

- *Internal Fraud.* Internal fraud is perpetrated within our Company by direct or indirect employees for their own benefit or the benefit of third parties by exploiting their access to our systems and operating processes. Some of our preventive measures to avoid internal fraud include identification and control measures to monitor unauthorized discounts and account tampering, migration control based on defined commercial policies and blocking of certain user accounts. The selection process for direct employees and the contract definition for providers seek to protect against these practices.

- *Informational Fraud*. Informational fraud is perpetuated by improper and irregular actions resulting in the alteration, destruction, manipulation or theft of data from our information systems or any other tool or technology platform of our Company, which generally results in economic and reputational damages. Some of our preventative measures to avoid informational fraud include to implement process and controls for information security and to establish at the organizational level a culture of digital security among our employees.

In addition, we implement permanent processes to prevent each type of fraud and ensure that fraud detection and prevention tools are updated and effective at the moment of launching a new service, for the early detection of potential technical deficiencies or perpetrators and preventing and rapidly correcting technical gaps or network deficiencies.

Customer Service

We believe that quality customer service increases customer satisfaction, which reduces customer churn rates and is a key differentiator in the wireless industry. Satisfying and retaining existing customers is critical to the financial performance of wireless service providers and an essential element of our strategy. Our customer service, retention and satisfaction programs are based on providing customers with convenient and easy-to-use products and services in order to promote long-term relationships and minimize churn.

Our focus on providing our customers with quality customer care and support in fixed and mobile services and offering competitive plans are reflected in the sustained increase in our customer satisfaction index; the index measures customer satisfaction throughout our value chain on a three-months mobile sales, as measured by a third party, and decrease in our churn rates. Our customer service efforts are based on our "Customer Journey" program, a customer satisfaction and loyalty initiative, which focuses on responding to customers' needs throughout their lifecycle, from before they become a subscriber to after they have cancelled their service. Specifically, we aim to develop individualized knowledge of our subscribers so as to provide customized service, creating an emotional connection with *Movistar*. In March 2020, we had a net promoter score of 33.0% for the industry in Colombia and the region. We use this score within our strategic program to measure our customer's experience. For this, the Net Promoter Score, or NPS, calculates their willingness to recommend our services or products by answering a question on the likelihood of recommending *Movistar's* services to a family member, friend or acquaintance, with answers scaling from 1 to 10.

We provide the following service channels to our customers:

Digital Channels

Through our digital channels, customers manage their accounts and services online through the *Movistar* website. Through the website, customers can receive pricing and other information for mobile equipment, information about service plans (both fixed and mobile), purchase equipment and/or services, review account invoices and make payments, and file complaints or claims, among others.

Customers can also obtain information through social networks, including our Facebook and Twitter accounts. On our YouTube channel, customers can view commercial offers and promotions and download tutorial videos for our products and services.

In 2020, we continued improving the customer service channel that we implemented in 2019 through Whatsapp, in response to the digital evolution of our customers. During the first quarter of 2020 we served 1.6 million customers, generating 26 million interactions. Of the subscribers using this channel, only 22% requested consultation with a representative, with 78% of queries being resolved through self-care.

Telephone Channels (Call Centers)

Through our telephone channels, customers can make calls to our call centers for product or service consultations, to add new services to their plans or modify or renew existing plans, purchase or replace mobile equipment, review account invoices and make payments, and file complaints or claims, among others. We also use our telephone channels for promotional campaigns and for to provide customer protection information.

Equipment Replacement Channels

In 2019, we implemented a digital channel which allows our customers to make equipment upgrades. As of December 31, 2019, we have completed 131,573 equipment renovations. As of March 2020, we have completed 45,429 equipment renovations.

Physical channels

We have 95 physical customer-service centers nationwide, allowing our customers to engage directly with retail and service personnel. In each *Movistar* customer service center (*centro de experiencia*), customers have access to the same services provided through our telephone channels.

In 2019, we developed the "*Sin Cola*" project, which allows customers to be served without queuing, optimizing their waiting times, and the operation of experience centers to efficiently manage the traffic of each of our sites, ensuring real-time visibility of core operation indicators, visibility of benefits for converging customers, mobility to the customer as it is notified by SMS allocation and position calls. We have also transformed 35% of our centers into a comprehensive service model that allows our subscribers to solve all their concerns with a single advisor, improving their experience. As a result of these projects, our customer satisfaction index *(indice de satisfacción de clientes*) ("**ISC**") increased to 8.14 in March 31, 2020 compared to 7.9 in 2019, representing an increase of 3.2%.

Customer Experience and Quality Management

We have implemented a quality management model which has allowed us to execute strategic marketing campaigns with the purpose of retaining mobile and fixed-line customers. In particular, this management model has allowed us to reduce actual desertions of mobile costumers to 3.1%.

We have implemented quality monitoring programs, market studies, surveys, benchmarks, polls and recordings focused on subscriber satisfaction that have allowed us to improve the customer's experience at all points of contact with the subscriber. This has positioned us, as of March 31, 2020 and as of December 31, 2019, as an operator in NPS and ISC with competitive and stable indicators, with closures for 2020 of 34.0% and 8.14, respectively and of 31% and 7.89, respectively for 2019. We also believe that our policy of continually renewing and replacing mobile devices has also boosted a better customer experience and is confirmed by the growth of the ISC in 2019 by being at 8.90 in December, increasing 0.22 from 2018. Similarly, our commitment to have the best network quality is reflected in the growth of the voice performance ISC (8.37) and mobile data operation (8.07) with an annual growth compared to 2018 of 0.12 and 0.13, respectively.

Competition

Our industry is highly competitive. The competitive environment is significantly affected by key trends, including technological and service convergence, market consolidation and combined service offerings by service providers. See "*The Colombian Telecommunications Industry*" for more information on our competition.

Mobile Services

The mobile telecommunications market in Colombia is characterized by intense competition among providers of mobile telecommunications services. Competitive efforts in the Colombian market generally take the form of bundling of voice and data services in both the pre-paid and post-paid market. Recently, the focus of most bundled package offerings has shifted from voice to data as the primary component, following the global trend towards increased data usage.

According to the MINTIC, our estimated market share in terms of mobile subscribers was 24.3% as of December 31, 2019. Additionally, as of December 31, 2019, Colombia had a mobile penetration of approximately 130.9% in terms of population density according to the MINTIC and the DANE. Our main competitors in the mobile services are Claro Colombia and Colombia Móvil, which have an estimated market share of 46.9% and 17.6% (*Tigo* and *Une* on a combined basis), respectively, as of December 31, 2019, according to the MINTIC.

Internet

We are the third-largest provider of broadband internet services in Colombia in terms of market share, with a market share of 16.7% as of December 31, 2019 according to the MINTIC. Cable providers that offer broadband services, particularly Claro Colombia and Colombia Móvil, are our main competitors in the broadband market, which have an estimated market share as of December 31, 2019 of 38.3% and 24.4% (*Tigo* and *Une* on a combined basis), respectively, according the to MINTIC. These providers also offer competing integrated packages, consisting of television subscription, broadband and fixed and mobile voice and data services.

Fixed-Line Services

Competition from other telecommunications services has been increasing, particularly from mobile telecommunications services, which has led to traffic migration from fixed-line traffic to mobile traffic and the substitution of mobile services in place of fixed-line services, encouraged by offers of aggressively priced packages from certain mobile telecommunications service providers. We believe that major technological innovations, such as instant messaging services and VoIP, may impact fixed-line traffic in the future.

We are the third-largest fixed-line services provider in Colombia in terms of market share, 20.3%, according to the MINTIC, as of December 31, 2019. Our main competitors in the fixed-line services market are Claro Colombia and Colombia Móvil, which have a market share as of December 31, 2019 of 36.0% and 24.2%, respectively, according to MINTIC. As of December 31, 2019 we had 1.4 million fixed lines in service.

Television Subscription

As of June 30, 2019, we had 9.2% share of the market for television subscription services, according to the ANTV. In recent months, we have continued to expand our television subscription service, and particularly our HD channel offerings. In 2019, we launched our IPTV service for our FTTH customers. Our main competitors in the television subscription market are Claro Colombia, Colombia Móvil, and DirecTV, which have a 42.3%, 20.0% (*Tigo* and *Une* on a combined basis), and 18.6% subscriber market share, respectively, as of June 30, 2019, according to the ANTV. DirecTV focuses on offering premium packages including HD channels to higher-income homes in Colombia following his participation in the 4G auction held by the MINTIC in 2013, where it was assigned spectrum use permits. As a result of such assignment, and being a duty for DirecTV, such company launched its home internet service with mobile spectrum and entered the fixed broadband market in the second quarter of 2014, reporting 129 subscribers, according to the MINTIC entered the broadband market in the main cities in Colombia using their 4G network.

Licenses and Concessions

We require permits for the use of our spectra, which we use in the operation of our networks. We provide telecommunications services pursuant to a general habilitation under Law 1341, which, pursuant to the reform carried out with the Law 1978, includes cellular mobile, fixed-line and internet access services, as well as television services.

We have a total of 85 MHz of spectrum to provide mobile services distributed as follows: 30 MHz in the band in 1900, 25 MHz in the band 850, and 30 MHz in AWS band. We are permitted to operate in the following spectrums: (i) 25 MHz of spectrum in 850 MHz band and 15 MHz in 1900MHz band, in the bands 836.5 MHz to 849 MHz, 881.50 MHz to 894 MHz, 1875.0 MHz to 1882.5 MHz and 1955.0 MHz to 1962.5 MHz, pursuant to Resolution 597 of 2014, until March 28, 2024, (ii) provide mobile services with 15 MHz of spectrum in the bands 1867.5 MHz to 1875.0 MHZ and 1947.5 MHz to 1955.0 MHZ, pursuant to Resolution 2105 of 2011, until October 20, 2021, and (iii) 30 MHz of spectrum in the band of 1710 MHz to 1755 MHz paired with 2110 MHz to 2,155 MHz in connection with the provision of 4G, pursuant to Resolution 2625 of 2013, until November 12, 2023.

Set forth below is a table containing certain information about the terms of our mobile services licenses and television subscription concession. Each of the licenses and concessions listed below has national coverage. For purposes of (i) technological neutrality and (ii) general enabling (and not by services), the spectrum is mobile, not assigned to a particular service. However, for technical reasons, it can be classified as spectrum suitable for 4G or 5G services.

Resolution No.	Date	Band (MHz)	Specific Band	Notification date	Resolution resolving appeal	Notificati on date of appeal	In force since	In force until	Maximum renewal request date
597	March 27, 2014	850/1,900	835,020 to 844,980 MHz; 846,510 to 848,970 MHz; 880,020 to 889,980 MHz and 891,510 to 893,970 MHz; 1,870 to 1,877.5 and 1,950 to 1,957.5 MHz	March 28, 2014	N/A	N/A	March 28, 2014	March 28, 2024	December 27, 2023
2,105	Septemb er 15, 2011	1,900	1,867.5 to 1,870 MHz; 1,885 to 1,887.5 MHz and 1,887.5 to 1,890 – 1,947.5 to 1,950 MHz; 1,965 to 1,967.5 to 1,970 MHz	September 19, 2011	2,538 from October 14, 2011	October 18, 2011	October 18, 2011	October 18, 2021	July 17, 2021
2,625	July 26, 2017	1,700/2,10 0	1,725 to 1,740 and 2,125 to 2,140 MHz	August 02, 2013	4,121 from October 25, 2013	Novembe r 13, 2023	Novembe r 13, 2023	Novembe r 11, 2023	August 12, 2023

Network

Spectrum

We have a total of 85 MHz of spectrum to provide mobile services distributed as follows: 30 MHz in the band in 1900, 25 MHz in the band 850, and 30 MHz in AWS band. For information on our permits, see *"—Licenses and Concessions*." As of March 31, 2020, our GSM and 3G networks covered approximately 83.1% and 84.4%, respectively, of the total municipalities in Colombia, or 75.1% and 75.4%, respectively, of Colombia's population. As of March 31, 2020, our 4G network covered 71.6% of the total municipalities in Colombia and 70.2% of Colombia's population. In addition, as of March 31, 2020, our market share in the of the total mobile spectrum awarded in Colombia was 20.0%, following Claro with 31.8% and Tigo with 29.4%. In order to continue with our financial strategy, we decided not to acquire licenses in the spectrum public bidding process of December 2019, considering the elevated market prices and our good balance of spectrum share and mobile services market share.

Mobile Networks

We have three mobile networks that operate simultaneously, each of which operates on the GGSM/EDGE network, the UMTS/HSPA+ network, and the LTE network.

	Radio Bases	Municipalities	Inhabitants
2G	2,857	932	75.1%
3G	4,556	941	75.4%
4G	3,797	422	70.2%

GSM/EDGE

Initially our GSM/EDGE network began with voice and low speed data services through GPRS, which is a data value-added service that allows information to be sent and received across a mobile telephone network. GPRS radio resources are used only when users are actually sending or receiving data. Rather than dedicating a radio channel to a mobile data user for a fixed period of time, the available GPRS radio resources can be concurrently shared between several users. This efficient use of scarce radio resources means that large numbers of GPRS users can share the same bandwidth and be served from a single cell. The number of users supported depends on the application being used and how much data is being transferred. Because of the spectrum efficiency of GPRS, there is less need to build-in idle capacity that is only used during peak hours. GPRS therefore allows us to maximize the use of our network resources.

EDGE is a standardized set of improvements to the GSM radio interface. EDGE and GPRS traffic can function on any GPRS network, provided the carrier implements certain upgrades, which include certain modifications, installations and upgrades to base stations. The implementation of EDGE effectively triples the rate of data transmission offered by GPRS. Because GPRS and EDGE transmit information through data channels rather than voice channels, they facilitate faster connections than previous technologies, such as circuit switch data and high speed circuit switch data, or HSCSD. GPRS and EDGE services are able to accommodate corporate applications such as transmission of still and moving images, file sharing and other file transfer services, e-mail, WAP and web browsing, alarms, localization and other telemetric services.

Our GSM/EDGE network has been in operation since 2005 and operates in double band mode, with channels in the 850 MHz and 1900 MHz radio spectrums. As of March 31, 2020, our GSM/EDGE network had 83.1% coverage, measured by number of municipalities, or 75.1% coverage, measured by population. Nokia Siemens Network is our main network supplier and is responsible for all mobile access equipment. In 2005, the EDGE technology was implemented, offering speeds of up to 256 Kbps.

UMTS/HSPA

HSPA is a wireless technology for the third generation UMTS network, which is a wireless telephone communications protocol that allows networks based on UMTS to have higher data transfer speed and capacity. Our HSPA deployment supports downlink speeds of up to 14.4 Mbps and uplink speeds of up to5.6 Mbps. HSPA not only allows us to provide data transfer services offered by GSM based technologies (HSCSD, GPRS and EDGE), but also permits the provision of services that require a greater transfer rate, such as streaming media, instant file transfer (favoring mobile use of social networks), and increased security applications, particularly for banking and commercial services.

HSPA+ provides faster downlink and uplink speeds than HSPA (21.0 and 5.6 Mbps, respectively). The technology also delivers significant battery life improvements and dramatically quicker wake-from-idle time, delivering a true always-on connection.

Our UMTS/HSPA network has been operating in Colombia since December 2008, and had 84.4% coverage of the total municipalities and 75.4% coverage of Colombia's population as of March 31, 2020. This network is comprised of 3G technology that is designed to offer mobile data services and high-speed wireless data transfers. Our UMTS/HSPA data service was initially implemented with a transfer speed of up to 384 Kbps and as of December 31, 2019, reaches speeds of up to 14.4 Mbps.

We also operate an extensive mobile network, covering 75.1% of the total population of Colombia for 2G wireless voice services, and covering 75.4% of the total population of Colombia for 3G wireless data services.

Long Term Evolution (LTE) Technology

LTE is a 4G technology developed to further increase network capacity and data throughput performance, create alternatives to fixed-line broadband service, enhance the performance of existing data applications, and drive the development of new applications. This new technology follows GSM's evolutionary path but is different from, and is expected to be an improvement upon, the previous generations of both GSM- and CDMA-based digital radio technologies, by providing wireless data networks with higher speeds and improved efficiencies. With a 30 MHz bandwidth spectrum, an LTE cell can reach download and upload speeds of 110 and 55 Mbps respectively.

The deployment of our 4G network is based on a sharing model with Colombia Móvil, other mobile operator, under which we share the LTE access network, including antennas, radio-frequency equipment and power systems, but each of us individually operate our own proprietary core network and platforms. On December 2, 2013, we entered into a ten-year agreement with Colombia Móvil for the deployment of the LTE network, which includes a five-year rollout period covering 2,150 sites that are equally distributed among operators. Any expansion of LTE coverage will be based on certain key performance indicators. Pursuant to this agreement, we agreed to:

- ensure network coverage;
- assist with the expansion of the network to certain regions in Colombia;
- guarantee access on equal terms to the portion of the network owned by us;
- operate and maintain our portion of the network;
- purchase or rent products or services necessary for us to independently deploy, operate and maintain our portion of the network;
- assume any additional future capacity needs with respect to our portion of the network, including growth in infrastructure and related operation and maintenance; and
- share in costs and expenses related to the network.

In addition, pursuant to the agreement, we established an executive committee to manage this project, in which each party has equal voting rights.

Additionally, in July 2013, we were granted private rights to the rollout of the LTE network in the AWS band in 313 municipalities in Colombia through 2023.

Access Rates

Our emphasis on improving and maintaining our GSM/UMTS wireless network has led to a high level of service quality as shown in the table below:

	As for March 31,	As of December 31,		
	2020	2019	2018	2017
Network access rate[(1)]	98.14%	98.33%	98.30%	98.26%
Dropped call rate[(2)]	0.60%	1.35%	1.14%	1.3%
Network access rate[(1)]	99.86%	99.88%	99.88%	99.87%
Dropped call rate 2G	1.42%	1.35%	1.14%	1.03%
Dropped call rate 3G	0.42%	0.61%	0.57%	0.58%

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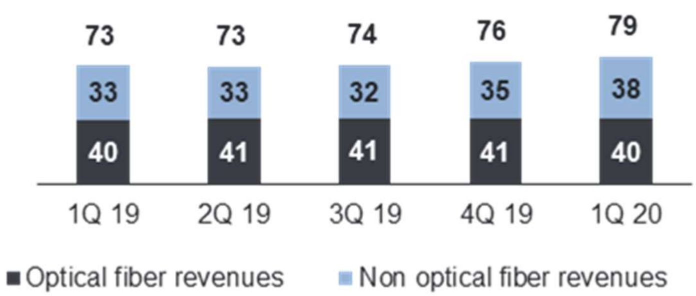
(1) Percentage of attempted calls that were completed successfully.
(2) Percentage of calls in progress that experience service interruption.

Fixed-line network

As of December 31, 2019, we had approximately 1.4 million fixed lines in service covering approximately 49% of the total municipalities in Colombia, according to the MINTIC. Digital systems permit a wide range of voice, text and data applications to be transmitted simultaneously on the same network. In addition, digital technology is more cost effective in terms of maintenance than analog technology.

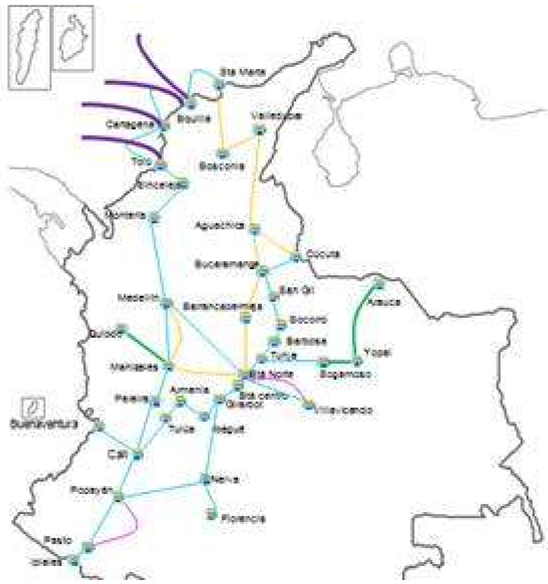
Our revenues from fiber optic and non-fiber optic are described below for the corresponding periods:



We own and operate a nationwide fiber optic network, of which we own approximately 7,523 km and operate (with an irrevocable right of capacity use) 5,009 km of single mode fiber optic and a 3-ring configuration with a capacity of 800 Gbps per ring (in terms of 10Gbps Channels). Colombia has had a fiber optic network since 1995, although approximately 23% of this network has been constructed since 2010.

Set forth below is a map detailing the geographic distribution of our nationwide fiber optic network.

Fiber Optic Backbone Network



Label	Type of cable	Kilometers
	Cable owned by Telefónica	7,523
	IRU Internexa	460
	IRU Gas Natural	2,415
	IRU TV Azteca	2,134
	International cable	-
	Total	**12,532**

The charts below set forth certain information on market share and medium speed (Mbps) in the deployment of FTTH in different cities of Colombia for the periods indicated:

Deployment of owned FTTH

	Movistar		Claro Colombia		Tigo		ETB		Other	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Market share										
Barranquilla.......................	38.0%	36.0%	46%	51%	14%	12%	0	0	2%	2%
Cali...................................	21.0%	15.0%	45%	49%	15%	15%	0	0	19%	22%
Cartagena	35.0%	35.0%	10%	9%	54%	55%	0	0	1%	1%
Cucuta	33.0%	39.0%	26%	26%	33%	30%	7%	9%	2%	10%
Ibague...............................	52.0%	49.0%	32%	33%	15%	18%	0	0	1%	1%
Villavicencio	22.0%	19.0%	43%	50%	30%	25%	4%	5%	1%	1%
Medium speed (Mbps)										
Barranquilla.......................	33,1	12.7	28.5	14.6	16.9	12.0	36.9	30.7	6.5	4.7
Cali...................................	53.1	13.1	23.1	11.9	16.4	11.6	12.8	12.3	4.5	4.9
Cartagena	33,9	9.9	22.6	11.7	14.6	10.6	13.3	7.3	15.5	5.2
Cucuta	24.4	7.6	20.0	10.5	16.1	12.1	12.3	4.9	10.0	4.8
Ibague...............................	22.3	7.7	17.7	10.1	15.2	9.1	133.2	47.7	6.3	6.5
Villavicencio	38.4	8.5	17.6	10.4	14.6	10.0	5.9	4.9	11.2	10.0

Deployment of owned FTTH (Alternative Model)

	Movistar		Claro Colombia		Tigo		ETB		Other	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Market share										
Bogota..............................	4.0%	4%	53%	52%	2%	2%	40%	41%	1%	1%
Medellin...........................	0	0	25%	24%	74%	75%	0	0	1%	1%
Medium speed (Mbps)										
Bogota..............................	13.6	7.0	24.8	13.1	15.0	10.4	34.7	12.5	19.3	10.44
Medellin...........................	0	0	27.1	12.7	15.2	10.6	21.5	15.7	29.9	10.70

The alternative model refers to the co-investment model, pursuant to which we contract for 10 years with ATP and ATC for the service of passed and connected homes for which we pay a fee, establishing a three-year period for implementing the network, but where we do not have to make any kind of investment.

We provide broadband internet service using ADSL technology. As of December 31, 2019, our network had approximately 3,310 Digital Subscriber Line Access Multiplexers, or DSLAMs, in 5,235 points of presence, or POPs. In addition, as of December 31, 2019, our network has approximately 1.5 million ADSL2+ ports, of which 92% are IP ports. We use IP MPLS technologies to provide our corporate subscribers with broadband internet and connectivity services.

Property, Plant and Equipment

As of March 31, 2020 and December 31, 2019, the net book value of our property, plant and equipment was COP$5,152,302 million (U.S.$1,270.7 million) and COP$5,088,525 million (U.S.$1,255 million), respectively. Our mobile network requires several types of equipment, such as bases, controllers, microcells, distributed antenna systems and lines for several purposes, including transmission (for the interconnection and communication between devices), software (for support of the different technologies of our network), switched core (for control, transfer and forward voice and data services), management (for the operation, monitoring and supervision of each service) and radio access network (for delivering voice and data services to the subscriber). We own all of the equipment, other elements and service platforms.

We own numerous properties, including base transceiver stations and switching equipment and towers. As of March 31, 2020, we owned 9,545 technical sites, including transmission cells, switches and repeat stations.

Intellectual Property

We own numerous trademarks and other intellectual property rights in Colombia. In addition, we license numerous patents, service marks, trademarks and other intellectual property owned by Telefónica, such as the names *Movistar* and *Telefónica*. These contracts contain clauses regarding mutual responsibility and indemnity obligations in cases of intellectual property right infringement. On May 31, 2005, we executed a brand license agreement with Telefónica for the granting of a non-exclusive, non-transferable and revocable license for the use of the *Movistar* brand and domain, for a period of one year, and includes an automatic renewal. Our services often use the intellectual property of third parties, such as ringtones, text games, video games, wallpapers or screensavers, and licensed software. In total, these licenses and our copyrights, patents, trademarks and service marks are of material importance to the business. Telefónica may in the future receive claims that it, we, or third parties from whom we license or purchase goods or services, have infringed on the intellectual property of others. If these claims are successful, Telefónica could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks.

Employees

Our employees are an important component of our customers' service experience. As such, we have made significant investments in the development of employee recruiting, training and retention programs and constantly strive to improve our work environment.

As of March 31, 2020, we had 6,041 full-time employees. The table below sets forth the total number of employees as of the date indicated, and the percent change from December 31 of the preceding year.

	Number of employees	% Change
December 31, 2017	5,954	
December 31, 2018	5,928	-0.4%
December 31, 2019	5,988	1.0%
March 31, 2020	6,041	0.9%

We maintain good relations with our employees, and are not currently subject to any material labor claims by current and previous employees.

Employee Benefits

Colombian law requires that employers provide mandatory coverage of labor risk. Labor risk insurance consists of public and private policies which aim to prevent or provide care for workers that are affected by occupational hazard, injury or illness arising from their professional activity. Labor risk insurance coverage are offered in Colombia by public and private entities. The authorized providers of labor risk in Colombia are known as Labor Risk Administrators (*Administradora de Riesgos Laborales*).

This system offers comprehensive coverage that ensures the prevention of risk and recognizes and pays for both health services and economic benefits, while at the same time mitigating possible occupational health claims. Employers are responsible for paying government-imposed fees to support this system.

Colombian law also requires mandatory social security health coverage. The social security health scheme is administered through designated Health Care Promoting Entities (*Entidades Promotoras de Salud*). By law, social security includes the coverage of health care insurance and the recognition and payment of health, maternity and paternity leaves. The social security system is controlled and monitored by the Colombian government, and financed through contributions made by employers, workers and independent contractors.

Mandatory health insurance coverage in Colombia is provided pursuant to the Mandatory Health Plan (*Plan de Beneficios en Salud*), which details the procedures, supplies and medicines to which the public has the right of access. Minimum health benefits are provided to the Colombian public, regardless of the economic status of the insured or their ability to pay insurance premiums.

Colombian law also regulates a mandatory pension scheme, which is administered by public or private pension fund managers. The pension scheme provides old age, disability and survivors' pensions for those covered through the system. Coverage related to the disabled and survivors is implemented through the mandatory pension scheme if originated in nonprofessional accidents or through sickness. Professional risk insurance covers labor accidents and diseases suffered during employment. Affiliation with the pension scheme is mandatory for all Colombians who earn at least a minimum wage. The pension scheme is controlled and monitored by the Colombian government, and financed through contributions made by employers, workers and independent contractors.

We provide life insurance coverage to our employees as an additional benefit, which we obtain from the insurance market on reasonable economic terms. These life insurance policies include basic coverage of 24 times the salary of each employee, along with additional coverage for temporary and permanent disability, accidental death coverage of 48 times the salary of the employee, hospitalization, serious illness and funeral assistance, among others.

Environmental Issues

We are currently unaware of any material environmental liabilities or other material environmental issues relating to our properties or operations and anticipate no material expenditures for compliance with environmental laws or regulations.

Telefónica maintains an Environmental Management System (*Sistema de Gestión Ambiental*), designed to ensure that Telefónica and its subsidiaries are in compliance with all environmental law requirements as well as identifying environmental concerns and new environmental programs in which to participate.

Telefonica has an ISO 14001 certificate for its mobile and fixed-line operations, recertified in 2019 and expiring on 2022. In addition, we have as best practices in the environmental, social and governance areas, (i) energy efficient programs, (ii) trainings for employees in "Responsible Business Principles", and (iii) activities seeking to strengthen ties with our suppliers.

Insurance

Our insurance strategy is to achieve efficient protection against any threat, impediment, obstacle or demand which may impede our economic, financial and service goals. In order to meet this objective, we dedicate our efforts and resources to ensure that we are protected against the various insurable risks Telefónica incurs in conducting its activities. The policies which cover our material risks include:

- *All-Risk Material Damage and Business Interruption*. These policies cover all risks related to property damage, injury caused by company assets (buildings, equipment, infrastructure and networks) and the loss of benefits that could be generated by business interruption. This policy also provides coverage for employee defalcation.
- *General Civil Liability*. These policies provide coverage for property damage caused to third parties and any economic damage resulting from conducting our activities.

Our insurance policies are underwritten by the Telefónica Group's insurance companies, Nova Casiopea Re S.A., or Nova Casiopea Re, a reinsurer, and Pleyade, an insurance and reinsurance broker. See "*Related Party Transactions*." Under global insurance programs and definition of the principal protection schemes, these insurance companies facilitate the renewal of insurance policies at reasonably lower costs and with standards of competence and coverage which are better than those available locally. These insurance policies are renewed annually and the insurance limits are adjusted and established in accordance with the risk levels involved.

Legal Proceedings

We are party to certain legal proceedings arising in the normal course of our business, including civil, administrative, tax, social security, labor, governmental and arbitration proceedings. As of March 31, 2020, we were party to 2,066 proceedings against us in an aggregate amount of COP$3,065,976 million; of which 136 proceedings involving an aggregate amount of COP$16,035 million (or 0.5%) were classified as probable losses; 733 proceedings involving an aggregate amount of COP$138,250 million (or 4.5%) were classified as possible losses; and 1,197 proceedings involving an aggregate amount of COP$2,911,691 million (or 95.0%) were classified as remote losses. As of March 31, 2020, we had provisioned COP$16,035 million for losses relating to claims and proceedings deemed as probable, as required under Colombian IFRS. For the avoidance of doubt, these proceedings do not include the arbitration between Telefónica and the Republic of Colombia described under "—*Proceedings in Connection with the Reversion of Assets*".

Set forth below is a detailed breakdown of our proceedings deemed as probable losses as of March 31, 2020:

Type of Action	Number of Proceedings	Total Amount in Controversy	Provision
		(*in millions of pesos*)	
Short Term			
Petitions, complaints and claims	26	4,975	4.975
Labor	20	1,137	1,137
Long Term			
Tax	1	165	165
Labor	37	2,327	2,327
Administrative Investigation	5	287	287
Executive proceedings	3	110	110
Ordinary civil proceedings	6	4,886	4.886
Administrative penalty	35	2,055	2,055
Incentives and class actions	3	93	93
Total	**136**	**16,035**	**16,035**

Class Actions

In April 2006, a class action proceeding was filed with Administrative Court 28 of Bogotá against us (including us as successor by merger to TEMCO) in connection with the pricing structure in effect between November 1998 and November 2005 for our mobile and fixed-line services. The plaintiffs seek damages of COP$1,109.8 million (U.S.$273.7 million) claiming that we overcharged our customers during this time period. This class action is currently in the evidentiary phase. Based on the opinion of our counsel, the probability of loss is remote with respect to this proceeding.

Konvoz S.A. en liquidación

On December 1, 2006, we received notice of a proceeding filed by Konvoz S.A., an entity in receivership. The plaintiffs claim COP$10,000 million in damages as a result of allegedly secret traffic tests conducted by Telecom, our predecessor, which the plaintiffs claim resulted in MINTIC revoking their license to provide telecommunications services. Based on the opinion of our counsel, the probability of loss is remote.

Publinet Com Ltda

On March 13, 2012, Publinet Com Ltda filed a breach of contract claim against us regarding hosting the network *Mundial Internet*, which we entered into on April 25, 2001. The claim alleges that we did not allow the plaintiff to install equipment for the network in accordance with the technical and safety parameters described in the contract. The plaintiff claims payment of damages for values in an amount greater than the access charges (paid per minute) from April 24, 2002 through February 4, 2011, in a total amount of COP$81,403 million. Based on the opinion of our counsel, the probability of loss is remote, as the plaintiff may have no grounds for its claim because the plaintiff refused to allow the equipment in question to be replaced without justification. In addition, in connection with this claim Publinet Com Ltda requested the seizure of our assets in an amount of COP$100,000 million.

Proceedings in Connection with the Reversion of Assets

Prior to March 2014, our Company had the right to use 40MHz of radio spectrum (25MHz in the 850MHz band and 15MHz in the 1900MHz band) under our Mobile Services Concession Agreements. Pursuant to Law 1341 of 2009, our Company had the option to continue operating under the Mobile Services Concession Agreements through the expiration of their term (that is, March 28, 2014) under the regulatory framework existing prior to its enactment in 2009, or convert to the general habilitation regime established thereunder. In addition, Law 1341 provided our Company with the option to, prior to the expiration of the Mobile Services Concession Agreements, request a one-time renewal of the permits to use the radio spectrum associated with such concession agreements, and convert to the general habilitation regime established under Law 1341 of 2009. In accordance therewith, in November 2013, our Company elected to convert to the general habilitation regime and accordingly requested that the MINTIC renew our permit to use the 40MHz of radio spectrum associated with the Mobile Services Concession Agreements. In connection with this request, our Company was required to early terminate the Mobile Services Concession Agreements, which was effective as of November 28, 2013. Pursuant to Clause 44 of our Mobile Services Concession Agreements, the parties had 6 months to liquidate the agreements. However, on May 7, 2014, our Company and the MINTIC agreed to extend the term until May 29, 2015.

As regards the reversion of assets upon liquidation, pursuant to clause 33 of the Mobile Services Concession Agreements, upon the expiration of each concession our Company was required to return to the Colombian State the assets directly affected by the concession (*elementos y bienes directamente afectos a la concesión*). However, certain provisions of Colombian law (Article 4 of Law 422 of 1998 and Article 68 of Law 1341 of 2009), state that in respect of concession agreements for telecommunication services the obligation to return assets to the Colombian government upon expiration applies only to the radioelectric spectrum associated with the concession. Telefónica and our Company made substantial investments in Colombia relying on the application of Article 4 of Law 422 and Article 68 of Law 1341 to the Mobile Services Concession Agreements.

In our opinion, the clause on "reversion of assets" under the Mobile Services Concession Agreements should be interpreted in accordance with and is subject to Article 4 of Law 422 of 1998 and Article 68 of Law 1341 of 2009. Notably as clause 29 of the Mobile Services Concession Agreements provides that our Company is required to comply with all laws and regulations related to the mobile telecommunications industry existing at the time our Company entered into such agreement, and any amendments thereto, including Article 4 of Law 422 and Article 68 of Law 1341.

In August 2013, the Colombian Constitutional Court issued a ruling on the constitutionality of the referenced Articles 4 and 68. The claim challenging the constitutionality of these provisions was not related, nor did it make reference, to any specific concession agreement for telecommunications services. The court upheld the constitutionality of Articles 4 and 68, and the possibility for these provisions to apply to contracts concluded prior to their enactment, as was the case of the Mobile Services Concession Agreements. The court also held that the application of these provisions to concession agreements that were entered into before these provisions were passed was inconsistent with Colombia's public interest and would be unconstitutional under Colombian law. The court further held that the reversion of assets under the concession agreements executed prior to the enactment of Laws 422 and 1341 could be achieved by either (i) returning both the radioelectric spectrum and the assets directly related to the services provided under the concession (*bienes afectos a la prestación del servicio*), or (ii) compensating the Colombian government in an amount equal to the economic value of such assets. The court did not, however, specify particular assets that would need to be reverted, or procedures for reversion. Instead, the court ruled that it was for the "pertinent instances" to determine the specific assets that would be reverted.

On February 16, 2016, MINTIC started arbitration proceedings against our Company in accordance with the terms of the Mobile Services Concession Agreements and against certain other co-defendants pursuant to their agreements, in order to clarify the validity and scope of the reversion clause. On July 25, 2017, the arbitral tribunal delivered an award for the MINTIC and ordered our Company to pay COP$1,651,012 million (as adjusted on August 4, 2017, to correct an arithmetic error in the original award of July 25, 2017) as compensation for the economic equivalent of the assets subject to reversion, pursuant to the Mobile Services Concession Agreements. On August 29, 2017, our Company's shareholders' meeting approved a capital increase in a total amount of COP$1,651,012 million (equivalent to €470 million at the exchange rate as of such date) to fund payment of the arbitral award. Telefónica and the Colombian government subscribed the capital increase *pro rata* to their respective shareholdings. Telefónica's decision to participate in the capital increase does not constitute, and should not be understood as, an acceptance of the arbitration award. Telefónica reserves all of its legal rights and the exercise by Telefónica or our Company of any applicable legal action, national or international.

On August 18, 2017, our Company filed an appeal before Colombia's highest court of administrative litigation (*Consejo de Estado*) to challenge the arbitration award. The appeal was dismissed by resolution of May 24, 2018. In addition, on December 18, 2017, our Company filed a constitutional action (*acción de tutela*) seeking to protect our constitutional rights affected by the arbitration award. On March 15, 2018, the constitutional action was denied and our

Company filed an appeal against this ruling on April 18, 2018, which was dismissed on May 24, 2018. On November 27, 2018, a recusal motion was filed at the Constitutional Court, which is pending resolution. As of the date of this Offering Memorandum, it is unclear what, if any, will be the effect of the Colombian Constitutional Court's ruling on the enforcement of the arbitral award or our constitutional rights related to the Mobile Services Concession Agreements.

In addition, pursuant to the applicable bilateral treaty between Spain and Colombia, Telefónica notified Colombia of its intention to file an International Center for Settlement of Investment Disputes (ICSID) claim and, on February 1, 2018, Telefónica submitted a request for arbitration with ICSID. On February 20, 2018, the General Secretary of ICSID registered the request for arbitration. An arbitral tribunal has been constituted and the arbitration proceeding is ongoing.

There are no other judicial or administrative proceedings pending or threatened of which we are aware which may have a material adverse effect on our financial position or profitability. For a detailed description of our provisions for contingencies, see note 26 to our Consolidated Financial Statements.

MANAGEMENT

The business address of our management is Transversal 60 No. 114 A-55 Edificio Corporativo, Bogotá D.C., Colombia.

Board of Directors

Our Board of Directors is responsible for establishing our general business policies and guidelines, as well as our long-term strategy. Pursuant to our by-laws, our Board of Directors consists of ten principal members and their respective personal alternates, which we collectively refer to as "our Directors." As long as our common shares are listed on the BVC, the members of our Board of Directors will not have alternates. At least three of our Directors must be independent Directors in accordance with Colombian securities laws and must be appointed pursuant to the electoral quota voting system, as set out in Article 44 of Law 964 of 2005. See *"—Corporate Governance*." The members of our Board of Directors appointed as independent members must agree, in writing, upon accepting their appointment, to maintain their status as independent during the term of such appointment. If for any reason, any independent Director loses such status, they must resign and we may call for an extraordinary shareholders' meeting to replace such Director.

According to our by-laws and Law 964 of 2005 and its regulatory decree, while our common shares remain listed on the BVC, our Directors will be elected at our shareholders' annual meeting for two-year terms in accordance with an electoral quota voting system, pursuant to which the number of votes required to fill each board position is calculated by dividing the number of eligible votes at a shareholders' meeting by the number of open board positions. However, our Directors may be elected without an electoral quota voting system when there is unanimity and they may be reelected indefinitely. In accordance with Articles 198 and 199 of the Commercial Code, although our Directors are elected for two-year terms, such election can be revoked at any time by our shareholders. If a new director or alternate director is not elected at the annual shareholders' meeting, the terms for the existing directors are extended until a new designation is made. The members of our Board of Directors are subject to the Colombian disabilities and incompatibilities regime (*Regimen de Inhabilidades e Incompatibilidades)*. The election of our Directors is also subject to the provisions of the Investment Agreement, see "*Principal Shareholders—Investment Agreement with the Republic of Colombia.*" The compensation of our Directors is set by our shareholders at the annual general shareholders' meeting.

Our Board of Directors is responsible for, among other things, appointing our President, the general secretary and our executive officers, determining our internal structure and setting forth compensation guidelines for our employees and officers. Our President is a member of the Board of Directors.

Pursuant to our by-laws, our Board of Directors meets at least every two months. The Board may also meet on an extraordinary basis when called by two of our principal Directors, our Chief Executive Officer, the general secretary or the statutory auditor. Our Board of Directors requires a quorum of at least the majority of its members and decision shall be approved with a majority of the members present at the respective meeting. Colombian law also allows our Board of Directors to make decisions by written resolution in lieu of a meeting if each principal Director submits a written vote with respect to the items in such resolution.

As long as (i) our common shares are not listed on the BVC or (ii) the Republic of Colombia and certain minority government-owned shareholders holds at least 13% of our outstanding capital stock, the following decisions require the affirmative vote of all the Directors nominated by the Republic of Colombia:

- execution of agreements with shareholders owning 20.0% or more of our outstanding capital stock, or their affiliates, provided that no such affirmative vote is required with respect to (i) agreements entered into with affiliates of Telefónica pursuant to contractual procedures that provide for the selection of the respective contractor through an objective evaluation of bids, (ii) agreements entered into by us on an arm's-length basis and under market conditions duly demonstrated to the Board of Directors on at least the meeting following the date of the celebration of the agreement, and (iii) those agreements that must be approved by our shareholders (in accordance to applicable law);

- our incurrence of additional indebtedness, in the event (i) our aggregate financial indebtedness (*endeudamiento financiero*) is equal or exceeds our EBITDA for the immediately preceding fiscal year, or (ii) the indebtedness to be incurred by is equal to or exceeds our EBITDA for the previous fiscal year;

- execution of any agreement (other than a financing agreement) for an amount equal to or in excess of U.S.$40.0 million, or its equivalent in other currencies, it being understood that all agreements entered into between or among the same parties and with the same object that are executed in the aggregate in a term equal to or less than one year will be considered the same agreement.

- approval of audit and risk management plans;
- investments in (i) fixed assets located outside Colombia, or (ii) equity investments in entities domiciled outside of Colombia, except that we may pledge our assets to secure our obligations with the favorable vote of the majority of our Directors; and
- sales or pledges of assets in an amount greater than U.S.$10 million, or its equivalent in other currencies, except for the pledge of assets to support financial obligations which shall be authorized by an overall majority of the members of our Board of Directors.

The acts, contracts or agreements indicated in the paragraphs above, regardless of their amount, that intend or have as their purpose the sale or provision to third parties of the goods or services that are part of our corporate purpose, shall not require prior approval.

The compensation of the members of our Board of Directors is set by our shareholders at the annual general shareholders' meeting. None of the service contracts of any of our Directors contains provisions for benefits upon termination of such director's services.

The following table sets forth certain information with respect to the current members of our board of directors and their alternates.

Name	Age	Member Since
Alfonso Gómez Palacio	51	December 2006
Fabián Andrés Hernández Ramírez	49	August 2012
Enrique Lloves Viera	55	March 2018
Ariel Ricardo Pontón	66	August 2012
Martha Elena Ruiz Díaz-Granados	52	August 2012
Pedro Alberto Ramón y Cajal Agüeras[(1)]	66	November 2010
Francisco Javier Azqueta Sánchez-Arjona[(1)]	73	February 2007
Juan Pablo Zarate Perdomo	48	November 2019
Luis Guillermo Echeverri Vélez	62	January 2019
Julio Andrés Torres García[(1)]	53	January 2019

(1) Independent members pursuant to Colombian securities laws.

We summarize below certain biographical information regarding the current members of our Board of Directors:

Alfonso Gómez Palacio. Mr. Gómez has served as our principal Director since December 2006, and as our President of the Board of Directors since February 2007. Previously, he participated in the liquidation process of Telecom and in our incorporation in 2003, and the acquisition by Telefónica of a controlling stake in our capital stock in 2006. Mr. Gómez has more than 17 years of experience in the telecommunications industry in Latin America, actively participating in the transformation of this sector in Colombia. He holds a law degree from the *Pontificia Universidad Javeriana* (Bogotá, Colombia) and has a specialization in political science from *Loras College* (Dubuque, Iowa) and in tax law from the *Universidad del Rosario* (Bogotá, Colombia).

Fabián Andrés Hernández Ramírez. Mr. Hernández has served as our executive Director since August 2012. He currently is our Chief Executive Officer and heads the Telefónica Foundation. Previously, he served as Legal Manager of Telecom. He participated in the liquidation process of Telecom and in our incorporation in 2003 and the acquisition by Telefónica of a controlling stake in our capital stock in 2006. Mr. Hernández has more than 17 years of experience in the telecommunications industry in Colombia. He holds a law degree from the *Pontificia Unversidad Javeriana* (Bogotá, Colombia) and a specialization in law and business from the *Universidad Externado de Colombia* (Bogotá, Colombia).

Enrique Lloves Viera. Mr. Lloves has served as our principal Director since March 2018. He currently is the Strategic and Corporate Development Director of Telefónica Group and forms part of the Executive Committee. Previously, he served as the Mergers, Acquisitions, and Corporate Development Director of Telefónica Group. He has been involved in several strategic acquisitions for the group such as GVT, E-Plus and Digital+, as well as in the incorporation of financial partners to the capital stock of Telefónica Centroamérica and Telxius. He holds a law, economic and business science degree from the *Universidad Pontificia Comillas* (Madrid, Spain).

Ariel Ricardo Pontón. Mr. Pontón has served as our principal Director since August 2012. Previously, he served as our Chief Executive Officer and as Commercial Director of Telefónica Móviles Argentina S.A. for four years and was responsible for distribution channels, planning, management and commercial logistics within the merger process of Telefónica

Argentina and BellSouth Argentina. Previously, Mr. Pontón served as Chief Executive Officer of *Movistar* Colombia. In 2010, Mr. Pontón was honored with the Tisa Gold Medal for his excellence in management, commitment to the Company and his career at Telefónica. This medal is reserved for Telefónica's most outstanding executives in Latin America. Mr. Pontón has more than 23 years of experience in the telecommunications industry in Latin America. He holds a degree in electronic engineering from the *Universidad Tecnológica Nacional* (Buenos Aires, Argentina).

Martha Elena Ruiz Diaz-Granados. Ms. Ruiz has served as our General Secretary since 2007 and as our principal Director since August 2012. Ms. Ruiz practiced law at Fiduciaria La Previsora and served in the legal department of Bavaria SA, where she focused on commercial and financial law and served as head of the contracts department. She served at Celumóvil S.A. and currently serves as the General Secretary of the Telefónica Group in Colombia. In 2012 she was elected as Director of the Legal Counsel for Colombia. Previously, she served as General Secretary of TEMCO and Legal Director at BellSouth Colombia S.A. Ms. Ruiz has 14 years of experience in the telecommunications industry in Colombia. She was involved in the acquisition of Celumóvil S.A. (predecessor to TEMCO) by BellSouth in 2000 and the merger of Celumóvil S.A. (predecessor to TEMCO) and Cocelco S.A., or Cocelco, a Colombian mobile telecommunications provider, in July 2000. She holds a bachelor's degree in law and political science from the *Universidad Externado de Colombia* (Bogotá, Colombia) and holds a master's degree in economic law from the *Universidad Javeriana* (Bogotá, Colombia).

Pedro Ramón Cajal y Agüeras. Mr. Cajal y Agüeras has served as an independent Director since November 2010. He is the founder, president of the executive committee and director of the procedural law department of the Spanish law firm of Ramón y Cajal Abogados. He is a recognized expert in procedural, public and commercial law in Spain. He has also served as director of *Asesoría Jurídica* of the *Delegación de Hacienda* of Barcelona, Spain, and as general vice-director of resources at the Ministry of Finance of Spain. Mr. Cajal y Agüeras is also an arbitrator at the Madrid chamber of commerce and the international chamber of commerce, located in Paris, France. He holds a law degree from the *Universidad de Zaragoza* (Zaragoza, Spain).

Francisco Javier Azqueta Sánchez-Arjona. Mr. Azqueta has served as an independent Director since February 2007. He currently is the General Director of Beta Capital S.A., and is a member of the board of directors of Cuidasur S.A. and Edificios Eguiluz S.A. Mr. Azqueta has also served as Financial Director of Papelera de Araxes, S.A., a paper mill located in Tolosa (Guipúzcoa, Spain). He holds a bachelor's degree in economics from the *Universidad Complutense* (Madrid, Spain).

Juan Pablo Zarate Perdomo. Mr. Zarate has served as our principal Director since November 2019 and is currently the Technical Vice-Minister of the Ministry of Finance and Public Credit. He also held the position of Technical Vice-Minister of the Ministry of Finance and Public Credit between 2006 and 2009, and was Director of Macroeconomic Policy of the Ministry of Finance and Public Credit in 2004. Since 2009 and until September 2019, Mr. Zarate served as co-director of the Board of Directors of the Bank of the Republic, where he previously also served as Director of the Financial Stability Department, Director of the Technical Unit of the Monetary and Reserves Deputy Management and Director of the National Statistics Administrative Department (DANE).

Luis Guillermo Echeverri Vélez. Mr. Echeverri has served as our principal Director since January 2019. He currently is advisor and consultant to Compañías Cables de Energía y de Telecomunicaciones S.A. – Centelsa S.A., Towers, S.A.S., and JLT Colombia Wholesale Ltda. He holds a law degree from the *Universidad Pontificia Bolivariana de Medellín* (Medellín, Colombia) and a master´s degree in agro-economics from Cornell University (New York, USA).

Julio Andrés Torres García. Mr. Torres has served as an independent Director since January 2019. He was appointed commissioner to participate in various projects in our capital markets and pension experts commissions. He currently is the Executive Director of Multiple Equilibria Capital and Andina Acquisition Corporation. Mr. Torres has experience on leading positions mainly focused on the financial sector.

Executive Officers

Our Chief Executive Officer is our legal representative and has three permanent alternates and one alternate for judicial purposes. Our executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines established from time to time by our Board of Directors.

The following table sets forth certain information with respect to the current executive officers:

Name	Position	Year Appointed
Fabián Andrés Hernández Ramírez	Chief Executive Officer	2018
Elena Eloisa Maestre Tinao	Chief Financial Officer	2019
Martha Elena Ruiz Díaz-Granados	General Secretary	2005
Angela Natalia Guerra Caicedo	Chief of Public Relations, Regulation and Wholesale Officer	2018
Johanna Harker Garcia	Chief Human Resources Administrative Officer	2020
Hernán Felipe Cucalón Merchán	Chief Networks Officer	2005
Luis German Peña	Chief Marketing Officer	2019
Roberto Arturo Puche Palacio	Chief IT Officer	2020
Francisco Javier Bertrán Zúñiga	Chief Transformation Project Officer	2018
Mariano Domeq	Chief Commercial and Customer Service Officer	2017
German Centeno Díaz	Chief Communications Officer	2006
José Ignacio Gargallo del Río	Chief Internal Audit, Intervention and Inspection Officer	2012
Carolina Navarrete	B2B Chief Officer	2009

We summarize below certain biographical information regarding our current executive officers who are not also our Directors.

Elena Eloisa Maestre Tinao. Ms. Maestre has served as our Chief Financial Officer since 2019. Previously, she served as Controller Hispam in Telefónica S.A. and as Latin America Consolidation Chief in ENDESA. During her first four years of her professional career, she worked in auditing and accounting, as well as carrying out financial consolidation activities and other related tasks. She holds a bachelor's degree in economics from the *Universidad Autónoma de Madrid* (Madrid, Spain).

Angela Natalia Guerra Caicedo. Ms. Guerra has served as our Chief of Public Relations, Regulation and Wholesale Officer since March 16, 2018. Previously, she served as Telecommunications Regulatory Manager. Ms. Guerra specializes in telecommunications law and has more than 20 years of experience in such industry, including experience in regulatory, corporate, interconnection and fraud control matters. She holds a law degree and a master's degree from the *Universidad de los Andes* (Bogotá, Colombia).

Johanna Harker García. Ms. Harker has served as our Chief Administrative Officer since May 1, 2020. Previously, she served as Country Manager in Wayra Colombia and Wayra Hispam North during eight years. She worked in the commercial area in Financial and Telecommunication sector. She holds a law degree from the *Pontificia Universidad Javeriana* (Bogotá, Colombia).

Hernán Felipe Cucalón Merchán. Mr. Cucalón has served as our Chief Networks Officer since 1999. Previously, he served as our Technical Director. Mr. Cucalón has more than 26 years of experience in the telecommunications industry in Latin America. He holds a degree in electronic engineering from the *Universidad del Cauca* (Popayán, Colombia).

Luis German Peña. Mr. *Peña* has served as our Chief Marketing Officer since 2019. Previously, he served as Director of Marketing from 2012 to 2019 and as Vice President of Marketing from 2009 to 2012. He holds a degree in Industrial Engineering from *the Universidad de los Andes* (Bogotá, Colombia).

Roberto Arturo Puche Palacio. Mr. Puche has served as our Chief IT Officer since 2003. Previously, he served as Chief Financial Officer of Lloyds Bank in Bogotá, Colombia. Mr. Puche has eight years of experience in the telecommunications industry in Latin America. He holds an electronic engineering degree from the *Pontificia Universidad Javeriana* (Bogotá, Colombia).

Francisco Javier Bertrán Zuñiga. Mr. Bertrán has served as our Chief Transformation Project Officer since 2012. Previously, he served as our Quality and Customer Support Director. Mr. Bertrán has 18 years of experience in the telecommunications industry in Latin America. He holds a degree in business administration from the *Universidad Santo Tomás* (Bogotá, Colombia).

Mariano Domeq. Mr. Domeq has served as our Chief Commercial and Customer Service Officer since May 15, 2017. Previously, he served as Sales, Agents and Experience Centers Officer. During his ten years in the group, he has held various positions within the areas of Business and Marketing, in Argentina and Colombia. He holds a degree in industrial engineering from the *Universidad de Buenos Aires* (Buenos Aires, Argentina), a post-graduate degree in business administration from the *Universidad Católica de Argentina* (Buenos Aires, Argentina) and a master's degree in business administration from IE in Spain (Madrid, Spain).

German Centeno Díaz. Mr. Centeno has served as our Chief Communications Officer since 2006. Mr. Centeno has 21 years of experience in the communications industry in management positions. In 2002, he joined *Empresa Nacional de Telecomunicaciones* as Communications Officer. He holds a bachelor's degree in communications from the *Pontificia Universidad Javeriana* (Bogotá, Colombia).

José Ignacio Gargallo del Rio. Mr. Gargallo has served as our Chief Internal Audit, Intervention and Inspection Officer since 2012. Previously, he served as Chief Internal Audit, Intervention and Inspection Officer of Telefónica México. Mr. Gargallo has 12 years of experience in the telecommunications industry in Latin America. He holds a bachelor's degree in economics and business from *Universidad de Alcalá de Henares* (Madrid, Spain) and a master's degree in financial management and control from the *Instituto de Empresa* (Madrid, Spain).

Carolina Navarrete. Ms. Navarrete has served as our B2B Chief Officer since September 23, 2017. Previously she served as B2B Marketing Officer. She has more than 18 years of experience in management positions in the telecommunications industry in Colombia and in France, and has been involved in leading positions related to the transformation processes of organizations, as well as in ensuring customer satisfaction. She holds a bachelor's degree in economics and a master's degree in business administration from the *École Supérieure du Commerce in Paris* (ESCP) (Paris, France).

Statutory Audit Committee

Our by-laws provide for an Statutory Audit Committee, which is in charge of, among other matters, supervising our compliance with internal audit programs and ensuring that our preparation, presentation and disclosure of financial information meets the standards set forth in applicable laws and regulations. Our Statutory Audit Committee is composed of five Directors appointed for one-year terms, designated as follows:

- three principal board members deemed to be independent directors;
- two principal or alternate board members, to be elected by the majority of shareholders at the annual shareholders' meeting in which members of the Statutory Audit Committee are appointed.

The chairperson of our Statutory Audit Committee must be an independent board member. All of the decisions of our Statutory Audit Committee are taken by a majority of votes, and meetings are held at least every three months.

Our Statutory Audit Committee was appointed by our Board of Directors on March 4, 2014. The current members of our Statutory Audit Committee are Alfonso Gómez Palacio, Francisco Javier Azqueta Sánchez-Arjona, Pedro Ramón y Cajal Agüeras, Jaime Zarate Perdomo and Julio Andres Torres.

Compensation

The aggregate compensation paid by us to all members of our Board of Directors and executive officers for services in all capacities, including share-based remuneration, was COP$11,684 million as of March 31, 2020. Our executive officers receive benefits, such as medical assistance. In addition, they receive a car, a driver, annual medical tests and life insurance.

Corporate Governance

Our Code of Corporate Governance (*Código de Buen Gobierno Corporativo*) (the "**Governance Code**") was established to protect the rights of our shareholders, creditors, investors and other stakeholders. Pursuant to our Code of Corporate Governance, we seek to guarantee the adequate administration, public knowledge of our management and the mechanisms for evaluating and controlling such evaluation. The Governance Code establishes significant decision-making approval processes, such as the approval by our Board of Directors of transactions with certain of our affiliates, except when they are the result of an objective selection process (*proceso de selección objetiva*) or are executed in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Colombian law sets forth certain restrictions and limitations on transactions carried out with certain related parties, such as directors and senior management of a company, as well as its subsidiaries. The transactions that are limited or prohibited are described in Decree 410 of 1971 (*Código de Comercio de Colombia*, or the Colombian Code of Commerce), as amended by Law 222 of 1995. This law establishes, among other things, the following: (i) subsidiaries must carry out their activities independently and with administrative autonomy; (ii) transactions between the parent company and its subsidiaries or affiliates must be of a real nature and may not differ considerably from standard market conditions, nor be to the detriment of the Republic of Colombia, stockholders or third parties and (iii) subsidiaries may not acquire any shares issued by their parent company.

We engage in a variety of transactions with related parties in the ordinary course of business. Pursuant to our by-laws, every transaction entered into with an affiliate must be approved by our Board of Directors. Furthermore, approval by our Board of Directors, including the affirmative vote of all the Directors nominated by the Republic of Colombia and certain minority government-owned shareholders, is required if the respective affiliate transaction is not entered into under arm's-length conditions. Our by-laws provide for an exception to this requirement for agreements entered into with affiliates of Telefónica pursuant to contractual procedures that provide for the selection of the respective contractor through an objective evaluation of bids.

We believe that we have complied and are in compliance in all material respects with the requirements of the relevant provisions of our by-laws and the Colombian Code of Commerce governing related party transactions with respect to all of our transactions with related parties.

Set forth below are our principal related party transactions.

License Agreement with Telefónica

We entered into a non-exclusive trademark licensing agreement with Telefónica (the "**License Agreement**"), on May 31, 2005, as amended on September 19, 2008, pursuant to which Telefónica authorized us to use certain trademarks related to its *Movistar-M* brand, as well as domain names including telefonicamoviles.com.co and telefonicamoviles.com. We are required to pay Telefónica a quarterly fee based on our revenues. The License Agreement provided for an initial term of one year, which is automatically renewed every year unless terminated by either party upon 60-days written notice. The contract automatically terminates upon our change of control. For more information on the License Agreement, see "*Business—Intellectual Property*." In addition, we have separate agreements with Telefónica to (i) access the platform Google Analytics, (ii) data transmission, (iii) the implementation in Colombia of a pilot program for the digital transformation of certain areas, and (iv) provide support services for commercial and business development.

Agreements with Telefónica International Wholesale Services and its subsidiaries

We have entered into recurring agreements with Telefónica International Wholesale Services, S.L. ("**TIWS Spain**"), and its subsidiary, TIWS Colombia, for services regarding the management of our wholesale voice business, the centralized negotiation of purchase of equipment, use and maintenance of submarine cables, lease of access capacity and for other services related to our operations.

For example, on December 19, 2010, we and TIWS Colombia, entered into an international business services agreement (the "**Services Agreement**"), pursuant to which TIWS Colombia manages our voice wholesale long-distance business by providing certain services, including commercial operation, billing, collections, protection against international roaming fraud and conference calls for our clients.

With respect to transactions with TIWS Spain and TIWS Colombia, we recorded a total expense of COP$23,092 million as of March 31, 2020, and COP$65,125 million in 2019. In addition, in 2018 and 2017, we recorded a total expense of COP$64,688 million and COP$56,032 million, respectively.

Agreement with Media Networks

On January 1, 2010, we entered into an agreement with Media Networks Latin America S.A.C. ("**Media Networks**"), which provides television, satellite internet and audio-visual, content through DTH. We recorded a total expense of COP$9,060 million during the three-month period ended March 31, 2020, and COP$38,824 million during the year ended December 31, 2019, with respect to this agreement with Media Networks. In addition, we recorded a total expense of COP$33,648 million and COP$28,314 million in 2018 and 2017, respectively, under this agreement.

Agreements with Terra Networks

From time to time, we enter into agreements with Terra Networks México S.A. de C.V. ("**Terra Networks**"), a subsidiary of Telefónica, for the provision of web development services in connection with the sale of value-added mobile services through the *Movistar* Store. We also have entered into an agreement with Terra Networks for the use of certain security licenses, security HUB and *Movistar* Cloud.

Other Agreements with the Telefónica Group.

From time to time, we enter into agreements with other subsidiaries of Telefónica, for a broad range of services in the areas of cybersecurity, IT support, business continuity, software development, IT infrastructure support, e-learning, IP back bone support, fixed IP network, submarine cable transmission, use and sale of digital products, market intelligence support and consulting services, among others. Our counterparties to these agreements currently include, among others, Telefónica Ingeniería de Seguridad S.A.U., Telefónica USA Inc., Telefónica Learning Services Colombia S.A.S., Telefónica de España S.A.U., RSL Telecom S.A (Panamá), and Telefónica Digital España S.L.U.

Investment Agreement with the Republic of Colombia

For information regarding the Investment Agreement, see "*Principal Shareholders—Investment Agreement with the Republic of Colombia*" in this Offering Memorandum.

For more information regarding our related party transactions, see note 25 to our 2019 audited consolidated financial statements included elsewhere in this Offering Memorandum.

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, the aggregate amount of our issued and outstanding capital stock was COP$3,410,059,291 represented by 3,410,059,291 common shares, fully subscribed and paid-in, with a par value of COP$1.00 each. Each common share entitles the holder thereof to one vote at our shareholders' meetings.

On March 31, 2020, Telefónica and Telefónica Latinoamérica Holding S.L. entered into a stock purchase agreement in order to transfer 269,339,586 and 1,756,837,597, respectively, of our common shares to Latin America Cellular Holdings S.L., a wholly-owned subsidiary of Telefónica that already held 8.0% of our capital stock. The transfer was perfected on May 7, 2020.

The following table sets forth certain information concerning actual ownership of our common stock as of the date of this Offering Memorandum with respect to our shareholders.

Shareholder	Number of Shares of Common Stock	Percentage Beneficial Ownership
Latin América Cellular Holdings S.L. (1)	2,301,779,819	67.49970081%
The Nation – MHCP	1,108,269,271	32.50000004%
Radio Televisión Nacional de Colombia	10,000	0.00029325%
Canal Regional de Televisión Ltda. – TV Andina	200	0.00000587%
Central de Inversiones S.A. – CISA	1	0.00000003%
Total	**3,410,059,291**	**100.00000000%**

(1) Latin América Cellular Holdings S.L. is a wholly-owned subsidiary of Telefónica.

On August 28, 29 and 30, 2019, our shareholders and the shareholders of each of Metrotel and Telebucaramanga, respectively, approved the merger (*fusión por absorción*) of Metrotel and Telebucaramanga with and into our Company, with our Company as surviving entity. The noteholders of our COP-denominated bonds subsequently approved this merger on October 9, 2019. The merger was approved by the SFC on May 10, 2020, and the amendment to our bylaws reflecting the merger was formalized by means of a public deed dated May 27, 2020. Pursuant to the authorization of the SFC, the merger was deemed effective as of May 28, 2020, the date on which the public deed amending our bylaws was registered before the Commercial Registry of Chamber of Commerce of Bogotá. As of the date of this Offering Memorandum, we are in the process of registering with the Depósito Centralizado de Valores de Colombia SA ("**Deceval**") the shareholders of Metrotel and Telebucaramanga that received shares of our Company in connection with the merger.

Investment Agreement with the Republic of Colombia

On April 18, 2006, the Republic of Colombia, acting through the MHCP, certain of our government-owned minority shareholders, Telefónica, through Telefónica Internacional S.A.U., and us entered into the Investment Agreement in connection with the exercise by Telefónica of its controlling stake in our Company. This agreement was amended on March 30, 2012, in anticipation of the TEMCO merger, and on September 18, 2017, as a result of our capitalization. The Republic of Colombia performed due diligence in advance of each of these transactions. As currently in force and effect, the Investment Agreement sets forth voting obligations and other rules pertaining to our governance, as well as certain tag-along and exit rights for the existing government shareholders, as described below, and the commitment by Telefónica not to compete with us.

The Investment Agreement provides, among other things, that:

- The existing government shareholders (consisting of the Republic of Colombia and certain government-owned minority shareholders) and Telefonica's shareholders (consisting of Latin América Cellular Holdings S.L.) are entitled to assign, sell or transfer their participation in our capital stock to any other party.
- Any such transfer or sale is subject to the condition that the assignee or purchaser thereof becomes a party to the Investment Agreement and assumes the performance of the obligations and duties of the assignor or seller set forth therein. Any such transfer that results in a final participation of 0.5% or less in our capital stock is exempt from complying with this obligation.
- Our Board of Directors must be composed of ten members with their respective alternates. Telefónica has the right to designate seven members and their alternates as follows: (i) five members, with their alternates, are to be designated by Telefónica in its sole discretion and (ii) two members, as well as their alternates, must comply with the requirements set forth in applicable securities regulations to be considered to be independent members, and (iii) the existing government shareholders have the right to designate the remaining three

principal members and their alternates, provided that at least one principal member, together with its alternate, must be deemed to be an independent member as per the independence standards set forth in Colombian securities regulations.

- Telefonica may elect our tax and financial auditor from a list of four forms presented by the existing government shareholders.

- All of our shareholders must have (i) preemptive rights to subscribe shares in the event we issue new shares, and (ii) a right of first refusal in the event any other shareholder seeks to sell the shares of our capital stock it owns.

- Pursuant to the Investment Agreement, Telefónica may not compete with our services in Colombian territory, whether directly or through its affiliates, during the term of the Investment Agreement. In the event that Telefonica acquires a Colombian company that provides similar services to ours, it will propose a merger between us and the acquired company at our shareholders' meeting.

- If the existing government shareholders exercise their right to sell or transfer their participation through a means other than listing our common shares on the BVC, Telefónica's shareholder(s) are required to cooperate and facilitate such transaction.

- The parties to the Investment Agreement also acquired the obligation to cause us to engage in telecommunications service activities in the municipalities set forth in the Investment Agreement, unless our shareholder's meeting decides otherwise. We continue to provide, telecommunications services in all of such municipalities.

The Investment Agreement will remain in force and effect until the earlier of (i) December 31, 2028, and (ii) the date on which less than 13.0% of our paid-in capital is owned by the existing government shareholders or by any public entity that has acquired or received shares from any existing government shareholder. The Investment Agreement may also be terminated if the existing government shareholders execute their exit rights and, consequently, less than 25.0% of our paid-in capital is owned by a non-public entity. The Investment Agreement may also be terminated (a) upon the expiration of our corporate term, as set forth in our by-laws, on December 31, 2092, or (b) if agreed upon by all of the parties to the Investment Agreement.

If Telefónica breaches any of its obligations under the Investment Agreement, a fifteen-day cure period applies. Upon expiration of the cure period and if the default persists, Telefónica must pay fines ranging between U.S.$100,000 and U.S.$500,000 per month, on a pro rata basis, to the existing government shareholders. We do not have any material obligations under the Investment Agreement.

Pursuant to the Investment Agreement, the following decisions taken at our shareholders' meeting require the approval of both Telefónica's shareholder(s) and the existing government shareholders:

- increases or reductions in our authorized capital, except (i) if our net equity is less than 50.0% of our paid-in capital, which is a cause for dissolution of corporations under Colombian law, and such capital increase or reduction is necessary to cure such dissolution cause, or (ii) capital increases that would not result in a reduction of the participation of the existing government shareholders in our capital stock to a figure lower than 13.0% of the paid-in capital of our Company;

- mergers, spin-offs, transformations, our dissolution or winding-up, as well as filing for relief under applicable bankruptcy laws;

- amendments to our by-laws that provide changes to the structure or corporate powers of our shareholders' meeting or our Board of Directors;

- amendments to our by-laws that entail changes to the preemptive rights and right of first refusal provided therein in behalf of our shareholders.

- issuance of shares without subjection to preemptive rights.

- changes to our corporate purpose;

- the creation of statutory or occasional reserves;

- the issuance of new shares, except for issuances of shares that would not result in a reduction of the participation of the existing government shareholders in our capital stock to a figure lower than 13.0% of our paid-in capital;
- any repurchase of our shares, as well as the creation of a reserve in order to reacquire our shares;
- changes in our accounting practices that entail an amendment to the end of period financial results;
- delegation by our shareholders' meeting of any of the powers granted to it by our by-laws;
- the adoption of any measure that results in a reduction of the telecommunications service coverage standards set forth in the Investment Agreement; and
- any amendment to the Investment Agreement.

Participation of the Republic of Colombia in Our Capital Stock

Whenever a company manages public or state-owned funds, it is subject to a fiscal control exercised by the General Comptroller Office (*Contraloría General de la República*) ("**CGR**") and other local and regional fiscal control entities. In our case, as a result of the participation that the Republic of Colombia holds in our capital stock, the CGR is entitled to audit us and to commence official administrative investigations against us to determine whether any act or situation has occurred that may cause a detriment to public funds. For cases in which the CGR determines that there has been a detriment to public funds caused by mismanagement or by willful or grossly negligent conduct, it may seek to recover such funds from the individuals and entities involved, report such conduct to other government authorities, or pursue both courses of action.

Furthermore, according to Law 226 of 1995, if the Republic of Colombia decides to sell its participation in our capital stock to a private person, it must comply with a special offering procedure which grants a right of first refusal and special conditions for organized unions of workers, social organizations and mandatory pension and severance funds to purchase said equity. Any agreement to the contrary is unenforceable.

In other respects, as the Republic of Colombia, acting through the MHCP, holds a participation in our capital stock, three of the ten members comprising our Board of Directors should be representatives of the MHCP acting on behalf of the Republic of Colombia. An internal administrative procedure within the MHCP has to be undertaken in order to grant the credentials required for any government representatives in our Board of Directors to act on behalf of the MHCP. A similar internal administrative procedure will be needed to grant voting instructions to the representative of the MHCP at our general shareholders' meetings.

DESCRIPTION OF THE NOTES

The following is a description of certain provisions of the Indenture (as defined below) and the Notes offered hereby. The following information does not purport to be a complete description of the Indenture and the Notes and is subject to, and qualified in its entirety by, reference to the Indenture and the Notes. Copies of the Indenture are available for inspection during normal business hours at the corporate trust office of the trustee in New York City, New York, and at the offices of any paying agent.

In this section of this Offering Memorandum, references to "we," the "Company," "us" and "our" are to Colombia Telecomunicaciones S.A. E.S.P. only and do not include our subsidiaries or affiliates. Owners of beneficial interests in the notes should refer to "—Form, Denomination and Title."

General

The Company will issue the notes offered hereby (the "Notes") pursuant to an indenture, to be dated as of July 17, 2020 (the "Indenture"), between the Company and The Bank of New York Mellon, as trustee (the "Trustee," which expression shall, where the context so requires, include its successor(s) as trustee), paying agent, transfer agent and registrar. As used herein, the term "Notes" shall, unless the context otherwise requires, include any additional Notes ("Additional Notes") issued pursuant to the Indenture and as described in this "Description of the Notes."

Registered holders of the Notes (the "Holders" and each a "Holder") and each beneficial owner of the Notes are deemed to have notice of, and are bound by, all provisions of the Indenture. The Notes will initially be represented by one or more Global Notes, as described herein. See "—Form, Denomination and Registration."

The Notes will not be registered under the Securities Act and may not be sold or otherwise transferred except pursuant to registration under the Securities Act, in accordance with Rule 144A or in a transaction that is otherwise exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

The Notes will be our unsecured senior obligations and will be senior in right of payment to any of our future unsecured subordinated obligations.

We may from time to time, without the consent of Holders, issue Additional Notes on the same terms and conditions as the Notes (except that the issue date, issue price and, possibly, the date upon which interest will accrue and first be paid may differ), which Additional Notes will increase the aggregate principal amount of, and will be consolidated and form a single series with, the Notes. Any such Additional Notes will have the same terms as to ranking, redemption or otherwise as the Notes.

We may repurchase Notes in the market or in negotiated transactions at any time and, in certain circumstances, the Notes may be redeemed at our option. The Notes will not be subject to repayment at the option of the Holders. There will be no sinking fund for the Notes.

Principal, Maturity and Interest

The Company will issue the Notes initially in an aggregate principal amount of U.S.$500,000,000. The Notes will bear interest at the rate of 4.950% per annum from the date of issuance. Interest on the Notes will be payable semi-annually in arrears on the aggregate principal amount outstanding on January 17 and July 17 of each year, commencing on January 17, 2021 (each an "Interest Payment Date"). The Notes will mature on June 17, 2030 (the "Principal Payment Date," and together with the Interest Payment Dates, the "Payment Dates"). Each payment of principal and/or interest will be made to the person in whose name a Note is registered with the registrar at the close of business on the date that is five days prior to each Payment Date (each such date, a "Record Date"). Interest on the Notes will be computed on the basis of a 360 day year of twelve 30-day months.

The Company will pay the principal of and interest on the Notes in U.S. dollars at the office or agency of the Trustee maintained for such purposes, which initially will be the corporate trust office of the Trustee, or at the office of any other paying agent so designated by us in the United States. For purposes of all payments of interest, principal or other amounts contemplated herein "Business Day" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States, or Bogotá, Colombia, generally are authorized or required by law, regulation or executive order to remain closed.

The Company will make payments of principal of and interest on the Notes represented by the Global Note by wire transfer of U.S. dollars. If Notes are issued in certificated form, and a Holder has given wire transfer instructions to the Company, payment will be made on such Notes in accordance with those instructions. In all other cases, payments on the Notes will be made at the office or agency of one or more paying agents, unless the Company elects to make interest payments by check mailed to the address of the Holders set forth in the register of noteholders.

If any Payment Date or redemption date is not a business day in the city in which the relevant paying agent is located, the Company will make the payment on the next business day in the respective city with the same force and effect as if made on the due date. No interest on such payment of interest or principal, as applicable, will accrue as a result of this delay in payment.

Subject to applicable law, the Trustee and the paying agents will pay to the Company upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years. Thereafter, Holders entitled to these monies must seek payment from the Company.

Ranking

The Notes will be general unsecured and unsubordinated obligations of the Company and will rank *pari passu* amongst themselves and equal in right of payment with all other existing and future unsecured and unsubordinated obligations of the Company that are not, by their terms, expressly subordinated in right of payment to the Notes. Existing and future secured debt and other secured obligations of the Company will be effectively senior to the Notes to the extent of the value of the assets securing such debt or other obligations. In addition, according to applicable Colombian law, the obligations under the Notes and the Indenture are subordinated not only to secured obligations but to specific statutory priorities, including salaries, wages, social security, taxes and court fees and expenses. The Notes will be structurally subordinated to all existing and future liabilities of our subsidiaries.

As of March 31, 2020, the Company had COP$5,589,442 million (U.S.$1,379 million) of consolidated indebtedness consisting of unsecured credit facilities and local and international bonds. See "*Risk Factors—Risk Factors Relating to the Notes—The Notes will be effectively junior to any liabilities of our existing subsidiary or any future subsidiaries, and our existing subsidiary and any future subsidiaries may not be subject to the covenants under the Notes*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness*."

Listing

Application will be made to list the Notes on the SGX-ST. In the event that the Notes are admitted for listing on the SGX-ST, the Company will use its commercially reasonable efforts to maintain such listing, *provided* that if the Company reasonably determines that it is unduly burdensome to maintain a listing on the SGX-ST, the Company may delist the Notes from the SGX-ST in accordance with the rules of the SGX-ST and seek an alternative admission to listing, trading and/or quotation for the Notes on a different listing authority, stock exchange and/or quotation system as the Company may decide. If such alternative admission to listing, trading and/or quotation of the Notes is not available to the Company or is, in its commercially reasonable judgment, unduly burdensome, an alternative admission to listing, trading and/or quotation of the Notes may not be obtained. Although there is no assurance as to the liquidity that may result from a listing on the SGX-ST or any other stock exchange, delisting the Notes from the SGX-ST or any other stock exchange may have a material effect on the ability of Holders to resell the Notes in the secondary market.

Further Issuances

The Company reserves the right, from time to time without the consent of the Holders, to issue Additional Notes on terms and conditions identical to those of the Notes, which Additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the Notes. Unless such Additional Notes are fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate CUSIP number.

Certain Covenants

For so long as any of the Notes are outstanding and the Company has obligations under the Indenture and the Notes, the Company will, and will cause each of its Material Subsidiaries to, comply with the terms of the covenants set forth below.

For purposes of this "Description of the Notes," the term "Material Subsidiary" shall mean a "significant subsidiary" as such term is defined in Rule 1-02 of Regulation S-X.

Limitation on Liens

The Company may not, and may not allow any of its Material Subsidiaries to, create, incur, issue or assume any Liens (as defined below) on its Principal Property (as defined below) to secure Indebtedness (as defined below) where the Indebtedness secured by such Liens, plus the aggregate amount of its Attributable Debt (as defined below) and that of its Material Subsidiaries in respect of Sale and Leaseback Transactions (as defined below), would exceed an amount equal to an aggregate of 20% of its Consolidated Net Tangible Assets (as defined below) unless the Company secures the Notes equally with, or prior to, the Indebtedness secured by such Liens. This restriction will not, however, apply to the following:

- Liens on property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition;

- Liens on any property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair, provided that such Lien attaches to the property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other restricted property;

- Liens existing on any property of, or shares of stock of any subsidiary prior to the time that the subsidiary became a subsidiary of the Company or Liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;

- Liens on Indebtedness that by its terms matures within one year of its date of issue;

- Liens on any property securing Indebtedness owed by a subsidiary of the Company to the Company or to another of its subsidiaries;

- Liens for taxes, assessments and other governmental charges or levies not yet due and payable or subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

- minor survey exceptions, minor encumbrances, easements or reservations of or with respect to, or rights of others for or with respect to, licenses, rights-of-way, sewers, electric and other utility lines and usages, telegraph and telephone lines, pipelines, surface use, operation of equipment, permits, servitudes and other similar matters, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of the Company or any of its subsidiaries or to the ownership of its properties which were not incurred in connection with the Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such person;

- Liens existing on or provided for, directly or indirectly, under the terms of agreements existing on the Issue Date;

- legal or equitable encumbrances deemed to exist by reason of negative pledges or the existence of any litigation or other legal proceeding and any related *lis pendens* filing (excluding any attachment prior to judgment, judgment lien or attachment lien in aid of execution on a judgment);

- deposits or Liens to secure the performance of statutory obligations, surety and appeal bonds, performance bonds and other obligations of like nature incurred in the ordinary course of business, and of letters of credit; provided, however, that the obligations in respect of such letters of credit do not constitute Indebtedness; and

- Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness described above, provided that the aggregate principal amount of such Indebtedness is not increased and such Lien does not extend to any additional property.

"Attributable Debt" means, with respect to any Sale Leaseback Transaction, the lesser of (1) the fair market value of the asset subject to such transaction and (2) the present value, discounted at a rate set forth in the Indenture or one or more supplemental indentures thereto, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease.

"Colombian IFRS" means International Financial Reporting Standards, as issued by the International Accounting Standards Board, including the interpretations issued by the International Financial Reporting Interpretations Committee, in each case, as adopted in Colombia.

"Consolidated Net Tangible Assets" means total consolidated assets less (1) all current liabilities, (2) all goodwill, (3) all trade names, trademarks, patents and other intellectual property assets and (4) all licenses (excluding, for the avoidance of doubt, concessions), each as set forth on the Company's most recent consolidated balance sheet and computed in accordance with Colombian IFRS.

"Indebtedness" means, with respect to any person, any obligation, or the guarantee of any obligation, for the payment or repayment of money borrowed or otherwise evidenced by debentures, notes, bonds or similar instruments or any other obligation that would appear or be treated as indebtedness upon a balance sheet if such person prepared it in accordance with Colombian IFRS.

"Lien" means any mortgage, charge, pledge, lien, hypothecation, security interest or other encumbrance, including, without limitation, any equivalent of the foregoing created under the laws of Colombia or any other jurisdiction.

"Principal Property" means any buildings and telecommunications installations, including exchanges of various sizes, transmission equipment, cable networks and equipment for radio communications, located within Colombia, of the Company or any Material Subsidiary, owned today or hereinafter acquired, except any such property that is not of material importance to the total business conducted by the Company and its subsidiaries taken as a whole.

"Sale Leaseback Transaction" means any arrangement with a bank, insurance company, or other lender or investor that provides for the leasing by the Company or any Material Subsidiary of the Company for an initial term of three years or more of any property, whether now owned or hereafter acquired, that is to be sold or transferred by the Company or any Material Subsidiary of the Company for a sale price of U.S.$1,000,000 (or the equivalent thereof in other currencies) or more.

Limitations on Sale Leaseback Transactions

The Company may not, and may not permit any of its Material Subsidiaries to, enter into any Sale Leaseback Transaction with respect to any property of such person, unless either:

(i) The Company or such Material Subsidiary would be entitled pursuant to the provisions of the Indenture described above under "—Limitation on Liens" (including any exception to the restrictions set forth therein) to issue, assume or guarantee Indebtedness secured by a Lien on any such property without equally and ratably securing the Notes; or

(ii) The Company or such Material Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the property so leased, to the prepayment, repayment redemption, reduction or retirement, within 12 months after the effective date of the Sale Leaseback Transaction, of any of the Company's Indebtedness ranking at least *pari passu* with the Notes and owing to a person other than the Company or any of its subsidiaries or to the construction or improvement of real property or personal property or the acquisition of software used by the Company or any of its Material Subsidiaries in the ordinary course of business; or

(iii) the Sale Leaseback Transaction occurs within six months from the date of the acquisition of property used by the Company or any of its Material Subsidiaries for telecommunications purposes or the date of the completion of construction or commencement of full operations of such property, whichever is later.

These restrictions will not apply to either:

(i) transactions providing for a lease term, including any renewal, of not more than three years; or

(ii) transactions between the Company and any of its subsidiaries or between the Company's subsidiaries.

Notice of certain events

The Company will give notice to the Trustee as soon as practicable of the occurrence of any event of default or an event which with the passage of time or notice may become an event of default (a "default"), accompanied by a certificate of a responsible officer of the Company setting forth the details of such event of default or default and stating what action the Company proposes to take with respect thereto.

Provision of information

So long as any Notes are outstanding, the Company will furnish to the Trustee, within 60 days after the end of each fiscal quarter of each fiscal year (other than the final fiscal quarter of any fiscal year) and 120 days after the end of each fiscal year of the Company, copies of an unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal year) consolidated balance sheet, statements of income and statements of cash flows of the Company, prepared in accordance with Colombian IFRS and presented in the English language. The audited information provided with respect to a fiscal year shall also include a report thereon by the Company's certified independent public accountants. For so long as any of the Notes are outstanding, the above information will be made available at the specified offices of each listing agent, if any.

In addition, the Company shall furnish to the Holders and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Exchange Act by "persons" who are not "affiliates" under the Securities Act.

Delivery of such reports, information and documents to the Trustee pursuant to the Indenture is for informational purposes only, and the Trustee's receipt thereof shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on officers' certificates).

Limitation on consolidation, merger, sale or conveyance

The Company will not, in one or a series of transactions, consolidate or amalgamate with or merge into any person or convey, lease or transfer all or substantially all of its assets to any person (but excluding any subsidiary of the Company), to merge with or into it unless:

(i) either (a) the Company is the continuing entity or (b) the person formed by such consolidation or amalgamation, or into which the Company is merged or that acquired or leased such property or assets of the Company will be a company organized and validly existing under the laws of Colombia, Spain, the United States or any country member of the Organization for Economic Cooperation and Development and, with respect to clause (b) above, shall assume (jointly and severally with the Company unless the Company shall have ceased to exist as part of such consolidation, amalgamation or merger), by a supplemental indenture, subsequent to the consummation of such consolidation, amalgamation or merger, all of the Company's obligations under the Notes and the Indenture;

(ii) the successor company (jointly and severally with the Company unless the Company shall have ceased to exist as a result of such merger, consolidation or amalgamation) agrees to indemnify each Holder against any tax, assessment or governmental charge thereafter imposed on such Holder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes;

(iii) immediately after giving effect to the transaction, no event of default, or default has occurred and is continuing;

(iv) The Company has delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that the transaction and the supplemental indenture, if applicable, comply with the Indenture and that all conditions precedent provided for in the Indenture and relating to such transaction have been complied with; and

(v) subsequent to the consummation of such transaction, the Company shall have delivered notice of any such transaction to the rating agency that provides a rating on the Notes, if any (which notice shall contain a description of such merger, consolidation or conveyance).

Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom:

(i) the Company may consolidate or amalgamate with or merge with or into, or convey, transfer, lease or otherwise dispose of assets to any other subsidiary or parent of the Company in cases when the Company is the surviving entity in such a transaction and such transaction would not have a material adverse effect on the Company and its subsidiaries taken as a whole, it being understood that if the Company is not the surviving entity, the Company shall be required to comply with the requirements set forth in the previous paragraph; or

(ii) any subsidiary of the Company may consolidate or amalgamate with or merge with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than a shareholder of the Company) in cases when such transaction would not have a material adverse effect on the Company and its subsidiaries taken as a whole; or

(iii) any subsidiary of the Company may consolidate or amalgamate with or merge with or into, or convey, transfer, lease or otherwise dispose of assets to, any other subsidiary of the Company; or

(iv) any subsidiary of the Company may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company, and would not result in a material adverse effect on the Company and its subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Company.

Payment of Additional Amounts

The Company will, subject to the exceptions and limitations set forth below, pay to a holder not domiciled in Colombia of any Note as additional interest, such additional amounts (the "Additional Amounts") as may be necessary in order that every net payment by the Company or a paying agent of the principal of and interest on the Note and any other amounts payable on the Note after withholding or deduction for or on account of any present or future tax, assessment or governmental charge (and any fines, penalties or interest related thereto) imposed or levied by Colombia or other jurisdiction where the Company is incorporated or resident for tax purposes or any jurisdiction from or through which payments are made by or on behalf of the Company or, in each case, any political subdivision (a "Relevant Jurisdiction") or taxing authority thereof or therein, will not be less than the amount provided for in the Note to be then due and payable under the Notes.

However, the obligation to pay Additional Amounts shall not apply:

- to any present or future tax, assessment or other governmental charge that would not have been so imposed but for
  - the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership, a limited liability company or a corporation) and the Relevant Jurisdiction and its possessions (other than the mere receipt of such payment or the ownership or holding of such Note) including, without limitation, the holder or beneficial owner (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident of the Relevant Jurisdiction or being a Colombian tax resident or having had, a permanent establishment in the Relevant Jurisdiction, or
  - the presentation by the holder of any Note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later except to the extent that the holder would have been entitled to such additional amounts had the Note been presented on any day during such period;
- to any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property tax or any similar tax, assessment or governmental charge;
- to any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of that Note, if compliance is required by statute or by regulation of the Relevant Jurisdiction or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from the tax, assessment or other governmental charge; provided that at least 30 days before the first Payment Date with respect to which the obligor shall apply this clause with respect to a payment, such obligor shall have notified holders of the Notes in writing that they will be required to comply with such requirements;
- where such withholding or deduction is imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any non-U.S. law or intergovernmental agreement, treaty or convention among governmental authorities implementing such sections of the Code;
- to any tax, assessment or other governmental charge required to be withheld by any paying agent in the E.U. from any payment of the principal of, or interest on, any Note, if such tax, assessment or other governmental charge results from the presentation of any Note for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment by another paying agent in the E.U.; or
- in the case of any combination of the items listed above.

Nor will Additional Amounts be paid with respect to any payment on a Note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

The Company will use commercially reasonable efforts to timely provide the Trustee, upon written request, with a certificate from an internal accountant of the Company, stamped by the relevant tax authority, evidencing any payment of taxes, penalties, duties, assessments, fees or other governmental charges in respect of which the Company has withheld or deducted, or paid any additional amounts. Copies of such documentation will be made available to the holders of the bonds or the paying agents, as applicable, upon request therefor.

Redemption

Optional Redemption at Par

At any time or from time to time on or after April 17, 2030 (three months prior to the maturity date of the Notes) (the "Par Call Date"), the Company will have the right to redeem the Notes in whole or in part, on at least 10 days' but not more than 60 days' notice, as provided herein under "—Notices," at a redemption price equal to 100% of the outstanding principal amount of the Notes plus accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any Additional Amounts to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Redemption Date).

Optional Redemption with "Make-Whole" Amount

The Company will have the right to redeem any of the Notes, in whole or in part, at any time or from time to time prior to the Par Call Date, at its option, on at least 10 days' but not more than 60 days' prior notice, as provided herein under "—Notices," at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, in each case plus accrued but unpaid interest (if any) on the principal amount of the Notes to be redeemed and any Additional Amounts to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest and Additional Amounts (if any) on the relevant Redemption Date).

"Treasury Rate" shall mean, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" shall mean the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the Par Call Date, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of investment grade corporate debt securities of comparable maturity to the Par Call Date.

"Comparable Treasury Price" shall mean, with respect to any Redemption Date (1) the average of the Reference Treasury Dealer Quotations, as calculated by the Independent Investment Banker, for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if we obtain fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" shall mean one of the Reference Treasury Dealers appointed by the Company to act as the "Independent Investment Banker."

"Reference Treasury Dealer" shall mean BNP Paribas Securities Corp., BofA Securities, Inc., and J.P. Morgan Securities Inc., or their affiliates which are primary United States government securities dealers and two other leading primary United States government securities dealers in New York City designated by Company; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" shall mean, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 3:30 pm New York time on the third Business Day preceding such Redemption Date.

If the Company redeems the Notes in part, the Trustee will select the Notes for redemption on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the selection of any Notes held in the form of a Global Note shall be subject to the applicable procedures of the depositary therefor. The Company shall not redeem Notes of U.S.$200,000 principal amount in part, and Notes of a principal amount in excess of U.S.$200,000 may be redeemed in part only in multiples of U.S.$1,000; provided, however, that if the Notes are redeemed in part only, Notes in an aggregate principal amount of at least U.S.$100 million shall remain outstanding after any such partial redemption. If any Note is to be redeemed in part only, the notice of redemption will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued upon the cancellation of the original Note.

On and after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless the Company defaults in the payment of the redemption price and accrued interest). On or before the Business Day prior to the Redemption Date, the Company will deposit with the Trustee money sufficient to pay the redemption price of and accrued interest to, but excluding, the Redemption Date on the Notes to be redeemed on such date.

Early redemption for taxation reasons

The Company may redeem the Notes in whole, but not in part, upon giving not less than 10 nor more than 60 calendar days' notice to the Holders (with a copy to the Trustee) if (i) the Company would otherwise become obligated to pay any Additional Amounts with respect to the Notes as a result of any change in or amendment to the applicable laws, regulations, application or official interpretation of the laws or regulations (including a determination by a court of competent jurisdiction or administrative entity of recognized authority) of a Relevant Jurisdiction, in each case, which change or amendment becomes effective on or after the date of the original issuance of any of the Notes (or on or after the date a Relevant Jurisdiction becomes a Relevant Jurisdiction, if later) (a "Change in Tax Law") and (ii) the Company cannot avoid its obligations to pay such Additional Amounts by taking reasonable measures available to the Company. However, any such notice of redemption shall be given within 60 calendar days of the earliest date on which the Company would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due. Prior to the giving of any notice of redemption described in this paragraph, the Company will deliver to the Trustee an officer's certificate stating that the Company is entitled to redeem the Notes in accordance with the terms of the Indenture and stating the facts relating to such redemption. Concurrently, the Company will deliver to the Trustee a written opinion of counsel to the effect that the Company has become obligated to pay such Additional Amounts as a result of a Change in Tax Law and that all governmental approvals necessary for the Company to effect such redemption have been obtained and are in full force and effect or specifying any necessary approvals that have not been obtained. In any such redemption, the Company shall pay the Trustee on the date fixed for redemption an amount in U.S. dollars equal to the sum of (i) the then outstanding principal amount of the Notes, (ii) all unpaid interest accrued to the date fixed for redemption and (iii) all other amounts owed to Holders under the terms of the Indenture or the Notes. No such redemption shall be effective unless and until the Trustee receives the amount payable upon redemption as set forth above.

Purchases of Notes by the Company

The Company and its subsidiaries or affiliates may at any time purchase any Notes in the open market or otherwise at any price; provided that, in determining whether Holders holding any requisite principal amount of Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Notes owned by the Company and its subsidiaries or affiliates shall be deemed not outstanding for purposes thereof. All Notes purchased by the Company or any of its respective affiliates may, at the option of the Company, continue to be outstanding or be cancelled.

Events of Default

The following events will each be an "event of default" under the terms of the Notes and the Indenture:

(a) The Company shall fail to make payments of any principal amount due under the Notes and the Indenture, whether on the Principal Payment Date or upon redemption;

(b) The Company shall fail to make any payment in respect of any interest, with respect to the Notes, upon an Interest Payment Date, and such failure shall continue for a period of 30 calendar days from such Interest Payment Date;

(c) The Company remains in breach of any covenant or warranty the Company makes in the Indenture for the benefit of the Notes, for 60 days after the Company receives notice of default (sent by the Trustee or the holders of not less than 25% in principal amount of the Notes) stating that the Company is in breach;

(d) The Company or any of its Material Subsidiaries defaults under any bond, debenture, note or other evidence of Indebtedness for money borrowed, or under any mortgage, indenture, agreement or instrument under which there may be issued or borrowed or by which there may be secured or evidenced any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, provided that such Indebtedness, individually or in the aggregate, has an aggregate principal amount then outstanding in excess of U.S.$50,000,000 (or the equivalent thereof in other currencies or currency units) and that such default or defaults, individually or in the aggregate, (i) shall constitute a failure to pay the principal of or interest on such Indebtedness (or any portion thereof having an aggregate principal amount in excess of U.S.$50,000,000 or such equivalent thereof) when due and payable after the expiration of any applicable grace period with respect thereto or (ii) shall have resulted in such Indebtedness (or any portion thereof having an aggregate principal amount in excess of U.S.$50,000,000 or such equivalent thereof) becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable;

(e) one or more final and nonappealable judgments or final decrees is entered against the Company or any Material Subsidiary involving a liability (not yet paid or reimbursed by insurance) of U.S.$50,000,000 (or its equivalent in another currency) or more, and all such judgments or decrees shall not have been vacated, discharged or stayed within 120 calendar days after the rendering thereof;

(f) The Company files for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to the Company or any Material Subsidiary of the Company; or

(g) all or substantially all of the assets of the Company and its subsidiaries taken as a whole shall be condemned, seized or otherwise appropriated, or custody of such assets shall be assumed by any governmental authority or court or any other person purporting to act under the authority of the government of any jurisdiction, or the Company and its subsidiaries taken as a whole shall be prevented from exercising normal control over all or substantially all of their assets and such default is not remedied within 60 calendar days after it occurs.

As long as the insolvency laws of the jurisdiction in which the Company or any Material Subsidiary are organized provide for restrictions on or sanctions associated with the ability of the Trustee or the Holders to, directly or indirectly, exercise the right to declare an Event of Default under clause (f), the Indenture will provide that nothing in clause (f) shall (i) prevent the commencement of any reorganization proceeding in such jurisdiction, whether voluntary or involuntary, in respect of the Company or any Material Subsidiary, (ii) prohibit the Company or any Material Subsidiary from entering into a reorganization proceeding, or (iii) cause an unfavorable effect (*efecto desfavorable*) upon the Company or any Material Subsidiary.

The Trustee is not to be charged with knowledge of any default or event of default (other than a default set forth in clauses (a) or (b) above) or knowledge of any cure of any default or event of default unless written notice of such default or event of default has been given to a responsible officer of the Trustee with direct responsibility for the administration of the Indenture by the Company or any Holder.

Remedies upon Occurrence of an Event of Default

If an event of default occurs, and is continuing, the Trustee or the Holders holding not less than 25% in principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if given by Holders), shall declare the principal amount of all of the Notes and all accrued interest thereon immediately due and payable; provided that if an event of default occurs and is continuing, because of a bankruptcy, insolvency or reorganization relating to the Company, then and in each and every such case, to the extent permitted by applicable law, the principal amount of all of the Notes and all accrued interest thereon shall, without any notice to the Company or any other act by the Trustee or any Holder, become and be accelerated and immediately due and payable. Upon any such declaration of acceleration, the principal of the Notes so accelerated and the interest accrued thereon and all other amounts payable with respect to the Notes shall be immediately due and payable. If the event of default or events of default giving rise to any such declaration of acceleration shall be cured following such declaration, such declaration may be rescinded by Holders holding a majority of the Notes.

The Holders holding at least a majority of the aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, or that the Trustee determines in good faith may involve the Trustee in personal liability, or that the Trustee reasonably believes it will not be adequately indemnified against the costs, expenses or liabilities, which might be incurred, or that may be unduly prejudicial to the rights of Holders not taking part in such direction and the Trustee may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

(i) the Holder gives the Trustee written notice of a continuing event of default;

(ii) Holders holding not less than 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer the Trustee adequate security and indemnity satisfactory to the Trustee against any costs, liability or expense;

(iv) the Trustee does not comply with the request within 60 calendar days after receipt of the request and the offer of indemnity; and

(v) during such 60 calendar-day period, Holders holding a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Defeasance

The Company may at any time terminate all of its obligations with respect to the Notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain agencies in respect of the Notes. The Company may at any time terminate its obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the Notes issued under the Indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Company must irrevocably deposit in trust, for the benefit of the Holders, with the Trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent accountants, investment bank or consultants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the Notes to redemption or stated maturity and comply with certain other conditions, including the delivery of opinions of Colombian and U.S. counsel as to certain tax matters (including that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred.) In the case of defeasance, such opinion from U.S. counsel must be based on a ruling addressed to the Company from the Internal Revenue Service or a change in the applicable U.S. federal income tax law.

Modification of the Indenture

The Company and the Trustee may, without the consent of the Holders, amend, waive or supplement the Indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, adding guarantees with respect to the Notes or to secure the Notes, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of the Holders in any material respect.

In addition, with certain exceptions, the Indenture may be modified by the Company and the Trustee with the consent of the holders of a majority of the aggregate principal amount of the Notes then outstanding. However, no modification may, without the consent of the Holder of each outstanding Note:

(i) change the maturity of any payment of principal of or any instalment of interest on any Note;

(ii) reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;

(iii) change any place of payment where the principal of or interest on the Notes is payable;

(iv) change the coin or currency in which the principal of or interest on the Notes is payable;

(v) impair the contractual right of the Holders to institute suit for the enforcement of any payment on or after the date due;

(vi) reduce the percentage in principal amount of the outstanding Notes, the consent of whose Holders is required for any modification or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences provided for in the Indenture; or

(vii) modify any of the provisions as summarized in "—Modification of the Indenture," except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each Holder.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Notes are subject to restrictions on transfer and may only be offered and sold in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Notice to Investors." The registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents (in addition to those required by the Indenture) and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note for a period of 5 days before the Notes are to be redeemed for tax reasons. The registered Holder will be treated as the owner of it for all purposes.

Trustee

The Bank of New York Mellon will be the trustee under the Indenture and will have the following two roles:

- First, the Trustee can enforce the rights of Holders against the Company if the Company defaults in respect of the Notes. There are some limitations on the extent to which the Trustee acts on behalf of the Holders, which is described under "—Remedies upon Occurrence of an Event of Default" above.

- Second, the Trustee performs administrative duties for us, such as making interest payments and sending notices to Holders.

The Company may have normal banking relationships with the Trustee or any of its affiliates in the ordinary course of business. The address of the Trustee is 240 Greenwich Street-7E, New York, New York 10286.

Paying Agents; Transfer Agents; Registrar

The Company has initially appointed The Bank of New York Mellon as New York paying agent, registrar and transfer agent. The Company may at any time appoint new paying agents, transfer agents and registrars. However, the Company will at all times maintain a paying agent in New York City until the Notes are paid.

Notices

Notices to be given to holders of a global note will be given only to The Depository Trust Company ("DTC") in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the security register maintained by the registrar, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

No Personal Liability

The Indenture provides that there will be no recourse against any incorporator, stockholder, officer, director, employee or controlling person of the Company for the payment of the principal of, premium, if any, or interest on the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or the Notes or because of the creation of any Indebtedness represented thereby. Each Holder, by accepting the Notes, waives and releases all such liability.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, except that all matters relating to authorization by the Company of both the Notes and the Indenture will be governed by the laws of Colombia.

Jurisdiction

The Company has consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. Federal court sitting in The City of New York, New York, United States, and any appellate court from any thereof. The Company has appointed Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168 as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. Federal court sitting in The City of New York in connection with the Indenture or the Notes.

Waiver of Immunities

To the extent that the Company may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with and as set out in the Indenture and the Notes and to the extent that in any jurisdiction there may be immunity attributed to the Company or the Company's assets, whether or not claimed, The Company has irrevocably agreed for the benefit of the Holders not to claim, and irrevocably waive, the immunity to the full extent permitted by law.

Currency Indemnity

The Company will pay all sums payable under the Indenture and the Notes solely in U.S. dollars. Any amount that any recipient receives or recovers in a currency other than U.S. dollars in respect of any sum expressed to be due to such recipient from the Company will only constitute a discharge to the Company, to the greatest extent permitted by applicable law, to the extent of the U.S. dollar amount which such recipient is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make purchase on that date, on the first date on which such recipient is able to do so. If the U.S. dollar amount which such recipient is able to purchase with the amount received or recovered in another currency is less than the U.S. dollar amount expressed to be due to such recipient, to the greatest extent permitted under applicable law, the Company will indemnify such recipient against any loss sustained by such recipient as a result. This indemnity will constitute a separate and independent obligation from the Company's other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the indenture or the Notes.

Form, Denomination and Registration

Any Notes sold outside the United States to non-U.S. Persons in reliance on Regulation S will be in fully registered form without interest coupons attached and only in denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof. Any Notes sold pursuant to Rule 144A will be issued in fully registered form without interest coupons attached and only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Trustee may require payment of a sum sufficient to cover any tax or other government charge payable in connection therewith. The Notes (or beneficial interests therein) may not be transferred unless the principal amount so transferred is in an authorized denomination.

The Global Notes will be deposited on or about the Closing Date with the Trustee as custodian for (and registered in the name of a nominee of) DTC. Except as described in the limited circumstances described under "—Book Entry, Delivery and Form," Holders holding beneficial interests in Global Notes through DTC will not be entitled to receive physical delivery of certificated Notes. The Notes are not (and will not be) issuable in bearer form.

Book-Entry, Delivery and Form

The Notes are being offered and sold only:

- to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Notes"); or
- in offshore transactions in reliance on Regulation S (the "Regulation S Notes").

The Notes will be issued in fully registered global form in minimum denominations of U.S$200,000 and in integral multiples of U.S.$ 1,000 in excess thereof. Rule 144A Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the "Rule 144A Global Note"). Regulation S Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes").

The Global Notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee for credit to an account of direct or indirect participants in DTC, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), as described below under "—Depositary Procedures."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under "—Exchange of Book-Entry Notes for Certificated Notes."

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions" in this offering memorandum. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream) that are Participants or Indirect Participants in such system. Euroclear and Clearstream will hold interests in the Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. The depositaries, in turn, will hold interests in the Notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in a Global Note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream will also be subject to the procedures and requirements of those systems.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the notes, see "—Exchange of Book-Entry Notes for Certificated Notes."

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be remitted by the Trustee (or the Paying Agents if other than the Trustee) to DTC in its capacity as the registered holder under the Indenture. The Company, the registrar, the paying agent, the calculation agent and the Trustee will treat the persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Company, the registrar, the paying agent, the calculation agent, the Trustee or any agent of the Company, the registrar, the paying agent, the calculation agent or the Trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee, the registrar, the paying agent, the calculation agent or the Company. None of the Company, the registrar, the paying agent, the calculation agent, the Trustee or any agent of the Company, the registrar, the paying agent, the calculation agent or the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Company, the registrar, the paying agent, the calculation agent and the Trustee and their respective agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions described under "Transfer Restrictions" in this offering memorandum, cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the ease may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. None of the Company, the registrar, the paying agent, the calculation agent or the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Exchange of Book-Entry Notes for Certificated Notes

The Global Notes are exchangeable for certificated notes in definitive, fully registered form without interest coupons (the "Certificated Notes") only in the following limited circumstances:

- DTC notifies the Company that it is unwilling or unable to continue as depositary for the Global Note or DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depositary, and in each ease the Company fails to appoint a successor depositary within 90 days of such notice; or

- if there shall have occurred and be continuing an Event of Default with respect to the Notes and a majority of the Holders so request.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions" in this offering memorandum, unless the Company determines otherwise in accordance with the Indenture and in compliance with applicable law.

Transfers Within and Between Global Notes

Beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S.

The Trustee shall be entitled to receive such evidence as may be reasonably requested by them to establish the identity and/or signatures of the transferor and transferee.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers of beneficial interests in the Regulation S Global Note for beneficial interests in the Rule 144A Global Note or vice versa will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. Payment for such transfers will occur outside the clearing systems and the beneficial interests will be transferred "free of payment".

TAXATION

The following discussion summarizes certain Colombian and U.S. federal income tax considerations that may be relevant to you if you invest in the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in Colombia and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Certain Colombian Tax Considerations

The following summarizes certain Colombian tax considerations that may be relevant to you if you invest in the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in Colombia and may change. Any change could apply retroactively and could affect the continued validity of this summary. Investors should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Pursuant to current Colombian law, non-Colombian entities and individuals who are not residents in Colombia are subject to income tax in Colombia, but only on their Colombian-source income. As a general rule, interest income will be deemed Colombian-source if the borrower or the lender in a debt instrument is a Colombian entity. Nonetheless, Notes and other debt securities issued by Colombian tax residents which are traded outside Colombian territory are not considered to be assets held in Colombia in accordance to article 266 of the Colombian Tax Code. Thus, according the interpretation proposed by the Colombian Tax Office in Ruling 032227 of 2016, interest paid to non-Colombian residents related to such securities will not be considered a Colombian source income in accordance to article 24 of the Colombian Tax Code, provided that the holder of the Notes is a foreign tax resident. Consequently, under this line of interpretation, such interests would not be subject to withholding tax. In contrast, interest paid to Colombian residents related to the aforementioned securities will be considered a Colombian source income.

A change in the abovementioned ruling and/or the Colombian rules may cause the Issuer to be required to apply income tax withholdings on the interests accrued in connection with the Notes, which will in any case be assumed by the Issuer (See section "*Payment of additional amounts*" in the Description of the Notes).

For purposes of the above, an entity is considered as a Colombian entity (i.e., resident for Colombian tax purposes) if it is incorporated under the laws of Colombia, it has its domicile in the country or it has its effective place of management in Colombia.

Likewise, an individual is deemed to be a tax resident in Colombia if he or she meets any of the following criteria:

- Such person is physically present in Colombia for more than 183 calendar days within any given 365 consecutive day term.
- Is a member of the Colombian diplomatic corps (or a person related to a member of the Colombian diplomatic corps) and, as a consequence, is exempt from taxes during such service by virtue of the Vienna Conventions on Diplomatic Relations.
- Such person is a Colombian national residing abroad and any of the following conditions are met:
    - Such person has a spouse or permanent companion, or dependent children, who is a resident of Colombia; or
    - 50.0% or more of such person's total income is sourced in Colombia;
    - 50.0% or more of such person's assets are managed in Colombia;
    - 50.0% or more of such person's assets are deemed to be possessed in Colombia;

    - Such person has been summoned by the Colombian Tax Office (*Direccion de Impuestos y Aduanas de Colombia*) to provide proof of tax residency in another country (other than Colombia) and has failed to provide such evidence; or
    - Such person is a resident of a country deemed a tax haven under Colombian law.

- In any of the six cases above, the Colombian national should not be considered as a tax resident if:
    - 50.0% or more of the individual's annual income is sourced in the jurisdiction where he or she is a resident; or
    - 50.0% or more of such individual's assets are located in the jurisdiction where he or she is a resident.

Income earned by non-Colombian entities or individuals who are not residents in Colombia, resulting from the transfer of legal title over assets possessed outside the Colombian territory, will be deemed non-Colombian source income and, therefore, will not be subject to income tax nor to the capital gains tax in Colombia.

The Notes and other debt securities issued by Colombian issuers and negotiated outside the Colombian territory should be deemed possessed outside the Colombian territory. Therefore, income earned by non-Colombian entities or individuals who are not residents in Colombia, resulting from the transfer of legal title over the Notes or other debt securities should not be taxed in Colombia.

Holders of the Notes who are not residents in Colombia will not be subject to any additional transfer, inheritance, gift or succession taxes applicable to the Notes. Likewise, individuals who are not residents in Colombia and are beneficiaries of gifts, bequests and, in general, inheritance will not be subject to inheritance, gift or succession taxes in connection with the Notes.

Changes to tax related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences of the acquisition, ownership, retirement or other disposition of the Notes by a holder thereof. This description only applies to the Notes held as capital assets by a "U.S. Holder" (as defined below) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- certain former citizens or long-term residents of the United States;
- holders that will hold a note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, retirement or other disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial offering at their issue price. The "issue price" of a note is generally equal to the first price at which a substantial amount of the Notes is sold for money to investors (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Internal Revenue Code of 1986, as amended, or the "Code," existing and proposed U.S. Treasury regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity that is treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the tax consequences of acquiring, holding and disposing of the Notes.

Additional Payments on the Notes

In certain circumstances (see "*Description of the Notes—Additional Amounts", "Description of the Notes—Repurchase at the Option of Holders Upon Change in Ownership Structure Repurchase Event" and "Description of the Notes—Optional Tax Redemption*"), we may redeem the Notes prior to maturity or pay amounts on the Notes that are in excess of stated interest on and principal of the Notes. These potential payments may implicate the provisions of the U.S. Treasury regulations relating to "contingent payment debt instruments." Under these regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingencies are, in the aggregate, considered to be remote or incidental. We intend to take the position that the likelihood of such potential payments will be remote or incidental within the meaning of the applicable U.S. Treasury regulations. Our determination that this contingency is remote or incidental is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury regulations. However, the IRS may take a different position, in which case, if such position is sustained, a U.S. Holder might be required to accrue ordinary interest income at a higher rate than the stated interest rate and to treat as ordinary income rather than capital gain any gain realized on the taxable disposition of the Notes. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders are encouraged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the Notes.

Accelerated Accrual

U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. However, recently released proposed regulations, which are not yet in effect but upon which taxpayers may rely, generally would exclude, among other items, original issue discount and market discount (in either case, whether or not *de minimis*) from the applicability of this rule. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

Interest on the Notes

It is expected and this discussion assumes that either the issue price of each of the Notes will equal the stated principal amount of such Notes or each of the Notes will be issued with less than a *de minimis* amount of original issue discount.

Interest paid to a U.S. Holder on the Notes, including any Colombian or other foreign tax withheld and any additional amounts with respect thereto as described under "*Description of the Notes—Payment of Additional Amounts*," will be includible in such U.S. Holder's gross income as ordinary interest income in accordance with such U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. foreign tax credit purposes.

Eligibility for Foreign Tax Credits for Foreign Taxes Withheld on Interest Payments on the Notes

Subject to certain conditions and limitations, any Colombian or other foreign taxes withheld on interest payments on the Notes may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. Interest on the Notes generally will constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as interest, as discussed above under *"—Certain U.S. Federal Income Tax Consequences to U.S. Holders—Interest on the Notes*", and such U.S. Holder's adjusted tax basis in such note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of such note to such U.S. Holder, and any such gain or loss will be capital gain or loss. For a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to any gain will generally be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for the Notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other disposition of a note generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, payments of interest on, and the proceeds of a sale, redemption or other disposition of, the Notes may be required to be reported to the IRS and to the U.S. Holder under applicable U.S. Treasury regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status (on IRS Form W-9 or a successor form) or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against a U.S. Holder's actual U.S. federal income tax liability, if any, and a refund may be obtained from the IRS if the amounts withheld exceed such U.S. Holder's actual U.S. federal income tax liability and such U.S. Holder timely provides the required information or appropriate claim form to the IRS.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's ''net investment income'' (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the purchase agreement between us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has, severally and not jointly, agreed to purchase from us, the principal amounts of Notes listed opposite its name in the table below at the initial offering price set forth on the cover page of this Offering Memorandum, less discounts and commissions:

Initial Purchasers	Principal Amount of Notes
BBVA Securities Inc.	U.S.$100,000,000
BNP Paribas Securities Corp.	U.S.$100,000,000
BofA Securities, Inc.	U.S.$100,000,000
J.P. Morgan Securities LLC	U.S.$100,000,000
Santander Investment Securities Inc.	U.S.$100,000,000
Total	U.S.$500,000,000

The purchase agreement provides that the obligations of the several Initial Purchasers to purchase the Notes offered hereby are subject to certain conditions precedent and that the Initial Purchasers will purchase all of the Notes offered by this Offering Memorandum if any of these Notes are purchased. Each of the Initial Purchasers may offer and sell the Notes through certain of its affiliates. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance of the Notes and subject to the Initial Purchasers' right to reject any order in whole or in part.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect of any of these liabilities.

The Notes have not been, and will not be, registered under the Securities Act. Each initial purchaser has agreed that it will offer or sell the Notes only (i) in the United States to qualified institutional buyers in reliance on Rule 144A or (ii) in offshore transactions in reliance on Regulation S. The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from, the registration requirements thereof is available. Resales of the Notes are restricted as described under "Transfer Restrictions."

Until forty (40) days after the later of the commencement of the offering and the closing date, any offer or sale of Notes within the United States by a broker-dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to Rule 144A or another available exemption from the registration requirements thereof. Terms used above have the meanings given to them by Regulation S and Rule 144A.

New Issue of Securities

The Notes are a new issue of securities without an established trading market. We will apply to list the Notes on Singapore Stock Exchange; however, there can be no assurance that the Notes will be accepted for listing. See "*Listing and General Information.*"

The Initial Purchasers may make a market in the Notes after completion of the offering, but will not be obligated to do so and may discontinue any market making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes or that an active market for the Notes will develop. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 30 days after the date of this Offering Memorandum, without the prior written consent of the Initial Purchasers, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any other debt securities similar to the Notes offered hereby, or securities that are convertible into, or exchangeable into debt securities similar to the Notes offered hereby, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Price Stabilization and Short Positions

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover syndicate short positions and stabilizing purchases:

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering;
- Syndicate covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions; and
- Stabilizing transactions involve bids to purchase Notes for the purpose of pegging, fixing or maintaining the price of the Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover syndicate short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise but are not required to do so. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

Certain Relationships

The Initial Purchasers and their respective affiliates are full service institutions engaged in various activities, including securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investments, hedging, financing and brokerage activities.

In the ordinary course of business, the Initial Purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge, and certain other of the Initial Purchasers or their affiliates that have a lending relationship with us may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain affiliates of the Initial Purchasers entered into the 2020 Syndicated Facility with us. As of the date of this Offering Memorandum, U.S.$320 million principal amount is outstanding and due to such affiliates. For additional information on the terms of the 2020 Syndicated Facility, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-term Indebtedness*."

Settlement

We expect that delivery of the Notes will be made to investors on or about July 17, 2020, which will be the seventh business day following the date of this Offering Memorandum (such settlement being referred to as "T + 7"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to settlement may be required, by virtue of the fact that the Notes initially settle in T + 7, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to the second business day before their date of delivery hereunder should consult their advisors.

Sales Outside the United States

Neither we nor the Initial Purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the Initial Purchasers will have any responsibility therefor.

Notice to Prospective Investors in Colombia

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes to their Colombian clients.

Notice to Prospective Investors in the European Economic Area and the United Kingdom

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA or the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offer of Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Offering Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Offering Memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. No prospectus has been or will be approved in the United Kingdom in respect of the Notes. Consequently, this document is being distributed only to, and is directed at (1) persons who are outside the United Kingdom, (2) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Order, or (3) high net worth entities falling within Article 49(2) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as "relevant persons"). In addition, this communication is, in any event, only directed at persons who are "qualified investors" pursuant to the Prospectus Regulation. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Offering Memorandum may come are required by us and the Initial Purchasers to inform themselves about and to observe such restrictions.

Notice to Prospective Investors in Hong Kong

Each initial purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO") and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, of the laws of Hong Kong) (the "CO") or which do not constitute an offer to the public within the meaning of the CO; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each initial purchaser will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

Each initial purchaser has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289)) of Singapore, as modified or amended from time to time (the "SFA") pursuant to Section 274 of the SFA;

(b) to a relevant person (as defined in Section 265(2) of the SFA) pursuant to Section 275(1) of the SFA and in accordance with the conditions specified in Section 275 of the SFA;

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

(iii) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulations 37A of the Securities and Future (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Chile

THIS PRIVATE OFFERING BEGAN ON JULY 6, 2020 AND IS GOVERNED UNDER THE PROVISIONS OF GENERAL RULE NO. 336 (NORMA DE CARÁCTER GENERAL N° 336) OF THE CHILEAN SECURITIES AND INSURANCE COMMISSION (*SUPERINTENDENCIA DE VALORES Y SEGUROS*, OR "SVS"). THIS OFFERING RELATES TO NOTES THAT HAVE NOT BEEN REGISTERED WITH THE REGISTRY OF FOREIGN SECURITIES (*REGISTRO DE VALORES EXTRANJEROS*) OF THE SVS AND AS SUCH ARE NOT SUBJECT TO THE SUPERVISION OF THE SVS. BECAUSE THE NOTES ARE NOT REGISTERED WITH THE REGISTRY OF FOREIGN SECURITIES, THERE IS NO OBLIGATION OF THE ISSUER TO DELIVER PUBLIC INFORMATION IN CHILE IN CONNECTION WITH THE NOTES RELATED TO THE OFFERING. THE NOTES MAY NOT BE SOLD IN A PUBLIC OFFERING IN CHILE AS LONG AS SUCH NOTES ARE NOT REGISTERED IN THE REGISTRY OF FOREIGN SECURITIES.

ESTA OFERTA PRIVADA SE INICIÓ EL DÍA 6 DE JULIO DE 2020 Y SE ACOGE A LAS DISPOSICIONES DE LA NORMA DE CARÁCTER GENERAL N° 336 DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS. ESTA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA SUPERINTENDENCIA DE VALORES Y SEGUROS, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ÉSTA. POR TRATAR DE VALORES NO INSCRITOS NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE LOS VALORES SOBRE LOS QUE VERSA ESTA OFERTA. ESTOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.

Notice to Prospective Investors in Peru

The Notes will not be subject to a public offering in Peru. This Offering Memorandum and the Notes have not been, and will not be, registered with or approved by the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*) ("**SMV**") or the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, the Notes cannot be offered or sold in Peru, except if (i) the Notes are previously registered with the SMV or (ii) such offering is considered to be a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively to institutional investors (as defined under Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined under Peruvian law) must rely on their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes. No offer or invitation to subscribe for or sell the Notes or beneficial interests therein can be made in Peru except in compliance with the securities laws thereof.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act, any state securities laws or any other applicable securities laws, and thus, the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S.

The terms "United States," "U.S. persons," and "offshore transaction" used in this section have the meanings given to them under Regulation S. The term "qualified institutional buyer" used in this section has the meaning given to it under Rule 144A.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act; that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below; and that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or other exemptions under the Securities Act;

(3) it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that Notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not offer, sell, pledge or otherwise transfer any of such Notes except (a) to us or any of our subsidiaries, (b) within the United States to a person who the purchaser reasonably believes is a qualified institutional buyer in compliance with Rule 144A, (c) outside the United States complying with the requirements of Rule 903 or Rule 904 of Regulation S, (d) pursuant to the exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act and in accordance with all applicable securities laws of the States of the United States and other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(6) confirms that (A) it has requisite knowledge and experience in financial and business matters so that it is capable of evaluating the merits and risks of purchasing Notes, and the purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment, including a complete loss of the investment, (B) it is not acquiring Notes with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the securities laws of any state of the United States or another applicable jurisdiction; provided that the disposition of its property and the property of any accounts for which the purchaser is acting as fiduciary shall remain at all times within its control and (C) it has received a copy of this Offering Memorandum and acknowledges that the purchaser has had access to the financial and other information, and has been afforded the opportunity to ask questions of our representatives and receive answers to those questions, as it deemed necessary in connection with its decision to purchase Notes;

(7) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred within a global note pursuant to (a) Rule 144A or (b)

Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(8) it acknowledges that the trustee, security registrar or transfer agent for the Notes may not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(9) if it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes shall not be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act, except to a qualified institutional buyer in compliance with Rule 144A in a transaction meeting the requirements of the indenture;

(10) it acknowledges that we, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the Initial Purchasers;

(11) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account; and

(12) either (i) no portion of the assets used by the purchaser to acquire the Notes constitutes assets of any (a) "employee benefit plan" (within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act, as amended, ("**ERISA**")) subject to Title I of ERISA, (b) "plan" (within the meaning of Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended, (the "**Code**")) subject to Section 4975 of the Code, (c) "governmental plan" (within the meaning of Section 3(32) of ERISA), "church plan" (within the meaning of Section 3(33) of ERISA) or non U.S. plan (as described in Section (b)(4) of ERISA) that is subject to any non U.S. or U.S. federal, state or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code (each, a "**Similar Law**") or (d) entity whose underlying assets are treated as assets of any of the foregoing for purposes of Title I of ERISA, Section 4975 of the Code; or (ii) the acquisition of the Notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental plan, church plan, or non U.S. plan, a similar violation under any applicable Similar Law. If the purchaser of the Notes is an entity described in (a), (b) or (d) of the preceding sentence (a "**Benefit Plan Investor**"), it will be deemed to represent, warrant and agree that (x) none of the Issuer, the Initial Purchaser, nor any of their affiliates, has provided any investment advice on which it, or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of Notes; and (y) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT; (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY

BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

Other Jurisdictions

The distribution of this Offering Memorandum and the offer and sale or resale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by White & Case LLP and for the Initial Purchasers by Clifford Chance US LLP. Certain matters of Colombian law relating to the Notes will be passed upon for us by Brigard & Urrutia Abogados S.A.S., our Colombian counsel, and for the Initial Purchasers, by Dentons Cárdenas & Cárdenas Abogados S.A.S., Colombian counsel to the Initial Purchasers.

INDEPENDENT ACCOUNTANTS

The financial statements as of December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019, included in this Offering Memorandum, have been audited by PwC Contadores y Auditores Ltda., independent accountants, as stated in their report appearing herein.

The financial statements as of December 31, 2017 and 2016 and for each of the two years in the period ended December 31, 2017, included in this Offering Memorandum, have been audited by PricewaterhouseCoopers Ltda., independent accountants, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

1. It is expected that an application will be made to have the Notes accepted for clearance and settlement through DTC, and its direct and indirect participants, including Euroclear and Clearstream. The CUSIP and ISIN numbers for the Notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	19533PAC4	P28768 AC6
ISIN	US19533PAC41	USP28768AC69

2. We will apply for the listing and quotation of the Restricted Global Note and the Regulation S Global Note on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the issuer or the Notes. For the purposes of the listing and quotation of the Notes on the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) and a paying agent in Singapore will be appointed upon the issue of the Notes in definitive form. In addition, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the issuer shall appoint and maintain a paying agent in Singapore, where the debt securities may be presented or surrendered for payment or redemption. In the event that any of the Global Notes is exchanged for definitive Notes, announcement of such exchange shall be made by or on behalf of the issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

3. Copies of our audited consolidated financial statements for their two most recently ended fiscal years and their latest unaudited consolidated financial statements (produced quarterly) may be obtained at the offices of the trustee. Copies of our by-laws, as well as the indenture, will be available, at no cost, at the offices of the trustee.

4. Except as disclosed in this Offering Memorandum, there has been no material adverse change in our consolidated financial position of since December 31, 2019, the date of the latest audited consolidated financial statements included in this Offering Memorandum.

5. The issuance of the Notes was authorized by our Board of Directors on December 18, 2019 and February 20, 2020, and by our Shareholders on July 8, 2020.

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

As of March 31, 2020, and for the three-month period ending March 31, 2020.

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
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(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)
(Unaudited)

	Notes	As of March 31, 2020		As of December 31 2019	
		(in thousand of US$) (a)	(in thousand of COP$)	(in thousand of US$) (a)	(in thousand of COP$)
Assets					
Current assets:					
Cash and cash equivalents	6	29.811	120.870.167	101.388	411.083.341
Financial Assets	7	190.337	771.729.625	17.835	72.311.618
Debtors and other receivables, net	8	279.152	1.131.834.890	247.986	1.005.467.603
Prepaid expenses	9	47.620	193.075.934	44.299	179.613.852
Contractual assets		6.342	25.715.409	6.251	25.345.441
Inventories	10	40.529	164.327.797	48.619	197.129.274
Taxes and Public Administration	11	120.639	489.135.604	95.682	387.944.894
Non-current assets held for sale		-	-	33.189	134.566.415
Total current assets		**714.430**	**2.896.689.426**	**595.249**	**2.413.462.438**
Non-current assets:					
Financial Assets	7	44.045	178.583.929	7.651	31.022.891
Debtors and other receivables, net	8	44.035	178.541.079	32.779	132.901.742
Prepaid expenses	9	37.733	152.989.988	41.633	168.804.209
Contractual assets		15	60.637	21	84.986
Right of use assets	12	190.412	772.031.941	152.896	619.920.941
Property, plant and equipment	13	1.270.749	5.152.301.965	1.255.019	5.088.524.608
Investment properties		1.860	7.542.910	1.860	7.542.910
Intangibles	14	417.599	1.693.171.774	434.556	1.761.923.054
Goodwill		338.460	1.372.301.565	338.460	1.372.301.565
Deferred taxes	11	399.404	1.619.397.508	414.452	1.680.411.370
Total non-current assets		**2.744.312**	**11.126.923.296**	**2.679.327**	**10.863.438.276**
Total assets		**3.458.742**	**14.023.612.722**	**3.274.576**	**13.276.900.714**
Liabilities					
Current liabilities:					
Financial obligations	15	136.822	554.749.357	101.133	410.047.634
Suppliers and accounts payable	16	371.143	1.504.814.681	439.371	1.781.446.479
Contractual liabilities		21.101	85.555.736	20.718	84.001.127
Taxes and Public Administration	11	44.375	179.919.029	29.139	118.144.838
Deferred liabilities		834	3.383.051	962	3.898.693
Provisions and pension liabilities	17	33.279	134.934.825	41.094	166.619.657
Total current liabilities		**607.554**	**2.463.356.679**	**632.417**	**2.564.158.428**
Non-current liabilities:					
Financial obligations	15	1.520.276	6.164.018.721	896.779	3.636.024.497
Suppliers and accounts payable	16	35.548	144.131.967	36.433	147.718.687
Contractual liabilities		11.220	45.491.105	11.700	47.439.744
Deferred liabilities		2.880	11.675.147	2.977	12.068.444
Provisions and pension liabilities	17	64.541	261.687.433	63.187	256.198.214
Total non-current liabilities		**1.634.465**	**6.627.004.373**	**1.011.076**	**4.099.449.586**
Total liabilities		**2.242.019**	**9.090.361.052**	**1.643.493**	**6.663.608.014**
Total equity, attributable to controlling interests	18	**1.216.723**	**4.933.252.077**	**1.631.083**	**6.613.291.997**
Equity attributable to non-controlling interests		**(0,1)**	**(407)**	**0,2**	**703**
Total liabilities and shareholders' equity		**3.458.742**	**14.023.612.722**	**3.274.576**	**13.276.900.714**

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2020 and December 31, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on March 31, 2020 of COP$4.054,54 to US$1,00.

Notes 1 to 29 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
AS OF MARCH 31, 2020 AND FOR THE THREE-MONTH PERIOD ENDING MARCH 31, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)
(Unaudited)

		Three months ended March 31			
	Notes	**2020**		**2019**	
		(in thousand of US$) (a)	(in thousand of COP$)	(in thousand of US$) (a)	(in thousand of COP$)
Operating income:					
Income from contracts with customers	19	318.060	1.289.587.950	314.918	1.276.848.604
Other operating income	20	8.169	33.119.993	16.117	65.348.285
		326.229	**1.322.707.943**	**331.035**	**1.342.196.889**
Operating costs and expenses	21	(241.970)	(981.075.501)	(218.236)	(884.847.634)
Operating profit before depreciation and amortization		**84.259**	**341.632.442**	**112.799**	**457.349.255**
Depreciation and amortization	22	(85.867)	(348.149.955)	(90.079)	(365.228.878)
Operational result		**(1.608)**	**(6.517.513)**	**22.720**	**92.120.377**
Interest expense, net	23	(27.530)	(111.622.309)	(16.774)	(68.010.198)
Profit before taxes		**(29.138)**	**(118.139.822)**	**5.946**	**24.110.179**
Income and supplementary taxes	11	2.603	10.551.395	(8.345)	(33.837.442)
Net profit for the period		**(26.535)**	**(107.588.427)**	**(2.399)**	**(9.727.263)**
Results attributable to:					
Controlling interests		(26.535)	(107.586.888)	(2.342)	(9.496.511)
Non-controlling interests		(0,4)	(1.539)	(57)	(230.752)
Net profit for the period		**(26.535)**	**(107.588.427)**	**(2.399)**	**(9.727.263)**
Other comprehensive results:					
Items to be reclassified to the income statement					
Valuation of hedging derivatives	11	42.649	172.922.059	458	1.858.000
Other comprehensive result		**42.649**	**172.922.059**	**458**	**1.858.000**
Comprehensive result for the period		**16.114**	**65.333.632**	**(1.941)**	**(7.869.263)**
Comprehensive income attributable to:					
Controlling interests		16.114	65.335.171	(1.765)	(7.158.072)
Non-controlling interests		(0,4)	(1.539)	(176)	(711.191)
Comprehensive result for the period		**16.114**	**65.333.632**	**(1.941)**	**(7.869.263)**

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2020 and March 31, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on March 31, 2020 of COP$4.054,54 to US$1,00.

Notes 1 to 29 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER´S EQUITY
AS OF MARCH 31, 2020 AND FOR THE THREE-MONTH PERIOD ENDING MARCH 31, 2020
(Figures expressed in thousands of Dollars, unless otherwise indicated)
(Unaudited)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	Actuarial results of post-employment benefit obligations	Accumulated results	Total	Non-controlling interests	Total equity
					(COP$000)					
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)**	**(5.019.837.636)**	**6.544.232.913**	**7.905.306**	**6.552.138.219**
Coupon for perpetual assets (Note 18)	-	-	-	-	-	-	(67.807.475)	(67.807.475)	-	**(67.807.475)**
Net profit for the period	-	-	-	-	-	-	(9.496.511)	(9.496.511)	(230.752)	**(9.727.263)**
Transactions with non-controlling interests and others	-	-	-	-	-	-	454.978	454.978	(144.304)	**310.674**
Transfers (Note 18)	-	-	-	-	(12.354.305)		12.354.305	-	-	**-**
Other comprehensive income for the period	-	-	-	-	1.858.000	-	-	1.858.000	-	**1.858.000**
Balances as of March 31, 2019	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**441.150.697**	**(12.522.435)**	**(5.084.332.339)**	**6.469.241.905**	**7.530.250**	**6.476.772.155**
Balances as of December 31, 2019	**3.410.059**	**9.822.380.645**	**36.105.611**	**1.263.049.667**	**529.191.883**	**(12.386.002)**	**(5.028.459.866)**	**6.613.291.997**	**703**	**6.613.292.700**
Coupon on Perpetual Equity Instruments (Note 18)	-	-	-	-	-	-	(55.037.974)	(55.037.974)	-	**(55.037.974)**
Net profit for the period	-	-	-	-	-	-	(107.586.888)	(107.586.888)	(1.539)	**(107.588.427)**
Payment of Perpetual Asset Instruments (Note 18)	-	-	-	(1.263.049.667)		-	(426.095.333)	(1.689.145.000)	-	**(1.689.145.000)**
Constitution of occasional reserves	-	-	34.925.054	-		-	(34.925.054)	-	-	**-**
Transactions with non-controlling interests and others	-	-	-	-	-	-	(1.192.117)	(1.192.117)	429	**(1.191.688)**
Transfers (Note 18)	-	-	-	-	(86.641.824)		86.641.824	-	-	**-**
Other comprehensive income for the period	-	-	-	-	172.922.059	-	-	172.922.059	-	**172.922.059**
Balances as of March 31, 2020	**3.410.059**	**9.822.380.645**	**71.030.665**	-	**615.472.118**	**(12.386.002)**	**(5.566.655.408)**	**4.933.252.077**	**(407)**	**4.933.251.670**

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2020 and March 31, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on March 31, 2020 of COP$4.054,54 to US$1,00.

Notes 1 to 29 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER´S EQUITY
AS OF MARCH 31, 2020 AND FOR THE THREE-MONTH PERIOD ENDING MARCH 31, 2020
(Figures expressed in thousands of Colombian Pesos, unless otherwise indicated)
(Unaudited)

	Subscribed and paid-in capital	Premium on share placement	Reserves	Other equity instruments	Revaluation surplus and hedging derivatives	Actuarial results of post-employment benefit obligations	Accumulated results	Total	Non-controlling interests	Total equity
						(US$000)(a)				
Balances as of December 31, 2018	**841**	**2.422.564**	**8.905**	**311.515**	**111.393**	**(3.088)**	**(1.238.078)**	**1.614.052**	**1.950**	**1.616.002**
Coupon for perpetual assets (Note 18)	-	-	-	-	-	-	(16.724)	(16.724)	-	**(16.724)**
Net profit for the period	-	-	-	-	-	-	(2.342)	(2.342)	(57)	**(2.399)**
Transactions with non-controlling interests and others	-	-	-	-	-	-	112	112	(36)	**76**
Transfers (Note 18)	-	-	-	-	(3.047)	-	3.047	-	-	**-**
Other comprehensive income for the period	-	-	-	-	458	-	-	458	-	**458**
Balances as of March 31, 2019	**841**	**2.422.564**	**8.905**	**311.515**	**108.804**	**(3.088)**	**(1.253.985)**	**1.595.556**	**1.857**	**1.597.413**
Balances as of December 31, 2019	**841**	**2.422.564**	**8.905**	**311.515**	**130.518**	**(3.055)**	**(1.240.205)**	**1.631.083**	**-**	**1.631.083**
Coupon on Perpetual Equity Instruments (Note 18)	-	-	-	-	-	-	(13.574)	(13.574)	-	**(13.574)**
Net profit for the period	-	-	-	-	-	-	(26.535)	(26.535)	-	**(26.535)**
Payment of Perpetual Asset Instruments (Note 18)	-	-	-	(311.515)	-	-	(105.091)	(416.606)	-	**(416.606)**
Constitution of occasional reserves	-	-	8.614	-	-	-	(8.614)	-	-	**-**
Transactions with non-controlling interests and others	-	-	-	-	-	-	(294)	(294)	-	**(294)**
Transfers (Note 18)	-	-	-	-	(21.369)	-	21.369	-	-	**-**
Other comprehensive income for the period	-	-	-	-	42.649	-	-	42.649	-	**42.649**
Balances as of March 31, 2020	**841**	**2.422.564**	**17.519**	**-**	**151.798**	**(3.055)**	**(1.372.944)**	**1.216.723**	**-**	**1.216.723**

Notes 1 to 29 are an integral part of these condensed consolidated interim financial statements.

COLOMBIA TELECOMUNICACIONES S. A. E.S.P. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
AS OF MARCH 31, 2020 AND FOR THE THREE-MONTH PERIOD ENDING MARCH 31, 2020
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)
(Unaudited)

		Three months ended March 31			
	Notes	**2020**		**2019**	
		(in thousand of US$) (a)	(in thousand of COP$)	(in thousand of US$) (a)	(in thousand of COP$)
Net cash flows from operating activities					
Cash received from customers		340.748	1.381.576.871	376.972	1.528.449.752
Cash paid to suppliers and other accounts payable		(285.274)	(1.156.659.524)	(300.989)	(1.220.373.617)
Net interest paid and other financial expenses		(20.084)	(81.431.212)	(19.724)	(79.972.357)
Direct taxes paid		(14.367)	(58.249.592)	(22.266)	(90.277.184)
Self-withholding on income tax		(13.107)	(53.141.191)	(4.652)	(18.862.652)
Interest paid on finance leases	15	(1.684)	(6.827.063)	(888)	(3.601.296)
Net cash provided by operating activities		**6.232**	**25.268.289**	**28.453**	**115.362.646**
Net cash flows used in investing activities					
Collections for the sale of movable and immovable property		30.812	124.929.671	29.271	118.681.629
Payments for investments in plant and equipment and intangibles		(136.670)	(554.135.895)	(59.814)	(242.518.930)
Net cash used in investing activities		**(105.858)**	**(429.206.224)**	**(30.543)**	**(123.837.301)**
Net cash flows used in financing activities					
New financial debt		476.075	1.930.266.820	49.257	199.715.840
Receipts from exchange rate hedges		78.749	319.290.051	21.525	87.272.265
Payment of financial debt		(1.006)	(4.077.700)	(39.774)	(161.265.259)
Payment of Perpetual Debt Instruments		(492.760)	(1.997.915.000)	-	-
Payment of coupon on perpetual assets instruments		(20.942)	(84.911.387)	(16.724)	(67.807.475)
Lease payments	15	(12.067)	(48.928.023)	-	-
Net cash provided by financing activities		**28.049**	**113.724.761**	**14.284**	**57.915.371**
Net (decrease) increase in cash and cash equivalents		(71.577)	(290.213.174)	12.194	49.440.716
Cash and cash equivalents as of 1 January		101.388	411.083.341	30.508	123.696.866
Cash and cash equivalents at 31 March	6	**29.811**	**120.870.167**	**42.702**	**173.137.582**
Cash and cash equivalents as of 1 January		**101.388**	**411.083.341**	**30.508**	**123.696.866**
Cash, accessible Cash and Banks		88.836	360.188.831	24.662	99.993.521
Temporary investments		12.552	50.894.510	5.846	23.703.345
Cash and cash equivalents at 31 March		**29.811**	**120.870.167**	**42.702**	**173.137.582**
Cash, accessible Cash and Banks		19.754	80.095.473	30.767	124.748.028
Temporary investments		10.057	40.774.694	11.935	48.389.554

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2020 and March 31, 2019, have been translated into US dollars at the exchange rate formed in the interbank market on March 31, 2020 of COP$4.054,54 to US$1,00.

Notes 1 to 29 are an integral part of these condensed consolidated interim financial statements.

1. GENERAL INFORMATION

1.1. Economic entity

Colombia Telecomunicaciones S. A. E.S.P. (hereinafter "the Company"), was incorporated as a stock corporation in Colombia by means of public deed No. 1331 of June 16, 2003 with duration until December 31, 2092 and with main domicile in Bogotá D.C. located at transversal 60 No.114 A - 55.

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

On September 27, 2017, the Company acquired a majority shareholding in Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E.S.P., equivalent to 99.99% and 99.97%, respectively. As a result, Telefónica S. A. acquired control of these companies through Colombia Telecomunicaciones S. A. E.S.P. and on November 9 and 8, 2017, the aforementioned control situation was registered with the Bucaramanga and Barranquilla Chamber of Commerce, respectively. On April 9, 2018, the Company registered the status of the Company's business group, Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. and Metropolitana de Comunicaciones S. A. E. S. P. with the controlling company Telefónica S. A., at the Chamber of Commerce.

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

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

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

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

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

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

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

Empresa Operaciones Tecnológicas y Comerciales S. A. S – "Optecom"

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

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

1.2. Integration of Subsidiaries and Merger Process

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

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

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

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

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

(ii) At the extraordinary meetings held on August 28, 29, and30, 2019, respectively, the General Shareholders' Meetings of Colombia Telecomunicaciones S. A. E.S.P., Metropolitana de Telecomunicaciones S. A. E.S.P. (Metrotel) and Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P. (Telebucaramanga), approved the Merger Commitment by absorption, by virtue of which Colombia Telecomunicaciones S. A. E.S.P, as the absorbing company, will absorb (i) Metrotel and (ii) Telebucaramanga, as absorbed companies, as stated in the minutes No. 66 of Colombia Telecomunicaciones S. A. E.S.P., minutes No. 046 of Metrotel and minutes No. 52 of Telebucaramanga.

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

(iv) The Financial Superintendence of Colombia requested additional information and documentation in connection with the request for authorization of the merger submitted by Colombia Telecomunicaciones S. A. ESP. On April 4, 2020, the Company submitted the response to the aforementioned request, and the pronouncement of the Financial Superintendence of Colombia is currently pending.

1.3. Issue of Ordinary Bonds

The General Assembly of Shareholders, in meetings held on March 1 and 28, 2019, authorized an issue of Ordinary Bonds for up to five hundred billion pesos (COP$500.000.000) and delegated to the Company's Board of Directors the approval of the Issuance and Placement Regulations.

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

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

1.4. Redemption of the Hybrid Bond and Acquisition of New Debt

On February 18, 2020, Colombia Telecomunicaciones S. A. ESP gave notice of the irrevocable redemption of the Hybrid Notes (subordinated perpetual notes) issued on March 30, 2015 of US$500 million. The notification was made to the Bank of New York Mellon, in its capacity as Trustee. On March 30, 2020, a payment of US$500 million was made to the Bank of NY Mellon for the early redemption of the Hybrid Notes issue. To meet the payment of the Hybrid Bonds, the Group acquired debt with the local banks.

1.5. Sale of property - Administrative Headquarters

In February 2020, as part of the strategy to optimize non-strategic assets and as part of the program to allocate resources efficiently, the property of the Administrative Headquarters located in Bogotá D.C. was sold.

2. OPERATIONS

2.1. Impacts of the Economic and Health Emergency caused by Covid-19

The Group's companies, faced with the declaration of a health emergency in Colombian territory by the National Government to contain the effects of Covid-19, have adopted measures to guarantee the continuity of their operations, the delivery of services and adequate attention to their customers.

The Group companies continue to carry out the activities inherent to their corporate purpose, within the framework of the provisions issued by the National Government and local authorities. For its part, the Companies' Administration perform a daily evaluation of the appropriate measures to minimize the negative impacts that could arise from this situation during the year 2020. The economic impacts generated by this situation to date are disclosed in note 28 to the financial statements.

2.2. Regulatory aspects and issuance of standards in the context 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 with specific scope for Companies in the ICT sector. These are also summarized in note 28 to the financial statements.

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Applied Professional Accounting Standards

3.1.1. Basis of Presentation

The condensed consolidated interim financial statements as of March 31, 2020 and for the three months ended March 31, 2020 have been prepared in accordance with IAS 34-Interim Financial Reporting and do not include all the information required by a full set of financial statements under IFRS and therefore should be read in conjunction with the Group's latest annual consolidated financial statements as of December 31, 2019. However, the notes mentioned above and selected comparative information are included for a better understanding of the changes in the Group's financial position and performance since the last financial report.

The Group prepare their financial statements based on the accounting and financial reporting principles and standards accepted in Colombia (NCIF), regulated by Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018. These standards are based on International Financial Reporting Standards - IFRS and their Interpretations issued by the International Accounting Standards Board (IASB), and other legal provisions applicable to entities controlled and/or supervised by the Superintendence of Finance of Colombia that may differ in some aspects from those established by other State control agencies.

The condensed consolidated interim financial statements were approved by management.

The comparison of the condensed consolidated interim financial statements is for the three-month period ended March 31, 2020 and 2019, except for the condensed consolidated interim statement of financial position which compares March 31, 2020 with December 31, 2019.

3.1.2. Basis of Consolidation

The Group prepares its Consolidated Condensed Interim Financial Statements which include the information of the Group as a single company by means of the full integration methodology, adding up assets, liabilities and the operations carried out in the period excluding those operations carried out between the Company and its subordinates. There were no changes in the basis of consolidation used in the preparation of the financial statements for December 31, 2019

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

Investments in subsidiary companies in which the Group has control through direct or indirect ownership of more than 50% of the capital stock are accounted for by the equity method. Under this method, investments are initially recorded at cost. These are subsequently adjusted, with a credit or charge to income as appropriate to recognize the participation in the profits or losses of the subsidiaries, after eliminating unrealized intercompany profits. A cash distribution of these companies' earnings is recorded as a reduction in the investment value.

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

Company	Country / City	Share participation at March 31, 2020 and December 2019
Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P.	Colombia / Bucaramanga	99,99%
Metropolitana de Telecomunicaciones S.A. E.S.P.	Colombia / Barranquilla	99,97%
Operaciónes Tecnológicas y Comerciales S.A.S.	Colombia / Barranquilla	99,98%

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

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

Empresa de Telecomunicaciones de Bucaramanga S. A. E.S.P.

The financial information is presented below:

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Total assets	93.517	379.168.241	93.391	378.658.127
Total liabilities	67.061	271.899.586	66.071	267.887.647
Total equity	26.456	107.268.655	27.320	110.770.480
Results for the period	(864)	(3.501.825)	(1.543)	(6.256.191)

Metropolitana de Telecomunicaciones S. A. E.S.P.

La información financiera se presenta a continuación:

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Total assets	66.589	269.988.819	67.037	271.804.891
Total liabilities	67.193	272.436.016	66.688	270.388.772
Total equity	(604)	(2.447.197)	349	1.416.119
Results for the period	(953)	(3.863.316)	(4.697)	(19.046.097)

Operaciones Tecnológicas y Comerciales S. A. S.

La información financiera se presenta a continuación:

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Total assets	3.189	12.931.559	3.335	13.522.776
Total liabilities	2.723	11.038.815	2.852	11.564.781
Total equity	467	1.892.744	483	1.957.995
Results for the period	(16)	(65.251)	61	247.255

3.1.3. Significant Accounting Estimates and Judgments

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues, expenses, and commitments, and the ultimate outcome may differ from those estimates.

The significant judgments made by management during the course of 2020 in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described and used in the last annual financial statements as of December 31, 2019.

3.2. Accounting Policies

The Group's significant accounting policies are described in the accounting policies section of the annual report as of December 31, 2019. They have been applied consistently for the period covered by these interim condensed consolidated financial statements.

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

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

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

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

IFRS 17 Insurance Contracts

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

IFRS 17 shall be applied for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

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

5. ACCOUNTING CHANGES DUE TO THE ADOPTION OF NEW STANDARDS

1.1. Accounting changes due to the adoption of new rules effective January 1, 2020

From January 1, 2020, the Group adopted the following standards for the preparation of the financial statements:

IFRIC 23 Uncertainty in Income Tax Treatment

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 about income tax treatments. In this circumstance, an entity recognizes and measures its current or deferred tax asset or liability by applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates determined by applying this Interpretation.

On March 31, 2020, there are no uncertainties in the determination of the Group's income tax disclosed in the condensed interim financial statements, as the extraordinary transactions that have been reported for income and supplementary tax purposes are supported by current tax legislation.

6. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Cash	11	45.473	1	5.044
Banks in national and foreign currency	19.739	80.031.166	88.140	357.367.050
Temporary investments (1)	10.056	40.774.694	12.552	50.894.510
Special funds	5	18.834	695	2.816.737
	29.811	**120.870.167**	**101.388**	**411.083.341**

The decrease in cash and cash equivalents corresponds to the payment during the first quarter of 2020 of suppliers and contractors generated by capex executions at the end of 2019 and by the execution of corporate projects. Additionally, it includes the payment of the hybrid bond yields to its investors for US$21.250 ($84.911.387).

Cash and cash equivalents include foreign currency balances on March 31, 2020 of US$6,383 thousand ($25,880,129) and on December 31, 2019 of US$5,411 thousand ($17,732,605). As of March 31, 2020, and December 31, 2019 the restricted bank securities are US$1.483 ($6.013.441) and US$1.546 ($6.308.246), respectively.

1) Includes investments in collective funds whose rates for 2020 vary between 1.40% and 3.49%; Time Deposit constituted by US$5.000 thousand equivalent on March 31, 2020 to $20.272.700 and December 31, 2019 to $16.385.700. The returns on temporary investments for the quarters ended March 31, 2020 and 2019 were US$360 ($1.459.388) and US$27 ($110.906) respectively (Note 23).

7. FINANCIAL ASSETS

The balance of financial assets on March 31, 2020 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
			(US$000)		
Current financial assets					
Hedging instruments (1)	158.212	32.002	**190.214**	-	**190.214**
Deposits and bonds (2)	**-**	**-**	**-**	123	**123**
	158.212	**32.002**	**190.214**	**123**	**190.337**
Non-current financial assets:					
Deposits and bonds (2)	**-**	**-**	-	**2.898**	2.898
Hedging instruments (1)	**-**	41.132	**41.132**	**-**	41.132
Other holdings	**-**	**-**	-	**15**	15
	-	**41.132**	**41.132**	**2.913**	**44.045**
	158.212	**73.134**	**231.346**	**3.036**	**234.382**

	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
			(COP$000)		
Current financial assets					
Hedging instruments (1)	641.477.934	129.753.791	**771.231.725**	-	**771.231.725**
Deposits and bonds (2)	-	-	**-**	497.900	**497.900**
	641.477.934	**129.753.791**	**771.231.725**	**497.900**	**771.729.625**
Non-current financial assets:					
Deposits and bonds (2)	-	-	-	11.748.684	11.748.684
Hedging instruments (1)	-	166.775.245	166.775.245		166.775.245
Other holdings	-		-	60.000	60.000
	-	**166.775.245**	**166.775.245**	**11.808.684**	**178.583.929**
	641.477.934	**296.529.036**	**938.006.970**	**12.306.584**	**950.313.554**

The balance of financial assets on 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
			(US$000)		
Current financial assets					
Hedging instruments (1)	11.037	6.673	**17.710**	-	**17.710**
Deposits and bonds (2)	-	-	-	125	**125**
	11.037	**6.673**	**17.710**	**125**	**17.835**
Non-current financial assets:					
Deposits and bonds (2)	-	-	-	2.732	**2.732**
Hedging instruments (1)	-	4.904	**4.904**	-	**4.904**
Other holdings	-	-	-	15	**15**
	-	**4.904**	**4.904**	**2.747**	**7.651**
	11.037	**11.577**	**22.614**	**2.872**	**25.486**

	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
			(COP$000)		
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:					
Deposits and bonds (2)	-	-	-	11.075.931	11.075.931
Hedging instruments (1)	-	19.886.960	19.886.960	-	19.886.960
Other holdings	-	-	-	60.000	60.000
	-	**19.886.960**	**19.886.960**	**11.135.931**	**31.022.891**
	44.749.554	**46.941.531**	**91.691.085**	**11.643.424**	**103.334.509**

1) The change is part of the Group's risk management strategy, in which it has recognized exchange rate and interest rate hedging instruments contracted, which valued at the end of March 2020 generated an increase in this line of the financial statement and its counterpart a profit in the Consolidated Condensed Interim Statement of Comprehensive Income. It is mainly due to the 23,72% devaluation of the peso against the dollar during the first quarter of 2020. This benefit is primarily offset by the expense generated in the valuation of the liabilities denominated in foreign currency held by the Group at this cut. (Note 23).

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

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

8. DEBTORS AND OTHER RECEIVABLES, NET

The balance of debtors and other receivables is as follows:

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Current:				
Customers for sales and services (1)	254.089	1.030.212.871	249.561	1.011.856.252
Other debtors (2)	45.473	184.373.218	44.957	182.280.588
Portfolio with national operators	25.039	101.521.486	23.327	94.582.003
Related parties (Note 25)	14.996	60.800.958	13.349	54.124.732
Commercial agents and distribution channels	3.380	13.705.959	5.200	21.085.243
Portfolio by financed teams (3)	35.592	144.310.337	3.232	13.102.607
Impairment of portfolio (4)	(99.417)	(403.089.939)	(91.640)	(371.563.822)
	279.152	**1.131.834.890**	**247.986**	**1.005.467.603**
Non current:				
Portfolio with national operators (5)	33.200	134.610.499	33.200	134.610.499
Sales and service customers	24.944	101.136.861	22.889	92.803.745
Related parties (Note 25)	12.135	49.200.010	9.812	39.781.586
Grants and contributions portfolio (6)	9.400	38.111.870	9.400	38.111.870
Other debtors (7)	6.797	27.557.655	-	-
Portfolio impairment	(42.441)	(172.075.816)	(42.522)	(172.405.958)
	44.035	**178.541.079**	**32.779**	**132.901.742**
	323.187	**1.310.375.969**	**280.765**	**1.138.369.345**

(1) Corresponds to residential, business, corporate, government and wholesale customers.

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

(3) The increase corresponds mainly to the portfolio of equipment sold at installments for US$32.361 ($131.207.730) during the first quarter of 2020, which is part of the commercial strategy in the sale of terminal equipment.

(4) The increase is due to higher impairment of domestic interconnection and corporate customers' accounts receivable and the effect of COVID-19. (Note 28). The value taken to results as of March 31, 2020 and 2019 due to portfolio impairment was US$6.315 ($25.603.909) and US$3.338 ($13.535.617), respectively (Note 21).

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

(6) Includes portfolio with the National Government for concept of subsidies and contributions, which is 100% provisioned.

(7) Corresponds to the balance of the portfolio from the sale of the property of the Administrative Headquarters.

In the development of the asset optimization strategy, Colombia Telecomunicaciones S. A. ESP. entered into a framework agreement for the sale of the property of the Administrative Headquarters located in the city of Bogotá D.C. The value of the sale was for US$42.792 ($173.500.000), of which at the closing of March 2020, there is a long-term balance for the amount of US$6.797 ($27.557.655). With the formalization of this operation, the efficient resource allocation program was consolidated, based on a value creation strategy, optimization of return on capital, and strategic positioning. The property, at the time of the transaction, was recognized in Assets under the heading of Assets Held for Sale.

Debtors and other receivables include foreign currency balances of March 31, 2020 of US$164.603 thousand ($667.389.448) and of December 31, 2019 of US$87.931 thousand ($288.162.197).

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

9. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

	As of March 31 2020		As of December 31 2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Current:				
Cost of equipment in customer's home	24.993	101.334.284	24.823	100.644.364
Cost of compliance with customer contracts (1)	14.130	57.291.741	13.358	54.161.214
Support and maintenance (2)	4.514	18.300.178	3.002	12.171.158
Irrevocable rights of use - capacity	1.706	6.916.285	1.706	6.916.285
Others (3)	1.175	4.766.496	63	259.186
Insurance policies	878	3.558.163	1.075	4.358.528
Leases	224	908.787	272	1.103.117
	47.620	**193.075.934**	**44.299**	**179.613.852**
Non Current:				
Cost of equipment in customer's home	19.839	80.439.214	23.112	93.708.954
Cost of compliance with customer contracts	10.837	43.939.330	11.672	47.323.089
Irrevocable rights of use - capacity	4.459	18.078.051	4.921	19.950.528
Support and maintenance (2)	2.013	8.160.725	1.345	5.453.183
Insurance policies	585	2.372.668	583	2.368.455
	37.733	**152.989.988**	**41.633**	**168.804.209**
	85.353	**346.065.922**	**85.932**	**348.418.061**

1) For the quarters ended March 31, 2020 and 2019, amortization was recognized as cost of compliance with contracts for US$3.768 ($15.278.039) and US$2.322 ($9.415.091), respectively (Note 21).

2) Includes mainly support for customer equipment and platforms and for connectivity equipment during the first quarter of 2020, new contracts associated with support, maintenance and licenses for projects with customers in the corporate segment were recognized for US$1.348 ($5.466.543) and support for transmission equipment for US$764 ($3.097.987).

3) Includes prepaid shares of Telefónica S. A. for the employee share plan launched in 2019 and property tax which will be amortized during 2020.

10. INVENTORIES

The balance of inventories net of provision is as follows:

	As of March 31 2020		As of December 31 2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Mobile phones and accessories	25.788	104.556.471	30.353	123.068.612
Materials and equipment (1)	8.460	34.302.861	14.662	59.447.192
Equipment in transit	6.534	26.494.022	4.160	16.867.483
IT equipment	1.036	4.200.271	818	3.316.894
	41.818	**169.553.625**	**49.993**	**202.700.181**
Provision for obsolescence (2)	(1.289)	(5.225.828)	(1.374)	(5.570.907)
	40.529	**164.327.797**	**48.619**	**197.129.274**

(1) Includes modems, equipment for corporate services, location equipment and equipment for customer homes (broadband, basic line and television), among others, which decrease as a result of commercial activity and installation.

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

(2) During the quarters ended March 31, 2020 and 2019 a net recovery of provision of US$85 ($345.079) and provision of US$39 ($157.193) was generated respectively (Note 21).

Consumption of inventories carried at cost of sales for the quarters ended March 31, 2020 and 2019 was US$44.386 ($179.963.629) and US$41.701 ($169.076.563), respectively (Note 21).

11. TAXES AND PUBLIC ADMINISTRATIONS

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

	As of March 31 2020		As of December 31 2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Tax discount (1)	59.525	241.343.301	39.697	160.952.716
Balance in favor (2)	58.641	237.764.038	51.034	206.919.307
Advances, deductions and self-withholdings from ICA	2.469	10.010.878	4.909	19.902.848
Sales tax withholdings	4	17.387	42	170.023
	120.639	**489.135.604**	**95.682**	**387.944.894**

(1) Corresponds to the tax discounts of the first quarter associated to 50% of the industry and commerce tax, notices and boards effectively paid and the sales tax - VAT in the purchase of real productive fixed assets in accordance with the provisions of Article 86 of Law 2010 of December 27, 2019.

(2) Favorable balance generated by self-withholdings and withholdings on income, which will be offset with the filing of the income tax return and its supplementary returns for the taxable year 2019 during the second quarter of the year 2020.

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

	As of March 31 2020		As of December 31 2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Sales tax - VAT	22.287	90.364.008	8.682	35.200.934
Withholdings and self-withholdings	19.247	78.036.480	16.045	65.056.530
National consumption tax	1.329	5.387.856	861	3.491.153
Municipal taxes	1.030	4.177.823	2.305	9.345.084
Import taxes	482	1.952.862	1.246	5.051.137
	44.375	**179.919.029**	**29.139**	**118.144.838**

The tax liability is increased by the VAT sales tax returns, the national consumption tax for the first two months of 2020 and the withholding tax returns of February and March 2020, which are in the process of being offset against the balance in favor of income tax for the taxable year 2019.

Deferred Tax Assets and Liabilities

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

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

The unrecognized deferred tax asset for temporary deductible differences on March 31, 2020 amounts to US$98.147 ($397.941.935).

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

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

	As of March 31		As of December 31	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Deferred tax asset:				
Intangibles, plant and equipment properties	53.239	215.856.929	54.688	221.729.021
Accounts Receivable	4.314	17.491.516	4.405	17.859.827
Employee Benefits	1.989	8.063.080	1.972	7.994.409
Other assets	1.077	4.365.720	1.125	4.563.298
Deferred tax asset on deductible temporary differences	**60.619**	**245.777.245**	**62.190**	**252.146.555**
Deferred tax assets from tax losses	402.546	1.632.140.822	402.545	1.632.140.822
Total deferred tax assets	**463.165**	**1.877.918.067**	**464.735**	**1.884.287.377**
Deferred tax liability:				
Revalued real estate	25.323	102.672.525	28.459	115.389.760
Valuation of hedges with effects on other comprehensive income	22.066	89.468.750	4.414	17.897.900
Temporary differences affecting results	16.372	66.379.284	17.410	70.588.347
Total deferred tax liability	**63.761**	**258.520.559**	**50.283**	**203.876.007**
Total net deferred tax	**399.404**	**1.619.397.508**	**414.452**	**1.680.411.370**

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

	Quarter ended March 31,			
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Valuation of Hedge Instruments	60.301	244.492.909	3.404	13.801.263
Deferred tax hedge valuation	(17.652)	(71.570.850)	(2.946)	(11.943.263)
Hedge valuation results, net of tax	**42.649**	**172.922.059**	**458**	**1.858.000**

Income and supplementary tax expense for the period is presented below:

	Quarter ended March 31,			
	2019		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Current income tax	-	(806)	(19)	(75.793)
Occasional income tax	(1)	(4.786)	-	-
Current income and supplementary taxes	**(1)**	**(5.592)**	**(19)**	**(75.793)**
Deferred tax:				
Deductible temporary differences (1)	1.559	6.323.812	(5.663)	(22.961.443)
Taxable temporary differences	1.044	4.233.175	(442)	(1.792.206)
Tax Credits (2)	-	-	(2.222)	(9.008.000)
Deferred income tax	**2.603**	**10.556.987**	**(8.327)**	**(33.761.649)**
Income and supplementary taxes	**2.602**	**10.551.395**	**(8.346)**	**(33.837.442)**

1) In the first quarter of 2020, a lower expense was recorded mainly due to the reversal of the deferred tax liability for the revaluation of land and buildings generated in the sale of real estate.

2) At the end of March 31, 2020, the Group did not record an expense for the use of tax credits, considering that at that date, a tax loss was generated by the deduction of the difference in exchange made for the payment of the hybrid bond. In the first quarter of 2019, an expense was recognized for tax credits generated by the tax profit.

12. RIGHT OF USE ASSETS

The cost of the assets for rights of use and their corresponding accumulated depreciation is presented below:

	As of March 31, 2020			As of December 31, 2019		
Concept	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
			(US$000)			
Land and buildings	158.356	(40.208)	118.148	121.556	(30.956)	90.600
Technical installations	86.402	(15.692)	70.710	73.142	(12.857)	60.285
Transport equipment	3.523	(1.969)	1.554	3.515	(1.504)	2.011
	248.281	**(57.869)**	**190.412**	**198.213**	**(45.317)**	**152.896**

	As of March 31, 2020			As of December 31, 2019		
Concept	Cost	Accumulated depreciation	Net value in books	Cost	Accumulated depreciation	Net value in books
			(COP$000)			
Land and buildings	642.061.439	(163.023.178)	479.038.261	492.853.207	(125.511.590)	367.341.617
Technical installations	350.319.845	(63.629.147)	286.690.698	296.555.853	(52.129.164)	244.426.689
Transport equipment	14.284.855	(7.981.873)	6.302.982	14.250.142	(6.097.507)	8.152.635
	1.006.666.139	**(234.634.198)**	**772.031.941**	**803.659.202**	**(183.738.261)**	**619.920.941**

The increase during the quarter corresponds to new land and construction leases, mainly from Sede Administrativa de Colombia Telecomunicaciones S. A. ESP. in Bogotá D.C., and technical installations in several areas of the country.

For the quarters ended March 31, 2020 and 2019, depreciation expense was US$12.598 ($51.080.248) and US$9.939 ($40.298.410), respectively (Note 22).

13. PROPERTY, PLANT AND EQUIPMENT

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

	As of March 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	720.722	(397.554)	323.168	721.968	(396.150)	325.818
Switching, access and transmission	2.112.536	(1.366.186)	746.350	2.069.844	(1.331.796)	738.048
Assets under construction	160.759	-	160.759	156.392	-	156.392
Subsidized projects (1)	(2.258)	-	(2.258)	(2.258)	-	(2.258)
Furniture, information and transport equipment	105.486	(62.756)	42.730	96.821	(59.802)	37.019
	3.097.245	**(1.826.496)**	**1.270.749**	**3.042.767**	**(1.787.748)**	**1.255.019**

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

	As of March 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	2.922.194.168	(1.611.895.238)	1.310.298.930	2.927.247.837	(1.606.206.278)	1.321.041.559
Switching, access and transmission	8.565.361.213	(5.539.252.697)	3.026.108.516	8.392.266.076	(5.399.820.145)	2.992.445.931
Assets under construction	651.804.458	-	651.804.458	634.097.738	-	634.097.738
Subsidized projects (1)	(9.156.908)	-	(9.156.908)	(9.156.908)	-	(9.156.908)
Furniture, information and transport equipment	427.695.371	(254.448.402)	173.246.969	392.566.523	(242.470.235)	150.096.288
	12.557.898.302	**(7.405.596.337)**	**5.152.301.965**	**12.337.021.266**	**(7.248.496.658)**	**5.088.524.608**

For the quarters ended March 31, 2020 and 2019, depreciation expense was US$41.401 ($167.862.300) and US$47.296 ($191.761.571), respectively (Note 22).

The subsidized projects correspond to resources associated with the payment for spectrum allocation (15Mhz granted in 2011) and that have the objective of deploying technical sites to bring connectivity to localities and educational institutions in sites requested by Ministry of Information Technology and Communications of Colombia - MinTIC.

14. INTANGIBLES

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

	As of 31 March 2020			As of 31 December 2019		
Concept	**Cost**	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net value in books**
Qualifying titles	572.794	(264.985)	307.809	572.794	(245.391)	327.403
Software for network and office equipment	195.055	(101.079)	93.976	187.232	(89.672)	97.560
Rights (1)	15.594	(4.500)	11.094	8.506	(4.299)	4.207
Client list	11.372	(6.652)	4.720	11.372	(5.986)	5.386
	794.815	**(377.216)**	**417.599**	**779.904**	**(345.348)**	**434.556**

	As of 31 March 2020			As of 31 December 2019		
Concept	**Cost**	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net value in books**
Qualifying titles	2.322.417.046	(1.074.395.488)	1.248.021.558	2.322.417.046	(994.946.134)	1.327.470.912
Software for network and office equipment	790.858.794	(409.828.056)	381.030.738	759.141.464	(363.580.411)	395.561.053
Rights (1)	63.225.312	(18.244.005)	44.981.307	34.486.520	(17.430.483)	17.056.037
Client list	46.107.000	(26.968.829)	19.138.171	46.107.000	(24.271.948)	21.835.052
	3.222.608.152	**(1.529.436.378)**	**1.693.171.774**	**3.162.152.030**	**(1.400.228.976)**	**1.761.923.054**

For the quarters ended March 31, 2020 and 2019, amortization expense was US$31.867 ($129.207.407) and US$32.844 ($133.168.897), respectively (Note 22).

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

15. FINANCIAL OBLIGATIONS

The balance of financial obligations is presented below:

	As of March 31,		As of December 31,	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Current:				
Financial obligations	69.498	281.783.682	32.630	132.298.878
Financial leasing (1)	55.940	226.809.608	50.144	203.312.650
Hedging instruments	9.505	38.537.761	9.070	36.774.797
Interest payable	1.879	7.618.306	9.289	37.661.309
	136.822	**554.749.357**	**101.133**	**410.047.634**
Non Current:				
Senior Bond	749.337	3.038.215.571	605.471	2.454.906.101
Financial obligations	436.716	1.770.683.439	-	-
Financial leasing (1)	211.196	856.303.223	168.285	682.319.662
Local bond	123.013	498.759.537	122.998	498.698.319
Hedging instruments	14	56.951	25	100.415
	1.520.276	**6.164.018.721**	**896.779**	**3.636.024.497**
	1.657.098	**6.718.768.078**	**997.912**	**4.046.072.131**

Colombia Telecomunicaciones S. A. ESP made the notification of irrevocable redemption of the Hybrid Notes (Subordinated Perpetual Notes) issued on March 30, 2015 for the amount of five hundred million dollars (US$ 500.000.000) which were recognized in the Statement of Changes in Equity in the line of Other Equity Instruments. In order to attend to the payment of the Hybrid Bonds, it entered into credit agreements with local and international banks, which were recognized in liabilities under the heading of Financial Obligations for the amount of one billion eight hundred and fifty-four thousand three hundred and thirteen million twenty-five thousand two hundred and sixty pesos US$457.342 ($1.854.313.025), The payment of the hybrid bond was made at the end of March 2020.

The financial and bond obligations generated interest expense for the quarters ended March 31, 2020 and 2019 of US$17.061 ($69.177.098) and 12.080 ($48.981.173), respectively (Note 23). The valuation of hedging instruments with changes in results is presented at net value and is disclosed in Note 24.

(1) The increase corresponds to new land and construction leases mainly for the lease of the Sede Administrativa de Colombia Telecomunicaciones S. A. ESP in Bogotá D.C., and technical facilities.

The movement in the finance lease liability for the quarter ended March 31, 2020 is shown below:

	As of December 31, 2019	Registration	Payments	Transfers	As of March 31, 2020
			(US$000)		
Short-term:					
Financial leasing	49.938	1.316	(13.694)	18.232	55.792
Financial liabilities - renting	206	-	(58)	-	148
	50.144	**1.316**	**(13.752)**	**18.232**	**55.940**
Long-term					
Financial leasing	167.946	61.143	-	(18.232)	210.857
Financial liabilities - renting	339	-	-	-	339
	168.285	**61.143**	**-**	**(18.232)**	**211.196**
	218.429	**62.459**	**(13.752)**	**-**	**267.136**

	As of December 31, 2019	Registration	Payments	Transfers	As of March 31, 2020
			(COP$000)		
Short-term:					
Financial leasing	202.476.741	5.331.378	(55.521.512)	73.920.666	226.207.273
Financial liabilities - renting	835.909	-	(233.574)	-	602.335
	203.312.650	**5.331.378**	**(55.755.086)**	**73.920.666**	**226.809.608**
Long-term					
Financial leasing	680.945.789	247.904.227	-	(73.920.666)	854.929.350
Financial liabilities - renting	1.373.873	-	-	-	1.373.873
	682.319.662	**247.904.227**	**-**	**(73.920.666)**	**856.303.223**
	885.632.312	**253.235.605**	**(55.755.086)**	**-**	**1.083.112.831**

The following are the maturities of the financial obligations on March 31, 2020

	Current	Non Current						
Due	**2020**	**2021**	**2022**	**2023**	**2024**	**Next years**	**Total non-current**	**Total**
				(US$000)				
Senior Bond (1)	-	-	749.337	-	-	-	749.337	749.337
Local bond (2)	-	-	-	-	85.516	37.497	123.013	123.013
Financial obligations	69.498	-	-	-	-	436.716	436.716	506.214
Financial leasing	55.940	33.890	23.819	23.049	22.191	108.246	211.195	267.135
Hedging instruments	9.505	14	-	-	-	-	14	9.519
Interest	1.879	-	-	-	-	-	-	1.879
	136.822	**33.904**	**773.156**	**23.049**	**107.707**	**582.459**	**1.520.275**	**1.657.097**

	Current	Non Current						
Due	**2020**	**2021**	**2022**	**2023**	**2024**	**Next years**	**Total non-current**	**Total**
				(COP$000)				
Senior Bond (1)	-	-	3.038.215.571	-	-	-	3.038.215.571	3.038.215.571
Local bond (2)	-	-	-	-	346.727.655	152.031.882	498.759.537	498.759.537
Financial obligations	281.783.682	-	-	-	-	1.770.683.439	1.770.683.439	2.052.467.121
Financial leasing	226.809.608	137.409.635	96.575.361	93.452.623	89.975.947	438.889.657	856.303.223	1.083.112.831
Hedging instruments	38.537.761	56.951	-	-	-	-	56.951	38.594.712
Interest	7.618.306	-	-	-	-	-	-	7.618.306
	554.749.357	**137.466.586**	**3.134.790.932**	**93.452.623**	**436.703.602**	**2.361.604.978**	**6.164.018.721**	**6.718.768.078**

(1) Senior bond:

As of March 31, 2020, and December 31, 2019, the nominal value of the bond outstanding was US$ 750 million, equivalent to $3.040.905 million and $2.457.855 million, transaction costs of US$0,7 ($2.689) million and US0,7 ($$2.949) million; net between nominal value and transaction cost of ($3.038.216) million and US$($2.454.906) million, respectively.

The characteristics of the emission are summarized below:

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

As of M-arch 31, 2020, and December 31, 2019, interest payable on the bonds amounted to US$448 ($1.816.096) and US$8.508 ($34.495.312) respectively. The variation corresponds to the fact that the interest is paid semi-annually and coincides with the cut-off date of March 2020; as of December 2019, 3 months are caused by this concept (October to December 2019), Interest expenses are presented in Note 23.

(2) Local bond:

As of March 31, 2020, and December 31, 2019 it had a face value of US$123 million ($500.000) million and associated transaction costs of US$306 thousand ($1.240) million and US$321 thousand ($1.302) million: net of face value and transaction costs of US$123 ($498.760) million and US$123 ($498.698) million, respectively.

The characteristics of the issuance 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
			(US$000)						
C10	*COP$000*	Zero	37.590	37.590	10 years	29-may-19	29-may-29	IPC + 3,39% Quarterly	Prepayment of local debt
A5	*COP$000*	Zero	85.729	85.729	5 years	29-may-19	29-may-24	6,65% Quarterly	
			123.319	**123.319**					

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
			(COP$000)						
C10	*COP$000*	Zero	152.410.000	152.410.000	10 years	29-may-19	29-may-29	IPC + 3,39% Quarterly	Prepayment of local debt
A5	*COP$000*	Zero	347.590.000	347.590.000	5 years	29-may-19	29-may-24	6,65% Quarterly	
			500.000.000	**500.000.000**					

As of March 31, 2020, and December 31, 2019, interest payable on the bond amounted to US$731 ($2.964.320) and US$747 ($3.028.981), respectively.

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

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

	As of March 31, 2020				As of December 31, 2019			
Short-term:	**Value**	**Fee**			**Value**	**Fee**		
Financials in local currency	**US$**	**Base**	**Spread**	**Amortización**	**COP**	**Base**	**Spread**	**Amortización**
Credits	31.829	IBR 3M	2,99%	Quarterly	31.806	IBR 3M	1,28%	Quarterly
	31.829				**31.806**			
Financials in foreign currency								
Credits	20.369	LIBOR 6M	1,00%	Quarterly	824	LIBOR 6M	0,21%	Half-yearly
Credits	17.300	LIBOR 6M	0,70%	Quarterly	-			
	37.669				**824**			
Other short-term obligations								
Financial leasing	55.940				50.144			
Derivative instruments	9.505				9.070			
Interest payable	1.879				9.289			
	67.324				**68.503**			
	136.822				**101.133**			
Long-term:								
Financials in local currency								
Credits	221.716	IBR 3M	2.5%-2.63%	Quarterly	-			
	221.716				**-**			
Financials in foreign currency								
Credits	215.000	LIBOR 6M	1,95%	Quarterly	-			
	215.000				**-**			
Other long-term obligations								
Senior Bond	749.337	FIXED 5,375%		Half-yearly	605.471	FIJA 5,375%		Half-yearly
Financial leasing	211.196				168.285			
Local bond	123.013	FIXED 6,65% - IPC + 3,39%		Quarterly	122.998	FIJA 6,65% - IPC + 3,39%		Quarterly
Derivative instruments	14				25			
	1.083.560				**896.779**			
	1.520.276				**896.779**			
	1.657.098				**997.912**			

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

	As of March 31, 2020				As of December 31, 2019			
Short-term:	**Value**	**Fee**			**Value**	**Fee**		
Financials in local currency	**COP**	**Base**	**Spread**	**Amortización**	**COP**	**Base**	**Spread**	**Amortización**
Credits	129.053.215	IBR 3M	2,99%	Quarterly	128.956.962	IBR 3M	1,28%	Quarterly
	129.053.215				**128.956.962**			
Financials in foreign currency								
Credits	82.586.925	LIBOR 6M	1,00%	Quarterly	3.341.916	LIBOR 6M	0,21%	Half-yearly
Credits	70.143.542	LIBOR 6M	0,70%	Quarterly				
	152.730.467				**3.341.916**			
Other short-term obligations								
Financial leasing	226.809.608				203.312.650			
Derivative instruments	38.537.761				36.774.797			
Interest payable	7.618.306				37.661.309			
	272.965.675				**277.748.756**			
	554.749.357				**410.047.634**			
Long-term:								
Financials in local currency								
Credits	898.957.339	IBR 3M	2.5%-2.63%	Quarterly	-			
	898.957.339				**-**			
Financials in foreign currency								
Credits	871.726.100	LIBOR 6M	1,95%	Quarterly	-			
	871.726.100				**-**			
Other long-term obligations								
Senior Bond	3.038.215.571	FIXED 5,375%		Half-yearly	2.454.906.101	FIJA 5,375%		Half-yearly
Financial leasing	856.303.223				682.319.662			
Local bond	498.759.537	FIXED 6,65% - IPC + 3,39%		Quarterly	498.698.319	FIJA 6,65% - IPC + 3,39%		Quarterly
Derivative instruments	56.951				100.415			
	4.393.335.282				**3.636.024.497**			
	6.164.018.721				**3.636.024.497**			
	6.718.768.078				**4.046.072.131**			

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

16. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of March 31,		As of December 31,	
	2020		2019	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
Current:				
Creditors and suppliers (1)	232.102	941.067.269	233.199	945.514.132
Suppliers of fixed assets	80.509	326.425.093	158.849	644.059.766
Related parties (Note 25)	50.135	203.273.046	36.942	149.783.763
Unpaid labour salaries	6.729	27.284.484	9.059	36.728.228
Para-fiscal contributions	1.668	6.764.789	1.322	5.360.590
	371.143	**1.504.814.681**	**439.371**	**1.781.446.479**
Non Current:				
Creditors and suppliers - licenses of spectrum (2)	26.132	105.952.649	27.439	111.251.160
Government grants (3)	7.924	32.129.320	7.879	31.945.769
Related parties (Note 25)	1.492	6.049.998	1.115	4.521.758
	35.548	**144.131.967**	**36.433**	**147.718.687**
	406.691	**1.648.946.648**	**475.804**	**1.929.165.166**

The variation in the heading of suppliers and accounts payable is mainly due to the credits and payments on account during the first quarter of 2020, mostly from third parties related to the acquisition of capex at the end of 2019 and the execution of corporate projects.

(1) The balance of creditors and suppliers mainly includes commitments acquired with terminal suppliers, equipment maintenance, content, interconnection, advertising, insurance, technical service, public services, storage and security, legal and tax consultancy, invoicing, collection, and collection services, among others.

(2) Includes the balances of obligations to be made for the 15 MHz extension in 2011 for mobile telephony, spectrum renewal for the provision of mobile telephony service, and concession rights for the operation and exploitation of satellite TV service.

(3) This corresponds to the balance of the agreement - Biannual Plan III. The resources of the agreement are managed through a Trust Fund and are presented in the financial statement as rights in trust.

Suppliers and accounts payable include foreign currency balances on March 31, 2020 and December 31, 2019 of US$115.381 thousand ($467.816.879) and US$162.054 thousand ($531.073.646) respectively.

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

17. PENSION PROVISIONS AND LIABILITIES

The balance of provisions and pension liabilities is as follows:

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Current:				
For Taxes and Remuneration (1)	22.005	89.221.256	24.245	98.302.465
Pension liabilities (2)	4.572	18.538.941	4.572	18.538.941
For employee benefits (3)	2.984	12.098.801	7.828	31.739.747
For voluntary retirement (4)	2.211	8.963.659	2.812	11.400.475
For third-party and labor claims (Note 26)	1.507	6.112.168	1.637	6.638.029
	33.279	**134.934.825**	**41.094**	**166.619.657**
Non Current:				
Pension liabilities (2)	48.076	194.929.473	48.220	195.513.261
For decommissioning (5)	13.512	54.785.519	13.313	53.982.184
For third-party and labor claims (Note 26)	2.447	9.922.573	1.537	6.229.936
For responsibilities with subsidiaries	506	2.049.868	117	472.833
	64.541	**261.687.433**	**63.187**	**256.198.214**
	97.820	**396.622.258**	**104.281**	**422.817.871**

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

2) The Group recognizes post-employment benefits corresponding to retirement pensions, which include pension and health allowance. The actuarial calculation includes retired personnel totally in charge of the Group, with a pension shared with the Social Security Institute actually Colpensiones - ISS and expected to be shared with the Instituto de Seguro Social - ISS, as well as life substitutes totally in charge of the Group, life substitutes shared with the Instituto de Seguro Social - ISS and temporary substitutes totally in charge of the Group. During the quarter ended March 31, 2020, there were no significant variations in the variables used in the actuarial calculation. Based on the current economic and health emergency conditions, the Group's Management will be attentive to changes in the environment that could have a material effect on the actuarial calculation and, therefore, on the Group's results.

3) Includes the incentive to employees for compliance and performance.

4) The Group included a provision for voluntary retirement, which corresponds to a formal plan, identifying functions, approximate number of employees, disbursements to be carried out, and estimated dates of the plan during 2020.

5) Corresponds to the estimate of the costs associated with the dismantling or removing the property, plant, and equipment element when this has been contractually agreed upon. There is no expected schedule for the outflow of resources since there is no schedule for the delivery of technical sites.

18. EQUITY, NET

The authorized, subscribed and paid-up capital as of March 31, 2020 and December 31, 2019 is presented below:

Share Capital

	(In thousand of US$)	(In thousand of COP$)
Authorized capital	358.825	1.454.870.740
Subscribed and paid-in capital	841	3.410.059
Nominal value (in pesos)	0,00025	1

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

The equity participation on March 31, 2020 and December 31, 2019 is presented below:

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

Reserves

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

When the depreciation claimed for tax purposes is less than that recorded in the accounts, the Company may release from this reserve an amount equal to 70% of the difference between the claimed value and the recorded value; the profits released from the reserve may be distributed as non-income income. As of March 31, 2020, and December 31, 2019, reserves amounted to US$6.486 ($26.298.376).

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

b) Legal reserve: The reserve constituted by the Company as of March 31, 2020 and December 31, 2019 is US$1.491 ($6.045.751).

c) For future expansions: The reserve established by the Company for future expansions, which is not distributable, as of March 31, 2020 and December 31, 2019, amounts to US$920 ($3.730.162).

d) For repurchase of shares: d) For share repurchases: A reserve established by the Company for future share repurchases, which is not distributable and whose balance of March 31, 2020 and December 31, 2019 is US$8 ($31.322).

e) Occasional reserve: the shareholders' meeting, through minutes No. 068 of March 16. 2020, established a reserve of US$8.614 ($34.925.054) corresponding to profits obtained during 2019 by Colombia Telecomunicaciones S. A. E.S.P.

Other Perpetual Equity Instruments

On March 27, 2020, the Group paid the subordinated perpetual equity instrument issued on March 30, 2015 in a total amount of US$ 500 million and impacting on equity of $1.689.145.000. This obligation was presented within equity in the account "Other equity instruments" in the Statement of Changes in Equity and whose characteristics are below:

Format	Issuing currency	Premiums and discounts	Total amount of the issue	Total amount issued	Minimum term of redemption	Date of issue	Fee /Payment	Use of Resources
R 144A/ Reg S	USD	Zero	500 million	500 million	Perpetual NC 5	March 30. 2015	8,5% / Half-yearly	Prepayment of local debt

Earnings payable half-yearly in arrears.

The Condensed Consolidated Statement of Changes in Shareholders' Equity under accumulated results for the quarters ended March 31, 2020 and 2019 includes interest income of US$13.574 ($55.037.974) and US$16.724 ($67.807.475), respectively.

Other Comprehensive Income

The Group recognized net income in Other Comprehensive Consolidated Income for the quarters ended March 31, 2020 and 2019 of US$42.649 ($172.922.059) and US$458 ($1.858.000) respectively.

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

Revaluation surplus net of tax

For the quarters ended March 31, 2020 and 2019, the write-off and depreciation value of the revalued assets, net of deferred taxes of US$21.369 ($86.641.824) and US$3.047 ($12.354.305) respectively, were transferred to retained earnings.

19. OPERATING INCOME

Revenues from customer contracts are presented below:

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Mobile services:				
Services and data transmission - connectivity	89.010	360.895.512	80.578	326.706.692
Basic charges and air time	37.782	153.189.451	47.231	191.501.014
Sale of terminal equipment	30.709	124.510.284	31.168	126.373.118
Networking and roaming	15.516	62.908.832	13.347	54.116.980
Value-added services (1)	11.495	46.608.140	11.759	47.675.881
Carrier services (2)	3.044	12.341.197	4.410	17.879.525
	187.556	**760.453.416**	**188.493**	**764.253.210**
Fixed services:				
Data transmission services	55.824	226.345.673	54.443	220.740.714
Satellite Television	24.575	99.639.245	21.526	87.277.871
Local and long distance telephony	23.532	95.412.838	27.748	112.505.814
Business Solutions (3)	22.893	92.819.268	19.031	77.162.125
Networking	2.707	10.973.865	3.614	14.653.979
Equipment sales	960	3.891.072	58	234.235
Leasing investment properties	13	52.573	5	20.656
	130.504	**529.134.534**	**126.425**	**512.595.394**
	318.060	**1.289.587.950**	**314.918**	**1.276.848.604**

During the quarters ended March 31, 2020 and 2019, include income with related parties of US$5.172 ($20.968.282) and US$4.053 ($16.432.226), respectively (Note 25).

1) Includes application downloads, text messages, reconnection fees, preferred subscription, and space in the communication channels for advertisers.

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

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

The impact on operating revenues of the economic and health emergency caused by Covid-19 is presented in Note 28.

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

20. OTHER OPERATING INCOME

The Group's other operating income is presented below:

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Work carried out for fixed assets (1)	4.242	17.201.088	3.478	14.100.043
Other operating income (2)	3.927	15.918.905	4.684	18.993.197
Sale of movable and immovable property (3)	-	-	7.955	32.255.045
	8.169	**33.119.993**	**16.117**	**65.348.285**

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

2) Corresponding mainly to the reimbursement of expenses and fees with Group companies, the lease of physical space, the collection of compensation for breach of contract, the use of the Adquira platform, and government subsidies.

3) As of the quarter ended March 31, 2019, the profit on the sale of tower infrastructure and real estate, land, and buildings is included in the development of the asset optimization strategy.

21. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Cost of equipment (Note 10)	44.386	179.963.629	41.701	169.076.563
Labor costs	26.926	109.173.158	26.485	107.384.138
Networking and roaming	18.246	73.977.290	15.741	63.823.307
Other operating costs and expenses (1)	17.575	71.262.844	17.762	72.021.827
Commission on sales	17.360	70.387.264	15.943	64.642.960
Equipment maintenance	16.912	68.571.499	17.134	69.468.868
Taxes and considerations	15.544	63.022.844	15.357	62.264.485
Rental of media and other network infrastructure	15.075	61.121.789	15.181	61.551.207
Content providers	12.756	51.717.739	11.817	47.912.809
Renting and third party activities to customers	12.725	51.593.434	5.844	23.695.741
Energy	10.140	41.111.032	10.129	41.067.573
IT services	9.985	40.483.671	9.408	38.145.328
Advertising expenses	7.555	30.632.851	6.436	26.095.814
Portfolio deterioration	6.315	25.603.909	3.338	13.535.617
Services - customer service	3.899	15.809.903	4.163	16.877.737
Cost of compliance with contracts (Note 9)	3.768	15.278.039	2.322	9.415.091
Other and non-recurring costs and expenses (2)	2.888	11.709.685	(564)	(2.288.624)
(Recovery) provision for inventories (3) (Note 10)	(85)	(345.079)	39	157.193
	241.970	**981.075.501**	**218.236**	**884.847.634**

The variation presented between the quarters ended March 31, 2020 and 2019 corresponds mainly to: i) the execution of new integral solutions contracts with corporate clients; ii) an increase in sales commissions basically from the corporate segment and tele sales channel due to the fulfillment of goals; iii) an increase in mobile-mobile access charges due to the rise in minute traffic; iv) a greater deterioration of national interconnection accounts receivable and corporate clients, and v) a more significant cost of service equipment in the client's home due to the amortization of the deferred cost associated with new subscribers.

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

During the quarters ended March 31, 2020 and 2019, this includes related party expenses of US$19.985 ($81.032.782) and US$13.322 ($54.018.524), respectively (Note 25).

(1) This includes mainly operating costs and expenses for banking services, document printing and distribution charges, logistics services, leasing, legal, tax and labor advice, transportation, security, insurance, and travel expenses.

(2) Includes legal contingencies, cable replacement costs for the quarter ended March 31, 2019 includes recovery of expenses for the termination of legal proceedings.

(3) During the quarter ended March 31, recovery of prior years' provision for the marketing of 100% provisioned equipment is generated.

The impact on operating costs and expenses of the economic and health emergency caused by the Covid-19 is in Note 28.

22. DEPRECIATIONS AND AMORTIZATIONS

Depreciations and amortizations are presented below:

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Depreciation of property, plant and equipment (Note 13)	(41.401)	(167.862.300)	(47.296)	(191.761.571)
Amortization of intangible assets (Note 14)	(31.868)	(129.207.407)	(32.844)	(133.168.897)
Depreciation of assets for rights of use (Note 12)	(12.598)	(51.080.248)	(9.939)	(40.298.410)
	(85.867)	**(348.149.955)**	**(90.079)**	**(365.228.878)**

23. FINANCIAL EXPENSES. NET

Financial income (expense), net is presented below:

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Income:				
Clients' interest in arrears	1.470	5.960.678	1.753	7.108.885
Income from short-term investments and bank loans (Note 6)	360	1.459.388	27	110.906
	1.830	**7.420.066**	**1.780**	**7.219.791**
Expenditure:				
Interest on loans, debentures and bonds (1) (Note 15)	(17.061)	(69.177.098)	(12.080)	(48.981.173)
Interest rate hedges, net	(5.184)	(21.017.216)	(3.803)	(15.419.090)
Other financial expenses (2)	(2.136)	(8.660.914)	(1.025)	(4.156.063)
Financial expenses for leasing	(1.304)	(5.287.373)	(1.037)	(4.208.374)
Financial restatement of liabilities (3)	(1.075)	(4.357.860)	(972)	(3.940.296)
Taxation of financial transactions	(328)	(1.329.425)	(116)	(468.792)
	(27.088)	**(109.829.886)**	**(19.033)**	**(77.173.788)**
Exchange (loss) gain, net (4)	(2.272)	(9.212.489)	479	1.943.799
	(29.360)	**(119.042.375)**	**(18.554)**	**(75.229.989)**
	(27.530)	**(111.622.309)**	**(16.774)**	**(68.010.198)**

The inter-annual variation corresponds mainly to: i) Interest from the Hybrid Bond during the first quarter of 2020 for US$4.714 ($19.112.870) (In 2019 it was recognized in equity), hedges contracted in February 2020 for transfer of the equity of the hybrid bonds to financial debt for US$1.703 ($6.905.145) and the difference in exchange for payment of the coupon of US$2.481 ($10.060.756); ii) Impact for the devaluation of the peso against the dollar in settlement of the coupon of the senior bond for US$1.425 ($5.776.379).

1) Includes interest on the senior notes for the quarters ended March 31, 2020 and 2019 of US$9.151 ($37.104.970) and US$7.727 ($31.328.591), respectively.

2) Includes impairment of foreign currency portfolio due to exchange rate fluctuations.

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

4) Includes the valuation of exchange rate hedging instruments of the Financial Asset item as mentioned in Note 7 to the financial statements, which is offset by the loss generated in the valuation of the liabilities denominated in foreign currency held by the Group at this cut due to the 23,72% devaluation of the peso against the dollar during the first quarter of 2020.

24. FINANCIAL RISK MANAGEMENT

24.1. 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 the exchange rate, interest rate. Liquidity, and credit risks.

Exchange Rate Risk

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

Interest Rate Risk

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

Liquidity Risks

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

Credit risks

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

Price Risk

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

Country Risk

The Colombian economy is currently facing two adverse shocks – the economic consequences of COVID-19 and the fall in oil prices. Even though the evolution of the pandemic has been less than in other countries, in the event of high growth of the contagion, there are substantial concerns about the response capacity of the health system since the deficit of intensive care beds is very high in some regions of the country. On the other hand, the country has an additional vulnerability to its peers, which is dependent on oil prices; 40% of exports and 18% of the nation's income depend on oil.

Different economic analysts calculate a vast range of forecast for economic activity in 2020, between a contraction of around 2,5% and a deceleration to levels around 1%, lower than the average growth of 3,3% previously calculated. The substantial depreciation of the Colombian peso, plus speculation on food prices, will generate upward pressure on prices; however, the expected domestic demand weakness will allow inflation to remain near the midpoint of the target range.

The Central Bank (Banco de la República) has implemented different measures to increase liquidity and purchase public debt securities, both public and private (the latter for the first time in history). Additionally, it reduced its policy rate by 50 Pbs after keeping it unchanged for more than two years. Further reductions in the intervention rate are not ruled out but are conditioned by the fact that strong price pressures are not observed, as it is currently at the top of the range.

The current account deficit could widen to levels of around 6%, significantly above the current 4,3%, given the fall in oil prices. The national government has announced that it will allocate about 1,5% of GDP to the Covid-19; it was initially announced that some emergency reserve funds already finance these resources; in addition, the fiscal rule advisory committee allowed the fiscal deficit to rise to 5,7%, significantly above the 2,7% of 2019.

On March 27, 2020 S&P ratified the BBB- rating and changed the outlook from stable to negative, and on April 1, 2020 Fitch Rating downgraded Colombia's rating to 'BBB-'; and maintained the negative outlook, It is expected that there will be no reduction in the country's credit rating for the rest of the year. However, this will depend on the evolution of the recession and its macroeconomic implications.

Risk Management

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

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

Figures in millions

	NDF		IRS			CIRS (margin)	Options
Underlying	**USD**	**EUR**	**USD**	**COP**	**IPC**	**USD**	**USD**
Senior Bond	750	-	750	-	-	750	-
Debt in US$/COP	253	-	-	-	152.410	-	-
Commercial accounts	36	1	-	-	-	-	-
Future cash flows	110	-	-	-	-	-	64
	1.149	**1**	**750**	**-**	**152.410**	**750**	**64**

NDF: Non delivery forwards

IRS: Interest rate swap

CCIRS: Cross currency interest rate swap

Exchange Rate Risk

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

On March 31, 2020, the Group's debt, in US dollars, including the senior bond maturing in 2022, was equivalent to US$1.003 million (December 31, 2019 - US$751 million). Additionally, considering the normal flow of the Group's business, hedges were made for commercial accounts, corresponding to OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency that were recorded in the Consolidated Condensed Interim Financial Statement. Finally, highly probable future cash flow hedges were contracted through NDF (Non-Delivery Forwards) and term options up to one year to cover a portion of the OPEX and CAPEX in foreign currency of the following year's budget.

The following is the detail of assets and liabilities held and expressed in thousands of dollars:

	As of March 31, 2020	As of December 31, 2019
Assets		
Cash and cash equivalents	6.383	5.411
Debtors and other accounts receivable	146.448	66.402
Related parties	18.155	21.529
Total assets	**170.986**	**93.342**
Liabilities		
Financial obligations	1.003.281	761.564
Suppliers and accounts payable	99.747	144.936
Related parties	15.634	17.118
Total liabilities	**1.118.662**	**923.618**
Liability position, net	**(947.676)**	**(830.276)**

The following is the detail of assets and liabilities held in US dollars and expressed in thousands of Colombian pesos

	As of March 31, 2020	As of December 31, 2019
Assets		
Cash and cash equivalents	25.880.129	17.732.605
Debtors and other accounts receivable	593.779.274	217.608.650
Related parties	73.610.174	70.553.547
Total assets	**693.269.577**	**305.894.802**
Liabilities		
Financial obligations	4.067.842.946	2.495.751.847
Suppliers and accounts payable	404.428.201	474.975.563
Related parties	63.388.678	56.098.083
Total liabilities	**4.535.659.825**	**3.026.825.493**
Liability position, net	**(3.842.390.248)**	**(2.720.930.691)**

Interest Rate Risk

After hedging, exposure to floating rate is 93% 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.

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

At the end of 1Q 2020, fixed and floating rate debt was as follows:

	Financial Obligations		
Fixed-rate bonds		**Participation**	**Index**
Debt in COP	498.759.537	7,47%	Fixed rate
	498.759.537	**7,47%**	
Variable-rate bonds			
Senior Bond (1)	3.038.215.571	45,53%	Libor 3M
Debt in USD	1.024.456.567	15,35%	Libor 6M y 3M
IFRS 16	1.083.112.831	16,25%	IPC
Debt in COP	898.957.339	13,47%	IBR
Debt in COP (Subsidiaries)	129.053.215	1,93%	IBR
	6.173.795.523	**92,53%**	
	6.672.555.060	**100,00%**	

(1) Interest rate exposure after hedging

Sensitivity of debt and derivatives to interest rate changes

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

In the periods 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 operations were considered, taking into account that they are the only operations whose effect of the interest rate is recorded in equity. Like, for sensitivity in results, only fair value hedging operations were considered, considering that they are the only operations whose effect of the valuation interest rate is recorded in results.

The result of sensitivity was as follows:

	Impact on results		Impact on equity	
	(in thousand of US$)	(in thousand of COP$)	(in thousand of US$)	(in thousand of COP$)
+ 100 pb	(23.359)	(94.708.436)	(14.627)	(59.306.287)
- 100 pb	23.359	94.708.461	15.097	61.211.477

Derivative Financial Instruments and Risk Management Policy

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

Figures in millions of dollars		Notional Value (2)			
		Maturity			
Derivatives	**Fair Value (1)**	**2020**	**2021**	**Subsequent**	**Total**
		(US$000)			
Interest Rate Hedges					
Cash flow hedges	42	-	-	1.500	**1.500**
Exchange Rate Hedges					
Cash flow hedges	24	171	3	-	174
Fair value hedges	158	1.040	-	-	1.040
	182	**1.211**	**3**	**-**	**1.214**
Interest rate and exchange rate hedges					
Cash flow hedges	(1)	-	-	38	**38**
Total valuation	**223**	**1.211**	**3**	**1.538**	**2.752**

Figures in millions of pesos		Notional Value (2)			
		Maturity			
Derivatives	**Fair Value (1)**	**2020**	**2021**	**Subsequent**	**Total**
		(COP$000)			
Interest Rate Hedges					
Cash flow hedges	170.764	-	-	6.081.810	**6.081.810**
Exchange Rate Hedges					
Cash flow hedges	95.779	693.562	11.558	-	705.120
Fair value hedges	638.740	4.216.172	-	-	4.216.172
	734.519	**4.909.734**	**11.558**	**-**	**4.921.292**
Interest rate and exchange rate hedges					
Cash flow hedges	(5.670)	-	-	152.410	**152.410**
Total valuation	**899.613**	**4.909.734**	**11.558**	**6.234.220**	**11.155.512**

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

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

24.2. Other Risks and Uncertainties facing the Group.

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

Legal Regulation Risk

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

For its part, the CRC is the body responsible for promoting and regulating free competition, preventing unfair conduct and restrictive business practices, through general regulations or specific measures. It may propose different rules of conduct depending on the supplier's position once the existence of market failure has been determined.

Risks Inherent to the Activity Sector in which the Group Operates

The provision of services is carried out under the authorizations, as well as under the permits for spectrum use.

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

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 that the market demands, anticipating technological changes and market demands. Technological evolution is permanent, competing in the market for new products, services, and technologies, which oblige us to keep up to date with them.

Risks Associated with Unexpected Network Disruptions

Network interruptions are situations inherent to the operation of any element that constitutes it, which create impairment in service causing user dissatisfaction due to the impossibility of communication, as well as a no lesser risk of possible investigations or requirements from the control bodies that could result in sanctions of high economic impact for the Group.

Given the current situation and new consumption habits, user usage profiles and hence traffic demand have changed, leading to capacity saturation in residential urban areas in the main cities, as well as a greater impact in rural areas due to insufficient capacity on obsolete radio links, which are mostly concentrated in services in peripheral areas. Similarly, considering the current public health situation, network deployment requirements have increased due to the impact generated by mobility restrictions and work stoppages caused by the Covid-19 pandemic on the supply and distribution chains of goods and services needed to expand the network.

25. RELATED PARTIES

25.1. Accounts Receivable

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

Current

a) Shareholders

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
International				
Telefónica S.A.	2.618	10.614.232	2.278	9.237.407
	2.618	**10.614.232**	**2.278**	**9.237.407**

b) Economic links

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
National				
Tiws Colombia II S.A.S.	6.585	26.699.484	4.989	20.228.121
Telxius Cable Colombia S.A.	611	2.478.395	278	1.127.060
Wayra Colombia S.A.S.	15	58.881	13	51.450
	7.211	**29.236.760**	**5.280**	**21.406.631**

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

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
International				
Telefónica Digital España S.A.	1.396	5.660.321	2.631	10.667.702
TIWS II	1.321	5.355.664	906	3.671.244
Pegaso Pcs. S.A. de C.V.	907	3.677.160	732	2.965.062
Telefónica Móviles España S.A.	358	1.450.420	376	1.524.277
Otecel S.A.	372	1.507.691	316	1.280.465
Telefónica Móviles El Salvador S.A.	249	1.008.897	252	1.023.150
Telefónica Móviles Argentina S.A.	182	738.977	172	698.671
Telefónica del Perú S.A.	108	436.681	120	488.135
Telefonica Germany GMBH & CO OHG	97	394.463	107	435.466
Telefónica Móviles de Chile	42	168.461	48	195.983
Telefónica Brasil S.A	28	115.159	41	168.248
Telefónica USA Inc.	44	177.430	40	161.381
Terra Networks Mexico S.A. de CV	21	86.163	-	-
Telefónica Compras Electrónicas	18	72.233	35	142.680
Telefonica Factoring Mexico S.A.	6	24.106	4	14.968
Telefónica de Costa Rica	3	12.727	1	3.468
Telefónica Móviles Uruguay S.A.	2	8.866	-	-
E-plus Mobilfunk GMBH & CO	-	1.821	-	-
	5.154	**20.897.240**	**5.781**	**23.440.900**
Total economic links	**12.365**	**50.134.000**	**11.061**	**44.847.531**

c) Associated Companies

National				
Telefónica Factoring Colombia S.A.	13	52.726	10	39.794
Total related parties	**14.996**	**60.800.958**	**13.349**	**54.124.732**

Non-current

Economic Link

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Telefónica Venezolana C.A. (a)	12.135	49.200.010	9.812	39.781.586
Total related parties	**12.135**	**49.200.010**	**9.812**	**39.781.586**

a) Telefónica Venezolana C. A. is awaiting settlement from the Venezuelan foreign exchange regulator (CENCOEX), the amounts of which were duly requested from that body and, as of March 31, 2020, it has not refused to settle the invoices, and the respective amounts requested that it owes to Colombia Telecomunicaciones S. A. E.S.P.

Foreign currency balances of accounts receivable as of March 31, 2020 and December 31, 2019 are US$18.155 thousand ($73.610.174) and US$21.529 thousand ($70.553.547), respectively.

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

25.2. Accounts Payable

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

Current

a) Shareholders

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
International				
Telefónica S.A.	6.996	28.364.429	3.124	12.666.965
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	116	470.474	86	347.494
	7.112	**28.834.903**	**3.210**	**13.014.459**

b) Economic links

	As of March 31, 2020		As of December 31, 2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
National				
Telxius Cable Colombia S.A.	9.020	36.572.912	3.936	15.958.471
Tiws Colombia II S.A.S.	7.554	30.628.550	5.214	21.139.257
Telefónica Ingeniería de Seguridad	79	319.461	238	964.167
Telefónica Learning Services Colombia	-	-	48	193.422
	16.653	**67.520.923**	**9.436**	**38.255.317**

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

	As of March 31,		As of December 31,	
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
International				
TIWS II	13.418	54.400.754	9.976	40.451.578
Telefónica Global Technology	3.294	13.352.730	5.149	20.877.265
Telefónica USA Inc.	2.007	8.134.564	2.241	9.085.333
Media Network Latin América	1.689	6.849.758	1.739	7.049.603
Telefónica Compras Electrónicas	975	3.954.875	444	1.799.238
Telefónica Móviles Argentina S.A.	957	3.878.192	947	3.838.691
Telefónica Venezolana C.A.	698	2.828.949	568	2.301.622
Telefónica Digital España S.A.	604	2.450.662	749	3.036.649
Pegaso Pcs. S.A. de C.V.	496	2.012.538	385	1.561.241
Telefónica de Argentina S.A.	422	1.713.000	422	1.713.000
Otecel S.A.	378	1.533.669	346	1.403.559
Telefónica de España S.A.U.	253	1.025.577	187	757.315
Telefónica Móviles España S.A.	245	992.720	361	1.464.557
Telefónica del Perú S.A.	209	845.717	177	718.811
Terra Networks Mexico S.A. de CV	153	621.321	128	519.785
Telefónica Brasil S.A	114	462.550	116	469.749
Telefónica Global Roaming	96	389.047	136	551.850
Telefónica Ingeniería de Seguridad	81	327.557	18	72.005
Telefónica Empresas Chile S.A	69	279.082	0	-
O2 T. UK Limited	56	228.773	54	218.324
Telefónica Móviles de Chile	47	189.711	34	138.846
Telefónica Servicios Audiovisuales	46	188.294	56	225.919
Telefonica Educacion Digital	27	110.514	4	18.015
Telefónica Broadcast Services S.L.U	11	42.837	11	44.368
Telefónica Móviles Uruguay S.A.	9	38.413	7	29.447
Telefónica de Costa Rica	6	25.041	2	7.766
TGestiona Logistica Sociedad Anonima	5	22.000	1	5.755
Telefónica Móviles El Salvador S.A.	5	18.370	4	17.790
E-Plus Mobilfunk GMBH & CO	-	5	34	135.906
	26.370	**106.917.220**	**24.296**	**98.513.987**
Total economic links	**43.023**	**174.438.143**	**33.732**	**136.769.304**
Total related parts	**50.135**	**203.273.046**	**36.942**	**149.783.763**

Non-Current

Shareholders

Share-based payments				
Telefónica S.A.	1.492	6.049.998	1.115	4.521.758
Total related parties	**1.492**	**6.049.998**	**1.115**	**4.521.758**

(1) Corresponds to the remuneration of executives with a five-year tenure, where the right to receive a certain number of shares of Telefónica S. A., is granted subject to the fulfillment of certain conditions related to the performance of the share during the period and the tenure.

Foreign currency balances of accounts payable on March 31, 2020 and December 31, 2019 are US$15.634 thousand ($63.388.678) and US$17.118 thousand ($56.098.083) respectively.

25.3. Income, Costs and Expenses with Related Parties

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

a) Shareholders

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(US$000)			
International				
Telefónica S.A.	907	469	3.079	17
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	-	-	21	11
	907	**469**	**3.100**	**28**

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(COP$000)			
From outside				
Telefónica S.A.	3.678.831	1.900.061	12.482.894	66.910
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional	-	-	86.699	46.198
	3.678.831	**1.900.061**	**12.569.593**	**113.108**

b) Economically linked

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(US$000)			
National				
Tiws Colombia II S.A.S.	1.101	1.447	2.022	-
Telxius Cable Colombia S.A.	266	81	4.005	3.512
Telefónica Learning Services Colombia	48	-	-	11
Wayra Colombia S.A.S.	28	28	-	-
Telefónica Ingeniería de Seguridad	-	-	90	-
	1.443	**1.556**	**6.117**	**3.523**

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(COP$000)			
National				
Tiws Colombia II S.A.S.	4.465.237	5.867.574	8.196.559	-
Telxius Cable Colombia S.A.	1.080.181	328.504	16.238.032	14.237.974
Telefónica Learning Services Colombia	193.422	-	-	43.855
Wayra Colombia S.A.S.	111.925	112.489	-	-
Telefónica Ingeniería de Seguridad	-	-	363.657	
	5.850.765	**6.308.567**	**24.798.248**	**14.281.829**

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(US$000)			
International				
TIWS II	1.766	1.139	3.674	3.453
Telefónica Digital España S.A.	502	638	209	115
Telefónica USA Inc.	238	4	-	409
Telefónica Móviles El Salvador S.A.	62	1	1	1
Telefónica Móviles España S.A.	46	52	140	98
Telefónica Móviles de Chile	40	29	10	5
Telefónica del Perú S.A.	36	19	6	9
Telefónica Brasil S.A	26	29	7	6
O2 T. UK Limited	21	37	3	7
Terra Networks Mexico S.A. de CV	21	0	94	38
Telefónica Móviles Argentina S.A.	20	17	8	5
Otecel S.A.	9	7	12	5
Telefónica Compras Electrónicas	8	7	802	242
Telefónica de Costa Rica	4	3	2	3
Telefónica Móviles Uruguay S.A.	2	2	1	1
Pegaso Pcs. S.A. de C.V.	2	3	20	17
Telefonica Germany GMBH & CO OHG	1	7	9	-
E-Plus Mobilfunk GMBH & CO	1	-	-	6
Telefónica Venezolana C.A.	-	-	5	15
Telefónica Móviles Panamá S.A.	-	12	-	10
Telefónica Celular De Nicaragua S.A	-	2	-	-
Telefónica Global Technology	-	-	2.738	2.162
Media Network Latin América	-	-	2.234	2.446
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	354	354
Telxius Cable España S.L.U	-	-	122	122
Telefónica Empresas Chile S.A.	-	-	65	-
Telefónica Ingeniería de Seguridad	-	-	63	56
Telefónica de España S.A.U.	-	-	58	43
Telefonica de Contenidos SAU	-	-	55	74
Telefónica Global Roaming	-	-	43	40
Telefónica Servicios Audiovisuales	-	-	34	29
	2.805	**2.008**	**10.769**	**9.771**
Total economic links	**4.248**	**3.564**	**16.886**	**13.294**

	Quarter ended 31 March			
	Income		Costs and expenses	
	2020	2019	2020	2019
	(COP$000)			
International				
TIWS II	7.159.714	4.616.906	14.895.324	14.000.455
Telefónica Digital España S.A.	2.036.356	2.587.249	849.306	465.437
Telefónica USA Inc.	964.257	15.692	-	1.656.726
Telefónica Móviles El Salvador S.A.	251.678	3.404	4.063	4.943
Telefónica Móviles España S.A.	187.458	211.989	567.738	397.154
Telefónica Móviles de Chile	160.578	118.477	40.908	20.832
Telefónica del Perú S.A.	144.943	77.120	24.485	37.052
Telefónica Brasil S.A	106.815	119.425	26.912	25.341
O2 T. UK Limited	86.940	151.701	10.232	29.705
Terra Networks Mexico S.A. de CV	86.163	-	380.556	153.943
Telefónica Móviles Argentina S.A.	80.998	67.052	33.207	21.875
Otecel S.A.	36767	26526	49.067	21.424
Telefónica Compras Electrónicas	33.683	29.343	3.252.994	979.469
Telefónica de Costa Rica	14.623	12.829	8.323	12.327
Telefónica Móviles Uruguay S.A.	7.794	8.608	4.051	4.669
Pegaso Pcs. S.A. de C.V.	7.201	13.451	82.605	67.866
Telefonica Germany GMBH & CO OHG	5.026	27.246	35.595	-
E-Plus Mobilfunk GMBH & CO	2070	-	83	23.473
Telefónica Venezolana C.A.	13	-	19.397	61.698
Telefónica Móviles Panamá S.A.	-	50.606	-	41.794
Telefónica Celular De Nicaragua S.A	-	9.217	-	-
Telefónica Global Technology	-	-	11.102.924	8.767.085
Media Network Latin América	-	-	9.059.511	9.918.465
Telxius Cable América S.A. (antes TIWS AMERICA)	-	-	1.436.618	1.436.618
Telxius Cable España S.L.U	-	-	493.560	493.560
Telefónica Empresas Chile S.A.	-	-	262.083	-
Telefónica Ingeniería de Seguridad	-	-	255.552	227.692
Telefónica de España S.A.U.	-	-	233.997	175.621
Telefonica de Contenidos SAU	-	-	222.439	298.567
Telefónica Global Roaming	-	-	175.161	161.941
Telefónica Servicios Audiovisuales	-	-	138.250	117.855
	11.373.077	**8.146.841**	**43.664.941**	**39.623.587**
Total economic links	**17.223.842**	**14.455.408**	**68.463.189**	**53.905.416**

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

Associated Companies

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

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
National				
Telefónica Factoring Colombia S.A.	16	19	-	-
	16	**19**	**-**	**-**
Total related parties	**5.171**	**4.052**	**19.986**	**13.322**

	Quarter ended March 31,			
	Income		Costs and expenses	
	2020	2019	2020	2019
National				
Telefónica Factoring Colombia S.A.	65.609	76.757	-	-
	65.609	**76.757**	**-**	**-**
Total related parties	**20.968.282**	**16.432.226**	**81.032.782**	**54.018.524**

The following is a summary of income, cost and expense transactions that occurred during the period with related parties. depending on the nature of the good or service provided between the parties, as follows:

Income:

	Quarter ended March 31,			
	2020	2019	2020	2019
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Local Telefonica	1.857	7.529.076	1.209	4.901.791
Added value services	1.630	6.610.346	13	54.646
Interconnection and roaming	1.179	4.780.148	339	1.376.461
Data transmission service	258	1.044.053	996	4.036.720
Other IT	229	926.697	157	637.518
Equipment sales	16	66.138	-	5
Other income (1)	2	6.106	1.323	5.364.498
Basic charges and airtime	1	5.718	1	5.532
Virtual private networks	-	-	12	48.746
Service and data transmission - connectivity	-	-	2	6.309
	5.172	**20.968.282**	**4.052**	**16.432.226**

Includes mainly fee services, space assignment, administrative services, among others.

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

Costs and expenses:

	Quarter ended March 31,			
	2020	**2019**	**2020**	**2019**
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Media rental	8.069	32.718.073	7.037	28.531.152
Other non-recurring costs and expenses (1)	5.884	23.857.371	2.299	9.323.291
Interconnection and roaming	2.542	10.306.813	1.615	6.546.515
Other operating costs and expenses (2)	1.375	5.575.281	451	1.828.673
Renting and third-party activities to customers	1.018	4.127.933	1.029	4.173.712
Content providers	638	2.587.140	593	2.403.021
Maintenance	387	1.568.455	279	1.131.545
Work and staff costs	51	205.017	8	34.417
Sales commissions	21	86.699	11	46.198
	19.985	**81.032.782**	**13.322**	**54.018.524**

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

(2) Includes mainly licenses and computer applications.

c) Information on Remuneration of Key Management Personnel

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

	Quarter ended March 31,			
	2020	**2019**	**2020**	**2019**
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
wages, salaries and other benefits	1.062	4.305.901	1.180	4.784.675
Institutional plans	1.005	4.074.697	866	3.510.791
Executive Compensation Plan (share and annual bonus)	778	3.155.005	1.035	4.196.197
Others	37	148.125	11	46.335
Voluntary Withdrawal bonus	0	0	226	915.925
	2.882	**11.683.728**	**3.318**	**13.453.923**

26. CONTINGENCIES

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

On March 31, 2020, 2.066 processes were underway, of which 136 were classified as high probability, 733 as low probability, and 1.197 as remote.

Processes with high probability

The following is a detail of the processes classified as high probability (Note 17).

	As of March 31, 2020		As of December 31, 2019	
	(US$000)			
	Quantity	**Value**	**Quantity**	**Value**
Currents:				
Administrative, regulatory and proficiency	3	927	3	927
Work processes	20	280	20	280
Administrative User Inquiries	23	300	28	430
	46	**1.507**	**51**	**1.637**
Non Currents:				
Legal proceedings	47	1.761	49	814
Work processes	37	574	40	586
Administrative, regulatory and proficiency	5	71	4	59
Fiscal processes	1	41	5	78
	90	**2.447**	**98**	**1.537**
	136	**3.954**	**149**	**3.174**

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	As of 31 March 2020		As of 31 December 2019	
	(COP$000)			
	Quantity	**Value**	**Quantity**	**Value**
Currents:				
Administrative, regulatory and proficiency	3	3.758.855	3	3.758.855
Work processes	20	1.136.726	20	1.136.726
Administrative User Inquiries	23	1.216.587	28	1.742.448
	46	**6.112.168**	**51**	**6.638.029**
Non Currents:				
Legal proceedings	47	7.144.619	49	3.297.655
Work processes	37	2.326.556	40	2.377.287
Administrative, regulatory and proficiency	5	286.746	4	240.270
Fiscal processes	1	164.652	5	314.724
	90	**9.922.573**	**98**	**6.229.936**
	136	**16.034.741**	**149**	**12.867.965**

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

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

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

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

27.1. EBITDA

	Quarter ended March 31,			
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Net profit for the period	(26.536)	(107.588.427)	-2.400	(9.727.263)
More:				
Depreciation and amortization (Note 22)	85.867	348.149.955	90.079	365.228.878
Interest expense, net	27.530	111.622.309	16.774	68.010.198
Income and supplementary taxes	(2.602)	(10.551.395)	8.346	33.837.442
EBITDA (a)	**84.259**	**341.632.442**	**112.799**	**457.349.255**

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

27.2. Margen EBITDA

	Quarter ended March 31,	
	2020	2019
Margin EBITDA (*)	25,8%	34,1%

(*) Represents EBITDA divided by operating income

27.3. Leverage ratio: Debt / EBITDA

	As of March 31,		As of December 31,	
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
Current financial obligations (Note 15)	136.822	554.749.357	101.133	410.047.634
Less:				
Hedging derivatives (Note 15)	(9.505)	(38.537.761)	(9.070)	(36.774.797)
Interest payable (Note 15)	(1.879)	(7.618.306)	(9.289)	(37.661.309)
Current financial obligations, net (a)	**125.438**	**508.593.290**	**82.774**	**335.611.528**
Long-term financial obligations (Note 15)	647.926	2.627.043.613	168.310	682.420.077
Derivative instruments on liabilities (Note 16)	(14)	(56.951)	(25)	(100.415)
Local bond (Note 15) (b)	123.319	500.000.000	123.319	500.000.000
Senior bond (Note 16) (b)	750.000	3.040.905.000	606.198	2.457.855.000
Perpetual asset instruments (Note 18) ©	-	-	315.307	1.278.425.000
Long-term financial obligations, net	**1.521.231**	**6.167.891.662**	**1.213.109**	**4.918.599.662**
Total financial debt	**1.646.669**	**6.676.484.952**	**1.295.883**	**5.254.211.190**

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

Valuation of exchange rate derivatives (d)	(157.308)	(637.811.575)	(15.986)	(64.816.932)
Cash and cash equivalents (Note 6)	(29.811)	(120.870.167)	(101.388)	(411.083.341)
Total net debt	**1.459.550**	**5.917.803.210**	**1.178.509**	**4.778.310.917**
EBITDA 12 months	443.723	1.799.094.374	472.263	1.914.811.187
Leverage ratio Debt/EBITDA	**3,29 Times**	**3,29 Times**	**2,5 Times**	**2,5 Times**

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

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

(c) Corresponds to the nominal value of the issuance of the perpetual equity instrument, valued at the exchange rate on the date of issue, did not include the value of the transaction costs. This instrument under the issuance prospectus of the principal debt is considered as replacement debt, therefore it is included as financial debt, however, its recognition was in the Condensed Consolidated Interim Financial Statements is in equity, On March 27, 2020, the perpetual equity instrument was paid and replaced with local financial debt.

(d) Includes only the valuation of foreign exchange hedges.

27.4. Financial Indicators

1. Debt ratios

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

	As of March 31, 2020	As of December 31, 2019
(a) Total debt level (1)	64,822%	50,189%
(b) Level of short-term debt (2)	27,099%	38,480%

(1) The total debt level increases mainly due to the replacement of the Hybrid Bond classified as a perpetual equity instrument by local financial debt and the impact of the devaluation of the peso against the dollar in the first quarter of 2020 of the foreign currency debt.

(2) The level of short-term debt decreases mainly due to a decrease in obligations with suppliers and contractors.

2. Solvency indices

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

	As of March 31, 2020	As of December 31, 2019
Solvency index (1)	1,543 Times	1,992 Times

(1) This indicator decreases mainly due to the replacement of the Hybrid Bond classified as a perpetual equity instrument by local financial debt and the impact of the devaluation of the peso against the dollar in the first quarter of 2020 of the foreign currency debt.

3. Liquidity indices

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

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

	As of March 31,		As of December 31,	
	2020		2019	
	(In thousand of US$)	(In thousand of COP$)	(In thousand of US$)	(In thousand of COP$)
a) Net working capital (1)	106.876	433.332.747	(103.961)	(421.514.479)
(b) Current ratio (1)	1,176 Times	1,176 Times	0.817 Times	0.817 Times
(c) Acid test (1)	1,109 Times	1,109 Times	0.735 Times	0.735 Times

(1) The improvement in these indicators as of March 31, 2020 corresponds mainly to: i) an increase in assets to be liquidated in the short-term and a decrease in obligations mainly to suppliers and contractors.

27.5. Operational Information

1. Access

	2020	2019			
	Quarter	Quarters			
	mar-31	dic-31	sep-30	jun-30	mar-31
			(Units 000)		
End Customer Access	**19.097**	**19.259**	**19.241**	**19.255**	**19.175**
Basic Line (1)	1.483	1.488	1.497	1.522	1.561
Internet and Data	1.168	1.163	1.161	1.171	1.190
Television	532	528	523	533	540
Mobile Service	15.914	16.080	16.060	16.029	15.884
Prepaid	*11.773*	*12.003*	*12.065*	*12.098*	*12.015*
Postpaid	*4.141*	*4.077*	*3.995*	*3.931*	*3.869*

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

2. Average Revenues per User (ARPU)

	2020	2019			
	Quarter	Quarters			
	mar-31	dic-31	sep-30	jun-30	mar-31
			(US$)		
LB - BA - TV (1)	8,3	8,0	8,0	8,3	7,8
Total Mobile (2)	3,1	3,2	3,1	3,0	3,1
Prepaid	*0,7*	*0,9*	*0,7*	*0,7*	*0,7*
Postpaid	*9,8*	*10,0*	*10,3*	*10,2*	*10,3*

	2020	2019			
	Quarter	Quarters			
	mar-31	dic-31	sep-30	jun-30	mar-31
			(COP$)		
LB - BA - TV (1)	33.653	32.458	32.421	33.585	31.633
Total Mobile (2)	12.479	12.800	12.663	12.351	12.406
Prepaid	*2.876*	*3.462*	*2.917*	*2.896*	*3.003*
Postpaid	*39.844*	*40.360*	*41.932*	*41.558*	*41.609*

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

28. IMPACT ON THE FINANCIAL STATEMENTS OF COVID-19

28.1. Impact on the condensed consolidated interim financial statements of March 31, 2020

As part of the verification of the impacts 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 position, and liquidity if this contingency were to continue, and management is assessing these aspects daily to take all necessary and appropriate measures to minimize the impact during 2020.

Below is a description of the main impacts observed on the financial situation and operations of the Group's companies as of March 31, 2020:

1. Impairment of Financial Instruments - Accounts Receivable

The situation created by COVID-19 creates unforeseen challenges for the application of the calculation of expected credit losses under IFRS 9 - Financial Instruments. Accordingly, the Group has considered adjusting the approach to forecasting and determining when expected credit losses (ECLs) should be recognized to reflect the current environment. However, the potential impacts of customer defaults will be reflected mostly from the next quarter onwards in accordance with payment behavior. Similarly, the Group is validating the model for portfolio provisioning by customer segmentation and/or any type that best reflects these effects.

At the end of the first quarter of 2020, the financial instruments that are within the scope of the expected credit loss (ECL) model of IFRS 9 (including trade and other accounts receivable, debt instruments not measured at fair value through profit and loss, contractual assets, and lease receivables), have been evaluated considering the impacts of COVID-19 on the ECL. In addition to the outbreak, and due to the policies adopted by the National Government on the extension of the payment term for certain commercial plans contracted by customers, the credit risk (risk of default) has significantly increased for accounts receivable in the amount of $2,8 billion since the initial recognition. The ECL is measured for that group of accounts receivable for the entire term of the instrument.

2. Recognition of Income, Costs and Expenses

Accounting estimates have been revised in terms of revenue recognition at the time they occurred. Due to the impact of COVID-19 on commercial activity and in accordance with our projections and budgets, prepaid and terminal sales revenues fell by $ 2,4 billion and $ 14 billion, respectively. Net roaming revenue fell by $ 0,7 million. In line with this, mobile handset costs fell by $ 13,4 billion, and card reload costs decreased by $ 0,3 million, and other costs and expenses by $ 0,5 million. The effect valued in the Consolidated Condensed Interim Statement of Comprehensive Income is a decrease in budgeted EBITDA of $ 5,7 billion.

In relation to revenue recognition under IFRS-15, the Group has focused on identifying the financial impacts in the following areas:

- Valuation of the potential present or future effects arising from the commercial strategy involving variable consideration in a contract with a customer (e.g.. discounts, fringe benefits, free services, price reductions, etc.), to determine, at the beginning of the contract, the amount of consideration to be received in exchange for transferring the promised goods or services.
- Modifications to contracts - Validation if it corresponds to a change in the scope or price of a contract or both and if it creates or changes the rights and obligations of the parties to the contract and, therefore, their accounting recognition.
- Valuation of the costs of obtaining or fulfilling a contract and advance payments to customers and whether these in the new environment require updating the amortization approach to reflect any significant changes in the expected time of transfer of the related goods or services.

3. Valuation of Accounting Estimates

Accounting estimates have been reviewed and evaluated for impairment of assets, expected cash flows, the net realizable value of inventories, and the measurement value of financial instruments has been adjusted so that the impacts are reflected in the financial statement figures once they are confirmed in conjunction with a qualitative assessment of all the Group's activities.

4. Recoverability of Assets

For the impairment test, internal and external sources were reviewed. The WACC variable was updated based on the pandemic conditions to reflect this situation. The WACC was applied to the impairment test determined for year-end testing in 2019, maintaining the other variables at this cut-off point.

In the validation of the external sources, no significant changes were identified that would have an adverse effect on the entity, in aspects related to the legal, economic, technological or market environment in which it operates, in the present or immediate future. The validation of internal sources assessed significant changes in the extent or manner in which we use or expect to use the Companies' assets that could adversely affect the entity. These changes include the fact that the asset is idle, or as a result of the pandemic, plans are in place to discontinue or restructure the operation to which the asset belongs, including plans to dispose of the asset before the anticipated date and reconsider the useful life of an asset as finite, rather than indefinite.

Considering the existence of Goodwill in the financial statements, the awareness of the WACC was carried out with a step of +/- 1% using the current strategic plan and the other variables used at the end of the 2019 fiscal year. Additionally, long-term assets subject to impairment testing were sensitized by +/- 5%. Based on the previous year and on the aforementioned conditions, it was not necessary to anticipate and/or recognize an impact of impairment on the recoverability of the assets. In 2020 we will monitor significant variables, including the strategic plan and/or budgetary deviation, that could trigger an update of asset recoverability analysis.

In addition to the analyses indicated above, to date, no significant assets have been identified that are paralyzed and/or are estimated to have an idle capacity as a result of the pandemic. In the case of the Centers of Experience and the Administrative Headquarters in Morato, which are closed, they are assets under lease and, therefore, depending on the progress of the restrictions imposed by the Government, current or future, the potential impacts on the lease contracts and, consequently, on the recorded asset for the right of use (ROU) and financial liability will be validated.

Concerning the deferred tax asset for tax losses, the Group has estimated that by the end of 3Q 2020, it will carry out a recoverability analysis based on the current and revised Strategic Plan, which will raise awareness of the effects of the COVID-19 pandemic.

5. Liquidity Situation

To mitigate the impact of the current situation and maintain the Group's liquidity and strength, the following devices have been activated:

- Review of the implementation of the Capex, considering current projects and commercial activity, Future projects will be assessed in detail.
- Optimization of certain items in the financial statements such as commissions to third parties for reduced commercial activity, staff freezing, advertising, travel, sponsorships, rental and preventive maintenance, and public services, among others.
- Structural plan for optimizing opex and post-confinement capex resources.
- Delay and rescheduling of orders and arrival plans for mobile terminals and home-customer equipment.
- If necessary, the Group has pre-approved quotas with financial institutions.

28.2. Regulatory aspects and issuance of standards in the framework of the economic and health emergency caused by the COVID-19

In accordance with the provisions issued by the National Government within the framework of the health emergency, telecommunication services are declared as essential public services. For this reason, their provision, as well as the installation, maintenance, and adaptation of the network, cannot be suspended. In that sense, some decrees are summarized that allow the business continuity with certain restrictions, as well as some regulatory considerations:

Decree 417 of 2020

With the issuance of Decrees 520 and 540 of 2020, the following was established:

1. Extension of the deadlines for the presentation and payment of the income tax return and its supplementary returns.
2. VAT exemption for voice and mobile internet connection and access services, for the post-paid and prepaid modality whose value does not exceed two Tax Value Units -UVT ($ 71.000 pesos), this measure applies from April 13 to August 13, 2020.
3. Modification of the tax calendar for the presentation of territorial taxes, especially in the city of Bogotá D.C. for the Industry and Commerce Tax - ICA, its retention at the source, property tax, and vehicles.

Decree Law 420 of 2020 and Decree 457 of 2020

Despite the limitations on traffic, it is possible that the Group Companies' personnel and their respective vehicles may circulate to guarantee the functioning of the call centers, as well as the installation, operation, and maintenance personnel who guarantee the provision of the telecommunications service.

Decree 464 of 2020

- All telecommunications services are declared to be essential; the National Government may take specific measures to ensure their provision under special conditions. The continuous provision of the service must be guaranteed during the economic, social, and ecological emergency.
- Rules on mobile services:

  a) On post-paid services in plans not exceeding 2 UVT (UVT=$ 35.607 pesos):
     - If you are late with your payment, you must allow an additional 30 days to pay.
     - During this term, plans with a data capacity of more than one gigabyte must be given a capacity of 0,5Gb per month.
     - If the user does not pay, the service will be suspended, but maintaining the option of recharging as in prepaid, allowing the sending and receiving of 200 free SMS and navigation in 20 URLs defined by MINTIC (health, emergencies, government, education).

  b) For prepaid, once the balance is finished, the sending and receiving of 200 SMS without any restriction must be guaranteed for 30 days.
     In both cases, for customers who are more than two months old and active, and the implementation work must be done in 10 days.

- Rules for traffic management:

Traffic management may be carried out to prioritize government pages (health, education, fundamental rights).

- All obligations related to the payment of consideration are suspended as of the date of issuance of the Decree, until May 30, pending a new payment schedule to be defined by MINTIC.
- A mandate is given to the regulator and the monitoring and control bodies to relax regulatory burdens, quality indicators and other obligations in order to focus resources and efforts on the continuity of service provision.

Decree 540 of 2020

The services of connection and access to voice and mobile internet for up to 2 Tax Value Units - UVT, will be exempt from VAT, for the 4 months following April 2020.

MINTIC Resolution 595 of 2020

It establishes the payment schedule with new deadlines for the payment of periodic economic considerations.
- Self-assessment and/or payment of the economic consideration for the annual payments for spectrum use permits, Deadline for payment June 16, 2020.
- For general qualification, self-assessment, and/or payment of the periodic consideration for the first quarter of 2020. Deadline for payment June 30, 2020.

Decree 555 of 2020

- Special rules for the provision of mobile services:

  a) On post-paid services in plans not exceeding 2 UVT (UVT $ 35.607 pesos):
     - If you are late in paying, you must allow an additional 30 days to pay.
     - During this term, plans with a data capacity of more than one gigabyte must be given a capacity of 0,5Gb per month.
     - If the user does not pay, the service will be suspended, but maintaining the option of recharging as in prepaid, allowing the sending and receiving of 200 free SMS and navigation in 20 URLs defined by MINTIC (health, emergencies, government, education).

  b) For pre-payment, once the balance is finished, the sending and receiving of 200 SMS without any restriction must be guaranteed for 30 days.

  c) Free navigation (zero rating) to Min Education's portal domain for voice and data services not exceeding 2UVT, Once the state of emergency has ended, the user will have 30 calendar days to pay for the periods in arrears.

- Suspension of obligations related to the provision of the service:

A mandate is given for the regulator and the monitoring and control bodies to relax regulatory burdens, quality indicators and other obligations in order to focus resources and efforts on the continuity of service provision.

COMMUNICATIONS REGULATION COMMISSION - CRC

Resolution 5491 of 2020

- It suspends the obligation to have customer service offices in all department capitals or municipalities with the highest number of users.
- It must ensure that the procedures for the transfer of the contract, guarantee, and support of the terminal, and the requests for porting are made by other means of attention, such as web, Facebook, hotline, APP.
- Temporarily modify the customer service hours in the call center, from 8 in the morning to 6 in the afternoon.
- Suspends the obligation to maintain the quality indicators in the attention of physical offices.
- Suspends the quality indicators associated with physical offices as a consequence of suspending the obligation to attend to physical offices.
- Suspends equipment control measures: No format, invalid, not approved, not registered, and duplicated.
- No SMS is sent to these types of IMEI; no deadlines apply to them to determine whether they should be blocked, and they will not be blocked between March 19 and May 31, 2020.
- From June 1,2020, the sending of SMS, the application of the deadlines for each case, and the blocking will start again,
- From June 1 to 30, 2020, the IMEI detected during the suspension (from March 19 to May 31) must be included, send them the SMS, apply the corresponding deadlines and blocking, according to the cause (no format, invalid, not approved, not registered and duplicated).
- The total number of IMEI detected between March19, and May 31, 2020 can be distributed throughout the month of June 2020.
- The measurement of the NSU associated with this care is suspended.

CRC Resolution 5951 of 2020 Superseded by CRC Resolution 5969 of 2020

- During the period of the declaration of economic, social, and ecological emergency, no interest may be charged for late payment for telephone services, internet access, and subscription television operators.

CRC Resolution 5952 of 2020

- Includes the TV service in all its modalities, with the exception of compliance with indicators while the emergency care lasts.
- Suspends measurement, calculation, and report of PING, HTTP, and FTP indicators. They will be measured again from June 1, 2020.
- Suspends measurement, calculation, and reporting of satellite TV and IPTV transmission availability and quality indicators until May 31, 2020, Re-measurement as of June 1, 2020.
- Suspends the sending of the mobile internet probe measurement format to be performed in 2Q of 2020.
- Suspends the application of the measurement methodology for PING, FTP, and HTTP indicators.
- Suspends the obligation to measure and report on mobile internet indicators.
- Suspends the reports of service affectation that are made 2 hours after the affectation and the extended report that is sent after five days. The report restarts on June 1, 2020.
- Although no network information reports are made from March 26 to May 31, 2020, MINTIC may request specific information that it deems relevant to QoS.
- Measurements and calculations that were available until March 26, 2020, for mobile PING, FTP, and HTTP, as well as TV availability and quality, must be reported within the timeframe established in Resolution 5050, (Quarterly mobile Internet and bi-annual TV).

CRC Resolution 5956 of 2020

- It suspends the obligation to make the report three days in advance, although it continues to report to MINTIC and inform the user.
- The invoice can be sent by email, even if the user does not authorize it, as long as the user's email address is available.
- Until its validity, notification of responses can be sent by email even if the user has not authorized it, provided that the user's email is known.
- The quality of the service indicator is suspended, Each month, operators must guarantee that at least 95% of user call attempts are successfully completed.
- The obligation to publish is suspended: (i) Most frequent complaints filed (ii) % of call attempts, routed to the telephone line, successfully completed; (iii) % of users accessing the automatic answering service, opting for personalized attention and receiving it in less than 30 seconds; (iv) % of users who selected an option from the menu, but before being answered, ended the call and (v) Publication of the NSU, However, these indicators should continue to be measured.

- Suspends the obligation to report on the 1,2 format on an occasional basis when plans are created or modified, for the months of April and May, and for 1Q2020 extends the deadline for such reporting to June 30, 2020.
- Extends the deadline for reporting January, February, and March 2020 mobile voice traffic and mobile internet access information to May 31, 2020.
- Extends the deadline for reporting on revenue formats, lines in service and local traffic; long-distance traffic, fixed Internet access, SMS; traffic and billed values for fixed-mobile calls; quality indicators for mobile voice, mobile data according to performance managers, fixed voice, end-to-end voice quality, fixed data; availability indicators for fixed and mobile networks; transport service between municipalities; national automatic roaming, international roaming, complaint and request indicators. These reports are due by June 30, 2020. Validity: June 30, 2020.

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

29. EVENTS AFTER THE DATE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Between April 1, 2020 and the date of issue of these Consolidated Condensed Interim Financial Statements, we are aware of the following significant financial events:

1. Changes between the same beneficial owner in the shareholding composition of Colombia Telecomunicaciones S. A. E.S.P.

Colombia Telecomunicaciones S. A. E.S.P. was informed by Telefónica S. A. that after a corporate reorganization process carried out in Spain, Telefónica S. A. (TEF) and Telefónica Latinoamérica Holding S.L. (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"), a company also belonging to the Telefónica Group, which already held 8,082% of the Company's share capital. The aforementioned companies have accredited their status as the same beneficial owner to the Colombian Financial Superintendence.

As a result of the aforementioned corporate reorganization, and once the process of transferring the shares has been perfected, LACH will become the Telefónica Group company that consolidates all the shares of Colombia Telecomunicaciones S. A. ESP. owned by the same beneficial owner and which continue to represent 67,5% of the Company's share capital. This reorganization does not imply any variation in the total number of shares in respect of which the Telefónica Group is the beneficial owner.

This is how the new shareholder composition of Colombia Telecomunicaciones S. A. E.S.P. would look:

	As of April 30, 2020		As of March 31, 2020	
Shareholders	Number of shares	Participatión	Number of shares	Participatión
Latin América Celular Holdings S.L.	2.301.779.819	67,49970081%	275.602.636	8,08204821%
The Nation-Ministry of Finance and Public Credit	1.108.269.271	32,50000004%	1.108.269.271	32,50000004%
Radio Televisión Nacional de Colombia-RTVC	10.000	0,00029325%	10.000	0,00029325%
Regional Television Channel Ltda.- TEVEANDINA	200	0,00000587%	200	0,00000587%
Central de Inversiones S.A.- CISA	1	0,00000003%	1	0,00000003%
Telefónica Latinoamérica Holding. S.L.	-	0,00000000%	1.756.837.597	51,51926835%
Telefónica S.A.	-	0,00000000%	269.339.586	7,89838425%
	3.410.059.291	100,00000000%	3.410.059.291	100,00000000%

2. Notification of partial redemption of the Senior Bond

On May 12, 2020, Colombia Telecomunicaciones S.A. E.S.P. sent notification of the irrevocable partial redemption of up to USD 320 million (US$ 320 million) of the Senior Unsecured Notes issued on September 27, 2012 in the amount of USD 750 million (US$ 750 million). The notification was made to the Bank of New York Mellon, in its capacity as Trustee.

On May 12, 2020, Colombia Telecomunicaciones S.A. E.S.P. received a disbursement of an international syndicated loan with Banco Santander S.A., Bank of América N.A., BNP PARIBAS securities CORP and JPMORGAN CHASE BANK. N.A. in the amount of three hundred and twenty million dollars (US$ 320 million) to cover the partial payment of the Senior Notes on the indicated terms.

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

December 31, 2019 and 2018

Index

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

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

Opinion

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

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

Basis For The Opinion

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

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

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

Key Audit Issues

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

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

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

To the Shareholders of

Colombia Telecomunicaciones S. A. E.S.P

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

Key Audit Issue	How Issues Have Been Dealt With In Audit
Goodwill Valuation A relevant part of the Company's assets is goodwill arising from the various acquisitions of business over time. As of December 31, 2019, as detailed in note 18, goodwill's value amounts to COP1,372,301 million. To determine whether goodwill is impaired, management performs an annual evaluation or when significant changes or events occur that indicate that the accounting value may not be fully recoverable. As described in note 18, the determination of recoverable value is made by calculating the value in use of cash-generating units associated with goodwill based on strategic plans approved by management. This is a relevant area of our audit, as we are faced with a complex calculation that requires the use of a high degree of judgment in the estimates of key assumptions, such as revenue growth, operating margin evolution, long-term investment ratio, discount rate, country risk rate and terminal growth rate. These hypotheses can be significantly affected by the evolution of the macroeconomic, competitive, regulatory and technical environment.	We have conducted audit procedures with the collaboration of our experts on the process carried out by management to determine the recoverable value of the cash-generating unit the goodwill is associated with, including: • Understanding the control environment, analysis and check of relevant controls on goodwill's impairment assessment process. • Verification of the consistency of the data used in the calculation of the value in use with strategic plans approved by management. • Evaluation of key assumptions used for the determination of recoverable value, for which we have conducted verification tests of key assumptions based on market information. • Evaluation of the reasonableness of sensitivity analyzes defined by management. • Verification of disclosures included in the separate financial statements, in accordance with the applicable accounting standards. Based on the procedures carried out, we consider that the evaluation carried out by management is reasonable. The estimation of the key hypotheses is within a reasonable range, and its conclusions on goodwill's valuation are consistent with the information contained in the consolidated financial statements.

To the Shareholders of

Colombia Telecomunicaciones S. A. E.S.P

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. GENERAL INFORMATION

a) Business Description

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

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

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

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

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

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

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

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

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

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

Empresa Operaciones Tecnológicas y Comerciales S. A. S

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

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

b) Arbitration Award - Reversal of Cellular Telephone Infrastructure

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

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

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

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

c) Modification of the Investment Framework Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f) Subsidiary Integration and Merger Process

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

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

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

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

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

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

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

g) Issuance of Ordinary Bonds

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

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

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

2. OPERATIONS

Principal Regulatory Aspects

a) Sectoral Authorities

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

b) Information and Communication Technologies Sector Scheme

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

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

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

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

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

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

c) Qualifications for the Provision of Telecommunication Services

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

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

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

d) Television Concession

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

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

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

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

e) Interconnection

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

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1. Applied Professional Accounting Standards

3.1.1. Basis of Presentation

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

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

These consolidated financial statements have been prepared on the basis of the historical cost model except for land, buildings, investment property and derivative financial instruments which have been measured at fair value.

The carrying amounts of assets and liabilities recognized and designated as hedged items in fair value hedging relationships that would otherwise have been carried at amortized cost have been adjusted to record changes in fair values attributable to the risks being hedged in the respective effective hedging relationships.

3.1.2. Consolidated Financial Statements

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

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

3.1.3. Investments in Subsidiaries

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

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

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

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

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

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

The financial information is presented below:

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

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

The financial information is presented below:

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

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

The financial information is presented below:

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

3.2. Accounting Policies

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

3.2.1. Foreign Currency Transactions

Functional and Presentation Currency

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

Foreign Currency Conversion

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

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

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

3.2.2. Property, Plant and Equipment

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

The cost of acquisition includes external costs plus internal costs made up of the consumption of warehouse materials, direct labor costs employed in the installation and an allocation of indirect costs necessary to carry out the investment. The acquisition cost includes the estimate of the costs associated with the dismantling or removal of the element and the rehabilitation of its location, only when they constitute contractual obligations incurred as a result of the use of the element. The costs of expansion, modernization or improvement, which represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalized as an increased cost when they meet the recognition requirements, only when it is probable that they will generate future economic benefits for the Group and the cost of these assets can be reasonably measured.

The cost of property, plant and equipment includes the transfer from Other Comprehensive Income of any gain or loss arising from cash flow hedges used for foreign currency purchases.

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

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

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

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

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

3.2.2.1. Property revaluation

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

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

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

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

3.2.2.2. Construction in progress

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

3.2.2.3. Decommissioning Costs

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

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

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

3.2.3. Investment Properties

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

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

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

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

3.2.4. Non-Current Assets Held for Sale

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

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

3.2.5. Jointly controlled operations

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

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

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

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

3.2.6. Leases

Policy applicable from January 1, 2019

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

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

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

3.2.6.1. Lessee's accounting

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

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

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

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

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

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

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

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

The lessee's incremental borrowing rate shall be the interest rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, over a similar term. The incremental borrowing rate will be based on the interest rate curves available to the Telefónica Group and based on the conditions of each of the leases.

3.2.6.2. Lessor's accounting

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

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

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

- **Leasing activities**

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

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

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

- **Variable lease payments**

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

- **Extension and termination options**

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

- **Terms of the leases**

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

Policy applicable until December 31, 2018

3.2.6.3. Lessee's accounting

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

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

3.2.6.4. Lessor's accounting

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

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

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

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

3.2.7. Rights of Use Assets

IFRS 16 establishes a global and methodological framework for the recognition of right of use assets registered by the Group. Rights of use assets are assets that represent the right of a lessee to use an underlying asset during the term of the lease.

They are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of the lease liability to reflect new measurements or modifications.

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

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

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

3.2.8. Intangible Assets

Separately acquired intangible assets are recorded at acquisition cost, less accumulated amortization and any accumulated impairment loss, if any. The cost of intangible assets acquired in business combinations is their fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortization (where assigned a defined useful life) and any accumulated impairment loss, if any.

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

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

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

3.2.8.1. Qualifying Titles

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

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

3.2.8.2. Office equipment software

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

3.2.8.3. Irrevocable Rights of Use (IRU)

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

3.2.8.4. Current Projects - Computer Applications

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

3.2.8.5. Estimated Useful Lives

The Group amortizes its intangible assets as follows:

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

3.2.9. Goodwill

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

After initial recognition, goodwill is measured at cost less any accumulated impairment loss, if any.

3.2.10. Impairment of Non-Current Assets

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

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

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

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

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

In addition, the discount rates used to determine the recoverable value are based on available financial information and are adjusted for the corresponding country risk and business risk rate. Thus, in fiscal years 2019 and 2018 a nominal percentage rate calculated in pesos of 10,17% and 11,24%, respectively, was used.

3.2.11 Financial Instruments

3.2.11.1. Financial Assets

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

a) Financial assets at amortized cost

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

b) Financial assets at fair value through other comprehensive income

A financial asset (debt instrument) is measured at fair value through other comprehensive income if the following criteria are met The objective of the Group's business model is to hold the asset to obtain the contractual cash flows and sell, and the contractual terms result in specified dates to receive cash flows that are only payments of principal and interest on outstanding principal. A financial asset that is not measured at amortized cost or at fair value through other comprehensive income because the above criteria are not met is measured at fair value through profit or loss.

c) Financial assets at fair value through profit and loss

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

d) Equity instruments

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

e) Impairment of financial assets

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

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

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

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

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

3.2.11.2. Financial Liabilities

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

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

a) Financial liabilities at amortized cost

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

b) Financial liabilities at fair value

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

3.2.11.3. Other Equity Instruments

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

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

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

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

3.2.11.4. Recognition and Measurement

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

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

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

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

The effective interest rate is the discount rate that exactly matches the estimated cash flows receivable or payable over the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

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

3.2.11.5. Financial Instrument Clearing

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

3.2.11.6. Determination of Fair Values

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

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

3.2.12. Derivative Financial Instruments and Hedging Activities

a) Initial Recognition and Subsequent Measurement

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

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

Whether they are designated as hedges, the method of recognizing the gain or loss resulting from changes in the fair values of derivatives depends on the nature of the risk and the item being hedged.

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

The Group designates its hedges as follows:

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

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

The gain or loss related to the effective portion of the derivatives is recognized in the Consolidated Statement of Comprehensive Income as "financial income or expense," as is the ineffective portion that is also recognized in the Consolidated Statement of Income.

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

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

Cash flow hedges: when they hedge the risk of changes in cash flows attributed either to a particular risk associated with a recognized asset or liability or to a highly probable forecast transaction, or to foreign exchange risk in the case of an unrecognized firm commitment:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as "other gains / (losses), net".

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

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

b) Hedges via Options

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

c) Classification of Items in Current and Non-Current

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

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

2. Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

3. Derivatives that are designated as effective hedging instruments are classified in a manner consistent with the classification of the underlying hedged item. The derivative is divided into a current and a non-current portion only if such allocation can be made reliably.

3.2.13. Inventories

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

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

3.2.14. Prepaid expenses

Prepaid expenses include:

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

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

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

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

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

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

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

3.2.15. Contractual Assets and Liabilities

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

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

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

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

3.2.16. Cash and Cash Equivalents

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

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

3.2.17. Share Capital

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

3.2.18. Current and Deferred Tax

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

3.2.18.1. Current Income Tax

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

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

3.2.18.2. Deferred Income Tax

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

Deferred tax assets are recognized to the extent that it is probable that the temporary differences will be recovered in the future, the carrying value of the unused tax credits and unused tax losses can be utilized, except if the deferred tax liability arises from the initial recognition of goodwill or an asset or liability from a transaction that is not a business combination and at the time of the transaction did not affect accounting profit or taxable income (loss).

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

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

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

The main temporary differences arise from differences between the tax and accounting values of property, plant and equipment, intangible assets, estimated liabilities and provisions, portfolio impairment, actuarial calculations of post-employment benefit obligations, deferred income, valuation of hedges, as well as differences between the fair values of the net assets acquired from an entity and their tax values.

Deferred tax assets and liabilities are not discounted to their present value and are classified as non-current, regardless of the date of reversal. At each balance sheet date, the carrying amount of the deferred tax assets recognized is analyzed and the necessary adjustments are made if there are doubts as to their future recoverability. Deferred tax assets not recognized in the Statement of Financial Position are assessed at each balance sheet date and are recognized to the extent that their recovery with future taxable profit becomes probable.

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

Current and deferred taxes are recognized directly in equity if the tax relates to items that are charged or credited directly to equity.

3.2.19. Employee Benefits

a. Applicable Regime

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

The Group contributes to private or state funds the resources required by law and the comprehensive social security system to cover both social benefits and future pension obligations and, therefore, the Group has no actuarial obligations to employees in this connection.

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

b. Salaries and Short-Term Benefits

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

c. Performance Bonuses

The Group recognizes liabilities and expenses for profit sharing allowances received by employees for compliance with indicators defined by the Group, recognizing a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

d. Vacation

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

e. Stock-Based Payment Plans

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

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

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

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

f. Long Term Employee Benefits

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

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

g. Post-Employment Benefits

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

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

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

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

3.2.20. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

3.2.21. Segment information

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

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

3.2.22. Income Recognition

a. Income from ordinary activities from contracts with client

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

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

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

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

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

b. Other operating income

The Group recognizes in other operating income transactions that, although not recurring and/or related to the services it provides, arise from or are indirectly related to its operating activities, such as the sale and lease of movable and immovable property used in the operation, support from manufacturers, breach of contract and government subsidies, among others. .

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

c. Government subsidies

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

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

3.2.23. Cost and expense recognition

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

3.2.24. Critical Accounting Estimates

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

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

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

- **Impairment of non-monetary assets**

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

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

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

- **Provisions**

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

- **Taxes**

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

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

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

- **Fair value of financial instruments**

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

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

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

- **Impairment of receivables**

Measurement of Impairment for Expected Credit Loss

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

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

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

- **Post-Employment Employee Benefits**

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

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

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

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

4.1. IFRIC 23 Uncertainty in Income Tax Treatment

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

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

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

4.2. IFRS 17 Insurance Contracts

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

IFRS 17 applies for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

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

5. ACCOUNTING CHANGES DUE TO THE ADOPTION OF NEW STANDARDS

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

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

5.1.1. IFRS 15 Revenue from Ordinary Activities under Customer Contracts

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

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

5.1.2. IFRS 9 Financial Instruments

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

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

5.2. IFRS 16 Finance Leases

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

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

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

The impact of the application is shown below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.5. Annual Improvements to IFRS Standards Cycle 2015-2017

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

- The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint venture, it shall remeasure the interest held in that business.

- The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, it shall remeasure the interest held in that business.

- The amendments to IAS 12 clarify that an entity accounts for all income tax consequences of dividends in the same way regardless of how the tax arises.

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

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

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

6. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

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

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

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

7. FINANCIAL ASSETS

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

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

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

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

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

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

8. DEBTORS AND OTHER RECEIVABLES, NET

The balance of debtors and other receivables is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The movement of deterioration is as follows:

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

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

9. PREPAID EXPENSES

The balance of prepaid expenses is as follows:

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

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

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

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

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

10. CONTRACTUAL ASSETS AND LIABILITIES

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

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

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

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

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

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

11. INVENTORIES

The balance of inventories net of provision is as follows:

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

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

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

The movement in the provision for obsolescence was as follows:

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

12. TAXES AND PUBLIC ADMINISTRATIONS

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

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

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

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

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

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

Provision for Income and Complementary Tax

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

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

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

The reconciliation of the income tax rate is presented below:

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

The current tax provisions applicable to the Group stipulate that:

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

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

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

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

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

mmitment of:

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Includes equity of non-controlled holdings.

Deferred Tax Assets and Liabilities

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

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

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

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

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

Reclassifications in comparative information

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

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

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

Fiscal Losses

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

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

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

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

The tax losses originated in this way:

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

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

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

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

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

Tax	Taxable Period	Closing date for review
Income	2010	Abril 2021

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

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

Occasional Income Tax

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

The determination of the occasional income tax is presented below:

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

Transfer Pricing

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

Independent advisors prepare the transfer pricing statement and documentation required by tax provisions, in order to demonstrate that the operations with foreign economic affiliates or related parties were carried out at market values. For this purpose, the Group will prepare the return and its supporting documentation for the taxable year 2019 within the terms established by the National Government. Non-compliance with the transfer pricing regime may result in monetary penalties and adjustments in the determination of income tax; however, Management and its advisors are of the opinion that the study will be concluded in a timely manner and will not result in significant changes to the basis used for the determination of the 2019 income tax provision.

13. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

14. RIGHTS OF USE ASSETS

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fully Depreciated Property, Plant and Equipment

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

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

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

16. INVESTMENT PROPERTIES

The value of investment properties is presented below:

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

The movement of investment properties is detailed below:

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

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

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

17. INTANGIBLES

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

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

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

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

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

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

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

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

Fully Amortized Intangibles

The cost of fully amortized intangibles is presented below:

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

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

18. GOODWILL

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

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

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

In addition, sensitivity analyses (between -0,5% and +1,0%) have been performed on reasonably possible changes in the main valuation variables and the recoverable value remains above the net book value. The discount rates used to determine the recoverable value are based on available financial information and are adjusted by the corresponding country risk and business risk rates. At the end of 2019 and 2018 a nominal percentage rate calculated in pesos of 10,17% and 11,24% respectively was used.

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

19. FINANCIAL OBLIGATIONS

The balance of financial obligations is presented below:

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

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

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

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

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

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

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

(1) Senior bond:

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

The characteristics of the issue are summarized below:

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

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

(2) Local bond:

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

The characteristics of the issue are summarized below:

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

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

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

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

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

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

20. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

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

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

Reclassifications in comparative information

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

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

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

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

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

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

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

(4) Stock-Based Payments

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

Performance Share Plan (PSP)

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

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

Each Cycle will be conditioned by and determined according to the fulfillment of economic-financial objectives, of value creation for the shareholder and, if applicable, of objectives linked to sustainability, the environment or good governance. The final number of shares to be delivered to each employee on the delivery date will be conditioned by and determined by the incentive multiplier coefficient: a percentage which will be calculated according to the level of compliance with the objectives established by the Company, based on 2 objectives TSR (Total Shareholder's Return) 50% and FCF (Free Cash Flow) 50%.

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

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

Talent for the future Share Plan (TFSP)

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

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

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

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

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

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

21. DEFERRED LIABILITIES

The balance of deferred liabilities is presented below:

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

(1) Includes received lease fees.

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

22. PENSION PROVISIONS AND LIABILITIES

The balance of provisions and pension liabilities are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Cash Flows (*)

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

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

Sensitivity Analysis (*)

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

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

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

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

23. EQUITY, NET

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

Share Capital

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

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

The equity participation is presented below:

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

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

Reserves

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

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

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

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

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

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

Other Perpetual Equity Instruments

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

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

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

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

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

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

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

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

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

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

Other Integral Results

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

Revaluation surplus net of taxes

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

Reclassifications in comparative information

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

24. OPERATING INCOME

Revenues from customer contracts are presented below:

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

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

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

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

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

Reclassifications in comparative information

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

25. OTHER OPERATING INCOME

The Group's other operating income is presented below:

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

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

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

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

26. OPERATING COSTS AND EXPENSES

Operating costs and expenses are presented below:

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

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

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

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

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

(4) Includes legal contingencies and cable replacement costs.

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

27. DEPRECIATIONS AND AMORTIZATIONS

Depreciations and amortizations are presented below:

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

28. FINANCIAL EXPENSES, NET

Financial income (expense), net is presented below:

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

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

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

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

29. FINANCIAL RISK MANAGEMENT

29.1. Risk Management Policy

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

Exchange Rate Risk

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

Interest Rate Risk

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

Liquidity Risks

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

Credit risks

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

Price Risk

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

Country Risk

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

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

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

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

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

Risk Management

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

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

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

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

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

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

Exchange Rate Risk

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

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

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

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

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

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

Interest Rate Risk

After hedging, exposure to floating rates is 87% of total debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of Banco de la República in the medium term.

At the end of December 2019, fixed and floating rate debt was as follows:

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

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

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

(1) Interest rate exposure after hedging

Sensitivity of debt and derivatives to interest rate changes

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

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

The sensitivity result was as follows:

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

Derivative Financial Instruments and Risk Management Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29.2. Other Risks and Uncertainties facing the Group.

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

Risk due to legal regulations

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

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

Risks Inherent to the Activity Sector in which the Group Operates

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

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

1. The duration of the permit is 10 years from October 20, 2011.
2. The amount to be paid in exchange was US$47,700 thousand which was paid as follows:
   (a) 50% in cash (US$23,850 thousand) six months after the date on which the act of assignment of the spectrum becomes final.
   (b) 50% through compliance with the obligation to do so (coverage of 36 locations and service to educational institutions).
3. Obligation of 3G coverage in all municipal head offices where the Group had coverage, by April 18, 2012.

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

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

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

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

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

Other Risks and Uncertainties facing the Group

Markets Subject to Continuous Technological Evolution

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

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

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

Risks Associated with Unexpected Network Disruptions

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

30. RELATED PARTS

30.1. Accounts Receivable

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

Current

a) Shareholders international

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

b) Economic links

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

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

c) Associated Companies

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

Non Current

a) Economic Link

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

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

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

30.2 Accounts Payable

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

Current

a) Shareholders international

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

b) Economic Links

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

Non Current

a) Shareholders

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

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

30.3. Income, Costs and Expenses with Related Parties

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

a) Shareholders

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

b) Economic Links

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

c) Associated Companies

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

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

Income:

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

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

Costs and Expenses

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

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

(2) Includes mainly, licenses and computer applications.

d) Information on Remuneration of Key Management Personnel

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

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

31. CONTINGENCIES

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

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

1. Processes with high probability

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

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

2. Processes with low probability

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

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

a. Judicial processes

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

b. Work Processes

Labor lawsuits seeking payment of labor rights derived from the relations that the plaintiffs have or have had directly with the Group or with a third party, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S. A. E.S.P. There are 485 lawsuits filed in the amount of $30.987.518.

c. Administrative Investigations

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

Contingencies for administrative investigations are classified as follows:

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

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

32. COMMITMENTS

Infrastructure Sharing with Colombia Móvil S.A.

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

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

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

Significant Contracts

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

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

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

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

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

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

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

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

1) EBITDA

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

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

2) Margin EBITDA

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

(*)Represents EBITDA divided by operating income.

3) Leverage ratio: Debt/EBITDA

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

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

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

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

(c) Corresponds to the nominal value of the issue of the perpetual equity instrument, valued at the exchange rate on the date of issue. It does not include the value of the transaction costs. This instrument under the issuance prospectus of the principal debt is considered as replacement debt, therefore it is included as financial debt. However, its recognition in the Consolidated Financial Statements is in equity.

(d) Includes only valuation of foreign exchange hedges.

4) Financial Indicators

4.1) Indebtedness rates

This indicator measures the extent to which and how short-term and long-term creditors participate in the Group's financing.

	As of December 31	
	2019	**2018**
(a) Total debt level (1)	50,19%	47,86%
(b) Level of short-term debt (2)	38,48%	38,28%

(1) (2) The level of total and short-term debt increases mainly due to the financial lease liabilities arising from the entry into force of IFRS 16 from 1 January 2019, which affects its comparability.

4.2) Solvency rates

The solvency ratio indicates how many resources are held in assets compared to liabilities.

	As of December 31	
	2019	**2018**
Solvency index	1,99	2,09

4.3) Rates of return

Profitability is an index that measures the relationship between profits or benefits, the investment or the resources that were used to obtain them.

	Years ended December 31	
	2019	**2018**
(a) Operating margin (1)	8,65%	8,86%
b) OIBDA margin	33,65%	33,52%

(1) Slight decrease due to higher costs and operating expenses versus income; effect of the depreciation of the peso against the dollar.

4.4) Liquidity rates

It indicates short-term availability to meet your short-term commitments.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	As of December 31	
	2019	**2018**
a) Net working capital	(150.695.990)	(421.514.479)
b) Current ratio	0,94	0,82
(c) Acid test	0,86	0,73

The improvement in these indicators as of 31 December 2019 corresponds mainly to: i) the increase in cash and cash equivalents as a result of the flows generated in the sale of non-strategic fixed assets; and ii) the classification of property in current assets - available for sale.

4.5) Return on equity

This indicator measures the return on capital invested by shareholders; return on equity.

	Years ended December 31	
	2019	**2018**
a) Return on equity	7,44%	7,40%

4.6) Return on assets

This indicator measures the capacity of the Group's assets to generate returns.

	As of December 31	
	2019	**2017**
b) Return on assets	3,71%	3,86%

4.7) Hedging interests

It measures the Group's ability to meet its obligations associated with financial interests.

	Years ended December 31	
	2019	**2018**
Hedging interest	2,50	2,17

5) Operational Information

5.1) Access

	2019				**2018**			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
				(Unidades 000)				
Final Clients Access	**19.259**	**19.241**	**19.255**	**19.175**	**19.050**	**18.711**	**18.499**	**18.100**
Basic Line (1)	1.488	1.497	1.522	1.561	1.582	1.626	1.636	1.620
Internet and Data	1.163	1.161	1.171	1.190	1.204	1.231	1.229	1.217
Television	528	523	533	540	548	564	564	547
Mobile Service	16.080	16.060	16.029	15.884	15.716	15.290	15.070	14.716
Prepaid	*12.003*	*12.065*	*12.098*	*12.015*	*11.881*	*11.469*	*11.298*	*11.004*
Postpaid	*4.077*	*3.995*	*3.931*	*3.869*	*3.835*	*3.821*	*3.772*	*3.712*

(1) Includes "fixed Wireless" and voice over IP access.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

5.2) ARPU

	2019				2018			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
				(COP$)				
LB - BA - TV (1)	32.458	32.421	33.585	31.633	31.265	33.412	32.645	32.694
Total Mobile (2)	12.663	12.663	12.351	12.406	13.416	13.315	13.080	13.703
Prepaid	*3.462*	*2.917*	*2.896*	*3.003*	*3.542*	*3.245*	*3.201*	*3.549*
Pospaid	*40.360*	*41.932*	*41.558*	*41.609*	*43.811*	*43.584*	*42.639*	*43.560*

(1) Includes fixed monthly fees and excludes data and rental income.

(2) Excludes revenue from Mobile Virtual Network Operators - MVNOs.

34. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Between January 1, 2020 and the date of issuance of these financial statements, we are aware of the following significant financial events:

1. On July 15, 2019 Colombia Telecomunicaciones S.A. E.S.P. published, as relevant information, the conclusion of a framework agreement with the company Prabyc Ingenieros S.A.S. on the property located at Transversal 60 No. 114A-55 in the city of Bogotá D.C.

   During February 2020 the framework agreement was transferred by Prabyc Ingenieros S.A.S. to Ingeurbe S.A.S. and in compliance with the provisions of said agreement, a public deed of sale was signed on the property.

2. On February 17, 2020, Colombia Telecomunicaciones S.A. E.S.P. sent a notification of the irrevocable redemption of the Hybrid Bonds (subordinated perpetual notes) issued on March 30, 2015 in the amount of USD 500 million.

   The notification was made to the Bank of New York Mellon, in its capacity as Trustee. Colombia Telecomunicaciones S.A. E.S.P. will acquire debt with local and international banks to service the payment of the Hybrid Notes.

Colombia Telecomunicaciones S. A. E.S.P.
Consolidated Financial Statements

December 31st, 2017 and 2016
With statutory auditor's report

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Consolidated Financial Statements

Statutory auditor's report on the consolidated financial statements (Free translation from the original signed in Spanish)

To the Shareholders of
Colombia Telecomunicaciones S. A. E.S.P.

February 22, 2018

I have audited the accompanying consolidated financial statements of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries, which include the consolidated statement of financial position at December 31, 2017, and the consolidated statements of comprehensive income, changes in equity of the shareholders and cash flows for the year then ended, and the summary of the main accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The Management is responsible for the due preparation and fair presentation of the accompanying consolidated financial statements in accordance with the Accounting and Financial Reporting Standards Accepted in Colombia, and for the internal control policies that the management considered necessary so that the preparation of these financial statements is free from material misstatements due to fraud or error. The management is also responsible for the selection and application of proper accounting policies, and for establishing reasonable accounting estimates in the circumstances.

Statutory auditor's responsibility

My responsibility is to express an opinion on such consolidated financial statements based on my audit. I performed my work in accordance with the auditing standards of financial reporting accepted in Colombia. Those standards require me to comply with ethical requirements and to plan and perform my audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the financial statements due to fraud or error. In the assessment of those risks, the auditor considers the internal control relevant to the Company for the preparation and presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate enough to provide a basis for my audit opinion.

(Free translation from the original signed in Spanish)

To the Shareholders of
Colombia Telecomunicaciones S. A. E.S.P.

February 22, 2018

Opinion

In my opinion, the accompanying consolidated financial statements, faithfully taken from the ledgers, fairly present, in all material respects, the financial position of Colombia Telecomunicaciones S. A. E.S.P. and its subsidiaries at December 31, 2017, and the results of its operations and cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards Accepted in Colombia.

Javier Mauricio Enciso R.
Statutory Auditor
Professional Card No. 80661-T
Appointed by PricewaterhouseCoopers Ltda.

COLOMBIA TELECOMUNICACIONES S.A. ESP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31ST, 2017 AND 2016
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	December 31st	
	2017	**2016**
	(COP$000)	
Assets		
Current assets:		
Cash and cash equivalents *(Note 6)*	$ 316,372,212	$ 214,661,546
Financial assets *(Notes 7)*	54,790,883	499,640,815
Debtors and other accounts receivable, net *(Note 8)*	827,976,423	740,168,256
Prepaid expenses *(Note 9)*	41,602,240	21,569,814
Inventories *(Note 10)*	133,237,447	107,845,144
Taxes and public administrations *(Note 11)*	196,429,595	173,579,247
Total current assets	**1,570,408,800**	**1,757,464,822**
Non-current assets:		
Financial assets *(Note 7)*	19,424,663	174,207,150
Debtors and other accounts receivable, net *(Note 8)*	178,051,394	115,783,614
Prepaid expenses *(Note 9)*	58,070,616	44,354,344
Properties, plant and equipment, net *(Note 13)*	5,267,946,843	4,698,727,982
Investment properties *(Note 12)*	6,886,439	–
Intangibles *(Note 14)*	2,577,623,529	917,780,133
Goodwill *(Note 15)*	1,449,138,328	939,163,377
Deferred taxes *(Note 11)*	1,763,223,712	1,264,383,994
Total non-current assets	**11,320,365,524**	**8,154,400,594**
Total assets	**$ 12,890,774,324**	**$ 9,911,865,416**
Liabilities		
Current liabilities:		
Financial obligations *(Note 16)*	$ 359,566,935	$ 401,240,284
Other financial obligations – Parapat *(Note 16)*	–	508,027,366
Suppliers and account payable *(Note 17)*	1,523,651,978	1,273,754,997
Taxes and public administrations *(Note 11)*	92,677,976	82,413,828
Deferred liabilities *(Note 18)*	117,454,144	96,537,741
Provisions *(Note 19)*	201,322,045	182,197,241
Pension liabilities *(Note 19)*	17,673,116	–
Total current liabilities	**2,312,346,194**	**2,544,171,457**
Non-current liabilities:		
Financial obligations *(Note 16)*	3,614,282,330	3,718,947,141
Other financial obligations – Parapat *(Note 16)*	–	3,518,953,056
Suppliers and account payable *(Note 17)*	176,470,413	171,974,832
Deferred liabilities *(Note 18)*	74,751,487	25,317,773
Provisions *(Note 19)*	49,708,673	55,146,238
Pension liabilities *(Note 19)*	198,126,843	–
Deferred taxes *(Note 11)*	60,435,401	238,367,904
Total non-current liabilities	**4,173,775,147**	**7,728,706,944**
Total liabilities	**6,486,121,341**	**10,272,878,401**
Shareholder's Equity, Net attributable to the parent company *(Note 20)*	**6,395,321,415**	**(361,012,985)**
Shareholder's Equity, Net attributable to minority interests	9,331,568	–
Total liabilities and shareholder's equity	**$ 12,890,774,324**	**$ 9,911,865,416**

Notes 1 to 31 are integral part of these Consolidated Statements of Financial Position.

Free translation of the Consolidated Financial Statements originally signed and issued in Spanish.

COLOMBIA TELECOMUNICACIONES S.A. ESP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31ST, 2017 AND 2016
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	December 31st			
	2017		2016	
	(COP$000)			
Operating Income				
Sales and services provision, net *(Note 21)*	$	4,861,422,926	$	4,746,089,263
Other operating income *(Note 21)*		148,594,817		125,558,171
		5,010,017,743		4,871,647,434
Operating costs and expenses *(Note 22)*		(3,477,140,759)		(3,370,887,790)
Operating income before depreciation and amortization		1,532,876,984		1,500,759,644
Depreciation and amortization *(Note 13 and 14)*		(1,169,437,714)		(984,114,883)
Operating income		**363,439,270**		**516,644,761**
Financial expenses, net *(Note 23)*		(378,655,860)		(334,043,950)
Interest expenses – Parapat *(Note 23)*		(350,451,210)		(499,233,016)
Profit before wealth tax		**(365,667,800)**		**(316,632,205)**
Wealth tax (Note 11)		(7,086,439)		(16,468,748)
Profit before taxes		**(372,754,239)**		**(333,100,953)**
Income tax and complementary *(Note 11)*		672,576,754		(8,164,201)
Net profit (loss) attributable to the parent company	**$**	**299,822,515**	**$**	**(341,265,154)**
Year net profit attributable to minority interests		2,853,438		–
(Loss) net profit of the year	**$**	**302,675,953**	**$**	**(341,265,154)**
(Loss) net profit per share	**$**	**150.37**	**$**	**(234.57)**
Other comprehensive income				
Hedging derivatives valuation (Note 20)	$	(65,779,774)	$	(93,064,437)
Revaluation of land and buildings (Note 13)		201,193,450		–
Depreciation and real estate revaluation write-offs (Note13)		(9,107,822)		(9,485,693)
Actuarial results in obligations for post-employment benefits (Note20)		1,972,731		–
Deferred tax movement (derivative hedging instruments) (Note 11)		42,880,724		42,130,342
Deferred tax movement (revaluation, depreciation and asset losses, net) (Note 11)		(40,020,966)		(22,664,071)
Other comprehensive income		**131,138,343**		(83,083,859)
Comprehensive profit (loss) of the year	**$**	**433,814,296**	**$**	**(424,349,013)**
Comprehensive income (loss) per share of the year	**$**	**215.52**	**$**	**(291.67)**

Notes 1 to 31 are integral part of these Consolidated Statements of Comprehensive Income.

Free translation of the Consolidated Financial Statements originally signed and issued in Spanish.

COLOMBIA TELECOMUNICACIONES S.A. ESP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY, NET
DECEMBER 31ST, 2017 AND 2016
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	Subscribed and paid-in capital *(Note 20)*	Issue premium	Reserves *(Note 20)*	Other equity instruments *(Note 20)*	Reserves from Revaluation, net of Deferred tax *(Notes 11 and 20)*	Reserves from Hedge Derivatives, Net of Deferred Tax *(Notes 11 and 20)*	Actuarial results in obligations for post-employment benefits	Share of minority shareholders	Retained earnings	Total Equity, Net
						(COP$000)				
Balances at December 31st, 2015	**$ 1,454,870,740**	**$ 3,389,266,946**	**$ 30,059,860**	**$ 1,263,049,667**	**$ 431,980,892**	**$ 121,549,582**	$ –	$ –	**$ (6,480,126,315)**	**$ 210,651,372**
Equity perpetual instruments' coupon (Note ***20)***	–	–	–	–	–	–	–		(147,315,344)	**(147,315,344)**
Decrease of share value ***(Note 1)***	(1,453,415,869)	–	–	–	–	–	–		1,453,415,869	**–**
Appropriation for legal reserve	–	–	6,045,751	–	–	–	–		(6,045,751)	**–**
Net loss of the year	–	–	–	–	–	–	–		(341,265,154)	**(341,265,154)**
Other comprehensive income ***(Note 20)***	–	–	–	–	(32,149,764)	(50,934,095)	–		–	**(83,083,859)**
Balances at December 31st, 2016	**$ 1,454,871**	**$ 3,389,266,946**	**$ 36,105,611**	**$ 1,263,049,667**	**$ 399,831,128**	**$ 70,615,487**	$ –	$ –	**$ (5,521,336,695)**	**$ (361,012,985)**
Shares' issue ***(Note 1 and 20)***	1,955,188	6,433,113,699	–	–	–	–	–	–	–	**6,435,068,887**
Equity perpetual instruments' coupon (Note ***20)***			–	–	–	–	–	–	(124,377,527)	**(124,377,527)**
Consolidation reserves	–	–	14,682,182	–	–	–	–	–	–	**14,682,182**
Net profit of the year	–	–			–	–	–	2,853,438	299,822,515	**302,675,953**
Minority shareholders	–	–			–	–	–	6,478,130	–	**6,478,130**
Other integral income ***(Note 20)***	–	–	–	–	152,064,662	(22,899,050)	1,972,731		–	**131,138,343**
Balances at December 31st, 2017	**$ 3,410,059**	**$ 9,822,380,645**	**$ 50,787,793**	**$ 1,263,049,667**	**$ 551,895,790**	**$ 47,716,437**	**$ 1,972,731**	**$ 9,331,568**	**$ (5,345,891,707)**	**$ 6,404,652,983**

Notes 1 to 31 are integral part of these Consolidated Statements of Change in Shareholder's Equity, Net.

Free translation of the Consolidated Financial Statements originally signed and issued in Spanish.

COLOMBIA TELECOMUNICACIONES S.A. ESP
STATEMENTS OF CONSOLIDATED CASH FLOWS
DECEMBER 31ST, 2017 AND 2016
(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

	December 31st 2017	2016
	(COP$000)	
Net cash flows, generated in operating activities		
Cash received from customers	$ 5,480,957,452	$ 5,125,572,291
Cash paid to suppliers and other accounts payable	(3,545,495,261)	(3,311,939,237)
Net interests paid and other financial expenses	(246,219,594)	(290,297,829)
Consideration share to Parapat	(261,534,068)	(497,231,784)
Indirect taxes paid	(242,277,417)	(211,278,304)
Self-withholdings on the income tax and the income tax for equality	(161,994,212)	(162,502,855)
CREE		
Wealth tax	(6,797,477)	(16,468,748)
Net cash provided for operating activities	**1,016,639,423**	**635,853,534**
Net cash flows used in investment activities		
Payments for investments in plant and equipment and intangible assets	(2,054,536,968)	(949,327,249)
Payment of financial investments not cash equivalents	(344,233,094)	–
Collections from temporary financial investments	–	74,369,488
Payments for temporary financial investments	–	(75,678,776)
Net cash used for investment activities	**(2,398,770,062)**	**(950,636,537)**
Net cash flows originated in financing activities		
Increase in capital	4,341,619,145	–
Amortization of capital - PARAPAT	(2,721,325,311)	–
Financial debt payments	(531,836,410)	(330,906,909)
Collections from exchange rate hedges	273,280,593	29,882,271
New financial debt	197,883,858	685,237,394
Perpetual equity instruments coupon's payment	(124,377,525)	(147,315,344)
Net cash provided for financing activities	**1,435,244,350**	**236,897,412**
Net increase (decrease) of cash and cash equivalents	53,113,711	(77,885,591)
Cash and cash equivalents at the beginning of the year	214,661,546	292,547,137
Cash and cash equivalents at taking over of subsidiary companies	48,596,955	–
Cash and cash equivalents at year end	**$ 316,372,212**	**$ 214,661,546**
Cash and cash equivalents at the beginning of the year	**$ 214,661,546**	$ **292,547,137**
Cash, cash desk and banks	151,429,174	225,171,083
Temporary investments	63,232,372	67,376,054
Cash and cash equivalents at year end	**316,372,212**	**214,661,546**
Cash, cash desk and banks	214,421,755	151,429,174
Temporary investments	101,950,457	63,232,372

Notes 1 to 31 are integral part of these Consolidated Statements of Cash Flows.

Free translation of the Consolidated Financial Statements originally signed and issued in Spanish.

1. GENERAL INFORMATION

a) Reporting Entity

Colombia Telecomunicaciones S.A. E.S.P. (hereinafter "the Company" or the “Parent Company”) was established as a commercial limited company by shares in Colombia through Public Deed No. 1331 of June 16, 2003 with a duration until December 31, 2092 and with its main domicile in Bogotá D.C. located in transversal 60 No.114 A 55. The Company, whose capital is majority owned by private individuals, is subject to the legal regime provided by Law 1341 of 2009 and other applicable regulations, thus being classified as a utility service provider (E.S.P., for its abbreviation in Spanish).

The Company’s main corporate purpose is the organization, operation, provision and exploitation of activities related to telecommunication networks and services, such as local commuted basic public telephony, local extended and domestic and international long-distance, mobile services, mobile telephony services in any part of the nation and internationally, carriers, teleservices, telematic, added value, satellite services in their various types, television services in every type, including cable television, broadcasting services, internet and broadband services, wireless technology, video, lodging services for IT applications, data center services, operation services of private and public telecommunications and total information system operations, content supply and/or generation services and applications, information services and any other activity, product or services qualified as of telecommunications and/or of information and communication technologies (TIC, for its Spanish acronym) such as resources, tools, equipment, IT programs, applications, networks and media, which allow the compilation, processing, storage, information transmission such as voice, data, text, video and images, including its communications and information activities, including its complementary and supplementary activities within the national territory and abroad, and with foreign connection; for such purpose using own goods, assets and rights, or applying the use of third parties’ goods, assets and rights. Likewise, the Company may perform the commercial activities defined in its bylaws.

The Company, as of September 27, 2017, acquires control of the subsidiaries Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. and Metropolitana de Comunicaciones S.A. E.S.P. with a direct and indirect shareholding of 94.48% and 87.45% respectively, a control situation registered in the Chamber of Commerce of Bogotá. In addition to the foregoing, and through these entities, 100% of the entity Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom" is owned.

1. The company Empresas de Telecomunicaciones de Bucaramanga S.A. E.S.P. – “Telebucaramanga” (formerly Empresas Públicas de Bucaramanga S.A. E.S.P.), was established on November 21, 1972 by Agreement 51 of the Council of Bucaramanga. In accordance with public deed number 1435 of May 23, 1997, this company provides mixed public utilities services, structured under the scheme of a joint stock company regulated under the terms established in Law 142 of 1994 and other regulations that control these services.

   The corporate purpose of "Telebucaramanga" is to provide telecommunications public utilities services, telematics and other complementary activities, of added value, derived and/or related to such services; perform strategic alliances and shared associations; establish conventions and administrative agreements; commercialize services provided by third parties, perform administration and marketing activities and exploit goods and real estate, and participate in public tenders.

2. The company Metropolitana de Telecomunicaciones S.A. E.S.P. (hereinafter “Metrotel S.A. E.S.P.” o “Metrotel”), was established in accordance with Colombian laws on May 9, 1994 as a public limited company, through Public Deed No. 1,586 of Notary 5ta of Barranquilla. The address registered as domicile and main office is Calle 74 No. 57-35 (Barranquilla - Colombia).

1. GENERAL INFORMATION (continued)

a) Reporting Entity (continued)

The main corporate purpose of Metrotel consists on the provision and operation of all types of services, authorizations and telecommunications concessions, including the study, design, construction, assembly, installation, improvement, conservation, leasing, administration and operation of telecommunications services and networks. The main domicile is located in the city of Barranquilla and the Company's term expires on January 12, 2028.

3. The Company Optecom S.A.S. was established in accordance with Colombian laws on October 22, 2013, as a simplified stock company (S.A.S.). Its main corporate purpose is the realization of one or more of the activities provided in Law 1341 of 2009, for the providers of IT and communication networks and services and other own and complementary activities of the IT and communications sector. The Company’s term is indefinite; the address registered as address and main office is Vía 40 73-290 Office 409 (Barranquilla - Colombia).

b) Telefónica Internacional S.A.U. Capitalization

On April 7, 2006, Telefónica Internacional S.A.U. became the strategic partner of Colombia Telecomunicaciones S.A. E.S.P., becoming part of Telefonica S.A., parent company of the Group, after an auction process for fifty percent plus one (50% +1) of the Company's shares. On May 2, 2006, the operation with Telefónica Internacional S.A.U. was formalized through the subscription of shares, the issuance of the shares title in favor of Telefónica Internacional S.A.U. and the registration in the Book of Shareholders of the Company.

From a legal point of view upon the capitalization of Telefónica Internacional S.A.U., the Company ceased to be an official utility entity (decentralized national entity), to become a utility entity of a private legal nature.

c) Merger of the Company with Telefónica Móviles Colombia S.A.

As part of the equity strengthening process carried out by the shareholders in 2012, the General Shareholders' Meetings of Colombia Telecomunicaciones S.A. E.S.P. and Telefónica Móviles Colombia S.A., in meetings held on April 24, 2012, in compliance with legal and statutory formalities, approved the merger and content of the Merger Agreement whereby Colombia Telecomunicaciones S.A. E.S.P. absorbed Telefónica Móviles Colombia S.A.

Through Public Deed no. 1751 of June 29, 2012, granted in Notary 69 of the Notarial Circle of Bogotá D.C., and registered in the Commercial Register of the Chamber of Commerce of Bogotá D.C. on July 6, 2012 under No. 01648010, the merger was formalized with the absorption of Telefónica Móviles Colombia S.A. by Colombia Telecomunicaciones S.A. E.S.P.

After the merger, Grupo Telefónica was the actual beneficiary of 70%, and the Nation of 30%, of the Company's share capital.

1. GENERAL INFORMATION (continued)

d) Subscription of Additional Shares by the Nation, Represented by the Ministry of Finance and Public Credit (Hereinafter "the Nation")

As established in Amendment No. 1 of the Framework Investment Agreement signed by the Company's Shareholders on March 30, 2012, in 2015, the Nation executed the right to subscribe or acquire, without the need of any consideration, the number of shares that allow that its aggregate participation in the Company's capital amounts up to 3%, depending on the compound growth of the EBITDA between 2011 and 2014.

Based on the Company's Financial Statements, the compound growth of the EBITDA between 2011 and 2014 was 9.36% (calculated in accordance with the Framework Investment Agreement), and therefore the right of the Nation was to subscribe or acquire 36,371,769 shares, representing 2.5% of the total subscribed and paid capital of Colombia Telecomunicaciones S.A. E.S.P.

On July 9, 2015, Telefónica Internacional S.A.U. transferred 36,371,769 common shares of the Company to the Nation. After this transfer, Grupo Telefónica is the real beneficiary of 67.5% and the Nation of 32.5% of the Company's share capital.

e) Decrease of the share's nominal value without effective reimbursement of contributions

At the Shareholder's General Meeting of Colombia Telecomunicaciones S.A. E.S.P., held on March 17, 2016, a by-laws amendment consisting of reducing the share's nominal value from one thousand pesos (COP$1,000) to one peso ($COP1.oo) was approved, without implying the effective reimbursement of contributions or a change in the Company's shareholding composition.

Likewise, the write-off the Company's losses was approved for the value resulting from the reduction of the share's nominal value. This by-laws reform was registered by Public Deed No. 1359 of May 11, 2016 granted in Notary 11 of the Notarial Circle of Bogotá D.C., and registered in the Mercantile Registry of the Chamber of Commerce of Bogotá D.C. on May 16, 2016 under No. 02103706.

f) Change of Shareholder in Colombia Telecomunicaciones S.A. E.S.P.

On September 30, 2016, the absorption merger was formalized between Telefónica Internacional, S.A.U. (Hereinafter, "TISA") and Telefónica Latinoamérica Holding, S.L. (Hereinafter, "TLH"), the latter acquired by universal succession all TISA's rights and obligations, including its participation in Colombia Telecomunicaciones S.A. E.S.P.

During 2017 a change was made in the Company's main shareholders, originated by the liquidation of Olympic Ltda. and the allocation of shares held by this company in Colombia Telecomunicaciones S.A. E.S.P., to its shareholders Latin America Cellular Holding S.L. and Telefónica S.A., settlement formalized by the minutes of February 24, 2017 and registered in the commercial registry of the Chamber of Commerce of Bogotá on March 30, 2017. The previous transaction did not imply a change in the outstanding shares of Colombia Telecomunicaciones S.A. E.S.P., simply the allocation of 275,602,634 shares to Latin America Cellular Holding S.L and 551 shares to Telefónica S.A., of which Olympic Ltda was owner.

1. GENERAL INFORMATION (continued)

g) Company Equity Management – Capitalization by Telefónica Latinoamérica Holding S.L. and of the Nation

The Company's equity management policy of the Company's Management and its shareholders is to maintain a solid capital base to ensure the confidence of shareholders, creditors and investors, as well to sustain the business' sustainable development in Colombia in the future. As of December 31st, 2016, the Company had a negative equity of $361,013 million, with which the Company ended up in technical cause of dissolution, once the financial statements were approved as of December 31st, 2016.

As part of the actions carried out during 2017 by the Company's Management, on August 29 and September 27, 2017, the shareholders decided to increase the Company's capital by an amount of $1,651,012 and $4,800,966 million, respectively, to strengthen the Company's financial condition, and consequently remedying the dissolution event in which the Company was found.

Based on the above, Telefónica, the company's main shareholder and the Nation, subscribed the capital increase in proportion to its equity participation, as described below:

i. An increase in equity for a total amount of $1,651,012 million, distributed as follows; by paid-in capital the amount of $500 million and issue premium of $1,650,512 million for the Company to proceed with the payment of the amount established in the arbitration award issued in the arbitration initiated by the Ministry of Information Technologies and Communications of Colombia (MINTIC, for its acronym in Spanish), in relation to the reversion of certain assets subject to the provision of mobile voice services under old concessions.

   Telefónica made a cash disbursement for $1,114,433 million and the Nation, for its part, did so by assuming 32.5% of the value of the debt generated by the arbitration award for $536,579 million.

ii. An increase in equity for a total amount of $4,800,966 million, distributed as follows; by paid-in capital the amount of $1,455 million and issue premium of $4,799,511 million for the Company to voluntarily proceed to the advance payment of all the debt derived from the exploitation agreement dated August 13, 2003 with the *Patrimonio Autónomo Receptor de Activos* of Empresa Nacional de Telecomunicaciones (the "PARAPAT").

   Telefónica made a cash disbursement of $3,240,652 million and the Nation on its part did so by assuming 32.5% of the Company's payment obligations with the PARAPAT for an amount of $1,560,314 million.

   This increase in capital was completed on September 26, 2017, and on September 27, 2017, the Company made the advance payment of all of the debt with the "PARAPAT", having signed the corresponding Termination Agreement of the Exploitation Agreement with the PARAPAT, obtaining the respective proof of payment and the transfer of property, rights and assets associated thereto. In addition to the foregoing and as part of the agreement for the early termination of the agreement with the "PARAPAT", the Company acquired control of the Companies Empresa de Telecomunicaciones de Telebucaramanga S.A. E.S.P. ("Telebucaramanga"), Metropolitana de Telecomunicaciones S.A. E.S.P. ("Metrotel") and Operaciones Tecnológicas y Comerciales S.A.S. ("Optecom"), for an amount of $509,975 million, amount included in the total disbursement made. (See Notes 7 and 12).

1. GENERAL INFORMATION (continued)

g) Company Equity Management – Capitalization by Telefónica Latinoamérica Holding S.L. and of the Nation (continued)

After this capitalization, the Company's shareholders equity is composed of 3,410,059,291 ordinary outstanding shares and the proportions in the Company's shareholding are maintained, so that Grupo Telefónica is the real beneficiary of 67.5% and the Nation of the 32.5% of the shareholders equity. (See Note 20).

h) Arbitral Award - Reversion of Infrastructure of Cellular Telephony Assets

The Company accepted the general enablement regime on November 28, 2013, terminating the concession agreements for mobile cellular telephony and requesting the renewal of permits to use the spectrum associated with such services, for which the Ministry of Information Technologies and Communications of Colombia (MINTIC) issued a resolution in March 2014 to renew the licenses of the 850 MHz/1900 MHz bands, for an additional 10 years.

In the concession agreements liquidation context, the reversal of certain assets involved in mobile voice services provision (other than radio frequencies) and their application scope were discussed, given that the concessions were executed taking into account what is provided in article 4 of Law 422 of 1998 and article 68 of Law 1341 of 2009, which provided that the reversion would be only of the frequencies, and that had been the understanding between the parties, and though Judgment C -555 of 2013 was issued, which declared the conditional enforceability of these provisions, the review of the provisions of the agreements legal framework also was ordered. The discussions on the matter ended without agreement in February 2016 and the MINTIC called the Arbitration Court, pursuant to the concession agreement.

On July 25, 2017, the Company was notified, an entity 67.5% owned by Telefónica and 32.5% by the Colombian Nation, and to another telecommunications operator the arbitration award issued in the arbitration initiated by the MINTIC. Said arbitration award was not favorable to the co-defendants and as a result, the Company made a payment of $1,651,012 million pesos on August 29, 2017, complying with the terms and term established in the arbitration award and reserving the right of exercise the judicial actions and resources available. This economic compensation for the reversal of assets established in the arbitration award was integrated as a higher value of the current license as it is a necessary and unavoidable cost to be able to continue making use of it and, therefore, continue with the service provision. (See Note 14).

On August 2017, the Company filed a motion for annulment against the arbitration award fore the Council of State and in December 2017 filed an action of trusteeship for the protection of constitutional rights against the arbitrators, processes that were admitted and are currently in process.

1. GENERAL INFORMATION (continued)

i) Framework Investment Agreement

On September 18, 2017, Amendment No. 2 to the current Framework Investment Agreement between the shareholders was signed, which modified the right of exit of the current shareholders (the Nation) in the following terms:

i. The Colombian Nation may, at any time, offer Telefónica all or part of its shares, and the latter would be obliged to acquire them (directly or through one of its subsidiary companies) provided that Colombia Telecomunicaciones, S.A. E.S.P. had an EBITDA growth of less than 5.75% in the measurement periods, and provided that during the twelve months following the date of the Ordinary Shareholders Meeting in which the measurement is made, at least one of the following situations occurs : 1) that Colombia Telecomunicaciones, SA E.S.P. has made payments of Brand Fee to the Strategic Partner or any other type of payment to the Strategic Partner for the use of its brands; or 2) decree and/or pay dividends with the affirmative vote of the Strategic Partner.

ii. The Nation may sell, transfer, pledge, encumber, deliver in usufruct or alienate through any legal mechanism allowed, all or part of the shares of its property. If, as consequence of the foregoing, the participation of the Nation is reduced below 13%, before the improvement of the transfer, the statutes of Colombia Telecomunicaciones, S.A. E.S.P. shall be amended to reflect the termination of the Investment Framework Agreement and the privileges of the Nation contained in the bylaws.

iii. At any time, the Nation may demand that the Strategic Partner votes in favor of the decision of registering the shares of Colombia Telecomunicaciones, S.A. E.S.P. in the Colombian public securities market. The foregoing does not entail the obligation for Colombia Telecomunicaciones, S.A. E.S.P. to make an issuance of shares, nor the obligation for the Strategic Partner to sell any of its shares.

iv. If, as consequence of the exercise of the Nation's exit right, a third party that is not a public entity acquires a shareholding equal to the Nation's participation at the respective transmission process' initiation date, minus any participation that was acquired by members of the solidary sector in a process governed by Law 226, provided that such participation is not less than 25% of the capital of Colombia Telecomunicaciones, S.A. E.S.P: i) the Framework Investment Agreement will end without need of any manifestation; and ii) if the third party that acquires the participation holds a shareholding equal to the participation of the Nation at the date of initiating the respective transmission process, minus any participation acquired by members of the solidarity sector in a process governed by Law 226, provided that such participation is not less than 25% of the capital of Colombia Telecomunicaciones S.A. E.S.P, the Strategic Partner will subscribe, with said third party, a new Framework Investment Agreement.

1. GENERAL INFORMATION (continued)

j) Business Combination

Acquisition of Control of Empresa de Telecomunicaciones de Telebucaramanga S.A. E.S.P., Metropolitana de Telecomunicaciones S.A. E.S.P. and Operaciones Tecnológicas y Comerciales S.A.S. (Hereinafter the "subsidiary companies")

On September 27, 2017, as a result of the signing of the agreement for early termination of the exploitation agreement with the Parapat, the Company acquired control of the legal entities – Empresa de Telecomunicaciones de Telebucaramanga S.A. E.S.P. ("Telebucaramanga"), a company located in the city of Bucaramanga, Colombia, Metropolitana de Telecomunicaciones S.A. E.S.P. ("Metrotel") and Operaciones Tecnológicas y Comerciales S.A.S. ("Optecom"), located in the city of Barranquilla, Colombia, for the amount of $509,975 million (through cash payment and debt assumption). These companies were part of the assets received by the Company as a result of the termination of the exploitation agreement with the Parapat. They mainly provide fixed telephony services, data and paid-television and installation and maintenance services.

As result of the takeover of subsidiary companies, the Company reinforces its position as leader of the telecommunications sector in Colombia. The combination of infrastructure of the Company and the subsidiary companies, the product portfolio and the commercial network will allow maximizing the products' penetration in the mobile and fixed segments of both customer bases, as well as increasing the weight in corporate clients and small and medium-sized companies. In addition, synergies can be obtained by reducing operating expenses and investments in transmission networks, and by economy of scale relative to installation and infrastructure expenses eventually duplicated.

Goodwill of $509,975 million derived from the takeover is mainly attributable to the synergies, to the acquired customer base and to the economies of scale that are expected to be generated by combining the operations of the Company and "subsidiary companies".

1. GENERAL INFORMATION (continued)

j) Business Combination (continued)

The following table summarizes the transferred consideration, the adjustments to fair values of assets and liabilities identified at the time of acquisition, the non-controlling interest and the generated goodwill are presented below:

(Figures in thousands of pesos)	**Notes**	**Market Fair Value**	
Consideration paid for takeover (Note 1 (g))	**(a)**	$	509,975
Pre-existing participation	**(b)**		141,596
Minority participation	**(c)**		11,938
Paid consideration		**$**	**663,509**
Fair value of assets and liabilities			
Intangible assets	**(d)**		98,050
Properties, plant and equipment	**(e)**		391,756
Assets for deferred assets			22,279
Other non-current assets			25,588
Cash and cash equivalents			44,335
Other current assets			63,704
Liabilities for deferred assets			(61,025)
Other non-current liabilities			(25,375)
Short-term and long-term pension liabilities	**(f)**		(220,479)
Long-term financial obligations			(98,638)
Current liabilities			(86,661)
Fair value of net assets		**$**	**153,534**
Goodwill *(Note 15)*		**$**	**509,975**

Note:	
(a)	Corresponds to the price paid and includes a premium for the entities takeover.
(b)	Corresponds to the pre-existing equity participation in the "subsidiary companies". The direct and indirect pre-existing participation for Metrotel is of 87.45% and of Telebucaramanga of 94.48%.
(c)	Corresponds to the value of the minority interest or non-controlling interest.
(d)	It includes client portfolios that have been valued using the MEEM (Multiple Excess Earning Method), which is based on a discount calculation of cash flows of future economic benefits attributable to the customer base after consideration of all the contributions to the value of other assets.
(e)	Corresponds to the fair value adjustment determined based on the technical appraisal made by Onasi Ltda consultants. This higher value of these assets will be recoverable based on their value in use when considering the specific customer's synergies that have not been considered at fair value.
(f)	It includes the pension liabilities of "Telebucaramanga" subsidiary company.

- The recognized goodwill is not expected to be deductible for income tax expense purposes.
- The operation and takeover costs were charged to costs and expenses in the income statement for the year ended on December 31st, 2017.

1. GENERAL INFORMATION (continued)

j) Business Combination (continued)

- The contribution of the "subsidiary companies" from the date of acquisition and incorporation in the consolidation perimeter and up to December 31st, 2017 was $80,111 million in operating income and an OIBDA of ($13,933) million.

At the preparation date of these consolidated financial statements, the process of purchase price assignment is provisional. It is estimated that this analysis will end in the coming months, not exceeding the maximum period of twelve months from the acquisition date established in the regulations; however, the initial estimate is that such values do not change significantly or do not change at all.

2. OPERATIONS

Main Regulatory Aspects

Sectorial Authorities

Sectorial authorities with which the Company has links at a regulatory, inspection and surveillance level, are among others; i) the Ministry of Information Technologies and Communications – (Hereinafter, “Mintic”); ii) Communications Regulation Commission – CRC (for its abbreviation in Spanish); iii) National Spectrum Agency – ANE (for its abbreviation in Spanish); iv) National Television Authority – ANTV (for its abbreviation in Spanish), the Superintendence of Industry and Commerce and the Superintendence of Corporations.

Regime of the Information Technologies and Communications Sector

By Law 1341 of July 30, 2009, principles and concepts are defined about companies of the Information and Organization of Information Technologies and Communications –TIC– (for its abbreviation in Spanish), the National Spectrum Agency is created and other provisions are dictated, the general framework for the formulation of public policies in the field of Information Technologies and Communications is established and the principles and concepts about the information company and the organization of such technologies are defined, producing a transformation in the telecommunications sector as a result of the evolution in technology and market trends, giving way to a broader sector involving the use and appropriation of the TICs in all the Company’s aspects.

Article 10 of the Law 1341 of 2009 establishes the new general authorization regime for the provision of telecommunication networks and services; this authorization is understood to have been formally granted, when the interested party is inscribed in the TIC register, provided by Article 15 of the same Law; in the same way this article maintains, for telecommunication services, its condition of utilities in charge of the State.

In accordance with the provisions of Article 11 of this Law, the spectrum use requires prior, expressed and granted permission by the Ministry. Also, as provided in Article 13, the granting or renewal of the permission to use a segment of the radio spectrum shall give rise to the payment, in favor of the Fund of Information Technologies and Communications and in charge of the permit holder, of a compensation whose amount was set by Resolution 290 of 2010 of the Ministry of the TICs.

2. OPERATIONS (continued)

Regime of the Information Technologies and Communications Sector (continued)

Article 68 of Law 1341 establishes the transition regime for the companies established at the time of the Law's issuance, noting that it shall respect their operation permits (concessions, licenses, permits, authorizations) up to the end of its duration and under the conditions provided in their particular regimes. Additionally, it establishes that such operators may abide by the general authorization regime, which generates the right to renew the permits for the one-time use of the spectrum, after which the general regime for renewal of the permits of telecommunications will result applicable; and to the companies providing the services of switched basic public telephony, local mobile telephony in rural areas and long distance, Law 142 of 1994 on these services shall not apply, except, as provided in 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 labor regime, guaranteeing the rights of association and collective bargaining and the labor rights of workers.

In any case, the legal nature of the companies providing the services of switched basic public telephony and local mobile telephony in the rural sector will be respected as Utility Service Provider – ESP – (for its abbreviation in Spanish).

Authorizations to Provide Telecommunication Services

From November 8, 2011, the Company is generally authorized to provide telecommunication networks and services. In relation with the provision of cellular Mobile Telephone service on November 28, 2013, the statement of abiding by the General Authorization Regime was presented, under the terms of Law 1341 of 2009 and Decree 2044 of 2013, and as consequence the concession agreements that authorized the provision of that service were terminated. Similarly, the amendment to the corresponding TIC registration was made, which according to a mail received by the Ministry of TICs was approved on December 17, 2013, the date as of which the new general authorization regime is applied and the right to the renewal of permits was generated under the terms of its enabling permit, permits and authorizations until March 28, 2014, which occurred with the issuance of Resolution 597 of 2014, which became final on March 31, 2014. Additionally, through such resolution the permission for the use of the spectrum in the bands 835.020 Mhz to 844.980 Mhz, 846.510 Mhz to 848.970 Mhz, 880.020 Mhz to 889.980 Mhz, 891.510 Mhz to 893.970 Mhz, 1870 Mhz to 1877.5 Mhz and 1950 Mhz to 1957.5 Mhz was renewed until March 28, 2024.

The company has permission to provide mobile services with 15 Mhz of spectrum in the 1900 Mhz band allocated according to the conditions of the process provided for in Resolution 1157 of 2011. With this assignment, the Company has a total of 55 Mhz of spectrum to provide mobile services distributed as follows: 30 Mhz in the band 1900 and 25 Mhz in the band 850. The duration of the permit shall be granted in 2011, for the use of 15 Mhz in the band 1900 is of 10 years counted from of October 20, 2011.

In the same way, in the 4G auction process, the Company obtained 30 Mhz of spectrum in the 1710 Mhz band to 1755 Mhz, paired with 2110 Mhz to 2,155 Mhz, a resource that was assigned by Resolution 2625 of 2013, for a 10-year period, confirmed by Resolution 4142 of October 25, 2013.

2. OPERATIONS (continued)

Television Concession

The company has the concession agreement No.17 of January 2007, which was extended with a third addition on February 22, 2017 for 10 more years. The purpose of this concession is the operation and exploitation of the satellite television service (DBS) or direct television to home (DTH), as well as the commercialization and installation of reception equipment for signals originated from a space segment and collection of fees.

Interconnection

According to Law 1341 of 2009, network providers must allow the interconnection of their networks and the access and use to their facilities to any supplier that requests them. The interconnection regime under which the company has its Interconnection agreements in force is found in Resolution 3101 of 2011 of the Communications Regulation Commission (CRC). The current access charges scheme between telecommunication operators is established in Resolution 5050 of 2016 amended by Resolution 5108 of 2017.

3. PRESENTATION BASES AND MAIN POLICIES AND ACCOUNTING PRACTICES

3.1. Professional Accounting Standards Applied

3.1.1. Basis of Presentation

The Company prepares its Consolidated Financial Statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (Hereinafter “NCIF” by its acronym in spanish), established in Law 1314 of 2009, regulated by Sole Decree 2420 of 2015 modified by Decree 2496 of 2015, 2131 of 2016 and 2170 of 2017. These accounting and financial information standards are based on the International Financial Reporting Standards (IFRS) officially translated and authorized by the International Accounting Standards Board (IASB) until December 31, 2015, and in other legal provisions defined by oversight bodies that may differ in some aspects of those established by other State control bodies.

In preparing these Consolidated Financial Statements the Company has applied the accounting policies, estimates and the significant accounting judgments described in section 3.2 of this note.

The present Financial Statements have been prepared based on the historical cost model with the exception of land and buildings and the financial derivative instruments measured at fair value.

The carrying amounts of assets and liabilities recognized and designated as hedged items in the fair value hedge relationships that would otherwise amounted at their amortized cost have been adjusted to record changes in the fair values attributable to the risks that are covered in the respective effective hedge relationships.

The present Consolidated Financial Statements are presented in Colombian pesos and all values have been rounded to the nearest thousand units (COP$000), unless otherwise indicated.

3.2. Accounting policies

The main accounting policies used in the preparation of the present Consolidated Financial Statements have been the following:

3.2.1. Foreign Currency Translation

Functional Currency and Presentation Currency

Items included in the Company's Consolidated Financial Statements are expressed in the currency in which the Entity (functional currency) operates. The Financial Statements are presented in Colombian pesos, which is the Company's functional and presentation currency of the Company's financial information.

Transactions and Balances in Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or of the valuation when items are re-evaluated. Income from exchange differences resulting from the payment of such transactions and from the translation at exchange rates at the end of each period of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Comprehensive Income, except when deferred in the equity of other comprehensive income account for transactions that qualify as cash flow hedges.

Exchange differences related to loans are presented in the Consolidated Statement of Comprehensive Income in the item "financial income or expenses", depending on their outcome. Likewise, any other gain or loss caused by other concepts is presented in the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured by their historical cost in foreign currency are translated by using the exchange rates in force at the date of the transactions. Non-monetary items that are measured at their fair value in foreign currency are translated by using the exchange rates at the date in which such fair value is determined. Gains or losses arising from the translation of non-monetary items are recognized as a gain or loss of the item that gave rise to the difference by translation. Therefore, translation differences of the items whose gains or losses are recognized in the Other Comprehensive Income or in the income are also recognized in the Other Comprehensive Income or in the income, respectively.

3.2.2. Property, plant and equipment

Items of property, plant and equipment are valued at their acquisition cost and reduced by the accumulated depreciation and for possible losses from impairment if existing, excluding land and buildings that are recognized at fair value. The land is not subject to depreciation.

The acquisition cost includes external costs plus internal costs that consist of warehouse materials consumption, cost of direct labor used in installation and an allocation of the indirect costs that are necessary to carry out the investment. The acquisition cost includes the estimation of the costs associated with the decommissioning or item removal and the rehabilitation of its location place, only when they constitute obligations incurred as result of the item's use.

The costs of expansion, modernization or improvements that represent a productivity, capacity or efficiency increase, or a useful life extension of properties, are capitalized as a greater cost when they meet the recognition requirements, only when it is probably that they generate future economic benefits to the Company and the cost of these assets can be reasonably measured.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

3.2.2. Property, plant and equipment (continued)

Income from the sale of assets correspond to the difference between the income of the transaction and the book value of the same. These income and expense differences are included in the Consolidated Statement of Comprehensive Income.

For the significant components of properties, plant and equipment that must be replaced periodically, the Company records the write-off of the replaced component and recognizes the new component with its corresponding useful life and depreciation. In the same way, when an inspection is carried out, the cost of the same is recognized as the replacement, as long as the requirements for its recognition as an asset are met. All other routine repair and maintenance costs are recognized as an expense in the Consolidated Statement of Comprehensive Income as they are incurred.

The Company depreciates its property, plant and equipment from the moment it is in service, linearly distributing the cost of the assets over their estimated useful life, as follows:

Description	Minimum useful life (Years)	Maximum useful life (Years)
Constructions	10	40
Technical installations, machinery and others	2	20
Furniture	10	10
Information processing equipment	4	5
Transportation equipment	7	7

Applied methods and amortization periods are reviewed at the end of each year and, where appropriate, are adjusted prospectively.

3.2.2.1. Revaluation of immovable property

The reserve generated by the revaluation of immovable property is restricted for distribution to the shareholders.

All increase from revaluation is recognized in the Other Comprehensive Income and is accumulated in equity in the reserve for the revaluation of assets, unless such increase reverses a decrease in revaluation of the same asset, previously recognized in the Consolidated Statement of Comprehensive Income, except of such reduction compensates an increase of revaluation of the same asset, previously recognized in the reserve for asset revaluation.

The Company has performed a subsequent measurement under the revalued cost policy for the assets denominated land and buildings, taking as fair value the revalued value minus the accumulated depreciation and the accumulated amount of the losses for impairment.

The land and buildings' fair value is valued through the IVS (International Valuation Standards) methodology; therefore, the Company made the last valuation as of December 31st, 2017, which was elaborated by ONASI Ltda., a company duly registered in the year 1998 under code 214 of the Root Property Market of the city of Bogotá. Based on the foregoing, the Company recognized in Equity the net amount of $192,085,628 of depreciation, write-offs and deferred taxes for $40,020,966.

3.2.2.1. Revaluation of immovable property (continued)

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 book value, a new revaluation will be necessary, made at least every three years.

At the end of each period a depreciation is applied to such value, based on the remaining useful life corresponding to each asset included in the technical appraisal. In addition to the foregoing, this value is reduced, caused by losses due to accidents, obsolescence and other inherent factors in the asset's operation.

The increases in book value due to the revaluation of land and buildings are showned in other comprehensive income in equity. Decreases in the value of an asset that reverse previous increases are charged to the other comprehensive income until the previous revaluations are exhausted.

3.2.2.2. Decommissioning Costs

In accordance with the Accounting Standards and Financial Information accepted in Colombia (NCIF), the initial estimate of the decommissioning costs and asset withdrawal, as well as the rehabilitation of the place on which it is based, are included as part of the costs of property, plant and equipment. The Company determines and recognizes in its Financial Statements the estimation of the minimum withdrawal or transfer costs (for example, to the place of dismantling or to the buyer's delivery place, in the case of sale), but in no case includes those corresponding to the transfer of equipment to a new location, to continue using it.

In the particular case of improvements performed in buildings that are not the Company's properties, but that are rented, the following specific treatment is applied: if the lease agreements foresee the return of the building under the same conditions in which it was ceded at the beginning of the rental period, at the moment when works and installations are made, a provision for its dismantling is estimated and incorporates as an increase in the cost of the properties, plant and equipment and as return, the recognition of a decommissioning liability.

3.2.2.3. Constructions in Progress

Construction in progress or assets in assembly are amounted at cost, minus any impairment losses. When these assets are ready for their intended use, they are transferred to the corresponding category. At this point, the depreciation starts on the same base it applies to the category transferred.

3.2.2.4. Leased Assets

The determination of whether an arrangement is or includes a lease is based on the essence of the agreement at the time of its beginning, to the extent that compliance with the agreement depends on the use of one or more specific assets, or that the agreement grants the right to use the asset, even if the right is not explicitly specified in the agreement.

3.2.2.4. Leased Assets (continued)

The Company as Lessee

Finance leases which substantially transfer all the risks and benefits inherent to the ownership of the leased asset to the Company, are capitalized at the beginning of the lease term, either at the fair value of the leased property, or for the present value of the future minimum lease payments, whichever is less. Lease payments are distributed between the finance charges and the reduction of the debt by capital, in such a way as to determine a constant interest rate on the debt remaining balance. Finance charges are recognized as financial costs in the Consolidated Statement of Comprehensive Income.

The leased asset is depreciated over its estimated useful life. However, if there is no reasonable certainty that the Company will obtain ownership thereof at the end of the lease term, the asset is depreciated over its estimated useful life or in the lease term, whichever is less.

Operating lease payments are recognized as other operating expenses in the Consolidated Statement of Comprehensive Income, linearly over the lease term.

3.2.3. Investment property

Investment properties are real estate held for the purpose of obtaining rent by lease or to obtain capital appreciation in the investment or both at the same time, but not for sale in the normal course of business, use in production or supply of goods or services, or for administrative purposes. Investment properties are measured initially at cost and, subsequently, at fair value, with changes in net income.

The cost includes expenses that are directly attributable to the acquisition of investment properties. The cost of assets built by the Company includes the cost of materials and direct labor, any other cost directly attributable to the process of making the asset suitable to work for its intended use and the costs of capitalized loans.

Any gain or loss on the sale of an investment property (calculated as the difference between the consideration obtained from the provision and the book value of the asset) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes, in such a way that it is reclassified as properties, plant and equipment, at the reclassification date its fair value becomes the cost for its accounting.

3.2.4. Intangible Assets

Intangible assets acquired separately are recorded at its acquisition cost, decreased by accumulated amortization and by any accumulated impairment loss, if any. The cost of intangible assets acquired in business combinations is their fair value at the acquisition date. After initial recognition, intangible assets are amounted at cost, minus accumulated depreciation (in cases in which determined useful lives are assigned) and any accumulated impairment loss, if any.

The methods and applied amortization periods are reviewed at year end and, where appropriate, adjusted prospectively. Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net income proceeding from the sale and the carrying amount of the asset, and are recognized in the Consolidated Statement of Comprehensive Income, when the respective asset is derecognized.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

3.2.4. Intangible Assets (continued)

The following are the main intangibles of the Company:

3.2.4.1. Operating Permits

They represent the purchase price of the licenses and permits obtained for the provision of telecommunications services, granted by the National Government. These permits grant a renewal option to the extent that the Company meets the conditions required for the license, in which case they may be renewed automatically.

Amortization is linear, from the time of commencement of the commercial operation of the licenses and permits, within their validity period.

3.2.4.2. Computer Applications

Computer applications are accounted at acquisition cost and are amortized linearly over their useful life, which is generally estimated between three and five years and mainly correspond to computer applications for the Company's various technological platforms.

3.2.4.3. Estimated Useful Lives

The Company amortizes its intangibles, according to the following detail:

Description	Minimum useful life (Years)	Maximum useful life (Years)
Operating permits	10	10
Computer applications	3	5
Other intangibles	10	20

3.2.5. Business Combination and Goodwill

The Company recognized in its Opening Financial Statements under IFRS 1 the remeasurement of the goodwill, from the moment of the acquisition of Compañía Celular de Colombia S.A. – COCELCO S.A., based on IFRS 3 and as of September 2017 the company acquired control of the subsidiaries, Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. and Metropolitana de Telecomunicaciones S.A. E.S.P., recognizing a new goodwill for the acquisition of control of these subsidiary companies.

Goodwill is initially measured at cost, represented by the excess of the amount of the transferred consideration and the amount recognized for non-controlling interest, compared to the net of the identifiable acquired assets and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized as income at the acquisition date.

After initial recognition, goodwill is measured at cost minus any accumulated impairment loss, if any.

3.2.6. Impairment of Non-Current Assets Value

At the end of each reporting period, the presence or absence of impairment on non-current assets, including goodwill, intangibles, property, plant and equipment and other financial holdings, is assessed. If such indicators exist or when it comes to assets whose nature demands an annual impairment analysis, the Company estimates the recoverable value of the asset, which is the higher among the fair value, minus the cost of disposal and its value in use. Such value in use is determined by the discount of the estimated future cash flows by applying a discount rate before taxes that reflects the value of money over time and considering the specific risks associated to the asset.

When an asset's recoverable value or financial assessment is below its net book value, it is considered impaired. In this case, the carrying value is adjusted to the recoverable value, recording the loss in the Consolidated Statement of Comprehensive Income. Amortization charges for future periods are adjusted to the new accounting value over the remaining useful life.

To determine impairment calculations, the Company uses the strategic plan and financial projections of its sole cash-generating unit to which assets are assigned. This strategic plan usually covers a period of three years. For longer periods, from the third year, projections based on these strategic plans are used by applying a constant or decreasing expected growth rate. This rate separately considers each assessed element and the included growth is reflect of the trend of the same in recent years.

When new events take place or there are changes in existing circumstances that indicate that an impairment loss recorded in a prior period may have disappeared or reduced, a new estimate of the recoverable amount of the corresponding asset is made. Impairment losses previously recorded are reversed only if the hypotheses used in calculating the recoverable amount would have changed since the most recent impairment loss was recognized. In this case, the asset's carrying amount is increased to its new recoverable value, with the limit of the net book value that such asset would have had, if no impairment losses have been recognized in previous periods.

The reversal is recognized in the Consolidated Statement of Comprehensive Income and the amortization charges of future periods are adjusted to the new carrying amount, unless the asset is carried at its revalued value, in which case the reversal is treated similarly to a revaluation increase. Impairment losses of goodwill are not subject to reversal in subsequent periods.

3.2.7. Financial Instruments

3.2.7.1. Financial Assets

The Company classifies its financial assets into the following measurement categories: those measured at fair value and those measured at amortized cost. This classification depends on whether the financial asset is a debt or equity instrument.

3.2.7.1.1. Debt Instruments

a) Financial assets at amortized cost

A debt instrument is classified as measured at "amortized cost" only if the following criteria are met: the objective of the Company's business model is to maintain the asset to obtain the contractual cash flows, and the contractual terms give rise to dates specified to receive cash flows that are only payments of the principal and interest on the outstanding capital.

3.2.7.1.1. Debt Instruments (continued)

b) Financial assets at fair value

If any of the two criteria indicated for financial assets at amortized cost are not met, the debt instrument is classified as measured at "fair value through profit or loss".

3.2.7.1.2. Equity Instruments

All equity instruments are measured at their fair value. Equity instruments held for trading are measured at fair value through profit or loss. For other equity instruments, the Company may make an irrevocable election at the initial recognition to recognize changes in fair value through other comprehensive income in equity, rather than the income.

Financial Assets Impairment

At the end of each reporting period, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets are impaired in value.

A financial asset or group of financial assets are considered impaired in value only if there is objective evidence of impairment of that value as a result of one or more events that occurred after the asset’s initial recognition (the "event causing the loss"), and that event causing the loss has an impact on estimated future cash flows generated by the financial asset or the group of financial assets, and that impact can be reliably estimated.

The evidence of impairment could include, among others, indications such that as debtors or group of debtors are in significant financial difficulties, default or delinquency in debt principal or interest payment, the probability that they go bankrupt or adopt other form of financial reorganization, or when observable data indicate that there is a measurable decrease in the estimated future cash flows, as well as adverse changes in the status of payments in arrears or in the economic conditions that correlate with the defaults.

Charges for impairment of financial assets, net of recoveries that apply, are presented in the Consolidated Statement of Comprehensive Income, in the financial costs and operating expenses lines, as appropriate to the nature of the asset that generates them.

Financial Assets Amounted at Amortized Cost

For financial assets accounted for at amortized cost, the Company first evaluates whether there is objective evidence of value impairment, individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If the Company determines that there is no objective evidence of impairment of value for a financial asset evaluated individually, regardless of its significance, it includes that asset in a group of financial assets with similar credit risk characteristics, and evaluates them collectively to determine if there is value impairment.

Assets that are assessed individually to determine whether there is impairment in their value, and for which an impairment loss is recognized or continues being recognized, are not included collectively in the impairment assessment.

3.2.7.1.2. Equity Instruments (continued)

Financial Assets Amounted at Amortized Cost (continued)

If there is objective evidence that there has been an impairment loss, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses and that have not yet occurred). The present value of the estimated future cash flows is discounted at the original effective interest rate of the financial assets. If a loan accrues a variable interest rate, the discount rate to measure any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced by using an impairment provision account and the amount of the loss is recognized in the Consolidated Statement of Comprehensive Income as financial costs or operating costs and expenses, as appropriate to the nature of the asset that originates it. Interest earned continues to accrue on the reduced carrying amount of the asset, applying the interest rate used to discount future cash flows for the purpose of measuring the impairment loss. Interests earned are recorded as financial income or as other operating income in the Consolidated Statement of Comprehensive Income, as appropriate to the nature of the asset that originates them.

Recognition and Measurement

Conventional purchases and sales of financial assets are recognized on the trading date, which is the date on which the Company commits to acquire or sell the asset. Financial assets are written-off when the rights to receive cash flows have expired or have been transferred and the Company has substantially transferred all the risks and benefits inherent to the property.

In the initial recognition, the Company values financial assets at fair value plus transaction costs and for financial assets that are not measured at fair value through profit or loss, the transaction costs of financial assets are accounted for directly in the Consolidated Statement of Comprehensive Income.

Debtors and Other Accounts Receivable

Accounts receivable are non-derivative financial assets that qualify for fixed or determinable payments and that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of negotiating the account receivable. They are included in current assets, except for maturities greater than 12 months from the date of the Statement of Financial Position that are classified as non-current assets.

Commercial accounts receivable are recognized by the invoice amount, recording the corresponding adjustment in case there is objective evidence of risk of default by the debtor.

Impairment of trade accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of accounts receivable.

3.2.7.1.2. Equity Instruments (continued)

Debtors and Other Accounts Receivable (continued)

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, which will be obtained from the account, discounted at the effective interest rate computed in the initial recognition. The asset's carrying amount is reduced by recognizing a provision and the amount of the loss is recognized with a charge to the Consolidated Statement of Comprehensive Income in "operating costs and expenses - impairment". When an account receivable is considered uncollectible, it is written-off against the respective provision of doubtful accounts. The subsequent recovery of amounts previously written-off is recognized with a credit to the account "costs and operating expenses" in the Consolidated Statement of Comprehensive Income.

3.2.7.2. Financial Liabilities

Initial Recognition and Subsequent Measurement

Financial liabilities are classified as financial instruments at fair value through profit or loss, loans and accounts payable, or as derivatives designated as hedging instruments in an effective hedge relationship, as appropriate.

The Company determines the classification of financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and accounts payable carried at amortized cost, transaction costs directly attributable.

The Company's financial liabilities include trade accounts payable and other payables, bank overdrafts on current accounts, if any, debts and interest-bearing loans, financial guarantee agreements and derivative financial liabilities with and without effective coverage.

Other Equity Instruments

According to IAS 32 (Financial Instruments – presentation), the Company establishes whether the financial instrument meets the definition of equity, where the issuer has no present obligation to deliver cash or another financial asset. Additionally, an equity instrument is any agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities, the instrument has no priority over other rights to the entity assets at settlement, the distribution to the holders of an equity instrument shall be directly recognized by the entity against the equity. In the absence of a right to receive or an obligation to deliver a fixed or determinable amount of monetary units by these instruments, non-monetary items are determined and therefore are not subject to adjustment for exchange differences.

The Company, based on the absence of a contractual obligation of delivering cash or other financial asset, and the fact that the counterparties cannot force the Company to pay coupons or titles in part or in full, and before the specific characteristics that both the coupon payments and the cancellation of the instrument are at the sole discretion of the issuer, it states that the guarantees issued by the Company correspond to perpetual equity instruments, recognizing them at face value as part of the net attributable equity to the Company and shall be amended solely at the settlement of the principal.

3.2.7.2. Financial Liabilities (continued)

Other Equity Instruments (continued)

Transaction costs associated with the equity instrument issuance are recognized as a deduction from equity, by a net amount of any related tax benefit. Coupon payments are recognized in equity as a reduction of retained earnings, when the obligation to pay them proceeds; the payment of coupons does not impact the Consolidated Statement of Comprehensive Income, nor will adjust (i.e., shall not be deducted from) the Company's income for the computation of earnings per share.

Recognition and Measurement

Gains or losses of a debt instrument that is subsequently measured at fair value and is not part of a hedging relationship are recognized in income and presented in the Consolidated Statement of Comprehensive Income within "other net (losses)/gains" in the period in which they are produced.

Gains or losses of a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship are recognized in the period's income when the financial asset is derecognized or impaired and through the amortization process through the effective interest method.

The Effective Interest Method: It is the method used to calculate the amortized cost of a financial asset or liability and to allocate interest income or expenses over the whole relevant period.

The Effective Interest Rate: It is the discount rate that exactly equals the estimated receivable or payable cash flows over the expected life of the financial instrument or when appropriate, in a shorter period, to the carrying amount of the financial asset or liability. This calculation shall include all fees and costs to be paid or received by the parties that have made the agreement.

Transaction costs: They are incremental costs directly attributable to the acquisition, issue or disposal of assets or financial liabilities.

Financial Instruments Offsetting

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 amounts recognized and the Company intends to settle the net amount or to realize the asset and offset the liability simultaneously.

Determination of Fair Values

At each closing date of the reporting period, the fair value of the financial instruments traded in active markets is determined by reference to quoted prices on the market, or to prices quoted by market agents (purchase price for long positions and sales price for short positions), without deducting transaction costs.

For financial instruments that are not traded in active markets, the fair value is determined using valuation techniques that are appropriate to circumstances. Such techniques may include the use of recent market transactions among willing and duly informed parties acting in mutual independence conditions, the reference to the fair value of other financial instruments that are essentially similar, the analysis of discounted values of cash flows and other appropriate valuation models.

3.2.7.2. Financial Liabilities (continued)

Financial Assets and Financial Liabilities with Related Parties

Credits and debts with related parties are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, these credits and debts are measured at amortized cost using the effective interest rate method. The interest rate amortization is recognized in the Consolidated Statement of Comprehensive Income as financial income or expenses or as other income or operating expenses, depending on the nature of the asset or liability that originates it.

Derecognition of financial liabilities

Financial liabilities are derecognized from the Statement of Financial Position when the corresponding obligation is settled, canceled or expired. When a financial liability is replaced by another, with substantially different terms, the change is treated as derecognition of the original liability and recognition of a new liability, recorded in the Consolidated Statement of Comprehensive Income, the difference in the respective carrying amounts.

3.2.7.3. Suppliers and Accounts Payable

Commercial suppliers and accounts payable are payment obligations for goods or services that have been acquired from suppliers in the businesses' ordinary course; also, accounts payable include the amounts of received goods and/or services that are pending of being invoiced by suppliers. Accounts payable are classified as current liabilities and are initially recognized at fair value.

3.2.7.4. Financial Obligations

Financial obligations are initially recognized at fair value, net of costs incurred in the transaction. Debts are subsequently carried at amortized cost; any difference between funds received (net of transaction costs) and the redemption value is recognized in the Consolidated Statement of Comprehensive Income during the loan period through the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer the obligation payment for at least 12 months counted from the date of the Statement of Financial Position. All other debt costs are recognized in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

3.2.7.5. Derivative Financial Instruments and Hedging Activities

Initial Recognition and Subsequent Measurement

Derivatives are initially recognized at fair value on the date the agreement is entered and are permanently measured at fair value.

If derivative financial instruments do not qualify to be recognized through hedge accounting treatment, they are carried at fair value through the Consolidated Statement of Comprehensive Income.

3.2.7.5. Derivative Financial Instruments and Hedging Activities (continued)

Initial Recognition and Subsequent Measurement (continued)

Any change in the fair value of these derivatives is recognized immediately in the Consolidated Statement of Comprehensive Income as "other net gains/(losses)". If they are designated for hedge, the method to recognize the gain or loss resulting from changes in the derivatives' fair value depends on the nature of the risk and the item being hedged.

The Company designates its hedges as follows:

Fair Value Hedges; when hedging exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (except for exchange rate risk hedges);

Hedges of Cash Flows; when hedging the risk of changes in cash flows attributable either to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction, or at risk of exchange rates in the case of an unrecognized firm commitment; hedges of a net investment in a foreign operation.

At the hedge's inception, the Company formally designates and documents the hedging relationship to which it decides to apply the accounting hedge among the hedging instruments and hedged items, as well as its objectives and the risk management strategy supporting its hedging transactions. Documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk that has been decided to be hedged and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument to offset the exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

Hedges at Fair Value

Changes in the derivatives' fair value that are designated and qualify as fair value hedges are recorded in the Consolidated Statement of Comprehensive Income, and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and it is recognized in the income for the period.

The gain or loss related to the effective portion of derivatives is recognized in the Consolidated Statement of Comprehensive Income as "financial income or expenses", as well as the ineffective portion that is also recognized in the Consolidated Statement of Comprehensive Income.

If the hedge no longer meets the criteria to be recognized through hedge accounting treatment, the adjustment in the carrying value of the hedged item is amortized over the results using the effective interest method on the remaining period until its maturity. If a hedged item is derecognized, the unamortized fair value is recognized immediately in the Consolidated Statement of Comprehensive Income as a financial income or expense, as appropriate.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability, with a corresponding gain or loss recognized in the Consolidated Statement of Comprehensive Income as financial income or expenses, as appropriate.

3.2.7.5. Derivative Financial Instruments and Hedging Activities (continued)

Hedges with options

Exchange rate options are derivative instruments used for hedging currency; the valuation of 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, while changes in the fair value of the temporary portion are recorded in the Consolidated Statement of Comprehensive Income. Once the option is designated as commercial hedge, the difference between the portion assigned and the fair value of the intrinsic portion is recorded in the Consolidated Statement of Comprehensive Income.

The effective portion of changes in the derivatives' fair value that are designated and that qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Comprehensive Income as "other net gains / (losses)".

Amounts accumulated in the Statement of Changes in Equity are transferred to the Consolidated Statement of Comprehensive Income in the periods in which the hedged item affects them (e.g., when the hedged maintenance-expenses service occurs). However, when the hedged forecasted 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 transferred directly to expenses, what corresponds to inventories or property, plant and equipment are included as part of the asset's cost. Capitalized amounts are ultimately recognized in the cost of sales when the sold products are sold if it is inventory, or depreciation if it comes to property, plant and equipment.

When a hedging instrument expires or is sold, or when it fails to meet the criteria to be recognized through hedge accounting treatment, any cumulative gain or loss in equity at that date remains in equity and is recognized when the projected transaction affects the Consolidated Statement of Comprehensive Income. When it is expected that a forecasted transaction no longer occurs, the cumulative gain or loss in equity is immediately transferred to the Consolidated Statement of Comprehensive Income as "other net gains / (losses)".

Classification of Items in Current and Non-Current

Derivatives that are not designated as effective hedging instruments are classified as current or non-current or are separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. underlying contractual cash flows), as follows:

a) When the Company maintains a derivative as a hedge of economic type (and hedge accounting does not apply) for a period of more than twelve months from the closing date of the reporting period, the derivative is classified as non-current (or divided into non-current and current portions) so that it corresponds to the classification of the underlying item.

b) Embedded derivatives that are not closely related to the host agreement are classified consistently with the cash flows of the host agreement.

The derivatives designated as effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative is divided into a current and non-current portion; solely if such assignment can be reliably performed.

3.2.7.6. Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are non-derivative financial assets with maturities and fixed or determinable payments where the Company's intention is collecting the contractual cash flows. Financial assets at amortized cost are shown as non-current assets, except those whose maturities are less than 12 months counted from the date of the Statement of Financial Position that are classified as current assets.

3.2.7.7. Financial Liabilities Held at Amortized Cost

Financial liabilities held at amortized cost include accounts payable, amounts due to suppliers, financial obligations and other accounts payable.

3.2.8. Inventories

Inventories of goods for sale, as well as warehouse materials for installation in investment projects, are valued at their weighted average cost or net asset value, the smaller of the two. The valuation of obsolete, defective or slow-moving inventories, have reduced to their probable net realizable value. The calculation of the inventories' recoverable value is made in function on their age and turnover.

The net asset value is the estimated sales value during the normal business course minus the estimated costs of selling.

Costs of inventories include the transfer from the Other Comprehensive Income of any gain or loss arising on cash flow hedges used for inventory purchases in foreign currency.

3.2.9. Cash and Cash Equivalents

Funds in cash bank and bank deposits at sight freely available are considered cash. Highly liquid and freely available short term investments are cash equivalents that, without prior notice or relevant cost, can easily become a specific amount of cash known with a high degree of certainty at the time of imposition, are subject to an insignificant risk of changes in value, with maturities up to three months after the date of such impositions, and whose main destination is not investment or similar, but the cancellation of short-term commitments. Advances in current bank accounts are interest bearing loans, repayable on demand at sight and form a part of the Company's cash management, so they also assimilate to cash equivalents.

For purposes of the Financial Statements, cash and cash equivalents are presented net of bank overdrafts, if any.

3.2.10. Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction of the amount received, net of taxes, if any.

3.2.11. Joint Agreements

Joint agreements are those on which there is joint control, established by agreements requiring unanimous consent for decisions concerning activities that significantly affect the agreement's yields. IFRS 11 provides a basic principle where for the recognition of joint agreements, it is required that the Company registers the rights and obligations arising from such agreement; they are classified as joint venture and joint operation.

3.2.11. Joint Agreements (continued)

According to IFRS 11, interests in a joint venture are recognized using the equity method. Under FRS accepted in Colombia (NCIF, for its abbreviation in Spanish) in joint operations, each party recognizes its respective share of the assets, liabilities, income and expenses.

The Company recognizes as a joint operation those agreements with third parties over which it has rights to the assets and obligations regarding the liabilities, relating to the agreement and accounts for each asset, liability and transaction, including those held or incurred jointly, in relation with the operation according to the participation percentage in the respective agreement.

3.2.12. Taxes

The income tax expense for the period comprises the current and deferred income tax. The tax is recognized in the Consolidated Statement of Comprehensive Income, except when it comes to items recognized directly in equity in accordance with IAS 12 "Income Taxes". In this case, the tax is also recognized in equity.

The income tax expense of each year includes both current tax and deferred tax, if applicable.

3.2.12.1. Current Income Taxes

Assets and liabilities for current income taxes are calculated on the basis of the tax laws enacted at the date of the Statement of Financial Position. The Administration periodically assesses the positions assumed in the tax returns filed with respect to situations where tax laws are subject to interpretation. Where appropriate, provisions on the amounts expected to be paid to tax authorities are constituted.

The book value of assets and liabilities related to the current tax for the period in course and of prior periods represents the value expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute such amounts are those in effect on the closing date, including the income tax rate, and the surtax.

3.2.12.2. Deferred Income Tax

The amount of deferred taxes is obtained from the analysis of the Statement of Financial Position, considering temporary differences, which are reversed in time, between the tax bases of assets and liabilities and their respective book values.

Deferred tax assets are recognized to the extent that it is probable that the temporary differences are recovered in the future, the carrying amount of unused tax credits and unused tax losses can be used, except:

- If the deferred tax liability arises from the initial recognition of Goodwill or of an asset or liability deriving from a transaction that is not a business combination and that at the time of the transaction did not affect the accounting nor tax profit (loss).

3.2.12.2. Deferred Income Tax (continued)

Deferred tax liabilities are recognized in all cases of taxable temporary differences associated with investments in subsidiaries, branches and associates, or with interests in joint agreements, unless the following two conditions are met:

- The parent company, investor, participant in a joint venture or joint operator, is able to control the timing of the reversal of the temporary difference; and

- It is probable that the temporary difference does 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 deferred tax assets and liabilities arise from income taxes corresponding to the same taxation authority and are imposed on the same entity or taxpayer, or in different entities or taxpayers, but the Company intends to liquidate the current tax assets and liabilities on a net basis, or realize its tax assets and liabilities, simultaneously.

The main temporary differences arise due to differences between the tax and accounting values of the accounts receivable, properties, plant and equipment, intangible assets, estimated liabilities and provisions, portfolio deterioration, actuarial calculations in obligations for post-employment benefits, deferred income, hedges valuation, as well as due to differences between the fair values of the net assets acquired of an entity and its tax values.

Deferred taxes assets and liabilities are not discounted at their present value and are classified as non-current, independently of the reversal date. At each closing, the carrying value of recorded deferred tax assets is analyzed and the necessary adjustments are made to the extent that doubts exist about their future recoverability. Likewise, at each closing unrecorded deferred tax assets in the Statement of Financial Position are assessed and these are subject to recognition to the extent that their recovery through future tax benefits is probable.

The deferred income tax is determined by using the 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 net equity if the tax relates to the items that are directly charged or credited against equity.

3.2.12.3. Wealth Tax

Law 1739 of 2014 created the applicable wealth tax from 2015 to 2017, being the taxable event the possession of wealth equal to or greater than one billion Colombian pesos at January 1st, 2015 to 2017; the date on which taxable persons can quantify their obligation and proceed to recognition. The Company annually recognizes the corresponding obligation. The wealth tax is not deductible in the determination of the income tax.

3.2.12.3. Wealth Tax (continued)

The tax base and tax liability are stated annually with reference to January 1st, 2015, 2016, 2017 for companies. It is allowed to be accounted against equity reserves without affecting the result of the financial year in both individual and consolidated balance sheets, in accordance with IAS 37. For the taxable year 2017, the Company liquidated the wealth tax against results. The basis of this tax was the net equity of January 1st, 2017, compared to the formula with reference to the taxable base of January 1st, 2015, which takes into account a variation of 25% of inflation that will affect the determined in 2015, as follows:

- When the tax base is higher in 2017, the lowest value between the determined taxable base for that year will be taken, and the taxable base of 2015 increased by 25% of the inflation certified by the DANE, for the immediate previous year.

- When the tax base is lower in 2017, the highest value between the determined taxable base for that year will be taken, and the taxable base of 2015 decreased by 25% of the inflation certified by the DANE, for the immediate previous year.

3.2.13. Employee Benefits

All Company employees are protected by Law 50 of 1990, as the Company began work after the effective date of this Law. The Company complies with the employment obligations provided in the Substantive Labor Code, the comprehensive social security regime and other additional rules. Labor law provides for the payment of deferred compensation to certain employees on their retirement date from the Company. The amount received by each employee depends on the admission date, type of agreement and salary. Furthermore, in certain cases, interests at 12% per annum are recognized on the amounts accrued in favor of each employee. In case of unjustified retirement, the employee is entitled to receive additional payments that vary according to length of service and salary.

According to the NCIF, the liability for such obligations is accounted under the presumption of voluntary retirement, for the amount accrued to the date of the Statement of Financial Position.

The Company provides to private or state funds the resources required by the legal standards and the comprehensive social security system to cover both social benefits, such as future pension obligations, so the Company has no actuarial obligations with workers for these concepts.

The Company records the liabilities related to labor layoffs, in accordance with the provisions of IAS 19 through the prior fulfillment of 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 estimated number of employees whose services are to be terminated; b) the termination benefits for each job classification or function; and c) the time at which the plan will be implemented.

3.2.13.1. Short-term wages and benefits

Short-term wages and benefits for current employees are recognized in the Statement of Comprehensive Income when employees render their services.

3.2.13.2. Performance Bonuses

The Company recognizes liabilities and expenses for performance bonuses received by workers for the compliance with indicators defined by the Company, recognizing a provision when it is contractually obliged or when there is a practice from the past that has created a constructive obligation.

3.2.13.3. Vacations

The Company recognizes liabilities and expenses for these benefits to the extent that the employee earns this right; the accumulated liability will decrease by the payment of these benefits that must coincide with the time enjoyed by the employee.

3.2.13.4. Share-Based Payment Transactions

Company executives receive remuneration in the form of share-based payment transactions, under which they render services as consideration for equity instruments (stock options to purchase shares of Telefónica S.A., ultimate parent Company).

The cost of transactions of equity-settled share-based payments with equity instruments 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 transactions of equity-settled share-based payments with equity instruments is recognized, along with the corresponding increase in liabilities, over the period in which performance and/or service conditions are met.

The cumulative expenditure recognized for transactions of equity-settled share-based payments by equity instruments to each reporting date and until the vesting date (irrevocability) reflects the extent to which the vesting period has expired and the best estimate of Grupo Telefónica of the number of equity instruments that will ultimately be as consolidated profit. The expense or credit in the Statement of Comprehensive Income for the period represents the movement in the cumulative expense recognized at the beginning and end of that period.

The Company recognizes in its Financial Statements the plan conditions, after prior fulfillment of established requirements.

When a profit is settled with equity instruments, it is treated as if it had been consolidated from the settlement date, and any expense not yet recognized for that benefit is immediately recognized.

3.2.13.5. Benefits of Long-term Employees

Benefits of long-term employees shall be measured, at least, at the end of the accounting period by the present value of the obligation derived from the defined benefits, calculated using the market rate of the TES issued by the National Government with terms similar to those estimated for the payment of the obligations.

3.2.13.5. Benefits of Long-term Employees (continued)

For this purpose, and depending on the type of benefit, variables such as salaries, employee turnover and cost trends in the benefits granted will be considered, in order to measure the present value of the obligations for long-term benefits, as well as the cost related to the current period, an actuarial measurement method will be applied, the benefits will be distributed between the service periods and actuarial assumptions will be made. The recognition of the cost of the present service, the cost for past services and the interest on the liability will affect the profit and loss of the period, for its part, the actuarial gains and losses and the return of the assets of the benefit plan will affect the equity and will be presented in the other integral result.

3.2.13.6. Post-employment Benefits

Post-employment benefits will be recognized as benefits other than those due to termination of the employment or contractual relationship that are paid after completing the employment period in the company.

These benefits include pensions paid by the company 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 the defined benefits, calculated using the market rate of the TES issued by the National Government with terms similar to those estimated for the payment of the obligations. For this purpose, and in accordance with the type of benefit, variables such as salaries and wages, life expectancy of the beneficiary, average cost of post-employment plans and historical information on the use of benefits, will be taken into account.

The recognition of the cost of the present service, the cost for past services and the interest on the liability will affect the result of the period. On the other hand, the actuarial gains and losses and the return of the assets of the benefit plan will affect the equity and will be presented in other comprehensive income

3.2.14. Earnings or Loss per Share

Basic earnings or losses per share represent the profit from ordinary activities after taxes that are attributable to the Company's Shareholders, divided by the weighted average number of the ordinary outstanding shares during the year.

3.2.15. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when there is a present obligation, whether legal or constructive, as a result of a past event that is likely to require an outflow of economic resources to settle the obligation and its amount can be reliably estimated.

3.2.15. Provisions, Contingent Liabilities and Contingent Assets (continued)

In cases where the provision is expected to be repaid in whole or in part, for example, under an insurance agreement, the reimbursement is recognized as a separate asset only in cases in which such reimbursement is virtually certain. The expenditure 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 certain.

If the effect of the time value of money is material, the provisions are discounted using a current market rate before taxes that reflects, where appropriate, the specific risks of the liability. When the discount is recognized, the increase of the provision caused by the passing of time is recognized as a financial cost in the Statement of Comprehensive Income.

No provisions for future operating losses are recognized; however, provisions for onerous agreements whose inevitable cost exceeds the expected benefit are recognized.

A contingent asset is not recognized in the financial statements, but reported in notes, except in the case where the possibility of an eventual exit of resources to liquidate it is remote. For each type of contingent asset at the respective closing dates of the reporting periods, the Company reveals (i) a brief description of its nature and, where possible, (ii) an estimate of its financial effects; (iii) an indication of the uncertainties related to the amount or the calendar of the corresponding resource outflows; and (iv) the possibility of obtaining possible reimbursements.

A contingent asset is a possible asset that arises from past events and whose existence shall be confirmed only by occurrence, or in its case by the non-occurrence of one or more uncertain future events, which are not entirely under the Company’s control.

A contingent asset is not recognized in the Consolidated Statements, it is informed in the notes, but only in the case in which it exists the probability of the income of economic benefits. For each contingent asset at the report date the Company will establish (i) a resume description of its nature itself and, if it is possible, (ii) an estimation of the financial effects.

Provision for Decommissioning Costs

Decommissioning costs are provisioned at the present value of expected costs to settle the obligation, using estimated cash flows and are recognized as integral part of the cost of that particular asset. Cash flows are discounted at a current market rate before taxes, reflecting the specific risks of the liability. The recognition of the discount is recorded as an expense as it is incurred and recognized in the Statement of Comprehensive Income as financial costs or as other operating expenses, as the case may be. The estimated future decommissioning costs and service withdrawal costs are reviewed annually and adjusted accordingly. Changes in these future estimated costs or in the applied discount rate are added to or subtracted from the cost of the related asset.

3.2.16. Information per segments

The Company has identified a single segment, in which the following aspects have been considered:

Any business areas or lower components of the Company, such as local and long distance telephony, television, mobile or data services, among others, have common and/or complementary characteristics to the rest of them (same business nature, shared assets such as the network, and even its customers, etc.).

3.2.16. Information per segments (continued)

Furthermore, that similarity or complementarity between the different components are experiencing a growing trend due to the bundling products process, such as duos, trios and integrated offers involving the mentioned business areas.

Based on the foregoing, the Company's Management prepares sufficient financial and management information to evaluate the profitability, risk and assets employed at the Company level. Although the Company prepares certain financial and management information for each business area, it is not sufficient to evaluate and determine individually the profitability, the risk and the assigned assets and liabilities as required by the IFRS. 8

Given the requirements of NCIF regarding the identification of segments and based on the available information, the Company's Management has identified a single business segment.

3.2.17. Recognition of Income

Revenues are recorded in the Consolidated Comprehensive Income Statement on the basis of the causation criterion, that is, when the goods are actually received or delivered and for the services' provision, regardless of the moment of monetary reception or delivery.

Income assessment and quantification will depend on the agreed consideration; if it is monetary, the fair value will correspond to the amount of cash or other equivalent means, received or receivable. If the consideration is in foreign currency, the exchange rates in force at the date of the transaction will be used for the translation. When the cash inflow or other equivalent means is deferred over time, the fair value will depend on the type of transaction, for those that do not involve financing, the fair value of the consideration shall be equal to the nominal amount of cash receivable; for those which involve financing the fair value of the consideration, it will be determined by discounting all future charges, using an imputed interest rate for the update. The difference between the fair value and the nominal amount of the consideration is recognized as financial income during the financing period.

Revenues are recorded according to the issuance and cycles of the billing systems or by estimating those services provided in the period and not invoiced, that estimate will be made on the basis of the billing cuts traffic assessment by billing cycle, commercial management of the month and other variables.

Income from Government Grants

Government grants are recognized when there is reasonable assurance that these shall be received and that all conditions attached to them shall be fulfilled. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods in which the Company recognizes as an expense the costs that the grant intends to compensate. When the grant relates to an asset, it is accounted as deferred income and is recognized as income on a systematic basis over the estimated useful life of the corresponding asset.

3.2.17. Recognition of Income (continued)

Income and Costs per Access Charges

The concept of access charges is recorded in the income and expense that include the amounts generated by the use from other fixed and mobile network operators of the Company's network and costs for the use it makes of the network of other operators for the services provided to its customers in the local mobile telephony line, long distance, local telephony and local extended. Likewise, own or internal access charges are recorded in this concept, which are a regulatory reflection with no impact on the Consolidated Statement of Comprehensive Income.

3.2.18. Acknowledgement of Costs and Expenses

Revenues and expenses are recorded in the Consolidated Statement of Comprehensive Income in accordance with the accrual criterion, i.e., when the reception or actual delivery of goods and services they represent is produced, regardless of the time in which the reception or monetary delivery occurs, these associated to with the decrease in future economic benefits related to a reduction of an asset, or an increase in a liability, that can be measured reliably

3.2.19. Operating Leases

Leases in which a significant portion of the property-related risks and benefits are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentive received from the lessor) are charged to the Consolidated Statement of Comprehensive Income, based on the straight-line method in the lease period.

3.2.20. Estimates, Significant Accounting Judgments and Assumptions

Preparation of the Financial Statements in accordance with the NCIF requires the use of certain critical accounting estimates. Based on the above, the Administration makes judgments, estimations and assumptions that could affect the values of revenues, costs and expenses, assets and liabilities reported at the date of the Financial Statements, including the related disclosures. Even though they may differ from their final effect, Management considers that the estimates and assumptions used were adequate in every circumstance. Estimates and judgments used are continuously evaluated and are based on historical experience and other factors, including the expectation of occurrence of future events that are considered reasonable according to the circumstances.

Among the main estimates and accounting judgments are: i) deferred taxes, ii) contingent liabilities iii) revaluation, impairment of assets, iv) definition of the fair value of financial instruments, v) estimate for decommissioning.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

Decrees 2496 of December 2015, 2131 of December 2016 and 2170 of December 2017 introduced new standards, modifications or amendments issued or made by the International Accounting Standards Board – IASB, into the regulatory framework for financial information, to the International Financial Reporting Standards between 2014 and 2016, to evaluate their application in financial periods beginning on or after January 1st, 2018, although their application could be made in advance.

The assessment of these new standards' impact and interpretations made by the Company are as follows.

New IFRS and Interpretations of the IFRS Interpretation Committee (IFRIC)

Accounting policies adopted for the preparation of the financial statements for the year ended on December 31, 2017 are the same as those followed for the preparation of the annual financial statements for the year 2016. For the annual periods beginning on January 1 of 2017, the following amendments published by the IASB are applicable:

- Annual improvements to IFRS Cycle 2014-2016

  This text introduces a series of improvements to the current IFRS, mainly to eliminate inconsistencies and clarify the wording of some of these standards. The amendment that affects IFRS 12, Disclosures about Participations in Other Entities, which clarifies the scope of the same, is applicable to the annual exercises that begin as of January 1st, 2017, while the other improvements will be effective in the financial year 2018. The amendments relating to IFRS 12 have not been adopted in Colombia, but have no impact on the financial statements since, as of December 31st, 2017, the Company does not have holdings that are classified as maintained for sale or distribution, nor does it have discontinued operations as of that date.

- Amendments to IAS 7, Information Disclosure Initiative.

  Amendments to IAS 7 require disclosing information that allows users to understand changes in liabilities arising from financing activities, whether monetary movements, such as provisions and repayments of loans, or non-monetary, such as acquisitions, alienations and exchange differences not realized. These amendments have not been adopted in Colombia. The Company will consider these amendments in information preparation once they are adopted in Colombia.

- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses.

  The amendments clarify the accounting treatment of the deferred tax when the tax base of an asset is above its fair value. These amendments have been adopted by the European Union for its application in Europe. The Company will consider these changes in information preparation once they are adopted in Colombia.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

New IFRS and Amendments to IFRS not effective as of December 31, 2017

At the formulation date of these Consolidated Financial Statements, the following standards, amendments to standards and interpretations had been published by the IASB but were not mandatory:

Standards, Interpretations and Amendments to Standards		Mandatory application: fiscal years starting as of
IFRS 9	*Financial instruments*	January 1, 2018
IFRS 15	*Income from Agreements with Customers*	January 1, 2018
Clarifications to the IFRS 15	*Income from Agreements with Customers (issued on April 12, 2016)*	January 1, 2018
Amendments to the IFRS 2	*Classification and Valuation of Transactions with Price Based on Shares*	January 1, 2018
Amendments to the IFRS 4	*Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Agreements*	January 1, 2018
Amendments to the IAS 40	*Investment Property Transfers*	January 1, 2018
Interpretation CINIIF 22	*Transactions in Foreign Currency and Advance Considerations*	January 1, 2018
Annual Improvements to the IFRS, Cycle 2014–2016		January 1, 2017/ 2018
Annual Improvements to the IFRS, Cycle 2015–2017		January 1, 2018
IFRS 16	*Leases*	January 1, 2019
Interpretation CINIIF 23	*Uncertainty about Income Tax Treatment*	January 1, 2019
IFRS 17	*Insurance agreements*	January 1, 2021
Amendments to the IFRS 10 and the IAS 28	*Sales or Contributions of Assets between an Investor and its Associate or Joint Venture*	Postponed indefinitely

Based on the analysis carried out to date, the Company estimates that the application of many of these standards, amendments and interpretations will not have significant impact on the financial statements in the initial application period.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

IFRS 15 Income of agreements with customers

IFRS 15 establishes the criteria for the accounting recording of income originated from agreements with customers. From the analysis of the effects of this new standard, a series of expected impacts related to the following aspects have been identified, among others:

- Under IFRS 15, in the commercial packages' offers that combine different goods and services of telephony, fixed and mobile, data, internet and television, income will be assigned to each compliance obligation based on the independent sale prices of each individual component in relation to the total package price and will be recognized when (or as) the obligation is satisfied, regardless of whether there are items pending delivery, unlike the current criterion where amounts delivered that are contingent to the remaining items pending delivery are not assigned. To the extent that packages are sold at a discount on equipment, the application of new criteria will mean an increase in income recognized for sales to the detriment of the periodic income for services provision in subsequent periods. The difference between the revenue from sales of equipment and terminals and the amount received from the customer at the beginning of the agreement will appear as a contractual asset in the statement of financial position.

- In accordance with the currently applicable criteria, all expenses directly related to obtaining agreements (sales commissions and other expenses with third parties) are charged to the income statement as they are incurred. On the contrary, IFRS 15 requires the recognition of an asset for those costs that are incremental for obtaining an agreement and that are expected to be recovered, and their subsequent allocation to the profit and loss account, to the same extent in which income related to said asset are charged. Likewise, certain costs related to the agreement's compliance, which are currently recognized as an expense as they are incurred, under IFRS 15 will be subject to deferral to the extent that they are associated with compliance obligations that are met throughout a long period of time.

- The criteria of IFRS 15 for the distinction between agent and principal are based on the concept of "control", which may differ from the concept of "risks and benefits" transfer currently applied. However, in order to determine whether the Company acts as principal, selling on its own behalf (gross income), or as an agent in a transaction, selling on behalf of third parties (net income), the Company's analysis indicates that there will be no significant changes with respect to the current policy.

- Compared to the currently valid standard, IFRS 15 establishes much more detailed requirements regarding the accounting treatment of agreement amendments. Thus, certain modifications will be recorded retroactively (as a continuation of the original agreement) while others will be recognized prospectively as a separate agreement, accounting for an end of the existing agreement and the creation of a new one.

- Additionally, the Company's financial statements will include more qualitative and quantitative breakdowns of the accounts related to income.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

IFRS 15 Income of agreements with customers (continued)

On the other hand, IFRS 15 allows two transition alternative methods: retroactively for each period presented, or retroactively with the cumulative effect of the initial application recognized as an adjustment to the opening balance of reserves on the first application date. The Company and Grupo Telefónica will adopt this second transition method and will not restate the figures of previous years presented for comparative purposes, although it will disclose information on the amount and nature of the changes occurred in the different items of the statement of financial position and the profit and loss account for the period as a result of the first application of IFRS 15

Likewise, the standard allows adopting certain practical solutions to facilitate the application of the new criteria. The Company has evaluated which will be adopted in the implementation of the standard in order to reduce the complexity of its application. The main practical solutions that will be applied by the Company are:

- **Agreements completed**: The Company will not apply the standard retrospectively to those agreements that have been completed prior to January 1st, 2018.

- **Grouping of agreements**: The Company will apply the requirements of the standard to groups of agreements with similar characteristics, given that for the identified groups the effects would not differ significantly with respect to an application individualized by agreement. For the purpose of grouping agreements and considering the current and in force regulations, the Company will analyze and consider the regulatory changes that eventually impact this group.

- **Financial component**: It is not considered significant when the period between the moment in which the good or service committed to the client is transferred and the moment in which the customer pays for that good or service, is one year or less.

- **Cost of obtaining agreements**: These costs will be acknowledged as expenses as they are incurred when their expected amortization period is one year or less.

- **Compliance costs**: Costs related to compliance with the agreement will be subject to deferral, to the extent that they are associated with compliance obligations that are met over a period of time.

This standard’s implementation process implies the introduction of amendments to the current information systems, the implementation of new computer tools, and changes in the processes and controls of the Company’s complete income cycle. This implementation process is highly complex due to factors such as a large number of agreements, numerous data source systems, diversity of business models in different locations, and the need to make complex estimates.

From the analysis performed on the operations of the last fiscal year, considering commercial offers and the volume of agreements affected, the Company estimates that the adoption of the new criteria for the recognition of income will result in an increase of $12,893,680 before taxes in the opening balance, being the most relevant impacts those related to the recording of contractual assets, which under IFRS 15 lead to an acceleration in the recognition of income for the sale of equipment that under IFRS 15 represents a contractual liability of $4,247,941.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

IFRS 15 Income of agreements with customers (continued)

Given that the accounting effects of the transition to the new standard will be recognized directly in equity, the effects of the application of IFRS 15 in the profit and loss account of 2018 will be related to the change in the time of recording income and expenses associated with customer agreements. The Company estimates that there will be a transfer of income between the provision of services and sales of equipment that will be in a range between 7 and 12 percentage points assuming, that there are no significant changes in the business models or in the commercialized offers.

Impacts mentioned are based on the analyzes carried out to date. As of January 1st, 2018, the actual adoption impacts could be different because the Company has not completed the evaluation tests of controls on the new IT systems and because the new accounting policies will not be final until the Company presents the first financial statements after the date of entry into force of the IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 establishes the criteria for recording and valuating financial instruments. From the analysis of the effects of the new criteria introduced by this standard, a series of expected impacts related to the following aspects have been identified, among others:

- IFRS 9 simplifies the current valuation model of financial assets and establishes three main categories: amortized cost, at fair value through profit or loss and at fair value with changes in other comprehensive income, depending on the business model and the characteristics of the contractual cash flows. On the other hand, with respect to the current criteria regarding the recording and valuation of financial liabilities, there are no significant changes, except for the recognition of changes in own credit risk in other comprehensive income, for those liabilities designated at fair value with changes in results.

- IFRS 9 introduces a new model for losses due to impairment of financial assets, the expected credit loss model, which replaces the currently incurred loss model. The Company will apply the simplified approach and shall record expected losses during the life of its commercial accounts. Consequently, the application of the new requirements will foreseeably lead to an acceleration in the recognition of impairment losses on its financial assets, mainly commercial accounts with customers.

  The implementation process of this standard implies the introduction of amendments to current information systems, the implementation of new computer tools and statistical models, and changes in processes and controls that will allow information assurance and its result. This implementation process is highly complex due to factors such as the high number and types of customers, business models, varied data source systems, incorporation of macroeconomic variables, and the need to make complex estimates.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

IFRS 9 Financial Instruments (continued)

- Under current criteria, a hedge should be highly effective both prospectively and retrospectively, while IFRS 9 introduces a new accounting record model for hedges, less restrictive, demanding an economic relationship between the hedged item and the hedge instrument, and that the coverage ratio is the same as that applied by the entity for its risk management. In addition, the new standard modifies the documentation criteria for hedging relationships.

- Additionally, the Company's financial statements will include more extensive breakdowns with relevant information regarding financial assets and liabilities.

From new criteria analysis, the Company estimates that the main changes will focus on the documentation of hedging policies and strategies, as well as on the estimation processes of the expected impairment loss in the commercial accounts and their moment of recognition. The Company and Grupo Telefónica have decided to avail themselves of the option that allows them not to restate the figures of comparative periods presented in the exercise of new criteria first application.

From the analysis carried out to date, the Company estimates that the adoption of the new criteria will imply an increase of $60,217,030 in the opening balance of the insolvency provision registered under IAS 39 and its counterpart reserves in equity. This impact is based on the evaluation carried out to date. As of January 1st, 2018, the actual adoption impacts could be different because the Company has not completed the tests on the new calculation procedures and because the new accounting policies will not be final until the Company presents the first subsequent financial statements at the date of entry into force of IFRS 9.

IFRS 16 Leases

IFRS 16 establishes that companies that act as lessees must recognize assets and liabilities derived from all lease agreements in the statement of financial position (with the exception of short-term lease agreements and those that have assets under value as their object).

The Company has a very high number of lease agreements as a lessee of various assets, mainly: towers, circuits, office and store buildings, areas for technical site adaptation, land where own towers are located, capacity rental and use rights. Under current regulations, a significant part of these contracts are classified as operating lease, with the corresponding payments being recorded on a straight-line basis over the term of the agreement, generally.

The Company is currently in the process of estimating the impact of this new standard on these contracts. This analysis includes the estimation of the term of the lease, based on the non-cancellable period and the periods covered by the renewal options whose exercise is discretionary for the Company and is considered reasonably true, which will depend to a large extent on specific facts and circumstances per type of asset in the telecommunications sector (technology, regulation, competition, business model, among others).

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS INCORPORATED INTO THE ACCOUNTING FRAMEWORK ACCEPTED IN COLOMBIA, WHOSE APPLICATION MUST BE ASSESSED BEYOND JANUARY 1ST, 2018 OR THAT IN SOME CASES COULD BE APPLIED IN ADVANCE (continued)

IFRS 16 Leases (continued)

Likewise, hypotheses are used to calculate the discount rate, which will depend mainly on the incremental financing rate for the estimated terms. On the other hand, the Company is evaluating not to separately record the components that are not leasing (*non-lease components*) of those that are leased for those asset classes in which the relative importance of the non-lease components is not significant with respect to the total lease value.

In addition to previous estimates, the standard allows two transition methods: one retroactively for each comparative period presented, and another retroactively with the cumulative effect of the initial application of the standard, recognized the first application date. The Company has tentatively decided to adopt this second transition method, so it would recognize the cumulative effect of the initial application of the new criteria as an adjustment to reserves in the first year of adoption of IFRS 16. Likewise, the new standard allows choosing certain practical solutions at the time of first application, relative to asset valuation, discount rate, impairment, leases that end within twelve months after the first application, initial direct costs, and duration of the lease. The Company is evaluating which of these practical solutions will be adopted in each case. In this sense, the Company is considering choosing a practical solution that allows it not assessing whether a contract is, or contains, a lease on the date of initial adoption of IFRS 16 again, but to directly apply the new requirements to all those contracts that under the previous standard were identified as leases.

Due to the different alternatives available, as well as the complexity of estimates and high number of contracts, the Company has not yet completed the implementation process, so at the current date it is not possible to make a reasonable estimate of the impact that application of this standard shall have. However, considering the volume of contracts affected and the magnitude of the payments committed for rentals, which are reflected in Note 17 of this document, the Company estimates that the amendments introduced by IFRS 16 shall have a significant impact on the financial statements from the adoption date, including the recognition in the statement of financial position of the assets for right of use and corresponding obligations in relation to most of the contracts that under current legislation are classified as operating leases. Likewise, amortizations of the right to use of assets and the recognition of interest on the lease obligation will replace a significant part of the amount recognized in the profit and loss account as operating lease expense under the current standard. Likewise, the classification of lease payments in the statement of cash flows will be affected by the entry into force of this new regulation. For their part, the financial statements will include more extensive breakdowns with relevant information regarding the lease agreements on the adoption date.

5. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The following is the detail of the assets and liabilities held in foreign currency dollars as of December 31 are presented below:

	2017	2016
	(USD)	
Assets		
Cash and cash equivalents *(Note 6)*	$ 6,226,374	$ 8,250,817
Trade and other accounts receivable *(Note 8)*	70,231,845	60,708,520
Shareholders, related parties and Associated companies *(Note 25)*	27,375,817	26,785,750
Total assets	103,834,036	95,745,087
Liabilities		
Financial obligations *(Note 16)*	829,793,060	873,045,859
Suppliers and accounts payable *(Note 17)*	60,610,981	61,973,481
Shareholders, related parties and Associated companies *(Note 25)*	50,876,342	43,132,644
Total liabilities	941,280,383	978,151,984
Net liability	$ (837,446,347)	$ (882,406,897)

The following is the detail of the assets and liabilities held in foreign currency represented in thousands of pesos:

	2017	2016
	(COP$000)	
Assets:		
Cash and Cash Equivalents *(Note 6)*	$ 18,579,500	$ 24,620,438
Foreign debtors *(Note 8)*	209,571,825	181,154,223
Shareholders, related parties and associated foreign companies *(Note 25)*	81,689,438	79,928,678
Total assets	**309,840,763**	**285,703,339**
Liabilities:		
Financial obligations *(Note 16)*	2,476,102,492	2,605,168,842
Suppliers and accounts payable *(Note 17)*	180,863,167	184,928,866
Shareholders, related parties and associated foreign companies *(Note 25)*	151,815,005	128,707,811
Total liabilities	**2,808,780,664**	**2,918,805,519**
Net liabilities	**$ (2,498,939,901)**	**$ (2,633,102,180)**

6. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents as of December 31st is the following:

	2017	2016
	(COP$000)	
	$	
Cash (1)	65,013	$ 79,168
Banks in national and foreign currency	214,310,096	151,303,377
Special funds	46,646	46,629
Temporary investments (2)	101,950,457	63,232,372
	$ 316,372,212	**$ 214,661,546**

1) Includes in 2017 USD$19.0, equivalent to $56,817 (2016 – USD$25.8 equivalent to $77,430).
2) Includes investments in collective funds whose rates fluctuated in 2017 between 4.27% and 5.19% (2016 – between 6.61% and 8.28%); Time Deposit conformed by USD$7,000 equivalent in pesos at December 31, 2017, $20,888,000 and 2016 by USD$5,000 equivalent in pesos to $15,097,200.

7. FINANCIAL ASSETS

The breakdown by category of the Company's financial assets at December 31st 2017 is as follows:

	Financial Instruments at Fair Value through Profit or Loss	Financial Instruments at Fair Value	Hedging Derivative Financial Instruments	Total Value in Books
		(COP$000)		
Current financial assets				
Deposits and guarantees (c)	–	5,000	–	5,000
Hedging derivatives (a)	$ –	$ –	$ 54,785,883	$ 54,785,883
	–	**5,000**	**54,785,883**	**54,790,883**
Non-current financial assets				
Other equity	60,000	–	–	60,000
Deposits and guarantees (c)	–	5,488,499	–	5,488,499
Hedging derivatives (a)	–	–	13,876,164	13,876,164
	60,000	**5,488,499**	**$ 13,876,164**	**$ 19,424,663**
	$ 60,000	**$ 5,493,499**	**$ 68,662,047**	**$ 74,215,546**

The breakdown by category of the Company's financial assets at December 31st, 2016 is as follows:

	Financial Instruments at Fair Value through Profit or Loss	Financial Instruments at Fair Value	Hedging Derivative Financial Instruments	Total Value in Books
		(COP$000)		
Current financial assets				
Hedging derivatives (a)	$ –	$ –	$ 499,640,815	$ 499,640,815
	–	**–**	**499,640,815**	**499,640,815**
Non-current financial assets				
Other equity (b)	141,655,989	–	–	141,655,989
Deposits and guarantees (c)	–	7,438,665	–	7,438,665
Hedging derivatives (a)	–	–	25,112,496	25,112,496
	141,655,989	**7,438,665**	**25,112,496**	**174,207,150**
	$ 141,655,989	**$ 7,438,665**	**$ 524,753,311**	**$ 673,847,965**

7. FINANCIAL ASSETS (continued)

a) Corresponds to the valuation of hedging derivatives, using the market Non Delivery Forward – NDF curves and CCS - Cross Currency Swap curves at the end of the period, including the net adjustment by own credit risk and by the counterparty Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

b) As of September 27, 2017, within the Consideration Agreement to Parapat, there were a series of assets represented in financial participations in the companies Telecomunicaciones de Bucaramanga S.A.E.S.P. and Metropolitana de Telecomunicaciones S.A. E.S.P. As of this date, due to the total payment of the obligations with PARAPAT, the agreement was terminated and, therefore, such participations became the property of Colombia Telecomunicaciones S.A. - E.S.P. (Note 1. (k))

c) Corresponds to deposits constituted by judicial order with expiration until its resolution.

8. TRADE AND OTHER RECEIVABLE ACCOUNTS, NET

The balance sheet of trade and other accounts receivable at December 31st is the following:

	2017	2016
	(COP$000)	
Current:		
Customers for sale and services provision (1)	$ 1,105,118,394	$ 1,049,030,652
Commercial agents and distribution channels	149,906,361	150,041,054
Portfolio for handsets	144,539,475	138,379,316
Portfolio with domestic operators	72,885,876	96,808,436
Shareholders, related economic parties and associated companies *(Note 25)*	46,416,257	52,349,428
Other debtors (2)	55,932,373	42,361,518
Foreign debtors	20,372,082	16,949,358
Advance payments delivered	7,955,596	824,568
Impairment for doubtful collection portfolio	(775,149,991)	(806,576,074)
	827,976,423	**740,168,256**
Non-current:		
Portfolio with domestic operators	134,610,499	134,610,499
Portfolio of grants and contributions (3)	38,111,870	38,111,870
Shareholders, related economic parties and associated companies *(Note 25)*	37,905,278	36,215,585
Customers for sale and services provision (4)	139,499,563	78,921,476
Impairment for doubtful collection portfolio	(172,075,816)	(172,075,816)
	178,051,394	**115,783,614**
	$ 1,006,027,817	**$ 855,951,870**

Trade and other accounts receivable include balances in foreign currency at December 31st 2017 of USD$70,232 (COP$209,571,825) and at December 31st, 2016 of USD$60,370 (COP$181,154,223).

8. TRADE AND OTHER RECEIVABLE ACCOUNTS, NET (continued)

(1) A summary of the balances with customers for sales and services provision, net of deterioration at December 31st are as follows:

	2017	2016
	(COP$000)	
Residential - Massive	$ 597,660,866	$ 619,989,135
Business – Small and Medium Companies	169,834,305	200,344,931
Companies	196,809,918	115,984,004
Customers pending invoice - Estimated	92,436,208	97,249,216
Wholesale customers	16,816,044	12,626,468
Other third parties	31,561,053	2,836,898
	1,105,118,394	**1,049,030,652**
Impairment for doubtful collection portfolio	(542,778,714)	(591,010,324)
	$ 562,339,680	**$ 458,020,328**

(2) Includes portfolio with the government grants at December 31st, 2017 for $30,623,654 (2016 - $29,313,090).
(3) Corresponds to portfolio with the Government for grants and contributions, which is 100% provided.
(4) Corresponds to portfolio with the National Academic Network Corporation (RENATA) for the sale of equipment for MPLS (dedicated channels), connectivity and funded equipment.

The breakdown by age of customer debtors for sales and services provided at December 31st, 2017 and 2016, are as follows:

At December 31 of 2017	Residential	Business	Companies	Wholesalers	Others	Customers pending invoice	Total
			(COP$000)				
To mature	$ 203,362,937	$ 36,648,655	$ 91,629,492	$ 7,704,103	$ 3,262,764	$ 92,436,208	$ 435,044,159
1 – 30	23,299,043	6,613,986	13,843,540	3,687,739	78,588	–	47,522,896
31 – 60	11,925,468	2,257,255	7,086,348	1,917,748	1,351,309	–	24,538,128
61 – 90	11,428,652	1,401,983	3,365,390	1,290,589	66,360	–	17,552,974
91 – 120	9,144,696	1,184,135	2,885,654	959,391	119,839	–	14,293,715
121 – 180	17,509,903	1,975,253	2,567,419	891,268	124,103	–	23,067,946
181 – 360	32,511,487	5,427,350	37,033,434	114,978	436,109	–	75,523,358
> 360	288,478,681	114,325,688	38,398,640	250,229	26,121,980	–	467,575,218
	$ 597,660,867	$ 169,834,305	$ 196,809,917	$ 16,816,045	$ 31,561,052	$ 92,436,208	$ 1,105,118,394

At December 31 of 2016	Residential	Business	Companies	Wholesalers	Others	Customers pending invoice	Total
				(COP$000)			
To mature	$ 160,350,650	$ 33,934,018	$ 34,349,246	$ 6,843,608	$ 345,133	$ 97,249,216	$ 333,071,871
1 – 30	25,230,569	5,809,551	24,264,501	3,709,328	416,474	–	59,430,423
31 – 60	6,634,153	2,014,695	11,201,201	477,926	77,441	–	20,405,416
61 – 90	3,799,074	1,622,209	2,846,020	152,167	288,772	–	8,708,242
91 – 120	3,629,231	1,081,171	1,785,795	1,013,574	526,412	–	8,036,183
121 – 180	5,829,704	1,867,000	18,655,467	160,658	544,281	–	27,057,110
181 – 360	17,074,013	5,276,728	2,238,070	61,344	37,241	–	24,687,396
> 360	397,441,741	148,739,559	20,643,704	207,863	601,144	–	567,634,011
	$ 619,989,135	$ 200,344,931	$ 115,984,004	$ 12,626,468	$ 2,836,898	$ 97,249,216	$ 1,049,030,652

8. TRADE AND OTHER RECEIVABLE ACCOUNTS, NET (continued)

The movement of the impairment for doubtful collection during the year ended December 31st, in thousands of pesos is the following:

Balance at December 31st, 2015	**$**	**(938,824,005)**
Impairment to results of the net recovery year *(Note 22)*		(39,835,739)
Impairment for interest on arrears of customers		7,854
Balance at December 31st, 2016	**$**	**(978,651,890)**
Initial balance of subsidiary companies		(53,269,861)
Impairment to results of the net recovery year *(Note 22)*		(45,410,707)
Write-offs (1)		130,101,647
Impairment for interest on arrears of customers		5,004
Balance at December 31st, 2017	**$**	**(947,225,807)**

(1) Portfolio write-offs of 2017 include the SCL invoice portfolio for $129,637,730 and the national operators portfolio for $463,917.

9. PREPAID EXPENSES

The balance sheet of expenses paid in advance at December 31st includes:

		2017		2016
		(COP$000)		
Current:				
Cost of equipment at customers home (1)	$	12,964,610	$	–
Support and maintenance (2)		11,408,919		5,562,785
Irrevocable use rights (3)		6,208,342		6,208,342
Insurance policies (4)		5,214,374		5,260,035
Leases		2,338,737		2,023,454
Inter-administrative contract costs (5)		2,095,806		–
Others		1,371,452		2,515,198
	$	**41,602,240**	**$**	**21,569,814**
Non-current:				
Irrevocable use rights (3)	$	26,811,547	$	33,019,889
Cost of equipment in customers home (1)		22,115,441		–
Support and maintenance (2)		7,122,477		8,071,044
Insurance policies (4)		2,021,151		2,892,619
Others		–		370,792
		58,070,616		**44,354,344**
	$	**99,672,856**	**$**	**65,924,158**

(1) Correspond to the change in the business model developed with customers, moving from a CAPEX to OPEX model, which are subject to deferral between the shorter period of the useful life of the good and the customer's average life.

(2) Mainly includes platforms and applications' support services and maintenance.

(3) Includes irrevocable right of use (IRU) of capacity with expiration in 2021 and 2023.

(4) Includes the renewal of insurance policies contracted by the Company.

(5) Corresponds to agreements signed before September 27 with state entities that provide connectivity services in different municipalities of the Department of Atlántico.

10. INVENTORIES

The balance of inventories, net of provision at December 31st is as follows:

		2017		2016
		(COP$000)		
Mobile phones and accessories	$	95,329,658	$	99,011,736
Equipment in transit		19,644,370		7,096,144
Other inventories (1)		21,584,251		4,053,007
Computer equipment		1,517,518		1,595,017
		138,075,797		111,755,904
Provision for obsolescence		(4,838,350)		(3,910,760)
	$	**133,237,447**	**$**	**107,845,144**

(1) Includes modems, equipment for corporate services, location equipment, and television equipment, among others.

The provision for obsolescence movement, during the year ended at December 31st, was the following:

Balance at December 31st, 2015		(4,150,212)
Recoveries *(Note 22)*		239,452
Balance at December 31st, 2016		(**3,910,760**)
Initial balance of subsidiary companies		(938,874)
Provision recorded for profit and loss for year *(Note 22)*		(422,757)
Recoveries *(Note 22)*		434,041
Balance at December 31st, 2017	**$**	**(4,838,350)**

The consumption of inventories taken to cost of sales in 2017 was $563,521,912 (2016 - $554,792,111). *(Note 22)*

11. TAXES AND PUBLIC ADMINISTRATIONS

The asset balance for taxes and current public administrations at December 31st is presented as follows:

		2017		2016
		(COP$000)		
Self-withholding for income tax for equality CREE (1)	$	–	$	79,221,193
Self-withholding for income tax (1)		162,660,761		72,815,955
Advance payments, withholdings and self-withholding ICA		16,691,260		13,298,318
Withholding for sales tax		9,089,721		4,189,492
Balance in favor income tax and income tax for equality CREE (2)		7,564,978		–
Withholdings for sales tax		242,480		1,080,562
Advance of surcharge of income tax for equality CREE		180,395		2,973,727
	$	**196,429,595**	**$**	**173,579,247**

(1) As of the taxable year 2017, the income tax for equality CREE self-retention system is eliminated pursuant to article 376 of Law 1819 and the self-withholding by way of income tax at the rate of 1.6% of the total income based benefits is created, with no minimum amount in accordance with Decree 2201 of 2016.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

The liability balance for taxes and current public administrations at December 31st is presented as follows:

	2017	2016
	(COP$000)	
Sales tax and proportionality - VAT	$ 39,038,213	$ 40,329,488
Withholdings and self-withholdings	38,024,888	29,795,739
National consumption tax	6,109,761	6,588,524
Municipal taxes	5,934,245	2,249,361
Import tax	2,830,951	3,037,382
Surcharges and stamps	739,918	413,334
	$ 92,677,976	**$ 82,413,828**

Profit and loss for Income Tax and Complementary Income

The income tax expense and deferred income at December 31st is composed as follows:

	2017	2016
	(COP$000)	
Income tax (1)	$ (570)	$ –
Income tax and surtax for equality CREE (2)	–	(6,620,083)
Miscellaneous income tax	(18,483)	(31,297)
(Expense) recovery of provision for taxes	1,963,550	(9,638)
Income tax	**$ 1,944,497**	**$ (6,661,018)**
Deferred tax		
Deductible temporary differences (3)	$ (831,370,555)	$ (26,255,046)
Tax credits:		
Tax losses and excess presumptive income (4)	1,320,426,594	(50,001,919)
Tax losses of CREE	–	(30,096,167)
Taxable temporary differences	181,576,218	104,849,949
Deferred tax benefit	**670,632,257**	**(1,503,183)**
Income and deferred tax	**$ 672,576,754**	**$ (8,164,201)**

(1) Optecom SAS determines the tax based on presumptive income, Colombia Telecomunicaciones S.A. E.S.P., Metrotel S.A. E.S.P. and Telebucaramanga S.A. E.S.P. are excluded from presumptive income, pursuant to Article 24.3 of Law 142 of 1994, ratified in Article 73 of Law 1341 of 2009.

(2) Article 376 of Law 1819 of 2016 eliminated the income tax for equality CREE as of 2017.

(3) Reversal of the temporary difference deductible for the advance payment of the Consideration Agreement - Parapat.

(4) Recognition and updating of the tax credits that will be used for the next 6 years (2018 - 2023).

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Profit and loss for Income Tax and Complementary Income (continued)

The reconciliation of the income tax rate and the deferred tax at December 31st is presented below:

	2017		2016	
		(COP$000)		
Profit and loss before wealth tax		**$ (365,667,800)**		**$ (316,632,205)**
Profit and loss before taxes for nominal rate	40%	146,267,120	40%	126,652,882
Accounting income and deferred tax	184%	672,576,754	(3%)	(8,164,201)
Difference between nominal tax and accounting tax	**(144%)**	**$ (526,309,634)**	**43%**	**$ 134,817,083**
Tax on permanent differences (1)	16%	59,453,614	10%	31,432,530
Tax on unrecognized deductible temporary differences (2)	71%	260,971,940	93%	295,822,145
Recognition of deferred tax on deductible temporary differences (3)	(67%)	(246,656,150)	(137%)	(433,636,852)
Update of tax on temporary differences and tax losses (4)	(163%)	(598,133,971)	83%	261,471,807
Use of unrecognized CREE tax losses	0%	–	(6%)	(20,313,482)
Miscellaneous Income Tax	0%	18,483	0%	31,297
(Expense) recovery provision for taxes	(1%)	(1,963,550)	0%	9,638
Total explained difference	**(144%)**	**$ (526,309,634)**	**43%**	**$ 134,817,083**

(1) Expense for tax on accounting items that do not have a tax effect in the income tax calculation; the main difference corresponds to the expenditure of the perpetual equity instrument, which for tax purposes corresponds to a debt and in accounting is recognized as equity.
(2) Expense for tax on deductible temporary differences upon which the deferred tax asset is not recognized.
(3) Income tax on temporary differences for difference in useful lives of intangibles and property, plant and equipment and actuarial calculation.
(4) Net income from tax generated by the reversal (expense) of the temporary difference of the Consideration Agreement - Parapat and recognition (income) of tax losses recognized in the Statement of Financial Position.

The current tax provisions applicable to the Company stipulate that:

(a) The provision for income tax in 2017 is calculated at a rate of 34% pursuant to the transitory paragraph of Article 100 of Law 1819 of 2016 by the accrual method based on net income, adding a surcharge to the 6% tax.
(b) Law 1819 of 2016 modified the income tax rate for the year 2017 to 34% and for the year 2018 and following the 33% and establishes a surcharge to the income tax which is regressive and temporary, for 2017 of 6.0% and 2018 of 4.0%, applying the latter to taxable bases of $800 million onwards, leaving the total tax rate as follows; 2017 of 40%, 2018 of 37% and 2019 and following of 33%. This Law repealed the income tax and surtax for equality CREE from the year 2017.
(c) With the issuance of Law 1819 in 2017, the determination of the income tax is made pursuant to the accounting normative technical frameworks in force in Colombia, when the tax law expressly refers to them and in cases where it does not regulate the matter.
(d) The tax reconciliation established in Decree 1998 of 2017 is an integral annex in the determination of the income tax provision.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Profit and loss for Income Tax and Complementary Income (continued)

(e) In accordance with Article 73 of Law 1341 of 2009 and Article 24 of Law 142 of 1994, telecommunication companies, companies providing basic switched public telephone services, mobile local telephony in rural and long distance are excluded from presumptive income.

(f) On profits generated from 2017, the new dividend tax will be applied to foreign companies and entities.

The rate of this tax will be 5%. On the other hand, the dividend taxed with the income tax, will have a rate of 35%. In this scenario, the 5% dividend tax shall apply to the amount of the taxed distribution, once it has been reduced with the income tax at the rate of 35%.

For natural persons tax residents in Colombia, the tax on dividends will have a maximum rate of 10%, which will be paid on untaxed dividends and 35% on dividends distributed as taxable.

(g) Law 1819 of 2016 indicated that as of the taxable year 2017, the general rate of sales tax is 19%, however, the sales tax rate applicable to contracts entered into with public or state entities is 16%, in force on the date of the resolution or award act, or subscription of the respective contract. Additionally, it excludes from the sales tax the services of Cloud Services and smartphones less than 22 UVT and establishes that the periods for requesting taxes that can be discounted by VAT will be of three bimonthly periods immediately following the period of their accrual.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Profit and loss for Income Tax and Complementary Income (continued)

The following is the reconciliation between the accounting loss before the wealth tax and the estimated taxable income (loss) at December 31st:

		2017		2016
		(COP$000)		
Income before wealth tax	**$**	**(365,667,800)**	**$**	**(316,632,205)**
Items that decrease the accounting loss:				
Derecognition of assets of the Parapat		–		5,293,305
Interests paid of financial debt - Parapat (Note 23)		350,451,210		499,233,016
Income (expense) usage rights and anticipated charges		110,793,210		(8,095,039)
Accounting effect of derivatives valuation - future flows		126,547,887		4,691,460
Financial movement tax		15,854,652		9,721,681
Impairment of accounting portfolio, net of recovery *(Note 22)*		38,581,360		38,716,534
Accounting depreciation and amortization *(Note 13 and 14)*		1,169,437,714		984,114,883
Accounting provisions		11,966,171		66,621,714
Effect in perpetual equity instrument		114,279,297		(71,155,863)
Effect, tax income from derivatives		295,179,912		254,359,879
Items that increase the accounting loss:				
Prepaid consideration agreement to the Parapat (2)		(4,879,497,490)		(497,231,784)
Tax depreciation and amortization		(898,861,997)		(769,726,069)
Impairment in other financial shares		–		3,373,473
Government grants (income)		(5,289,209)		(10,812,992)
Other non-deductible items		(10,863,242)		158,111,373
Tax profit (loss)		(3,927,088,325)		350,583,366
Compensation for losses and excesses of presumptive income (1)		–		(350,583,366)
Income tax taxable base		(3,927,088,325)		
Income tax		(570)		–
Income tax and surtax for equality CREE		–		(6,620,083)
Miscellaneous Income Tax		(18,483)		(31,297)
(Expense) recovery tax provision		1,963,550		(9,638)
Income tax	**$**	**1,944,497**	**$**	**(6,661,018)**

(1) Compensation of $64,695,189 of presumptive income excess for 2011 and $258,011,614 of fiscal losses for 2007 and $27,876,563 of fiscal losses for 2007.
(2) Effect generated by the prepayment of the Consideration Agreement to Parapat.

Asset and Liability Deferred Tax

The strategic plan (2018 - 2020) and the Company's profit and loss projection (2021 - 2023), support the recognition of deferred tax assets on temporary differences and tax losses that will be used in the period 2018 to 2023.

The deferred tax is valued at the tax rates expected to be applied in the periods in which the temporary differences will be reversed based on the tax rates and the negative tax bases pending to be offset at the closing date.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Asset and Liability Deferred Tax (continued)

Deferred tax assets not recognized in Colombia Telecomunicaciones S.A. E.S.P. for deductible temporary differences at the end of 2017 amounts to $474,663,906 (2016 - $1,159,327,875) and the unrecognized deferred tax for tax losses in 2017 was $421,972,089 (2016 - $529,598,313); the subsidiary companies have recognized all deferred tax assets and liabilities.

The movement and balance of deferred tax assets as of December 31 is presented below:

	2017	2016
	(COP$000)	
Deferred tax:		
Intangibles and properties, plant and equipment	$ 243,201,282	$ –
Benefits to employees	20,273,436	–
Accounts payable	20,079,373	–
Estimated liabilities and provisions	9,253,343	75,944,174
Other assets	7,270,662	–
Consideration Agreement – Parapat	–	1,001,679,211
Deferred tax assets on temporary differences	**$ 300,078,096**	**$ 1,077,623,385**
Deferred tax:		
Deferred tax asset for tax losses and excess presumptive income	1,593,298,930	272,872,335
Subtotal deferred tax asset	**1,893,377,026**	**1,350,495,720**
Deferred tax:		
Property revaluation with effect on other comprehensive income	(130,153,314)	(86,111,726)
Total deferred tax asset	**$ 1,763,223,712**	**$ 1,264,383,994**

	2017	2016
The deferred tax liability movement and balance is as follows:		
Deferred tax:		
Temporary differences through profit and loss	**$ 60,435,401**	$ 191,466,558
Hedges valuation with effect on other comprehensive results	–	42,880,724
Property revaluation with effect on other comprehensive income	–	4,020,622
Total asset for deferred tax	**$ 60,435,401**	**$ 238,367,904**

The deferred tax movement recognized at December 31st in the Other Comprehensive Income is the following:

	2017	2016
	(COP$000)	
Hedges valuation *(Note 20)*	$ (65,779,774)	$ (93,064,437)
Deferred tax hedge valuation *(Note 20)*	42,880,724	42,130,342
Income in hedge valuation, net of tax	(22,899,050)	(50,934,095)
Revaluation of land and buildings, net of depreciation *(Note 20)*	192,085,628	(9,485,693)
Property deferred tax - Parapat agreement (Note 20)	86,111,726	(23,213,708)
Deferred tax own real estate (Note 20)	(126,132,692)	549,637
Revaluation of land and buildings, net of taxes	152,064,662	(32,149,764)
Property deferred tax - Parapat agreement (Note 20)	1,971,012	–
Actuarial results in obligations for post-employment benefits (Note 20)	1,719	–
Deferred tax actuarial results	1,972,731	(32,149,764)
Other integrals results	**$ 131,138,343**	$ (83,083,859)

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Asset and Liability Deferred Tax (continued)

A summary of the main reconciling items between accounting equity and fiscal equity at December 31st, is presented as follows:

	2017	2016
	(COP$000)	
Accounting equity (1)	**$ 6,404,652,983**	**$ (361,012,985)**
Items that increase accounting equity:		
Difference in the recognition Operating agreement – Parapat	–	3,788,318,738
Difference in the accounting and tax portfolio provision	884,219,563	835,259,117
Difference in the useful lives of property, plant and equipment	519,544,839	967,601,413
Government grants *(Note 18)*	14,559,592	18,023,992
Estimated liabilities and provisions	82,456,612	407,398,339
Decommissioning provision *(Note 19)*	29,596,383	27,042,092
Deferred tax liabilities	60,435,401	238,367,904
Hedges valuation	35,559,202	(449,962,092)
Items that decrease equity:		
Difference in the useful lives of intangible and deferred	(961,221,777)	(865,365,387)
Deferred revenue	(5,525,031)	(75,987,817)
Difference in exchange valued without tax effect	(11,844,762)	–
Perpetual equity instrument	(1,530,602,875)	(1,537,796,469)
Deferred tax assets	(1,763,223,712)	(1,264,383,994)
Investments in subsidiary companies	(417,482,463)	–
Other items	(11,086,458)	28,590,362
Net worth tax	**$ 3,330,037,497**	**$ 1,756,093,213**

(1) Includes the subsidiary companies accounting equity in 2017.

Tax losses

Pursuant the current tax legislation, the losses generated in the income tax and complementary and/or in the income tax for equality - CREE before 2017, shall be compensated with the net income obtained in 2017 and following periods, taking into account the formula established in numeral 5, of article 290 of Law 1819 of 2016. Tax losses determined shall not be fiscally adjusted.

Tax losses were originated as follows:

Tax	Origin years	Adjusted Losses (1)	Loss Of the year (2)	Losses Balance
Income	2008	$ 203,775,156	$ –	$ 203,775,156
	2009	516,343,197	-	516,343,197
	2010	258,283,984	-	258,283,984
	2011	384,978,215	-	384,978,215
	2012	147,254,932	-	147,254,932
	2013	152,496,301	-	152,496,301
	2015	148,816,013	-	148,816,013
	2017	-	3,927,088,325	3,927,088,325
		$ 1,811,947,798	**$ 3,927,088,325**	**$ 5,739,036,123**
CREE	2015	374,074,669	–	374,074,669
		374,074,669	–	374,074,669
		$ 2,186,022,467	**$ 3,927,088,325**	**$ 6,113,110,792**

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Tax losses (continued)

(1) Balances expressed in income tax returns and adjusted in accordance with numerals 5 and 6 of article 290 of Law 1819 of 2016; Tax losses without expiration limit.
(2) Tax loss due in 2029 (12 years), pursuant to Article 147 of the National Tax Statute.

The following table summarizes the status of the tax returns of the income tax and the income tax for equality CREE of Colombia Telecomunicaciones S.A. E.S.P., which may be subject to review by the tax authorities:

Tax	Taxable period	Closing date for review
CREE	2016	April 2022
Income	2016	April 2022
CREE	2015	April 2021
Income	2015	April 2021
CREE	2014	April 2022
Income	2014	April 2022
CREE	2013	April 2019
Income	2013	September 2020
Income	2012	April 2020
Income	2010	April 2018

Below the status of tax returns of Telefonica Moviles Colombia S.A., a company which was absorbed by Colombia Telecomunicaciones S.A. E.S.P., which are subject to the review of tax authorities:

Taxable period	Closing date For review
2010	April 2021

The status of the income statement and CREE of Telebucaramanga S.A. E.S.P., Metrotel S.A. E.S.P. and Optecom S.A.S., companies that were incorporated in the consolidated by Colombia Telecomunicaciones S.A. E.S.P., which may be subject to review by tax authorities is as follows:

Taxable period	Closing date For review
2016	April 2019
2015	April 2018

Income Tax for Equality CREE

Article 376 of Law 1819 of 2016 eliminated the income tax for equality CREE as of 2017, a tax created in 2013 with Law 1607 of 2012; the provision was calculated at the rate of 9% for the higher value between the accrual method based on the net income and the presumptive income method. Income tax returns can be reviewed by the tax authorities within 2 years following their filing.

Based on the above structural elements that frame this tax as an income tax, such as their taxable event, which is the generation of profits and legislative framework, it denotes that this tax is set up as an income tax, which also concludes that the best classification in the Company's Statement of Comprehensive Income is as an expense for income tax.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Income Tax for Equality CREE (continued)

The determination of the tax and surtax on income for equality CREE for 2016 over the tax plus is presented as follows:

		2016
		(COP$000)
Tax profit income tax	$	350,583,366
Minus – Non-deductible items, not taxed with CREE		(104,869)
Tax Profit Income Tax for Equality CREE		**350,478,497**
Tax credits compensation (1)		(306,024,607)
Taxable base minimum base 3%		44,453,890
Income Tax for Equality CREE 9%		4,000,850
Surtax of the income tax		2,619,233
Total tax plus surtax	**$**	**6,620,083**

(1) Compensation of tax losses of $211,319,454 in 2013 and $70,497,106 in 2015 and excess of presumptive income of $53,927,761 in 2015, up to the minimum tax settlement base and the income surtax for equality CREE, over liquid equity.

The determination of the income tax and surcharge for equality CREE for the year 2016 are presented below:

		2016
		(COP$000)
Tax liquid equity 2015 (1)	$	1,481,796,321
Minimum taxable base 3%		44,453,890
Income tax for equality CREE 9% (2)		**4,000,850**
Surtax of income tax (2)		2,619,233
Tax and surtax on Income tax for equality CREE	**$**	**6,620,083**

(1) Balances expressed in income tax returns.
(2) The following is the settlement of the surtax:

		2016
		(COP$000)
Tax net equity 2015 – 2014	$	1,481,796,321
Minimum taxable base 3%		44,453,890
Minus:		(800,000)
Surtax taxable base		43,653,890
Surtax fee		6%
Surtax on Income tax for equality CREE	**$**	**2,619,233**

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Miscellaneous income tax

The miscellaneous income tax is levied at the rate of 10% for the sale of fixed assets held for 2 years or more, of the resultant profit at the time of sale; in the first instance, the net income must be attributed due to the recovery of the accumulated depreciation and the remaining profit, if any, constitutes the occasional gain.

The determination of the miscellaneous income tax is presented below:

	2017	2016
	(COP$000)	
Income for miscellaneous income	$ 202,771	$ 540,000
Minus – Costs for miscellaneous income	(17,933)	(227,030)
Taxable miscellaneous income	184,834	312,970
Tax fee	10%	10%
Miscellaneous income tax	**$ 18,483**	**$ 31,297**

Law 1739 establishes that for legal entities for the years 2015, 2016 and 2017, the wealth tax, which taxes the tax net worth of the taxpayer with cut to January 1st, the corresponding years.

Wealth tax

The tax settlement corresponding to 2017 and 2016, made pursuant to the table in Article 296-2 of the National Tax Code, is as follows:

	2017	2016
	(COP$000)	
Net worth tax of January 1st of 2017 and 2016	$ 1,831,037,558	$ 1,481,796,321
Plus (according paragraph 4° Art. 294-2 Tax Code)	(52,427,271)	168,528,497
Taxable base	1,778,610,287	1,650,324,818
Minus	(10,000,000)	(5,000,000)
Total taxable base	1,768,610,287	1,645,324,818
Fee (0.4% year 2017 and 1% year 2016)	7,074,439	16,453,248
Plus	12,000	15,500
Total annual tax	**$ 7,086,439**	**$ 16,468,748**

The Company paid this tax in two equal installments, in May and September of the respective year.

Transfer pricing

From 2004, the requirement to perform a transfer pricing study in order to report the operations made by the Company with its related parties or parties abroad, came into effect.

11. TAXES AND PUBLIC ADMINISTRATIONS (continued)

Transfer pricing (continued)

Independent advisors prepare the return and evidence of transfer prices, required by tax provisions, tending to prove that foreign-linked transactions were carried out at market values during 2017. For this purpose, the Company will present an informational statement and will have available the referred study for the end of September 2018. Failure to comply with the transfer pricing regime may result in financial penalties and a higher income tax; however, the Management and its advisors have the opinion that the study will be timely concluded and will not result in significant changes to the basis used for the determination of the income tax provision for 2017.

12. INVESTMENT PROPERTY

The detail of investment properties is as follows:

	Balance at December 31st 2016	Company registrations	Fair value adjustment	Balance at December 31st 2017
		(COP$000)		
Land	$ -	$ 4,988,717	$ 659,962	$ 5,648,680
Buildings	-	1,256,052	(18,292)	1,237,759
	$ -	$ 6,244,769	$ 641,670	$ 6,886,439

Investment properties are recorded at fair value, with impact on the Comprehensive Income Statement for variations in their valuation.

13. PROPERTIES, PLANT AND EQUIPMENT

The cost of property, plant and equipment and its corresponding accumulated depreciation is presented below:

Concept	At December 31st, 2017 Cost	At December 31st, 2017 Accumulated Depreciation	At December 31st, 2017 Net Value in Books	At December 31st, 2016 Cost	At December 31st, 2016 Accumulated Depreciation	At December 31st, 2016 Net Value in Books
			(COP$000)			
Land and constructions	$ 3,389,247,850	$ $ (1,718,350,334)	$ $ 1,670,897,516	$ 3,055,678,656	$ (1,564,583,821)	$ 1,491,094,835
Technical installations, machinery and other	9,013,018,024	(6,068,225,448)	2,944,792,576	7,959,081,132	(5,400,266,758)	2,558,814,374
Current equipment	452,091,030	–	452,091,030	479,940,713	–	479,940,713
Furniture, information equipment and other	766,972,610	(566,806,889)	200,165,721	641,016,138	(472,138,078)	168,878,060
	$ 13,621,329,514	**$ $ (8,353,382,671)**	**$ 5,267,946,843**	**$ 12,135,716,639**	**$ (7,436,988,657)**	**$ 4,698,727,982**

The movements for the year 2017 of the items comprising the item of property, plant and equipment are as follows:

Concept	Balance at December 31st 2016	Additions	Retirements	Transfers	Company Registrations	Revaluation (1)	Balance at December 31st 2017
				(COP$000)			
Cost:							
Land and constructions	$ 3,055,678,656	$ 30,221,372	$ (1,011,963)	$ 20,713,325	$ 82,645,052	$ 201,001,408	$ 3,389,247,850
Technical installations, machinery and other	7,959,081,132	427,046,448	(30,793,407)	316,914,134	340.769.717	-	9,013,018,024
Current equipment	479,940,713	332,156,823	(479,453)	(399,392,920)	39,865,867	-	452,091,030
Furniture, information management equipment and other	641,016,138	29,817,797	(4,676,487)	30,154,158	70,661,004	-	766,972,610
	$ 12,135,716,639	**$ 819,242,440**	**$ (36,961,310)**	**$ (31,611,303)**	**$ 533,941,640**	**$ 201,001,408**	**$13,621,329,514**

13. PROPERTIES, PLANT AND EQUIPMENT (continued)

	Balance at December 31st	Additions	Retirements	Transfers	Company Registrations	Revaluation (1)	Balance at December 31st
				(COP$000)			
Accumulated depreciation:							
Constructions	$ (1,564,583,821)	$ (143,827,728)	$ 713,602	$ –	$ (1,760,607)	$ (8,915,780)	$ (1,718,350,334)
Technical installations, Machinery and other	(5,400,266,758)	(614,399,612)	27,265,179		(80,824,257)	-	(6,068,225,448)
Furniture, information management equipment and other	(472,138,078)	(52,827,760)	3,984,942		(45,825,993)	-	(566,806,889)
	(7,436,988,657)	(811,051,100)	31,963,723	–	(128,390,857)	(8,915,780)	**(8,353,382,671)**
	$ 4,698,727,982	**$ 8,191,340**	**$ (4,997,587)**	**$ (31,611,303)**	**$ 405,550,783**	**$ 192,085,628**	**$ 5,267,946,843**

At the closing of 2017, the value of the property, plant and equipment recognized under the revalued cost method, would be as follows under the cost method:

Concept	Balance at December 31st 2016	Additions	Retirements	Transfers	Company registrations	Balance at December 31st 2017
				(COP$000)		
Cost:						
Land and constructions	$ 2,548,595,765	$ 30,221,372	$ (1,011,966)	$ 20,713,326	$ 72,324,531	$ 2,670,843,028
Accumulated depreciation Constructions	$ (1,547,464,406)	(143,148,861)	713,602	-	(2,415,473)	(1,692,315,138)
	$ 1,001,131,359	**$ (112,927,489)**	**$ (298,364)**	**$ 20,713,326**	**$ 69,909,058**	**$ 978,527,890**

13. PROPERTIES, PLANT AND EQUIPMENT (continued)

The movements for year 2016 of the items integrating the cost of properties, plant and equipment are the following:

Concept	Balance at December 31st 2015	Additions	Retirements	Transfers	Revaluation (Note 1)	Balance at December 31st 2016
			(COP$000)			
Cost:						
Land and Constructions	$ 2,998,129,348	$ 42,120,814	$ (1,381,845)	$ 17,390,111	$ (579,772)	$ 3,055,678,656
Technical installations, machinery and other	8,012,786,832	458,503,656	(677,041,403)	164,832,047	–	7,959,081,132
Current equipment	365,088,691	361,411,393	(240,982)	(246,318,388)	–	479,940,713
Furniture, information management and other	598,709,959	24,797,658	(6,671,394)	24,179,915	–	641,016,138
	$ 11,974,714,830	**$ 886,833,521**	**$ (685,335,624)**	**$ (39,916,315)**	**$ (579,772)**	**$ 12,135,716,639**

Concept	Balance at December 31st 2015	Additions	Retirements	Transfers	Revaluation (Note 1)	Balance at December 31st 2016
Accumulated depreciation:						
Constructions	$ (1,414,445,906)	$ (142,101,571)	$ 869,577	$	$ (8,905,921)	$ (1,564,583,821)
Technical installations, Machinery and other	(5,526,025,642)	(546,390,921)	671,727,820	421,985	–	(5,400,266,758)
Furniture, information management equipment and other	(430,662,512)	(47,445,848)	6,392,267	(421,985)	–	(472,138,078)
	(7,371,134,060)	(735,938,340)	678,989,664	–	(8,905,921)	(7,436,988,657)
	$ 4,603,580,770	**$ 150,895,181**	**$ (6,345,960)**	**$ (39,916,315)**	**$ (9,485,693)**	**$ 4,698,727,982**

13. PROPERTIES, PLANT AND EQUIPMENT (continued)

Movements for 2016 of land and buildings recognized under the revalued cost method would be the following under the cost method:

Concept	Balance at December 31st, 2015	Additions	Retirements	Transfers	Revaluation	Balance at December 31st, 2016
Cost:						
Land and constructions	$ 2,490,466,685	$ 42,120,814	$ (1,381,845)	$ 17,390,111	$ –	$ 2,548,595,765
Accumulated depreciation:						
Constructions	(1,406,232,412)	(142,101,571)	869,577		–	(1,547,464,406)
	$ 1,084,234,273	**$ (99,980,757)**	**$ (512,268)**	**$ 17,390,111**	**$ –**	**$ 1,001,131,359**

Balances and movements of revaluation at December 31st are as follows:

	Balance at December 31st, 2016	Additions (Note 3)	Retirements	Balance at December 31st, 2017
		(COP$000)		
Cost:				
Land	$ 306,289,339	$ 108,859,056	$ (73,731)	$ 415,074,664
Constructions	200,793,552	92,334,395	(118,311)	293,009,636
	507,082,891	201,193,451	(192,042)	708,084,300
Accumulated depreciation:				
Constructions	(17,119,416)	(8,930,197)	14,417	(26,035,196)
	(17,119,416)	(8,930,197)	14,417	(26,035,196)
	$ 489,963,475	**$ 192,263,254**	**$ (177,625)**	**$ 682,049,104**
Deferred income tax (Note 11)	(90,132,348)	(40,020,966)	-	(130,153,314)
Net revaluation of deferred tax	**$ 399,831,127**	**$ 152,242,288**	**$ (177,625)**	**$ 551,895,790**

13. PROPERTIES, PLANT AND EQUIPMENT (continued)

Property, plant and equipment fully depreciated

The value of property, plant and equipment fully depreciated at December 31st is related as follows:

	2017	2016
	(COP$000)	
Technical installations, machinery and others	$ 3.378,554,983	$ 2,877,016,205
Furniture, information management equipment and other	370,789,826	344,580,768
Constructions	226,199,566	222,127,652
	$ 3,975,544,375	**$ 3,443,724,625**

Financial leases

Under the finance lease modality, movable and immovable assets assigned to the Operating Agreement of the Parapat are included, which includes other minor contracts, such as vehicle leases.

The balances and movements for the year 2017 of property and equipment, corresponding to financial leases, are as follows:

	Balance at December 31st,2016	Additions	Retirements	Parapat	Balance at December 31st, 2017
			(COP$000)		
Cost					
Land and constructions	$ 1,746,495,668	$ –	$ (8,446)	$ (1,746,487,222)	$ -
Technical installations, machinery and others	1,287,189,640	–	(11,071,393)	(1,276,118,247)	-
Furniture, computer equipment, vehicles and others	62,077,089	4,546,550	(1,825,782)	(51,376,462)	13,421,395
	3,095,762,397	**4,546,550**	**(12,905,621)**	**(3,073,981,931)**	**13,421,395**
Accumulated depreciation:					
Land and constructions	(878,366,735)	(50,347,730)	(8,446)	928,722,911	-
Technical installations, machinery and others	(1,158,949,082)	(23,416,150)	8,816,005	1,173,549,227	-
Furniture, computer equipment, vehicles and others	(54,299,006)	(3,368,790)	1,632,097	48,308,794	(7,726,905)
	(2,091,614,823)	(77,132,670)	10,439,656	2,150,580,932	(7,726,905)
	$ 1,004,147,574	**$ (72,586,120)**	**$ (2,465,965)**	**$ (923,400,999)**	**$ 5,694,490**

On September 27, 2017, the Company made the advance payment of all the debt derived from the operating agreement dated August 13, 2003 with the *Patrimonio Autónomo Receptor de Activos* of Empresa Nacional de Telecomunicaciones (PARAPAT), thus terminating the exploitation agreement.

Therefore, as of December 31, 2017, financial leases are exclusively composed of vehicle fleet.

Likewise, the PARAPAT column presents what until September 27 was classified as a financial lease.

13. PROPERTIES, PLANT AND EQUIPMENT (continued)

Balances and movements for 2016 of the item of property and equipment that correspond to financial leases are as follows:

	Balance at December 31st, 2015	Additions	Retirements	Revaluation	Balance at December 31st, 2016
			(COP$000)		
Cost:					
Land and constructions	$ 1,746,635,712	$ –	$ (140,044)	$ –	$ 1,746,495,668
Technical installations, machinery and others	1,305,867,989	–	(18,678,349)	–	1,287,189,640
Furniture, computer equipment, vehicles and others	67,303,473	222,906	(5,449,290)	–	62,077,089
	3,119,807,174	**222,906**	**(24,267,683)**	**–**	**3,095,762,397**
Accumulated depreciation:					
Land and constructions	(790,564,995)	(79,529,946)	140,044	(8,411,838)	(878,366,735)
Technical installations, machinery and others	(1,140,216,480)	(32,386,184)	13,653,582	–	(1,158,949,082)
Furniture, computer equipment, vehicles and others	(55,050,067)	(4,429,693)	5,180,754	–	(54,299,006)
	(1,985,831,542)	**(116,345,823)**	**18,974,380**	**(8,411,838)**	**(2,091,614,823)**
	$ 1,133,975,632	**$ (116,122,917)**	**$ (5,293,303)**	**$ (8,411,838)**	**$ 1,004,147,574**

Future payments for financial leasing operations as of December 31, 2017, is as follows :

	Less than 1 year	Between 1 and 5 years	Total
		(COP$000)	
Present value	$ 2,100,989	$ 3,067140	$ 5,168,129
Financial update	392,726	532,704	925,430
Pending future payments	**$ 2,493,715**	**$ 3,599,844**	**$ 6,093,559**

14. INTANGIBLES

The cost and accumulated amortization of intangibles are presented as follows:

Concept	Al December 31st, 2017 Cost	Accumulated amortization	Net value in books	Al December 31st, 2016 Cost	Accumulated amortization	Net value in books
			(COP$000)			
Operating licenses(1)	$ 2,337,806,459	$ (374,740,705)	$ 1,963,065,754	$ 1,236,921,539	$ (799,429,870)	$ 437,491,669
Computer applications (2)	1,827,294,528	(1,371,618,794)	455,675,734	1,606,298,412	(1,179,563,862)	426,734,550
Customers list	690,063,337	(629,032,021)	61,031,316	621,555,372	(621,555,372)	–
Other intangibles (3)	130,722,865	(32,872,140)	97,850,725	83,210,947	(29,657,033)	53,553,914
	$ 4,985,887,189	**$ (2,408,263,660)**	**$ 2,577,623,529**	**$ 3,547,986,270**	**$ (2,630,206,137)**	**$ 917,780,133**

14. INTANGIBLES (continued)

Movements of intangibles at the closing of 2017 are as follows:

Concept	Balance at December 31st, 2016	Additions	Retirements	Transfers	Company Registrations	Balance at December 31st, 2017
			(COP$000)			
Operating licenses(1)	$ 1,236,921,539	$ 26,239,601	$ (576,366,681)	$ 1,651,012,000	$ -	$ 2,337,806,459
Computer applications	1,606,298,412	177,355,550	(9,814,999)	48,282,664	5,172,901	1,827,294,528
Customers list	621,555,372	-		-	68,507,965	690,063,337
Other intangibles (2)	83,210,947	1,714,232,988	(179,387)	(1,666,781,549)	$ 239,866	130,722,865
	3,547,986,270	**1,917,828,139**	**(586,361,067)**	**32,513,115**	**73,920,732**	**4,985,887,189**
Accumulated amortization:						
Operating Licenses	(799,429,870)	(151,677,516)	$576,366,681	-	-	**(374,740,705)**
Computer applications	(1,179,563,862)	(199,235,838)	9,814,998	(901,812)	(1,732,280)	**(1,371,618,794)**
Customers list	(621,555,372)	(4,236,945)	-	-	(3,239,704)	**(629,032,021)**
Other intangibles	(29,657,033)	(3,236,315)	179,643	-	(158,435)	**(32,872,140)**
	(2,630,206,137)	**(358,386,614)**	**586,361,322**	**(901,812)**	**(9,367,364)**	**(2,408,263,660)**
	$ 917,780,133	**$ 1,559,441,525**	**$ 255**	**$ 31,611,303**	**$ 64,790,313**	**$ 2,577,623,529**

Movements of intangibles at the closing of 2016 are as follows:

Concept	Balance at December 31st, 2015	Additions	Retirements	Transfers	Balance at December 31st, 2016
		(COP$000)			
Operating licenses(1)	$ 1,236,921,539	$ –	$ –	$	$ 1,236,921,539
Computer applications	1,378,947,837	225,545,495	(38,111,235)	39,916,315	1,606,298,412
Customers list	621,555,372 –		–	–	621,555,372
Other intangibles (2)	82,754,191	456,756	–		83,210,947
	3,320,178,939	**226,002,,551**	**(38,111,235)**	**39,916,315**	**3,547,986,270**
Accumulated amortization:					
Operating Licenses	(733,950,004)	(65,479,866)	–		(799,429,870)
Computer applications	(1,038,023,465)	(179,651,632)	38,111,235		(1,179,563,862)
Customers list	(621,555,372)		–	–	(621,555,372)
Other intangibles	(26,611,988)	(3,045,045)	–	–	(29,657,033)
	(2,420,140,829)	**(248,176,543)**	**38,111,235**		**(2,630,206,137)**
	$ 900,038,110	**$ (22,174,292)**	**$ –**	**$ 39,916,315**	**$ 917,780,133**

(1) Includes in 2017, the economic compensation for assets reversal, established in the arbitration award and incorporated into the spectrum license of the mobile operation in force, as it is a necessary and unavoidable cost so that it can be used and therefore continue with the service provision. (Note 1. (i))

(2) They mainly include the payments made by the Company for the rights to use the infrastructure of ISA (Interconexión Eléctrica S.A.) on a fiber optic ring that connects the cities of Bogotá, Medellín and Cali.

14. INTANGIBLES (continued)

The value of fully depreciated intangibles at December 31st is presented below:

		2017		2016
		(COP$000)		
Computer applications	$	976,926,446	$	870,691,269
Customers list (1)		621,555,372		621,555,372
Licenses		15,389,413		582,002,395
Other intangible assets		21,983,455		21,983,455
	$	**1,635,854,686**	**$**	**2,096,232,491**

(1) Within Intangibles, the customer list to which assets of the Parapat Operating Agreement are included. At the end of 2016 it is fully amortized.

The movements for year 2017 of the items within intangibles that correspond to financial leasing are the following:

Concept	Balance at December 31 of 2016	Retirements	Parapat	Balance at December 31 of 2017
		(COP$000)		
Cost:				
Customers list	621,555,372	–	(621,555,372)	_
Accumulated amortization:				
Customers list	(621,555,372)	–	621,555,372	–
	$ –	$ –	$ –	$ –

On September 27, 2017, the Company prepays all originated debt from the operating agreement dated August 13, 2003 with the *Patrimonio Autónomo Receptor de Activos* of Empresa Nacional de Telecomunicaciones (PARAPAT, for its abbreviation in Spanish), thus giving terminated the exploitation agreement.

15. GOODWILL

The recorded goodwill was generated in the purchase of Compañía Celular de Colombia S.A. – COCELCO S.A. in 2000 for an amount of $939,163,377.

Likewise, as of September 27, 2017 includes goodwill generated by the takeover of subsidiaries Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P. and Metropolitana de Comunicaciones S.A. E.S.P. for $509,974,951 ***(Note 1 (k))***

Goodwill is considered as an asset of indefinite useful life, as the period in which this asset is expected to contribute to revenue generation is also considered indefinite.

According to the impairment analysis performed by the Company at the year-end of 2017 and 2016, no need was identified to record impairment on the goodwill in the Financial Statements, considering its recoverable amount superior to the book value

The discount rates used are determined based on financial and available information and are adjusted by the country risk rate and corresponding business risk. Thus, in fiscal years 2017 and 2016 a nominal percentage rate calculated in pesos of 10.83% and 11.08%, respectively, was used; concluding that for the closing of 2017, there is no evidence of impairment in the long-term assets.

16. FINANCIAL LIABILITIES

The breakdown of financial liabilities at December 31st, 2017 and the maturity schedule is as follows:

	Current	Non-current						
Maturities	**2018**	**2019**	**2020**	**2021**	**2022**	**Next years**	**Total non-current**	**Total**
					(COP$000)			
Senior bond (1)	$ –	$ –	$ –	$ –	$ 2,232,975,346	$ –	$ 2,232,975,346	$ 2,232,975,346
Financial obligations	238,006,130	360,878,306	176,231,290	207,933,090	205,517,345	390,106,175	1,340,666,206	1,578,672,337
Other financial obligations	57,980,333	–	–	–	–	–	–	57,980,333
Derivative instruments	63,580,471	19,407,749	12,933,904	8,299,125	–	–	40,640,778	104,221,249
Total	**$ 359,566,935**	**$ 380,566,935**	**$ 189,165,194**	**$ 216,232,215**	**$ 2,438,492,691**	**$ 390,106,175**	**$ 3,614,282,330**	**$ 3,973,849,265**

(1) Senior bonds:

As of December 31, 2017, the nominal value of outstanding bonds was USD$750,000 equivalent to $2,238,000,000 and the transaction cost per ($5,024,654) measured at amortized cost. (2016 USD $750,000 - $2,250,532,500 and the transaction cost per ($6,062,532) measured at amortized cost).

The issuance characteristics are summarized as follows:

Format	Issuance Currency	Premiums and discounts	Issuance total amount	Issued total amount	Maximum redemption term	Issuance date	Expiration date	Rate / Payment	Use of resources
R 144A/ Reg S	USD	Cero	$ 750,000,000	$ 750,000,000	10 years	27-sep-12	27-sep-22	5.375% / Biannual	Substitution of financial liabilities

At the end of 2017 the interest payable on the bonds amounted to $31,409,708 (2016 - $36,727,440).

16. FINANCIAL LIABILITIES (continued)

The breakdown of the main financing operations in force in each period is shown as follows:

	At December 31st, 2017				At December 31st, 2016			
Short-term	**Value**	**Rate**			**Value**	**Rate**		
Financial in local currency		**Base**	**Spread**	**Amortization**		**Base**	**Spread**	**Amortization**
				(COP$000)				
Credits in local currency	$ 1,141,250	IBR 3M	2.30%	At maturity	$ 140,000,000	DTF 3M +	4.65%	Biannual
Credits in local currency	$ 15,183,065	IBR 3M	2.80%	Trimestral				
Credits in local currency	$ 135,176,321	IBR 3M	2.97%	Trimestral				
Subtotal	**$ 29,500,636**				**$ 140,000,000**			
Financial in local currency								
Credits in foreign currency (1)	$ 69,617,946	LIBOR 6M	0.32%	Biannual	$ 100,196,958	LIBOR 6M	0.32%	Biannual
Credits in foreign currency	$ 136,786,560	LIBOR 3M	1.90%	At maturity	$ 15,003,550	LIBOR 6M	1.90%	At maturity
Subtotal	**$ 206,404,506**				**$ 115,200,508**			
Other short-term obligations								
Short-term derivative financial liabilities	$ 63,580,471				$ 69,248,316			
Interests account payable	$ 57,980,333				$ 74,417,077			
Other financial obligations	$ 2,100,989				$ 2,374,383			
Subtotal	**$ 123,661,794**				**$ 146,039,776**			
Short-term financial obligations	**$ 359,566,935**				**$ 401,240,284**			
Long-term								
Financial in local currency								
Credits in local currency	$ 959,850,732	IBR +	2.81%	Trimestral	$ 975,033,797	IBR +	2.81%	Trimestral
Credits in local currency	$ 250,000,000	IPC +	4.35%	At maturity	$ 250,000,000	IPC +	4.35%	At maturity
Credits in local currency	$ 96,050,347	IBC +	2.97%	Biannual	-			
Subtotal	**$ 1,305,901,079**				**$ 1,225,033,797**			
Financial in foreign currency								
Credits in foreign currency (1)	$ 31,697,987	LIBOR 6M +	0.32%	Biannual	$ 101,883,288	LIBOR 6M +	0.32%	Biannual
Credits in foreign currency					$ 137,552,546	LIBOR 3M +	2.60%	At maturity
Subtotal	**$ 31,697,987**				**$ 239,435,834**			
Other long-term obligations								
Long-term derivative financial liabilities	$ 40,640,778				$ 5,542,903			
Senior bond	$ 2,232,975,346				$ 2,244,469,968			
Other financial obligations	$ 3,067,140				$ 4,464,639			
Subtotal	**$ 2,276,683,264**				**$ 2,254,477,510**			
Total long-term financial obligations	**$ 3,614,282,330**				**$ 3,718,947,141**			
Financial obligations	**$ 3,973,849,265**				**$ 4,120,187,425**			

(1) Funding agreements between Colombia Telecomunicaciones S.A. E.S.P. and the European Investment Bank (EIB) have commercial guarantees issued by Banco Santander and HSBC, in favor of the EIB.

A summary of the debt main operations with credit institutions and payments made during 2017 is summarized below:

- In 2017, financial obligations denominated in Colombian pesos were reprofiled at the beginning of their amortization period in 2018 ($853,569,277), obtaining a maturity term of seven years with three years of grace for an amount of $120,000,000 and a term of seven years with two years of grace for an amount of $733,569,277 maintaining the conditions of the interest rate remaining at IBR+2.81% on average, improving the average life in 1.6 years of the debt denominated in pesos.

16. FINANCIAL LIABILITIES (continued)

- The financial obligations of the subsidiaries were renegotiated by improving the interest rate conditions of IBR+5.10% to IBR+2.97%.

- During 2017, amortization was made for USD$33.39 million of the financial obligation with the EIB, USD$5 million of financial obligations with Banco Santander and COP$140,000,000 of obligations in local currency.

- The closing interest rate of the loans in dollars for 2017 was 2.81% (2016 - 2.43%) before hedging, associated with the increase in the LIBOR rate, after hedges of 8.64% (2016 - 8.90%); for loans in local currency at the close of December 31st, 2017 was 7.82% (2016 - 10.43%).

Other Financial Obligations – Parapat

The financial obligation at December 31st with the Parapat is the following:

		2017		2016
		(COP$000)		
Current:				
Other financial obligations – Parapat	$	-	$	508,027,366
Non-current:				
Other financial obligations – Parapat		-		3,518,953,056
	$	-	$	4,026,980,422

During 2017, the obligation with the Parapat of $4,887,406,584 was totally paid, of which $4,800,966,498 were paid in September 2017 (Note 1. (h)) and $86,440,086 corresponds to the payment of the first fees on February and the interests of September, corresponding to the *waiver* of the fees extended until the day of cancellation of the debt. (2016 - $497,231,784).

17. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable at December 31st is as follows:

		2017		2016
		(COP$000)		
Current				
Creditors and suppliers (1)	$	662,386,970	$	527,077,346
Fixed assets suppliers		505,588,542		428,182,502
Shareholders, related economic parties and		192,178,246		146,482,118
associated companies (Note 25)		121,581,510		137,764,085
Terminals' suppliers		36,660,541		28,887,254
Labor remuneration pending to be paid		5,256,169		5,361,692
	$	**1,523,651,978**	**$**	**1,273,754,997**
Non-current				
Creditors and suppliers – Spectrum licenses (2)	$	145,809,348	$	142,624,331
Government grants (3)		30,623,654		29,313,090
Deposits from customers		37,411		37,411
		176,470,413		**171,974,832**
	$	**1,700,122,391**	**$**	**1,445,729,829**

17. SUPPLIERS AND ACCOUNTS PAYABLE (continued)

Suppliers and accounts payable include balances in foreign currency at December 31st, 2017 of USD$60,686 ($179,240,727) and EUR$374 ($1,622,440) and at December 31st, 2016 de USD$61,628 ($184,928,866).

(1) The balance of creditors and suppliers at December 31st is the following:

	2017	2016
	(COP$000)	
Equipment maintenance	$ 128,884,936	$ 121,516,835
Other creditors (a)	190,168,125	106,787,993
Sales commissions	54,440,172	56,267,605
Rentals	59,960,674	48,933,389
Content suppliers	68,585,737	37,925,262
Interconnection	41,350,015	36,656,737
Renting and third parties activities to customers	21,428,907	29,303,872
Roaming	15,385,966	20,943,674
Energy	19,428,633	17,188,020
Advertising	27,175,621	16,253,911
Obligations	18,089,928	15,178,862
Customer service	8,990,423	12,723,214
Computer services	4,563,260	3,877,359
Taxes and considerations	3,649,461	3,090,390
Travels	285,111	430,223
	$ 662,386,970	**$ 527,077,346**

a) Includes accounts payable for postage and mail delivery, customer service, technical assistance, sales transports, general and storage services, among others.

(2) Includes balances of pending obligations for the extension of 15MHz in 2011 for cellular telephony and spectrum renewal for the provision of cellular telephony service in March 2014 for 10 years.

(3) Biannual Plan III

In 2010, the Company signed an agreement with the National Government, known as the Biannual Plan III, which aims to develop the necessary transport infrastructure to provide fixed broadband services in social strata 1, 2 and SMEs in rural and urban and high-speed Internet demand capture in coverage areas specified in the plan and the replacement of obsolete wireless systems.

The resources allocated to this agreement amounted to $109,322,092. The initial duration of the agreement was of 24 months counted from July 2010. In November 2013, an extension was approved until May 2014 and in June 26, 2015, the final record of technical-financial verification of the infrastructure subject of the agreement was signed.

The Biannual Plan III resources are administered through the Trust and are recorded as receivables and other accounts receivable in rights in trust with a balance of 2017 $30,623,654 at December 31st (2016 - $29,313,090) (*Note 8 and 17)*.

17. SUPPLIERS AND ACCOUNTS PAYABLE (continued)

The values of future payments of the main concepts and operations cataloged as operating leasing are detailed as follows:

Concept		At 1 year		Between 1 and 5 years		More than 5 years		Total Flows
				(COP$000)				
Base stations, sites, antennas	$	93,606,053	$	194,160,355	$	32,137,314	$	319,903,721
Rental of towers and infrastructure		30,439,653		102,101,276		122,857,885		255,398,814
Other capacity rentals		18,076,258		74,999,355		136,873,375		229,948,988
Experience centers		17,141,488		27,532,908		4,591,111		49,265,507
Satellite capacity		17,513,996		3,082,935		–		20,596,931
Offices		1,805,772		1,609,709		–		3,415,481
	$	**178,583,219**	**$**	**403,486,538**	**$**	**296,459,686**	**$**	**878,529,443**

18. DEFERRED LIABILITIES

The balance of deferred liabilities at December 31st is shown as follows:

		2017		2016
Current		*(COP$000)*		
Income received in advance				
Other deferred income (2)	$	104,172,329	$	79,644,363
Deferred income for prepaid recharges		9,989,049		11,279,000
Government Grants (1)		2,081,265		4,402,878
Cession of rights of use (3)		1,211,501		1,211,500
	$	**117,454,144**	**$**	**96,537,741**
Non-current				
Income received in advance				
Cession of rights of use (3)	$	57,363,757	$	6,256,510
Government Grants (1)		12,478,327		13,621,114
Other deferred income (2)		4,909,403		5,440,149
		74,751,487		**25,317,773**
	$	**171,453,156**	**$**	**121,855,514**

(1) Includes income received from government grants (schools, localities and educational institutions) below is the purpose of the agreements:

Localities and Educational Institutions

Through Resolution 3525 of December 30, 2015, the Ministry of Information Technologies and Communications, under Resolutions 1157 and 2105 of 2011, and those that modify, clarify or subrogate them, recognized the partial fulfillment of the obligations to make under the deadlines and terms of the above resolutions, as partial payment of fifty percent (50%) of the value of radio spectrum, by: i) the compliance with the installation and operation of infrastructure for the coverage expansion of the mobile network in thirty-six (36) localities, approving the amount of $20,409,148 at November 30, 2015, and ii) the compliance with the obligation to make at December 31 st, 2014, respect the connection and provision of the internet service in one hundred ninety two (192) educational institutions, for the amount of $5,195,775.

18. DEFERRED LIABILITIES (continued)

Through the localities program, income were recognized for $1,308,337 during 2017 (2016 - $ 1,677,500) and by educational institutions in 2017 $1,253,606 for connectivity and maintenance and $405,654 corresponding to recurring amortization (2016 - $909,432).

The balance of deferred liability for grants includes i) $12,308,548 (2016 - $13,616,885) for localities, ii) $1,889,623 (2016 - $2,295,277) for educational institutions and iii) 361,421 (2016 - $2,111,830) for other concepts.

(2) Includes billing for customers on behalf of third parties and income received for anticipated services in basic postpaid charges.

(3) Includes income received from leases of land until 2028, income from the use of the carrying ring with Colombia Móvil until 2023 and income from the "RENATA" IRU agreement until 2027.

19. PROVISIONS

The balance of provisions at December 31st is as follows:

	2017	2016
	(COP$000)	
Current:		
Provision for tax responsibilities and considerations (a)	$ 120,052,073	$ 126,903,563
Provision for labor responsibilities (b)	31,167,685	28,662,844
Provision of voluntary retirement (c)	35,074,364	13,123,406
Provisions for post-employment plans of defined benefits (f)	17,673,116	–
Provision for claims *(Note 26)*	9,225,864	10,713,673
Share-based payments (d)	3,974,771	2,793,755
Provision for employees' claims	1,827,288	–
	218,995,161	**182,197,241**
Non-current:		
Provisions for post-employment plans of defined benefits (f)	198,126,843	–
Provision for dismantling (e)	29,596,383	27,042,092
Provision for other responsibility *(Note 26)*	14,257,413	26,355,498
Share-based payments (d)	3,584,620	1,748,648
Provision for employees' claims	2,270,257	–
	247,835,516	**55,146,238**
	$ 466,830,677	**$ 237,343,479**

a) Includes the provision for income tax for equality CREE, miscellaneous income tax, local business tax (ICA, for its acronym in Spanish), contribution to the Communications Regulatory Commission (CRC, for its acronym in Spanish), consideration to the Ministry of the TIC and the non-collected VAT.

b) Includes employees' incentive for compliance and performance.

c) The Company as of December 31, 2017 and 2016 included the provision for voluntary retirement in the Financial Statements. This provision corresponds to a formal plan, identifying functions, approximate number of employees, disbursements that will be carried out and plan estimated dates.

d) Remuneration to executives who have a five-year tenure, where the right to receive a certain number of Telefónica S.A. shares is granted. Subject to compliance with certain conditions relating to the share's behavior during the period and permanence in employment.

e) Corresponds to the estimation of the costs associated with the dismantling or removal of the element of property, plant and equipment in leased sites and the rehabilitation of its place of location at the expiration of each agreement when it has been agreed upon.

f) Post-employment benefit plans

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

19. PROVISIONS (continued)

		At December 31st 2017
Initial balance	$	203,378,997
Interests expense		2,851,738
Payments made for the plan		(4,929,717)
Actuarial loss (earnings) of the obligations		14,498,941
	$	**215,799,959**
Current part	**$**	**17,673,116**
Non-current part	**$**	**198,126,843**

The Company recognizes post-employment benefits corresponding to retirement pensions, which includes pension allowance and health. The actuarial calculation includes retired staff totally in charge of the company, with shared pension with the ISS and with company and ISS expectation, as well as life substitutes totally in charge of the Company, life shares in the ISS and temporary, totally in charge of the Company.

Measurement of the actuarial calculation is made through an independent actuary, using the costing Projected Credit Unit method. In relation to the hypothesis, the discount rate, the increase in pensions, the inflation rate and expenses are taken into account. In other hypotheses regarding mortality, the table of annuitants of the Financial Superintendency is taken into account, men and women with a factor of improvement in mortality. Actuarial gains and losses arising from adjustments based on the actuarial assumptions of the post-employment benefit are recorded in other comprehensive income for the period.

The update of the actuarial calculation is made at the end of each accounting period and was quantified according to an inflation of 4.10% and real rate of 3.4774% equivalent to the annual average for 2017 registered in the electronic trading system- SEN-First step - CONH, for TFIT titles at 16 years.

The population considered in the study is 749 people, 625 with calculation of mathematical reserves for retirement pensions and a total of 125 bonds.

19. PROVISIONS (continued)

The following is the movement of the provisions item for 2017:

	Balance at December 31st, 2016	Endowment	Application	Reversion	Transfers	Subsidiary companies registration	Balance at December 31st, 2017
Current							
Provision for tax liabilities (a)	$ 126,903,563	$ 362,775,742	$ (369,921,490)	$ –	$ (1,579,030)	$ 1,873,288	$ **120,052,073**
Provision for responsibilities	28,662,844	50,697,209	(31,219,523)	(2,979,430)	(22,552,013)	8,558,598	**31,167,685**
Provisions for claims *(Note 26)*	10,713,673	5,563,795	(9,942,702)	(926,854)	(38,000)	3,855,952	**9,225,864**
Provisions for post-employment plans of defined benefits	–	–	–	–	17,673,116	–	**17,673,116**
Provision for voluntary retirement	13,123,406	37,340,748	(14,155,158)	(1,590,986)	–	365,354	**35,074,364**
Share-based payments (b)	2,793,755	1,385,483	(204,467)	–	–	–	**3,974,771**
Provisions for employee claims	–	1,296,860	–	(9,676)	36,083	504,021	**1,827,288**
	$ 182,197,241	**$ 433,322,688**	**$ (425,443,340)**	**$ (5,506,946)**	**$ (6,459,844)**	**$ 15,148,213**	**$ 218,995,161**

	Balance at December 31st, 2015	Endowment	Application	Reversion	Financial update	Transfers	Subsidiary companies registration	Other movements	Balance at December 31st, 2017
Non-current									
Provisions for post-employment plans of defined benefits	$ -	$ 2,851,738	$ (4,929,717)	$ -	$ -	$(17,673,116)	$219,964,207	$(2,086,269)	$ 198,126,843
Provision for dismantling	27,042,092	657,618	(10,135)	-	1,891,495	-	15,313	-	29,596,383
Provisions for other claims (Note 25)	23,045,792	4,631,810	(7,762,402)	(5,657,787)	-	-	-	-	14,257,413
Share-based payments	1,748,648	2,020,368	(184,396)	-		-	-	-	3,584,620
Provisions for employee claims	3,309,706	573,448	(589,179)	(1,023,718)	-	-	-	-	2,270,257
	$ 55,146,238	**$10,734,982**	**$(13,475,829)**	**$(6,681,505)**	**$1,891,495**	**$(17,673,116)**	**$219,979,520**	**$(2,086,269)**	**$ 247,835,516**

The movement of the item of provisions for 2016 is as follows:

	Balance at December 31st, 2015	Endowment	Application	Reversion	Financial Update	Transfers	Balance at December 31st, 2016
				(COP$000)			
Current							
Provision for tax responsibilities (a)	$ 142,493,333	$ 82,830,825	$ (98,420,595)	$ –	$ –	$ –	**$ 126,903,563**
Provision for responsibilities	28,849,867	45,532,835	(31,240,397)	(1,601,642)	–	(12,877,819)	**28,662,844**
Provisions for claims *(Note 26)*	9,813,210	11,297,435	(9,230,583)	(1,166,389)	–	–	**10,713,673**
Provision for voluntary retirement	7,582,546	11,437,000	(4,765,786)	(1,130,354)	–	–	**13,123,406**
Share-based payments (b)	4,729,249	2,198,751	(2,089,490)	(2,381,560)	–	336,805	**2,793,755**
	$ 193,468,205	153,296,846	$(145,746,851)	$ (6,279,945)	$ –	$ (12,541,014)	**$ 182,197,241**

	Balance at December 31st, 2015	Endowment	Application	Reversion	Financial Update	Transfers	Balance at December 31st, 2016
Non-current							
Provision for dismantling	$ 26,160,552	$ –	$ –	$ (1,360,000)	$ 2,241,540	$ –	**$ 27,042,092**
Provision for other liabilities *(Note 26)*	20,787,205	25,696,427	(17,068,149)	(3,059,985)	–	–	**26,355,498**
Share-based payments (b)	2,926,637	1,376,228	(1,307,840)	(1,490,652)	–	244,275	**1,748,648**
	$ 49,874,394	**$ 27,072,655**	**$ (18,375,989)**	**$ (5,910,637)**	**$ 2,241,540**	**$ 244,275**	**$ 55,146,238**

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

19. PROVISIONS (continued)

(a) Provision for tax responsibility

Includes the movement of sales tax – VAT and the national consumption tax payable for voice and data communications services, pursuant to the provisions of article 432 of the National Tax Statute

(b) Share-based payments

At the General Shareholders' Meeting of Telefónica S.A., the last Matrix of Colombia Telecomunicaciones S.A. E.S.P., held on June 21, 2006, the Performance Share Plan (PSP) was approved for management and executives of Grupo Telefónica, consisting on the delivery to the selected participants for the purpose, after complying with the necessary requirements established in the same, of a certain number of shares of Telefónica S.A. (Company's Headquarters) in the concept of variable remuneration.

This is a remuneration plan with a total duration of seven years divided into five cycles (or independent deliveries) with a duration of 3 years (the 7 years of total duration are counted between the beginning of the first cycle in 2006 and the end of the fifth cycle in 2013), starting the first with effect on July 1, 2006. In each cycle, certain employees of Grupo Telefónica will be entitled to receive a number of shares of Telefónica S.A. free of charge at the end of said cycle (3 years).

At the beginning of each cycle, the number of shares to be delivered to the beneficiaries of the Plan will be determined, based on the compliance degree with the objectives set. The delivery is conditioned by:

- Permanence in the Company during the three years of each cycle duration, subject to certain special conditions in relation to the casualties.
- The number of shares to be delivered depends on the achievement level, which is based on the comparison of the shareholder's remuneration evolution, considering the quotation and dividends ("Total Shareholder Return" – TSR) of the share of Telefónica S.A. (Parent Company) with respect to the evolution of TSRs corresponding to a group of listed companies in the telecommunications sector that constitutes the comparison group. To this end, a maximum number of shares is established for each of the employees assigned to the plan to which the achievement level is applied, which is based on the TSR.
- This achievement level will be 100% if the TSR evolution of Telefónica equals or exceeds the third quartile of the comparison group; of 30% if said evolution equals the median; if the evolution is maintained between both values, a linear interpolation will take place, and below the median nothing will be delivered.

At December 31st, 2017, 4 cycles of this plan have expired, which had the following maximum allocated shares:

	N° of Shares	Unit value	End date
Fourth cycle – October 1st, 2014	103,195	6.824 Euros	September 30, 2017

At December 31st, 2016, 3 cycles of this plan have expired, which had the following maximum allocated shares:

	N° of Shares	Unit value	End date
Third cycle – July 1st 2013	136,907	6.398 Euros	June 30, 2016

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

19. PROVISIONS (continued)

b) Share-based payments (continued)

Due to the application of the remuneration plan in 2016, $2,935,245 were recognized in profit and loss.

At December 31st of 2015, cycles 1 and 2 of this plan have expired, which had the following maximum allocated shares:

	N° of Shares	Unit value	End date
Second cycle – October 1st, 2012	91,731	5.87 Euros	September 30, 2015

Due to the application of the remuneration plan in 2015, $3,400,714 were recognized in profit and loss.

Starting from the PSP, the new PIP share some characteristics:

- Allocation of the shares of Telefónica S.A. (no share options).
- Approval of the Shareholders' Board for three (3) consecutive cycles of three years of duration, each.
- Delivery of the shares subject to the Company's performance.
  This is a compensation plan with a total duration of five years divided into three cycles (or independent deliveries) with a duration of 3 years (the five years total of duration are counted between the beginning of the first cycle of 2011 and the end of the fifth cycle of 2015), the first starting with effect on July 1st, 2011. In each cycle, rights will be granted to certain employees of Grupo Telefónica to receive a specific number of shares of Telefónica S.A. for free consideration at the end of such cycle (3 years). At the beginning of each cycle, the number of shares to be delivered to the Plan beneficiaries based on the compliance degree with established objectives will be determined

However, this is a new plan and an essential change exists regarding the PSP: The Co–Investment:

- The PIP seeks motivating our executives to build and maintain a position as shareholders of the Telefónica S.A. (either by purchasing new shares, or by the retention of prior cycles of the PSP).
- Beneficiaries will be assigned with some "Initial Shares". But they will also be given the option of increasing the size of their assignment, if they elect to co–invest in the plan.
- To receive the "Improved Initial Shares" the participant should maintain in its possession and up to the end of the plan, an equivalent of 25% of the initial shares assigned.
- If they meet the co–investment requirement, the initial shares are "improved" by an extra 25%.
- We will continue with our effort of maintaining the focus on our high potential resources and outstanding performance with this policy of differential assignment.
- The Talent Matrix and the Management Review process shall therefore be fundamental and shall transform in key initial data for this exercise, in order to maintain consistency and alignment between talent and compensation.
- Coordination with the Executive Talent team has allowed us to have the relevant information of the Talent Matrix corresponding to the current year of the PIP allocation.

At December 31st of 2017, the current cycles are the following:

	N° of Shares Initial	N° of Shares Co–investment	Unit value	End-date
Fifth cycle – October 1st, 2015	119,199	23,413	6.436 Euros	September 30, 2018

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

19. PROVISIONS (continued)

b) Share-based payments (continued)

It is a long-term program that seeks to recognize and reward the Company's employees with an outstanding and consistent performance over time, with high potential and key skills to occupy future leadership positions by the allocation of shares of Telefónica S.A.

Through this Plan, there will be a certain amount of allocated shares of Telefónica S.A. These shares will belong to the employee within three (3) years, provided the employee meets the performance objectives of Telefónica and depending on the continuity as an employee of Grupo Telefónica. The delivery of the shares shall be subject to the Company's performance (Total Shareholder Return – TSR – of Telefónica).

The TFSP is a commitment of Telefónica to deliver for free consideration, at the end of each cycle a certain number of shares of Telefonica S.A. (Parent Company).

These shares shall be received, provided that the requirements established in the general conditions of this plan have been met and which mainly involve:

- Maintain an active working relationship in Grupo Telefónica at the vesting date of this TFSP cycle.
- Achieve, by Telefónica, results that involve the compliance with the objectives set for this plan.

The plan began on October 1st, 2014 and its total duration will be of five (5) years from that date.

The Plan is divided into three (3) independent cycles, which began on October 1st, 2014, 2015 and 2016 respectively, and will be completed within three (3) years from their starting dates.

The shares shall be delivered where appropriate after each cycle's vesting date.

At December 31st, 2017, the cycle 1 of this plant that had the following assigned maximum shares has expired:

	N° of Shares	Unit value	End date
First cycle – October 1st of 2014	10,605	6.824 Euros	September 30 of 2017
Second cycle – October 1st of 2015	15,000	6.436 Euros	September 30 of 2018

19. PROVISIONS (continued)

Global Plan of Purchase of Shares of Telefónica S.A. for the Employees of Grupo Telefónica

Telefónica S.A., with the approval of the Board of Directors stated that: "With the purpose of aligning the interests of the employees of Grupo Telefónica, including senior managers, as well as the executive directors of Telefónica S.A., with those of its shareholders, the plan offers the possibility of acquiring shares of Telefonica S.A., with the commitment of the latter to deliver to the recipients that adhere to the Plan, a determined number of additional shares of Telefónica S.A., free of charge, provided that certain conditions are met".

Pursuant to the faculties granted by the General Shareholders' Meeting of Telefónica, S.A. for the implementation, development and execution of the plan, the Board of Directors of Telefónica, S.A. has approved this general conditions, which serve to regulate the requirements and conditions based on which the recipients of the same may participate in the plan. These general conditions shall apply to all the plan's unitholders, without prejudice to any additional special conditions, if any, the Board of Directors may establish in specific cases.

The term of the plan extends from the start of the membership period until the end of the maintenance period, without prejudice of the period of time that is necessary to proceed, in its case, to deliver the corresponding additional shares.

The purchase period began on August 1st, 2015, and ends twelve (12) months from that date. The maintenance period begins on August 1st, 2016 and ends twelve (12) months from that date.

Unitholders shall communicate through the Investment Agreement, the amount of the contribution they wish to be retained monthly from their payroll to be allocated to the plan. The contribution in annual terms that each participant may allocate to the plan, may range from a minimum of 300 Euros and a maximum of 1,800 Euros. The contribution shall be deducted on a monthly basis from the payroll of the unitholder during the purchase period, except in the cases provided in these general conditions.

In each of the purchase dates, the contribution of the unitholder shall be allocated to the purchase of shares acquired, on behalf of the unitholder. The purchase shall be performed monthly during the purchase period, in the days immediately following the payment of the corresponding monthly payroll. In the event that the purchase operation could not be performed in a single session for all the plan unitholders, it shall be made in the few days as possible.

The number of shares acquired on behalf of each unitholder in each purchase date shall be determined by dividing the amount of the contribution of each unitholder between the market value of the shares on that purchase date.

Following the purchase of the shares acquired, the Company shall grant the unitholders a number of units equivalent to the number of shares acquired on such purchase date. These units may become additional shares.

Each unitholder will receive one (1) unit per acquired share. Each unit will provide the right to receive, provided that the requirements of the plan are met, one (1) additional share for each unit granted, which will be of the same type and with the same rights as the share acquired from which it derives.

The shares acquired and delivered shall be of Telefónica S.A. (Parent Company).

19. PROVISIONS (continued)

Global Plan of Purchase of Shares of Telefónica S.A. for the Employees of Grupo Telefónica (continued)

On the vesting date, the unitholders shall have the right that its units become additional shares, provided the following conditions are met:

1) That the Unitholder keeps acquired shares deposited in the securities account until the vesting date; in the event that the unitholder transmits, removes, lends or performs any act of disposal of the shares acquired before the vesting date, the number of units of such unitholder will be reduced proportionally to the number of shares acquired which it has disposed, with the possibility of reaching zero and consequently, extinguish, if the unitholder dispose all shares acquired prior to the vesting date and;

2) The unitholder continues providing services to Grupo Telefónica until the vesting date.

At December 31st of 2017, the “Global Employee Share Plan 2015”, corresponding to 353 employees with a total of 25,947 delivered shares has expired.

20. SHAREHOLDERS’ EQUITY, NET

Authorized, subscribed and paid capital at December 31st is shown as follows:

Share Capital

		2017		2016
		(COP$000)		
Authorized capital	$	1,454,870,740	$	1,454,870,740
Subscribed and paid-in capital		3,410,059		1,454,871
Par value (in pesos)		3,410,059,291		1,454,870,740
		1		1

In the extraordinary meeting held on August 28 and 29, 2017, the General Shareholders’ Meeting of the Company adopted the decision to capitalize the company through issuance and placement without being subject to the preemptive right of: i) 1,454,870,740 ordinary shares and ii) 500,317,811 ordinary shares respectively to meet commitments detailed in (*Note 1*).

For its part, the Company’s Board of Directors, in the meeting held on August 28 and 29, 2017, issued the regulations for the shares’ issuance and placement under the terms set forth by the General Shareholders' Meeting. The Company’s Legal Representative presented the stock offering to the beneficiaries, who, within the term established in the regulations for the shares’ issuance and placement, submitted the acceptance of the stock offering and paid the corresponding contribution. Telefónica Latinoamérica Holdings S.L., subscribed 1,319,752,271 shares and the Nation 635,436,280 shares.

After this capitalization, the Company's share capital is made up of 3,410,059,291 outstanding ordinary shares and the proportions in the Company’s shareholding are maintained, for which Grupo Telefónica is the real beneficiary of 67.5% and the Nation of 32.5%. % of the share capital.

The transaction costs assignable to the capitalization (incremental costs), for concepts of legal, notarial and registry services and fees were $16,909,607, which are deducted as a lower value of the equity.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

20. SHAREHOLDERS' EQUITY, NET (continued)

Equity at December 31st, is presented as follows:

	2017		**2016**	
Shareholders	**Number of shares**	**Percentage %**	**Number of shares**	**Percentage %**
Telefónica Latinoamérica Holding. S.L.	1,756,837,596	51.5192683	437,085,325	30.0428975
The Nation –Ministry of Finance and Public Credit	1,108,269,271	32.5000000	472,832,991	32.5000000
Olympic Ltda. In liquidation	-	-	275,603,185	18.9434826
Latin America Cellular Holdings S.L.	275,602,636	8.0820482	-	-
Telefónica S.A.	269,339,586	7.8983843	269,339,035	18.5128185
Radio Televisión Nacional de Colombia-RTVC	10,000	0.0002933	10,000	0.0000137
Canal Regional de Televisión Ltda.- TEVEANDINA	200	0.0000059	200	0.0006873
Latin America Cellular Holdings S.L.	2	0.0000000	2	0.0000001
Central de Inversiones S.A.-CISA	1	0.0000000	1	0.0000001
Terra Networks Colombia S.A.S.- In liquidation	1	0.0000000	1	0.0000001
	3,410,059,291	**100.00000**	**1,454,870,740**	**100.00000**

Reserves

a) *For tax provisions*: In accordance with tax regulations, when the Company claims a return in its income tax, it sets up a non-distributable reserve equivalent to 70% of the higher amount claimed as deduction depreciation installments that exceed the value of the installments recorded in the accounting.

When the depreciation claimed for tax purposes is lower than that recorded in the accounting, the Company may release from such reserve an amount equivalent to 70% of the difference between the amount claimed and the accounted value; profits released from the reserve may be distributed as revenue not constituting as tax income. At December 31st of 2017 and 2016, the reserves were $26,298,376. With the issuance of Law 1819 of 2016 (Tax Reform), the norm that established this reserve was repealed, so that from the taxable year 2017, it will not be mandatory to constitute such reserve.

b) *Legal Reserve*: At December 31st 2017 and 2016, is $6,045,751.

c) *For future expansion*: Reserve established by the Company for future expansion, not distributable. At December 31st, 2017 and 2016, the balance of this reserve is amount to $3,730,162.

d) *Share repurchase*: Reserve established by the Company for share repurchase, not distributable. At December 31st, 2017 and 2016, reserves were $31.322.

Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the holders of the Company's net equity instruments by the weighted average number of outstanding ordinary shares during the year.

For the year ended in December 31st, 2017, the value of the earnings per share was calculated based on 3,410,059,291 outstanding shares and amounted in pesos to $150.37.

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

20. SHAREHOLDERS' EQUITY, NET (continued)

Other Perpetual Equity Instruments

On March 30, 2015, the Company issued subordinated perpetual debentures issued for an amount of USD$500 million ($1,278,425,000), redeemable at the option of Colombia Telecomunicaciones S.A. ESP from the fifth year of the issuance. The obligations shall bear interest on the principal in the following way:

i. From March 30, 2015 (included) (the "Issuance Date") until March 30, 2020, (excluded) (the "First Call Date") at a rate of 8.5% per anumm payable semiannually at the expiration of each interest period; and

ii. From the date of first repayment option (inclusive) until the amortization date (excluding), if any, for each reset period the obligations will bear interest at a rate equal to the relevant 5-year Swap rate expressed as a percentage terms plus the initial margin (6.96%); plus:

a) in respect of the reset period beginning on the date of the first call date or later: 0.25%;

b) in respect of the reset periods beginning on March 30, 2035 or subsequent, plus 2.75% (unless the credit rating of the issuer by Standard & Poor's is upgraded to investment grade and is effective at March 30, 2035; then, such increase of 2.75% shall be effective only for the reset periods starting on March 30, 2040, or subsequently).

This obligation is presented within equity in the account "Other equity instruments" in the Statement of Changes in Equity.

Format	Issuance Currency	Premiums and discounts	Issuance total amount	Issued total amount	Minimun redemption term	Issuance date	Rate /Payment	Observations	Use of resources
R 144A/ Reg S	USD	Cero	500,000,000	500,000,000	Perpetual NC 5	March 30 2015	8.5% / Biannual	1. Possibility of deferring coupons at the issuer's discretion. 2. Redemption option as of year 5 and in each six-month yield payment due.	Substitution of financial liabilities

During 2017, an interest coupon was paid for a total net amount of $124,377,527 (2016 - $147,315,344), these values are recognized in the Statement of Changes in Equity in the item "Accumulated Income".

20. SHAREHOLDERS' EQUITY, NET (continued)

Other Comprehensive Income

The Company recognized net income in the Other Comprehensive Income (ORI, for its abbreviation in Spanish) at December 31st of 2017 for $130,334,885 (2016 net loss of $83,083,859), which is presented as follows:

	2017	2016
	(COP$000)	
Other comprehensive income		
Hedge valuation, net	$ (65,779,774)	$ (93,064,437)
Deferred tax *(Note 11)*	42,880,724	42,130,342
	(22,899,050)	**(50,934,095)**
Revaluation of land and buildings, net		
Depreciation and real estate revaluation write-offs *(Note 13)*	192,085,628	(9,485,693)
Deferred tax of Agreement's property Parapat *(Note 11)*	86,111,726	(23,213,708)
Deferred tax of own property *(Note 11)*	(126,132,692)	549,637
	$ 152,064,662	**$ (32,149,764)**
Result in actuarial update in controlled investments	1,972,731	-
	$ 131,138,343	**$ (83,083,859)**

21. OPERATING INCOME

Operating income for the year ended in December 31st, are presented as follows:

	2017	2016
	(COP$000)	
Telecommunication services – mobile operation		
Services and data transmission - connectivity	$ 1,346,178,576	$ 976,517,445
Monthly fees and time on air	865,957,614	1,066,505,568
Sale of mobile equipment and accessories	477,654,972	397,761,939
Interconnection and roaming	151,580,987	229,039,763
Added-value services (1)	101,123,754	108,051,022
Carrier services (2)	85,767,81	122,652,945
	$ 3,028,263,714	**$ 2,900,528,682**
Telecommunication services – fixed operation		
Data transmission services	$ 766,060,998	$ 716,194,418
Local telephony	555,895,292	602,726,477
Satellite television	284,824,641	259,956,433
Other operating revenues (3)	224,233,703	263,866,623
Sale of equipment	2,144,578	2,816,630
	$ 1,833,159,212	**$ 1,845,560,581**
Total sales and services provision	**4,861,422,926**	**$ 4,746,089,263**
Other operating income (4)	148,594,817	125,558,171
Total operating income	**$ 5,010,017,743**	**$ 4,871,647,434**

21. OPERATING INCOME (continued)

1) Includes applications downloads, text messages, collection for reconnections, subscription of preferred contacts and spaces in communication channels for advertisers.

2) Includes services provided to the mobile virtual network operator Virgin Mobile

3) Includes consulting project development services, management of equipment applications and communication infrastructures and security management.

4) Other operating income is detailed as follows:

	2017		2016	
	(COP$000)			
Other operating incomes (a)	$	77,777,001	$	90,334,782
Works done for own fixed assets		48,317,816		35,223,389
Sale of sities - Towers		22,500,000		–
	$	**148,594,817**	**$**	**125,558,171**

(a) Includes operating leases, income from disposal of other assets, subsidies and compensation.

22. OPERATING COSTS AND EXPENSES

Operating costs and expenses for the year ended at December 31st are detailed as follows:

	2017		2016	
	(COP$000)			
Inventories cost *(Note 10)*	$	563,521,912	$	554,792,111
Media rental and other network infrastructures		372,044,623		357,931,433
Labor cost		410,854,934		353,710,535
Access, interconnection and roaming charges		235,734,470		283,542,802
Other costs and operating expenses (1)		284,327,297		269,537,314
Maintenance		272,688,064		262,642,246
Tributes and considerations		266,576,600		245,070,535
Sales commissions		219,409,424		216,772,744
Energy		153,863,837		153,718,142
Computer services		148,162,160		147,224,738
Content suppliers		159,460,421		147,008,423
Advertising expenses (2)		146,806,529		136,597,273
Renting and third parties' activities		111,334,790		85,945,089
Customer service		80,140,341		76,452,869
Other non-recurring costs and operating expenses (3)		13,645,281		41,464,454
Impairment, net of recovery (4)		38,570,076		38,477,082
		$3,477,140,759	**$**	**3,370,887,790**

1) Includes costs and operating expenses for invoicing, collection for printing and documentation distribution, rental of premises, legal, tax and labor consulting, transport, surveillance, insurance and travel expenses.
2) Includes expenses of advertising campaigns and brand use.
3) Includes legal contingencies, contributions and losses on disposal of fixed assets.
4) Includes: i) impairment for doubtful debt of $41,691,298 (2016 - $39,835,739) and collection of bad debt portfolio from previous periods of $3,109,938 (2016 - $1,119,205) and ii) inventories provision net recovery of $11,284 (2016 – $239,452), *(Notes 8 and 10).*

23. FINANCIAL EXPENSES, NET

Financial Expenses, Net, for the year ended at December 31st are presented as follows:

		2017		2016
		(COP$000)		
Income:				
Customers' default interests	$	15,196,267	$	14,448,359
Recovery of financial expenses (1)		–		1,360,000
Investment returns and bank accounts		2,206,522		2,831,877
	$	**17,402,789**	**$**	**18,640,236**
Expenses:				
Interests on loans, obligations and bonds	$	(254,581,211)	$	(263,968,685)
Interest hedging transactions, net		(106,129,988)		(69,046,864)
Updating of financial liabilities (2)		(3,670,690)		(8,528,177)
Taxes on financial expenses		(15,516,068)		(3,506,375)
Other financial expenses		(9,283,269)		(8,790,771)
		(389,181,226)		**(353,840,872)**
Gain (loss) for exchange difference, net		(6,877,423)		1,156,686
	$	**(378,655,860)**	**$**	**(334,043,950)**
Interest expenses – Parapat (3)		(350,451,210)		(499,233,016)
	$	**(729,107,070)**	**$**	**(833,276,966)**

1) In 2016, it mainly includes the financial update of the provision for asset dismantling due to the agreements renegotiation.
2) Includes financial update of liabilities for obligations and in 2017 provision for asset dismantling.
3) In September 2017, the Company made an advance payment of the Parapat obligation balance, as a result, the interest expense for 2017 compared to 2016 decreased by ($148,781,806). (*Notes 1 and 16*).

24. FINANCIAL RISK MANAGEMENT POLICY

24.1. Financial Derivative Instruments and Risk Management Policy

The Company is exposed to various financial market risks as a result of: i) the normal course of its businesses and ii) the financial debt contracted to finance its businesses. Main risks are exchange rate, interest rate, liquidity and credit.

Exchange rate risk

Primarily arises from the obligations and rights that the Company has in different currencies other than the Colombian peso.

Interest rate risk

Mainly arises from changes in interest rates that affect: i) financial costs of variable rate debt and/or short-term debt renewals at fixed interest rates and ii) long-term liabilities at fixed interest rates.

Liquidity risks

The Company is exposed to liquidity risk mainly due to the mismatch between funding needs and their sources.

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Risk management

The Company actively manages risks through the use of derivative financial instruments (primarily on exchange rate and interest rate); also, the net balance sheet positions are taken into account in order to take advantage of natural hedges that are offset directly by avoiding incurring on bid-offer spread costs on hedging operations.

At year-end 2017, the Company had the following portfolio of exchange and interest rate financial derivatives:

Figures in millions	**NDF**				**IRS**				**CIRS (Margin)**		**CCIRS**		**Options**	
Underlying	**USD**		**EUR**		**USD**		**COP**		**USD**		**USD**		**USD**	
Senior Bond	**US$**	**750**	**€**	**-**	**US$**	**750**		**-**	**US$**	**750**		**-**		**-**
Debt in USD$/COP		**22**		**-**		**-**		**228,535**		**-**	**US$**	**58**		**-**
Trade accounts		**93**		**26**		**-**		**-**		**-**		**-**		**-**
Future cash flows		**96**		**-**		**-**		**-**		**-**		**-**	**US$**	**104**
Total Currency of origin	**US$**	**961**	**€**	**26**	**US**	**750**		**228,535**	**US$**	**750**	**US$**	**58**	**US$**	**104**

NDF: Non delivery forwards
IRS: Interest rate swap
CIRS: Currency interest rate swap
CCIRS: Cross currency interest rate swap

At year-end 2016, the Company had the following portfolio of exchange and interest rate financial derivatives:

Figures in millions	**NDF**				**IRS**				**CIRS (Margin)**		**CCIRS**		**Options**	
Underlying	**USD**		**EUR**		**USD**		**COP**		**USD**		**USD**		**USD**	
Senior Bond	US$	340	€	–	US$	750	$	–	US$	750	US$	410	US$	–
Debt in USD$/COP		43		–		–		121,465		–		75		
Trade accounts		5		3		–		–		–		–		57
Future cash flows		54		–		–		–		–		–		–
Total Currency of origin	US$	442	€	3	US$	750	$	121,465	US$	750	US$	485	US$	57

NDF: Non delivery forwards
IRS: Interest rate swap
CIRS: Currency interest rate swap
CCIRS: Cross currency interest rate swap

Exchange Rate Risk

The exchange rate risk management policy's main objective is protecting the value of the records of assets and liabilities denominated in dollars and euros to changes in the exchange rate of the Colombian peso against these currencies.

At December 31st, 2016, the net debt of the Company in US dollars amounted to USD$829.8 million, including the senior bond maturing in 2022 (2016 - USD$868.2 million). In addition, considering the regular flow of the Company's business, trade accounts hedging was made, corresponding to OPEX (Operating Expenses) invoices and CAPEX (Capital Expenditure) invoices in foreign currency that were recorded in the Statement of Financial Position. Finally, highly probable future cash flows hedges were contracted by NDF and options with terms of up to one year to cover a portion of the OPEX and CAPEX to be executed in foreign currency of the following year's budget.

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Interest Rate Risk

After hedging, exposure to variable rate is 86.1% of the total debt, within the risk management policy framework in line with the Central Bank's expansionist monetary policy stance in the medium term.

At the end of December, 2017, the fixed rate and variable rate debt was as follows:

Financial Obligations (*)

(COP$000)

Fixed Rate Obligations		**Share**	**Index**
Debt in COP	350,000,000	9.2%	Fixed Rate
Debt USD	173,794,625	4.6%	Fixed Rate
Other debt	5,168,129	0.1%	Fixed Rate
Total fixed	**$ 528,962,755**	**13.9%**	
Variable rate obligations			
Senior bond	2,238,000,000	58.6%	IBR 3M
Debt USD	64,307,867	1.7%	Libor 6M
Debt in COP	985,401,715	25.8%	IBR/ IPC
Total variable	**$ 3,287,709,582**	**86.1%**	
Total debt	**$ 3,816,672,337**	**100%**	

(*) Exposure to interest rate after hedging.

At the end of December of 2016, the fixed rate and variable rate debt was as follows:

Financial Obligations (*)
(Figures in million pesos)

Fixed Rate Obligations		**Share**	**Index**
Senior Bond**	$ 1,230,291	30.9%	Fixed Rate
Debt USD	224,562	5.6%	Fixed Rate
Other debt	6,839	0.2%	Fixed Rate
Total fixed	**$1,461,692**	**36.7%**	
Variable rate liabilities			
Senior Bond**	$ 1,020,241	25.7%	Libor 3M
Debt USD	130,075	3.3%	Libor 6M
Debt in COP	1,365,034	34.3%	IBR/DTF/IPC
Total variable		**58%**	
Total debt	**$ 3,977,042**	**100%**	

(*) Exposure to interest rate after hedging.
(**) Gross of Commissions.

100% of the nominal senior bond maturing in 2022 is exposed to fluctuations of the IBR 3M (equivalent to 58.6% of the total debt) after the hedging structure with IRS, CCIRS and NDF.

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Interest Rate Risk (continued)

27% of the nominal foreign debt is exposed to 6M Libor fluctuations (equivalent to 1.7% of the total debt) and the remaining 73% is subject to a fixed rate in Colombian pesos hedged with CCIRS (equivalent to 4.6% of the total debt). 73.8% of the debt with local banks, equivalent to 25.8% of the total debt, is exposed to the fluctuations of the IBR 3M, DTF and IPC and the remaining 26.2% is subject to a fixed interest rate through IRS coverages.

Sensitivity of debt and derivatives before changes in the interest rate:

For the derivatives, a positive and negative movement was sensitized on the 100 bps valuation curve.

In the periods in which the rates were lower than 1%, the sensitivity to avoid negative rates was not considered; for the calculation of the sensitivity in equity only cash flow hedging operations were considered taking into account that they are the only operations whose effect of interest rate is recorded in equity. In the same way, for the sensitivity in the result, only fair value hedging transactions were considered taking into account that they are the only transactions whose effect of valuation interest rate is recorded in the Statements of Comprehensive Income.

The result of sensitivity was the following:

	Impact on Income	Impact on Equity
	(COP$000)	
+ 100 pb	$ 67,488	$ (82,545,704)
- 100 pb	(67,815)	86,707,637

(Figures expressed in thousands of Colombian pesos, unless otherwise indicated)

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Financial Derivative Instruments and Risk Management Policy

The breakdown of the Company's derivatives at December 31, 2017 and its fair value at such date and the expected maturity schedule for notional value and in function of the type of hedge is the following:

		Notional Value (2) – Maturities *(Figures in million pesos)*			
Derivatives	**Fair Value (1)**	**2018**	**2019**	**Subsequent**	**Total**
Interest rate hedges	$ 29,760	–	$ (30,366)	$ 4,742,493	$ 4,704,535
Cash flow hedges	29,760	(7,592)	(30,366)	4,742,493	4,704,535
Interest rate hedges	19,442	3,271,553	–	–	3,271,553
Cash flow hedges	(801)	596,203	–	–	596,203
Fair value hedges	20,244	2,675,350	–	–	2,675,350
Interest rate and exchange rate hedges	(13,643)	149,123	24,672	–	173,795
Cash flow hedges	(13,643)	149,123	24,672	–	173,795
Total Valuation	**$ 35,559**	**$ 3,420,676**	**$ (5,694)**	**$ 4,742,493**	**$ 8,149,883**

(1) Is presented net of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA),
(2) For interest rate hedges, the positive amount is in terms of fixed payment. For exchange rate hedging, a positive amount means payment in functional vs. foreign currency.

The breakdown of interest rate and exchange rate derivatives of Colombia Telecomunicaciones S.A. ESP at December 31st, 2016 and its notional amounts at such date and the value in currency receivable and payable is as follows:

Derivatives	**Fair Value (1)**	**2017**	**2018**	**Subsequent**	**Total**
Interest rate hedges	$ 120,379,374	$ –	$ (15,183,065)	$ (106,281,455)	$ (121,464,520)
Cash flow hedges	120,379,374	–	(15,183,065)	(106,281,455)	(121,464,520)
Exchange rate hedges					
Cash flow hedges	(66,959,439)	1,505,725,778	–	–	1,505,725,778
Fair value hedges	(428,710)	158,863,246	–	–	158,863,246
	(66,530,729)	1,346,862,532	–	–	1,346,862,532
Hedges of interest rate and exchange rate	396,542,157	1,215,416,981	177,410,325	62,025,510	1,454,852,816
Cash flow hedges	396,542,157	1,215,416,981	177,410,325	62,025,510	1,454,852,816
Total valuation	$ 449,962,092	$2,721,142,759	$ 162,277,260	$ (44,255,945)	$ 2,839,114,074

(1) Is presented net of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

(2) For interest rate hedges, the positive amount is in terms of fixed payment. For exchange rate hedging, a positive amount means payment in functional vs. foreign currency.

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Financial Derivative Instruments and Risk Management Policy (continued)

The breakdown of interest rate and exchange rate derivatives of Colombia Telecomunicaciones S.A. ESP at December 31st, 2017 and its notional amounts at such date and the value in currency receivable and payable is as follows:

		Colombia Telecomunicaciones S.A.			
		Receives		Pays	
		(Figures in thousands of foreign exchange)			
Risk Type	**Equivalent in COP**	**Value**	**Foreign Exchange**	**Value**	**Foreign Exchange**
Interest rate swaps in COP					
From fixed to floating (COP/COP)	$ 228,535,480	$228,535,480	COP	$ 228,535,480	COP
	228,535,480				
Interest rate swaps in foreign exchange					
From fixed to fixed					
USD/COP	2,238,000,000	750,000	USD	2,238,000,000	COP
From fixed to floating					
USD/USD	2,238,000,000	750,000	USD	750,000	USD
Exchange rate swaps					
From floating to fixed					
USD/COP	173,794,625	58,242	USD	173,794,625	COP
	$ 173,794,625				
Options					
USD/COP	$ 308,844,000	103,500	USD	308,844,000	COP
	$ 308,844,000				
Forwards					
USD/COP	$ 2,814,511,467	943,201	USD	2,814,511,467	COP
COP/USD	53,712,000	53,712,000	COP	18,000	USD
EUR/USD	94,485,853	26,400	EUR	31,488	USD
	$ 2,962,709,320				
	$ 8,149,883,426				

The distribution of derivatives by average life is as follows:

Underlying Hedged	**Notional**	**Up to 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
			(COP$000)		
With underlying					
Loans					
In local currency	$ 228,535,480	$ (7,591,533)	$ (35,732,260)	$ 146,859,272	$ 125,000,000
In foreign currency	238,102,492	77,345,508	158,701,032	2,055,952	–
	466,637,972	69,753,976	122,968,772	148,915,225	125,000,000
Liabilities and bonds					
In foreign currency	2,238,000,000	2,238,000,000	–	–	–
	2,238,000,000	2,238,000,000	–	–	–
Other underlying					
Forwards	660,401,453	660,401,453	–	–	–
Options	308,844,000	308,844,000	–	–	–
	969,245,453	969,245,453	–	–	–
	$ 3,673,883,426	$ 3,276,999,429	$ 122,968,772	$ 148,915,225	$ 125,000,000

24.1. Financial Derivative Instruments and Risk Management Policy (continued)

Financial Derivative Instruments and Risk Management Policy (continued)

The breakdown of interest rate and exchange rate derivatives of Colombia Telecomunicaciones S.A. E.S.P. at December 31st of 2016, as well as its notional amounts as of that date and the value in foreign exchange to receive and pay is as follows:

		Colombia Telecomunicaciones S.A. E.S.P.			
		Receives		Pays	
Risk type	Equivalent in COP	Value	Foreign exchange	Value	Foreign exchange
Interest rate swaps in COP					
From fixed to floating (COP/COP)	$ (121,464,520)	$ 121,464,520	COP	$ 121,464,520	COP
	(121,464,520)				
Interest rate swaps in foreign exchange					
From fixed to fixed					
USD/COP					
From fixed to floating	2,250,532,500	750,000	USD	2,250,532,500	COP
USD/USD					
	(2,250,532,500)	750,000	USD	750,000	USD
Exchange rate swaps					
From floating to fixed					
USD/COP	1,454,852,816	484,836	USD	1,454,852,816	COP
	$ 1,454,852,816				
Options					
USD/COP	$ 170,290,293	56,750	USD	170,290,293	COP
	$ 170,290,293				
Forwards					
USD/COP	$ 1,361,091,556	430,490	USD	1,326,433,356	COP
COP/USD	(34,658,201)	34,658,201	COP	11,550	USD
EUR/USD	9,002,130	2,846	EUR	3,000	USD
	$ 1,335,435,485				
	$ 2,839,114,074				

The distribution of derivatives by average life is as follows:

Underlying Hedged	Notional	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
			(COP$000)		
With underlying					
Loans					
In local currency	$ (121,464,520)	$ –	$ (15,183,065)	$ (60,732,260)	$ (45,549,195)
In foreign currency	354,636,343	115,200,508	236,373,644	3,062,191	–
	233,171,823	115,200,508	221,190,579	(57,670,069)	(45,549,195)
Liabilities and bonds					
In foreign currency	2,250,532,500	2,250,532,500	–	–	–
	2,250,532,500	2,250,532,500	–	–	–
Other underlying					
Forwards	185,119,458	185,119,458	–	–	–
Options	170,290,293	170,290,293	–	–	–
	355,409,751	355,409,751	–	–	–
	$ 2,839,114,074	$ 2,721,142,759	$ 221,190,579	$ (57,670,069)	$ (45,549,195)

24.2. Other Risks and Uncertainties Faced by the Company

The business of Colombia Telecomunicaciones S.A. ESP is conditioned by intrinsic factors, unique to the Company, as for certain exogenous factors that are common to any company in its sector. It should be noted, as most significant, the following

Country Risk

Contrary to the high risk perception registered in 2016, risk in the country substantially decreased during the last year, even with the downgrade news of Standard & Poor in December, due to the approval of the tax reform and an improvement in the terms of exchange. In effect, the WTI oil price in 2017 increased by 17.3% annually, mainly due to the Vienna agreement favorable impacts. As a result of the latter, throughout the year until October, exports increased by 19% year-on-year, with a consequent correction of 32% in the trade balance deficit in the same period and a reduction in the current account deficit to 3.7% of the GDP throughout the year until September 2017. On the other hand, the tax reform approval generated reassurance about the fulfillment of the fiscal goals in the short term, which led to a decrease in the risk measures (Credit Default Swap to 5 years decreased on average 83 bps). In turn, the lower risk perception, combined with the better terms of exchange favored the exchange rate, which showed a revaluation of 3.4% year-on-year in 2017.

However, not only external risks were mitigated in 2017. Annual inflation for 2017 stood at 4.1%, below the 5.8% recorded in 2016, in line with the normalization of the post-child food supply and the exchange rate appreciation, facts that generated a correction in the inflationary path of food and tradable, even with the upward pressures generated by the tax reform; However, pressures derived from prices indexation persist, evidenced by non-tradable inflation, which closed at 5.5% in 2017. This drop in annual inflation has allowed the Central Bank to reverse the contractive policy carried out in 2016 and which negatively influenced household consumption.

In effect, in 2017 the repo rate decreased by 275 pbs, standing at 4.75%, close to the neutral level. The new monetary policy path will pay conditions that will allow a gradual recovery of the economic growth in 2018, which would be close to 1.7% in 2017, the lowest figure since the past decade's international financial crisis.

As mentioned in the previous section, the tax reform played an important role in the compliance of the Fiscal Rule in 2017, since it allowed generating part of the fiscal resources lost due to oil price reduction. However, the collection achieved was lower by 0.4 pps in comparison to the anticipated in mid-year in the Medium Term Tax Framework, which generated noise on the Government's compliance capacity. Although the GDP's 3.6% deficit target was reached, this was a result of the Award's extraordinary income paid by Claro and Telefónica, reason why Standard & Poor decided to lower Colombia's rating by one grade, a move anticipated by the market. Considering that the estimated tax income for 2018 is aligned with the 2017 income, the Government decided to reduce the collection target of the GDP by 0.3% (with respect to the one foreseen in 2017), which is why in order to comply with the Tax Revenue Target it shall propose, in the course of 2018, greater savings than those foreseen in the budget, imposing greater pressures on its compliance.

Finally, the presidential elections will be another factor that will generate uncertainty during the year's first half. Although most of the candidates would agree to maintain macro-prudential policies, the latent risk of the victory of a candidate of the left is maintained, a fact that would imply strong upward pressures in both the country risk indicators and the exchange rate.

24.2. Other Risks and Uncertainties Faced by the Company (continued)

Risk for Legal Regulation

The Ministry of Information Technologies and Communications (hereinafter, the "Ministry") is the authority exercising State intervention in the sector of information technologies and communications in Colombia; it adopts the sector's policies, plans, programs and projects, establishes general operating conditions and marketing conditions of networks and services, grants permits for the use of radio spectrum and exercises the functions of control and surveillance in the field of information technologies and communications, among other functions.

For its part, the Commission for Communications Regulation (hereinafter, the "CRC"), is the body responsible for promoting competition, preventing abuse of dominant positions and regulating the markets for networks and communications services. Among its most important functions: i) Promoting and regulating free competition for the provision of networks and telecommunications services, ii) Issuing all the regulation of general and particular character on the matters relating to the competition regime, to technical and economic aspects related to the interconnection obligation; as well as the remuneration for access and use of networks and infrastructure, wholesale prices, billing and collection conditions; the regime of access and use of networks; the parameters of the services quality; the efficiency criteria of the sector and the measurement of sectoral indicators in order to advance in the information society; and for the settlement of disputes between providers of networks and communication services, iii) Regulating access and use of all networks and access to telecommunications services markets, with the exception of the networks which are primarily intended for broadcast television and radio services, towards a regulation by markets.

Inherent Risks to the Activity Sector in which the Company Operates

The provision of services is performed under licenses, as well as under the licenses for the use of the spectrum. In March 2014, as a result of the transitional regime of Law 1341 of 2009, the license for the use of the 25 MHz spectrum in band 850 and 15 MHz in band 1900 used for mobile services was renewed for 10 more years until March 2024, by resolution 597 of 2014.

In October of 2011, after an auction process with the participation of other mobile telephony operators, Colombia Telecomunicaciones S.A. ESP was awarded with 15 MHz of spectrum in the 1900 MHz band. This spectrum allocation was materialized in Resolution MINTIC 002105 of September 15, 2011, respect to which it is worth highlighting the following aspects:

1. The permit duration is 10 years from October 20, 2011.

2. The amount to be paid as compensation was $USD47,700 which were paid as follows:

   (a) 50% in cash (USD$23,850) six months after the date in which the act of spectrum allocation is signed.

   (b) 50% by fulfilling the obligation to do (coverage of 36 locations and service to educational institutions)

3G coverage obligation in all the municipalities in which the Company had coverage, no later than April 18, 2012.

24.2. Other Risks and Uncertainties Faced by the Company (continued)

Inherent Risks to the Activity Sector in which the Company Operates (continued)

By Decree 2980 of August 19, 2011, the Ministry of Information Technologies and Communications changed the limit of the radio spectrum for its use in land mobile services, from 55 to 85 MHz. According to this decree, once the process of issuing permits in the band of 1710 MHz to 1755 MHz and 2110 to 2155 MHz and 2500 MHz of the band in 2690 MHz, is completed, which was developed in 2013, the spectrum of maximum radio of the use of the provider of the telecommunications networks land mobile services and services shall read as follows:

- 85 MHz for the highest bands (between 1710 MHz and 2690).
- 30 MHz for the lowest bands (between 698 MHz and 960).

In the 4G auction process, the Company obtained 30 MHz of spectrum in the band of 1710 MHz to 1755 MHz, paired with 2110 MHz to 2,155 MHz, a resource that was assigned by Resolution 2625 of 2014, with a 10-year currency, confirmed by Resolution 4142 of October 25, 2013.

With these allocations, the Company has a total of 85 MHz of spectrum, distributed as follows: 30 MHz in band in 1900, 25 MHz in band 850 and 30 MHz in the AWS band.

Mintic issued decree 2194 of 2017 which increased the maximum spectrum limit in land 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).

Markets Subject to Continuous Technological Evolution

The Company's success depends, to some extent, on its ability to anticipate and adapt in a timely manner to technological changes, preparing before technological changes and market demand. New products, services and technologies are constantly created, forcing us to permanently update them. This need for constant technological innovation can render obsolete some of the products and services offered by the Company, as well as its technology, thereby reducing the profit margins and forcing to invest in the development of new products, technology and services. At the same time, it enables maintaining legacy technologies, which will remain in force until we achieve the migrations of all users or until regulatory entities allow their shutdown in a controlled manner. Additionally, convergence of new technologies allows the possibility that new sector players are not being subject to regulatory norms that remain in force from the past, leading us to a position of disadvantage before these new players in the sector.

Consequently, the development of products and technologies required to continue competing effectively with current or future competitors could be expensive. Such increased costs could adversely affect the Company's business, financial position, and economic performance or cash generation.

The Company shall continue updating its networks of mobile and fixed lines in a satisfactory manner and in a timely manner in order to maintain and increase its customer data base in each of its markets, in order to enhance its financial performance and meet with the requirements demanded by the applicable regulation. Among other things, the Company may need to upgrade the performance of its networks in order to increase the customization of its services, equipment virtualization, increase processing and data storage capacity, as wellincrease coverage in some of its markets, expand and maintain customer services, networks management and administrative systems.

24.2. Other Risks and Uncertainties Faced by the Company (continued)

Suppliers' Concentration

The company has continued an integration process of small suppliers towards a focus of large and global suppliers, a model in which significant savings are achieved in regional negotiations. However, this model may imply high risk of dependency, which could lead to a medium and long term dependency that could hardly be solved by not having alternative suppliers that allow handling pressure levers that avoid defaults in product deliveries, not agreed price increases or room for maneuver that could not be solved if there is a single provider in some of the network layers.

Risks Associated to Unanticipated Network Interruptions

Network interruptions are situations inherent to the operation of any element that constitutes it, which create impairment in the service, causing dissatisfaction among users due to the impossibility of communication, as well as an equally significant risk considering requirements from control entities that could result in high-impact penalties for the company

The only possibility of minimizing or reaching a controlled risk level regarding unanticipated network interruptions focuses on the capacity to periodically and efficiently guarantee a preventive and corrective maintenance model on the network equipment, as well as the investment in redundancy elements that allows supporting the service in case of possible failures. In the same way, today there are predictive models that enable us anticipating failures and reducing the risk of current impact, but whose implementation is related to greater CAPEX and OPEX investments that allow it.

25. SHAREHOLDERS, RELATED ECONOMIC PARTIES AND ASSOCIATED COMPANIES

25.1. Accounts Receivable

The balances accounts receivable between the Company and its shareholders, related parties and associated companies at December 31st are the following:

Current

a) Shareholders

	2017	2016
	(COP$000)	
Domestic		
Terra Networks Colombia S.A.S. – In liquidation	$ –	$ 15,349
	–	15,349
Foreign		
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA)	5,061,561	10,687,772
Telefónica S.A.	191,197	540,055
	5,252,758	11,227,827
	$ 5,252,758	$ 11,243,176

b) Related Parties

	2017	2016
	(COP$000)	
Domestic		
Tiws Colombia II S.A.S.	$ 24,099,653	$ 409,814
Telxius Cable Colombia S.A.	1,971,466	8,124,320
Telefónica Global Technology Colombia Sucursal	626,943	464,372
Wayra Colombia S.A.S.	33,691	32,294
	$ 26,731,753	$ 9,030,800
Foreign		
Tiws España S.L.	$ 3,370,506	$ 21,356,591
Pegaso PCS, S.A. de C.V.	2,229,484	–
Telefonica Moviles Espana S.A.	1,535,234	2,076,334
O2 Germany GMBH & CO.OHG	1,521,603	599,299
Otecel S.A.	1,147,937	1,084,147
Telefónica Digital España S.A	1,047,272	852,983
Telefónica Móviles de Chile S.A.	736,917	545,418
Telefonica Moviles Argentina S.A.	726,608	452,328
Telefonica Moviles Panama S.A.	533,601	897,210
Telefonica USA, INC	400,300	241,398
Telefónica del Perú S.A.	223,819	108,758
Telefonica Brasil S.A	202,663	638,221
Telefónica de Costa Rica	175,646	39,140
Telefónica Compras Electrónicas	167,383	228,113
O2 UK Limited	108,861	96,971
Telefónica Móviles Guatemala S.A.	82,445	151,747
Telefonica Moviles el Salvador S.A.	77,189	163,403
Telefonica Celular de Nicaragua S.A	55,582	81,393
Terra Networks México, S.A. de C.V.	37,744	209,274
Pegaso Recursos Humanos S.A. de C.V.	24,566	18,346
E-plus Mobilfunk GMBH & CO	19,016	18,679
Telefonica Moviles Uruguay S.A.	7,370	19,451
	14,431,746	32,075,452
	$ 41,163,499	**$ 41,106,252**
	$ 46,416,257	**$ 52,349,428**

25. SHAREHOLDERS, RELATED ECONOMIC PARTIES AND ASSOCIATED COMPANIES (continued)

25.1. Accounts Receivable (continued)

Non-current:

Related Economic Party

Telefónica Venezolana C.A.(a) (Note 8)	**$**	**37,905,278**	**$**	**36,215,585**

a) Telefónica Venezolana C.A. is awaiting liquidation by the foreign exchange regulator in Venezuela (CENCOEX), whose amounts were duly requested before said body and at December 31st of 2017 there is no, on its part, denial of liquidation on invoices and their respective amounts owed to Colombia Telecomunicaciones S.A. ESP.

The foreign currency balances of accounts receivable at December 31st, 2017 are USD$8,076 ($24,099,653) and at December 31st, 2016 are USD$136 ($409,814).

25.2. Accounts Payable

The balances of the liabilities between the Company and its shareholders, related parties and associated companies at December 31st, are the following:

Current:

a) Shareholders

		2017		2016
		(COP$000)		
Domestic				
Terra Networks Colombia S.A.S. – In liquidation	**$**	817	$	1,021,883
Foreign				
Telefónica S.A.		12,971,387		25,805,252
Telefónica Latinoamérica Holding, S.L, (before Telefónica Internacional S.A.U. - TISA)		145,073		43,766
Total foreign		13,116,460		25,849,018
	$	13,117,277	$	26,870,901

b) Related Parties

Domestic				
Telefónica Global Technology Colombia Sucursal	$	40,381,651	$	17,500,814
Telxius Cable Colombia S.A.		32,119,944		22,359,881
Tiws Colombia II S.A.S.		11,057,713		-
Telefónica Learning Services Colombia		281,757		775,990
Wayra Colombia S.A.S.		-		627,906
	$	83,841,065	**$**	41,264,591

25.2. Accounts Payable (continued)

	2017	2016
	(COP$000)	
Foreign		
Telefónica Global Technology	$ 26,453,202	$ 13,019,378
Tiws España S.L.	17,281,603	17,972,017
Telefónica USA Inc.	12,027,159	11,399,284
Media Network Latin América	9,242,798	6,732,901
Telefónica Brasil S.A	4,772,686	5,872,850
Telefónica Móviles Argentina S.A.	4,096,444	929,624
Telefónica Compras Electrónicas	4,063,231	4,278,270
Telefónica Móviles de Chile	3,671,481	3,377,126
Telefónica Digital España S.A.	2,976,255	4,024,292
Telefónica Venezolana C.A.	1,953,411	1,841,835
Telefónica Móviles España S.A.	1,202,486	1,636,757
Telefónica Ingeniería de Seguridad	1,199,714	2,500,366
Telefonica Germany GMBH & CO OHG	1,061,016	-
Telefónica Móviles Panamá S.A.	809,334	478,136
Telefónica del Perú S.A.	717,481	595,603
Otecel S.A.	690,537	591,015
Terra Networks Mexico S.A. de CV	620,683	-
Telefónica de España S.A	612,046	788,429
Pegaso Pcs, S.A. de C.V.	399,108	164,398
Telefónica Global Roaming	323,764	781,432
Telefónica de Costa Rica	179,571	44,390
Telefónica Servicios Audiovisuales	167,889	161,773
Telefónica Educación Digital, S.L.U.	144,950	-
O2 T. UK Limited	122,466	209,683
Telefónica Empresas Chile S.A.	101,211	57,483
Telefónica Móviles Uruguay S.A.	100,097	101,916
E-Plus Mobilfunk GMBH & CO	99,266	39,283
Telefónica Móviles Guatemala S.A.	51,107	60,868
Telefónica Móviles El Salvador S.A.	46,184	59,383
Telefónica Celular De Nicaragua S.A.	29,294	44,337
Telefonica On The Spot Services	2,432	15,742
Telefónica de Argentina S.A.	998	7,827
O2 Germany Gmbh & Co.Ohg	-	290,997
Telefónica Móviles México S.A. de C.V.	-	249,426
Televisión Federal S.A.	-	19,805
	95,219,904	78,346,626
	$ 179,060,969	$ 119,611,217
	$ 192,178,246	**$ 146,482,118**

Foreign currency balances of domestic accounts payable at December 31st of 2017 are USD$14,571 ($43,478,641) and at December 31st , 2016 are USD$8.169 ($24,512,167).

25.3. Income, Costs and Expenses with Shareholders, Related Parties and Associated Companies

Colombia Telecomunicaciones S.A. ESP, performs transactions with its related parties under the same market conditions and mutual independence between the parties. The following is a summary of income, costs and expenses and accounting notes of the Company during the period between January 1st and December 31st, 2017 and 2016 with shareholders, related parties and associated companies.

a) Shareholders

	Income		Costs and Expenses	
	2017	**2016**	**2017**	**2016**
		(COP$000)		
Domestic				
Terra Networks Colombia S.A.S. - In liquidation	$ 340,233	$ 442,519	$ -	$ 2,241,128
Foreign				
Telefónica Latinoamérica Holding S.L.	12,158,257	17,297,382	185,933	153,189
Telefónica S.A.	29,098	62,019	49,181,123	50,096,963
	12,187,355	**17,359,401**	**49,367,056**	**50,250,152**
	$ 12,527,588	**$ 17,801,920**	**$ 49,367,056**	**$ 52,491,280**

b) Related Parties

	Income		Costs and Expenses	
	2017	**2016**	**2017**	**2016**
		(COP$000)		
Domestic				
TIWS Colombia II S.A.S.	$ 20,349,313	$ 352,875	$ 9,664,497	$ -
Telefónica Global Technology Colombia	1,917,898	1,893,960	53,506,109	46,959,840
Wayra Colombia S.A.S.	420,061	374,910	-	-
Telxius Cable Colombia S.A.	66,277	27,200,334	46,922,390	49,973,465
Telefónica Learning Services Colombia	-	-	277,879	982,139
	22,753,549	**29,822,079**	**110,370,875**	**97,915,444**
Foreign				
Tiws España S.L.	29,910,074	63,341,709	46,367,897	61,415,998
Telefónica Digital España S.A.	2,000,179	1,222,168	1,020,299	1,895,113
Telefónica Venezolana C.A.	1,786,212	-	-	159,292
Telefónica Móviles Argentina S.A.	736,495	397,389	17,021	189,193
Telefónica Brasil S.A	980,188	197,730	-	236,964
Telefónica Móviles España S.A.	283,051	775,661	964,204	606,652
Telefónica Compras Electrónicas	208,470	231,519	4,206,561	4,876,647
Telefónica Móviles Panamá S.A.	158,251	-	112,939	87,130
Telefónica del Perú S.A.	139,244	187,935	238,406	208,841
Telefónica USA Inc.	134,264	293,945	9,782,636	11,089,340
Terra Networks Mexico S.A. de CV	108,343	209,274	634,640	-
Otecel S.A.	102,934	-	134,953	150,234
O2 T. UK Limited	59,888	179,784	38,767	68,967
Pegaso Recursos Humanos S.A. de C.V.	58,652	18,326	-	-
Telefónica de Costa Rica	56,964	26,535	60,821	-
Pegaso Pcs. S.A. de C.V.	50,651	-	302,765	918,609
Telefónica Móviles Uruguay S.A.	26,011	27,924	14,972	24,532
Telefónica Móviles Guatemala S.A.	16,932	15,915	19,206	-
Telefonica Germany GMBH & CO OHG	11,215	33,134	105,655	83,416
Telefónica Celular de Nicaragua S.A	8,081	11,344	8,022	-
Telefónica Móviles El Salvador S.A.	7,779	39,264	18,263	-
Telefónica de Argentina S.A.	6,823	-	-	17,022
Telefónica Global Technology	-	-	35,309,493	35,669,685
Media Network Latin América	-	-	28,313,624	27,115,003
Telxius Cable América S.A.	-	-	4,053,934	2,702,623
Telxius Cable España S.L.U	-	-	1,392,756	1,044,567
Telefónica de España S.A.U.	-	-	581,197	814,653
Telefónica Global Roaming	-	-	576,162	783,622
Telefónica de Contenidos S.A.U	-	-	1,505,257	345,766
Telefónica Empresas Chile S.A.	-	1,044,219	213,523	239,972
Telefónica Ingeniería de Seguridad	-	-	566,389	214,330
Telefónica Gsc España	-	12,173	-	208,421
Telefónica Educación Digital, S.L.U.	-	-	136,869	134,418
Televisión Federal S.A.	-	161,498	57,990	76,961
Telefonica On The Spot Services	-	-	6,011	65,950
Telefónica Servicios Audiovisuales	-	58,530	459,178	48,997

Telefónica GSC Perú		-		3,356,811		-		-
E-plus Movil Funk GMBH & CO		-		69,108		63,695		2,442
	$	**36,850,701**	$	**72,170,581**	$	**37,366,843**	$	**151,495,360**
	$	**59,604,250**	$	**101,992,660**	$	**247,737,718**	$	**249,410,804**

c) Associated Companies

	Income				Costs and Expenses			
		2017		2016		2017		2016
Domestic								
Telefónica Factoring Colombia S,A,	$	227,421	$	270,923	$	–	$	–
	$	**227,421**	$	**270,923**	$	**–**	$	**–**
	$	**72,359,259**	$	**120,065,503**	$	**297,104,774**	$	**301,902,084**

The Company has not granted, nor received guarantees or pledges to its related parties.

The following is the summary at December 31, transactions for income, costs and expenses that arose during the period with shareholders, related parties and associated companies, depending on the nature of the good or service provided by the parties, as follows:

	Income			
		2017		2016
		(COP$000)		
Local telephony	$	30,103,301	$	55,822,895
Data transmission service		19,682,386		24,941,349
Other income (1)		17,018,868		23,067,981
Interconnection and roaming		4,666,262		15,375,527
Added value services		378,574		679,450
Monthly fees and time on air		371,089		42,181
Other IT		117,501		118,956
Data transmission services - connectivity		17,891		14,430
Sale of equipment		2,603		2,734
Virtual private networks		784		-
	$	**72,359,259**	**$**	**120,065,503**

1) Includes services regarding fees, transfer of areas, administrative services, among others.

	Costs and Expenses			
		2017		2016
		(COP$000)		
Media rental	$	100,844,322	$	93,917,553
Other costs and non-recurring expenses		92,335,094		97,506,700
Advertising - Brand Fee		48,314,517		46,216,602
Access charges, interconnection and roaming		32,857,789		45,086,504
Renting and third parties' activities to customers		8,067,978		-
Other costs and operating expenses (1)		6,762,430		7,451,016
Maintenance		3,855,819		4,015,285
Content suppliers		2,862,133		3,929,053
Labor costs		370,792		3,592,011
Monthly fees and time on air		332,303		-
Labor and staff expenses		307,496		-
Sales commissions		185,933		153,189
Cost of terminals		8,168		34,172
	$	**297,104,774**	**$**	**301,902,085**

(1) Includes computer applications, consulting and integration of projects, rental and provisions among others.

26. CONTINGENCIES

The Company classifies contingencies according to probable, possible and remote probability of loss, determining based on this, the value of the claims that must be provisioned and supported by the reports and evaluations of the Company's legal advisors.

At December 31st, 2017 1,703 processes are in progress, of which 273 correspond to probable contingencies, 822 qualified as possible and 608 qualified as remote.

1. Probable Contingencies

The following is a breakdown of contingencies classified as probable *(Note 19).*

	At December 31st					
	2017			2016		
	(COP$000)					
Type of share	**Quantity**		**Value**	**Quantity**		**Value**
Current:						
Regulatory and competition administrative enquiries	58	$	3,810,890	0	$	0
Labor proceedings	13		1,827,288	0		0
Users' administrative inquiries	80		5,414,974	143		10,713,673
	151	**$**	**11,053,152**	**143**	**$**	**10,713,673**
Non-current:						
Regulatory and competition administrative enquiries	17		3,125,936	16		10,276,858
Legal proceedings	55		10,950,295	37		10,024,568
Labor proceedings	43		2,270,257	67		3,309,706
Tax proceedings	7		181,183	28		2744,366
	122	**$**	**16,527,670**	**148**	**$**	**26,355,498**
	273	**$**	**27,580,822**	**291**	**$**	**37,069,171**

2. Eventual Contingencies

The Company is a party in litigations qualified as eventual, which are currently in proceedings before judicial, administrative and arbitration bodies.

Taking the Company's legal counsel reports in these proceedings into consideration, it is reasonable to assume that this litigation will not significantly affect the Company's financial or solvency situation.

a. Legal proceedings

Processes aimed at obtaining decisions from the judicial authority called upon to resolve the matter at issue. Include processes of civil jurisdictions, contentious administrative proceedings, criminal and constitutional jurisdictions, among others. 118 open processes qualified eventual for $79,547,309 are presented.

26. CONTINGENCIES (continued)

2. Eventual Contingencies (continued)

b. Labor proceedings

Labor demands by which the payment of labor rights derived of the relationships that have or have had plaintiffs directly with the Company or with a third party, in the latter case is intended, claiming the solidarity of Colombia Telecomunicaciones S.A. E.S.P. 205 open processes qualified as eventual worth $16,951,499 are presented.

c. Administrative Investigations

Proceedings initiated by administrative authorities through the formulation of indictments, ex officio or by claims of third parties, aimed at determining liability of the party under investigation, in the violation of rules.

Contingencies for administrative investigations are classified as:

i) *Tax*: Processes for taxes with different municipalities of the country, corresponding to claims, such as industry and commerce tax (ICA) and street lighting tax, among others. 176 administrative and judicial proceedings are ongoing with eventual qualification, valued at $5,771,793.

ii) *Petitions and Complaints*: Administrative procedures initiated by the Superintendency of Industry and Commerce – SIC, for affirmative administrative silences, habeas data, or for the breach of resolutions. 285 possible processes for $18,779,310 are reported.

iii) *Regulatory*: Administrative procedures initiated by monitoring and control authorities for alleged offenses in compliance with regulatory telecommunications standards. 38 possible processes for $54,692,431 are ongoing.

27. INFORMATION ON THE KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by the Company's key employees according to their hierarchies for the year ended at December 31st is presented as follows:

	2017	2016
	(COP$000)	
Wages, salaries and other benefits	$ 24,232,491	$ 22,518,148
Compensation plan for managers (shares and annual bonus)	3,790,649	5,921,136
Other benefits	3,606,292	3,545,569
Bonus for voluntary retirement	96,493	631,631
	$ 31,725,925	**$ 32,616,484**

28. COMMITMENTS

Operation Agreement of Goods, Assets and Rights – Parapat

Between Colombia Telecomunicaciones S.A. ESP and Empresa Nacional de Telecomunicaciones – Telecom in liquidation and Empresas Teleasociadas in liquidation, on August 13, 2003, an Operation Agreement of Goods, Assets and Rights was signed. This agreement grants Colombia Telecomunicaciones S.A. ESP the right to use, enjoy and economically exploit all goods, rights and assets related to the provision of telecommunications services that were used by Telecom in liquidation and Empresas Teleasociadas, in exchange for a consideration. Once the total payment of all the consideration quotas is made, Colombia Telecomunicaciones S.A. ESP is entitled to receive ownership of all assets, goods and rights, free from encumbrances and damages of the domain, in accordance with the provisions of the Operating Agreement.

The trust of Assets and Liabilities of Telecom (Parapat) in charge of Fiduagraria S.A., was created on the occasion of the completion of the liquidation of Empresa Nacional de Telecomunicaciones and its subsidiary companies, manages the Operating Agreement of the assets used by Colombia Telecomunicaciones S.A. ESP and therefore is the one receiving the consideration from the Operating Agreement.

Likewise, this trust transfers resources to two trusts; the first, the Remnants Autonomous Equity (PAR, for its abbreviation in Spanish) in charge of a consortium formed by Fiduagraria S.A. and Fidupopular S.A., for the management of assets not assigned – property, vehicles and others that have not yet been sold, portfolio, legal proceedings and file management, and the second, the Pension Autonomous Equity (PAP, for its abbreviation in Spanish), managed by a consortium formed by Fiduprevisora S.A. and Fiducolombia S.A.

During the validity of the Operation Agreement of Goods, Assets and Rights, the following amendments have taken place:

a) Amendment No. 1 of December 1st, 2004, with the purpose of incorporating Telesantamarta in liquidation to the Operating Agreement, a new deadline for the identification of the goods pertaining to the continuity in the service provision was established by Colombia Telecomunicaciones S.A. E.S.P.

b) Amendment No. 2 of April 21, 2006, whereby the amendment is set to the payment of the consideration noted above, from a variable compensation to a consideration corresponding to the payment of a fixed fee which shall be equal to the aggregate of 17 annual installments, which shall be adjusted annually taking into account the variation of the CPI certified by the DANE for the calendar year immediately preceding the accrual date, plus 4 percentage points, all this calculated in composite form.

c) Amendment No. 3 of March, 2012, whose object is the assumption from the Nation, through the Ministry of Finance and Public Credit (in 47.9665396%) and Telefónica Móviles Colombia S.A. (In 52.0334604%) of the payment obligations not yet due by the Company, resulting from the application of Clause 14 of the Operating Agreement. The rights that the Operating Agreement awards to Colombia Telecomunicaciones S.A. ESP, and the obligations that are not expressly assumed under Amendment No. 3, shall remain at the Company's head and therefore the right the Company has regarding the use and lucrative and professional enjoyment of the goods subject matter of the Operating Agreement is not amended.

d) On March 30, 2012, a Restructuring Agreement was subscribed as well, of the Consideration quotas of the obligations assumed by Amendment No. 3 of the Operating Agreement, by which the payment of the consideration established in the subscribed clause 14 of the Operating Agreement was modified. This Restructuring Agreement contemplates the value of the Consideration from the second bimester of 2012, to the termination of the Operating Agreement in 2028.

On September 16, 2017 Colombia Telecomunicaciones S.A. E.S.P. and PARAPAT signed the Termination Agreement of the Exploitation Agreement and on September 27, 2017, as consequence of the advance payment of the consideration agreed in the aforementioned contract by Colombia Telecomunicaciones S.A. E.S.P., the PARAPAT declared the Company is in good standing with all obligations of the exploitation agreement.

Sharing Infrastructure with Colombia Móvil S.A.

Resolution 449 of 2013, including amendments and additions, as well as the frequency allocation resolutions to each of the operators of telecommunications services in Colombia, established that, in the interest of the efficient use of infrastructure, the allottees of the radio spectrum shall share active and/or passive infrastructure elements, including the one related with own equipment of the communications network (Core network and Access Network), towers, poles, pipes and any other that is required, own or of third parties, provided no spectrum assignment is set.

Aligned with the provisions of such resolutions, Colombia Telecomunicaciones S.A. ESP and Colombia Móvil S.A. established a legal and legal framework for the sharing of infrastructure elements and for this they jointly implemented the deployment project of a 4G network access, signing an agreement called alliance. This alliance allows Colombia Telecomunicaciones S.A. ESP and Colombia Móvil S.A., the shared access of the 4G network as support for the provision of telecommunications services in conditions of freedom and competition, without implying sharing or assigns the spectrum use.

This 10-year duration alliance may be renewable by mutual agreement between the parties.

Material Contracts

Taking into account the figures' materiality regarding procurement, those existing contracts and those to be executed at December 31st, 2017, are detailed as follows, and considered as of most significance:

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
ENERGIA INTEGRAL ANDINA S.A. E.I.A.	Provision of carrier services from Energía Integral Andina Sato the subscriber, through its fiber optic submarine cable system network called San Andres Islas –Tolú, Colombia.	30/06/2030	$ 295,071,368
TELEFONICA INTERNATIONAL WHOLESALE COLOMBIA S.A.	International internet exit service that includes international connectivity and backhaul services for IP services, operation and maintenance of the IRU on the submarine cable SAM-1	31/12/2020	$ 258,409,998
SEGURIDAD ATLAS LTDA	Provide private surveillance services for goods, infrastructure and facilities used by the contractor.	30/06/2020	$ 254,221,227
INTELSAT CORPORATION	Service Satellite Capacity	31/08/2018	$ 209,759,924
ACTIVIDADES DE INSTALACIONES Y SERVICIOS COBRA, S.A.	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$ 197,958,103
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Perform the design, supply, integration, implementation, start-up and maintenance of a "fullstack solution".	31/12/2020	$ 197,161,840

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
FORWARD MEDIA SAS	Provide the services of (i) Research studies and media analysis; (ii) Global negotiation with media; (iii) Technical advice of the media plan; and (iv) Design, execution and follow-up of the advertising campaigns of the contracting party in any type of ATL or BTL strategy.	31/12/2018	$ 196,389.149
ERICSSON DE COLOMBIA S A	Provide carrier expansion over B Ericsson and RNC 3820 Ericsson nodes and provide services (i) Site Survey, planning and installation design for each type of system (ii) LUB interface separation and transfer of interface ENI01/2EN3 for RNC in Cali (iii) Configuration of numbering and routing plans and implementation of new RNC (iv) Administration, planning and supervision of the project and (v) Transport Network Design Access.	31/12/2018	$ 192,480,469
EMGESA S.A. E.S.P.	Purchase electric power in the unregulated market - Colombia 2018-2021	31/12/2021	$ 189,640,246
ERICSSON DE COLOMBIA S A	Provide services of integral maintenance support level 1 - internal plant (zones 1 and 3) which includes, among others, the following activities: Preventive and corrective maintenance, specialized manpower, management of computer resources and basic tools, field service, which allow guaranteeing and maintaining the network service continuity of Colombia Telecomunicaciones S.A. E.S.P.	31/12/2020	$ 189,528,282
CISCO SYSTEMS INC	Equipment Cisco Colombia agreement for Cisco customers, goods and services.	UNDEFINED	$ 184,873,861
NOKIA SOLUTIONS AND NETWORKS COLOMBIA LTDA	Provide technical support services (CARE) and SPMRL services to the Nokia network of equipment described in the technical annex.	31/12/2019	$ 162,298,552
LITEYCA DE COLOMBIA S A S	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$ 148,954,883
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Provision of the necessary services for the implementation of Enodosbr, uninstallation of Enodosb, network management, training and other services required for the proper functioning of the RAN access network in all frequency bands that Colombia Telecomunicaciones S.A. E.S.P. is authorized to operate (phase 7 LTE).	31/12/2020	$ 137,898,484
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Provision of the necessary goods and services to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the SIGRES platform, training, technical support, allowing the extension of the ADSL 2+ ports.	30/06/2018	$ 134,605,332

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
ALCATEL LUCENT DE COLOMBIA S.A.	Supply of equipment, installation services, migration, expansion, integration, commissioning and technical support of goods and services, in order to meet the needs for Metro-Ethernet expansion, deployment and technological renewal.	18/05/2018	$ 112,102,690
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Periodically supply, in the place and quantity that the contracting party indicates, the services of integral maintenance support level 1 - internal plant (zone 2) that includes, among others, the following activities: Preventive and corrective maintenance, specialized labor, spare parts management, management of computer resources and basic tools, field services, which will guarantee and maintain the continuity of the service in the network of Colombia Telecomunicaciones SA E.S.P.	31/12/2020	$ 109,221,647
OPERACION Y GESTION INTEGRAL S.A.S	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$ 105,523,907
UFINET COLOMBIA SA	Irrevocable right of use (IRU) of eight fiber optic cables for telecommunications and supply of preventive and corrective fiber optic operation and maintenance services.	14/11/2032	$ 102,778,187
ERICSSON DE COLOMBIA S A	Provision of goods and services required for the correct operation of the RAN access network in all frequency bands that the contracting party is authorized to operate (high frequencies 1900 mhz.) - AWS (1700 - 2100) and in low frequency bands (700, and 850 mhz.) for the western zone of Colombia.	31/12/2020	$ 102,201,828
HP COLOMBIA S.A.S	Periodically supply, in the place and the quantity that the contracting party indicates, of computer equipment, printers and POS (point-of-sale solutions) for the contracting party's customers.	31/03/2019	$ 94,308,711
ATENTO COLOMBIA S.A.	Contact center services in all operations described in the following annexes: (i) loyalty, retention and income protection, (ii) digital channel and (iii) inbound care.	28/02/2018	$ 93,887,597
KAON MEDIA CO.,LTD.	Supply of HD Decoders FOB mode	30/12/2018	$ 88,753,056
CELISTICS COLOMBIA S A S	Logistic operator services.	31/03/2018	$ 85,684,946
MITRASTAR TECHNOLOGY CORPORATIONS	Design, development, manufacturing and supply of VDSL modems.	30/12/2018	$ 84,693,825
FSCR INGENIERIA S.A.S	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$ 83,774,639
NEW SKIES SATELLITES B.V.	Rental special segment C Band	31/08/2020	$ 82,846,902
ERICSSON DE COLOMBIA S A	Set the services provision and product supply conditions and establish the license model of certain applications.	UNDEFINED	$ 70,611,457
DIGITEX INTERNACIONAL LTDA.	Periodically supply, in the place and quantity that the contracting party indicates, the contact center services in all the operations described in the annexes of (i) loyalty, income retention and protection (ii) digital channel and (iii) in bound attention.	28/02/2018	$ 64,881,364
AZTECA COMUNICACIONES COLOMBIA SAS	Grant the contractor the irrevocable right of use (IRU) on four (4) fiber optic wires for telecommunications in infrastructure (conduit, poles and/or cameras) and to provide fiber optic operation and maintenance services.	31/01/2035	$ 64,562,336

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
ASKEY COMPUTER CORP.	Purchase of ADSL Mini BHS of Marco Polo Project H12014	30/12/2018	$ 63,865,559
COMFICA SOLUCIONES INTEGRALES SL	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of "Customer Loop" service	28/02/2021	$ 59,532,354
EMCOMUNITEL S.A.S	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of "Customer Loop" service	28/02/2021	$ 57,330,845
ACTIVOS SA	Temporary collaboration services in the development of activities of Colombia Telecomunicaciones, through the supply of workers on mission, contracted directly by the contractor in accordance with the provisions of Law 50 of 1990.	28/02/2018	$ 56,451,257
NAGRAVISION S.A.	Smartcards supply for satellite TV service	30/12/2018	$ 55,324,206
EZENTIS COLOMBIA S.A.S.	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of "Customer Loop" service.	28/02/2021	$ 55,024,186
CELISTICS HOLDINGS S.A.	Logistic operator for equipment purchased abroad CDR.	UNDEFINED	$ 50,705,762
TELEFONICA INTERNATIONAL WHOLESALE COLOMBIA S.A.	International capability services	UNDEFINED	$ 49,560,826
TELEFONICA INTERNATIONAL WHOLESALE COLOMBIA S.A.	Cable for operation and maintenance of submarine cables SAM-1 purchased at TIWS	31/12/2031	$ 47,956,013
OBJETIVOS Y SERVICIOS DE VALOR AÑADIDO S.L.	Provide antennas and LNBs for satellite antennas and provide hardware installation services, training and technical support on goods.	31/12/2018	$ 46,458,026
ORACLE COLOMBIA LTDA	Oracle Renovation	31/12/2018	$ 45,845,514
ALCATEL LUCENT DE COLOMBIA S.A.	Renata Project	31/12/2025	$ 45,622,160
SUPPLA S.A.	Supply logistic operator services that include activities of warehouse management, inventory management, material handling and preparation, packaging, packaging, dispatches, transportation and reverse logistics, tracking of orders, document management.	31/05/2019	$ 45,616,021
INVERSIONES COOPSERVIMOS S.A	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of "Customer Loop" service.	28/02/2021	$ 45,396,621
AVAYA COMMUNICATION DE COLOMBIA S A	(i) Implement the design of integral telecommunication solutions (ii) Provision of peripheral telephone centrals at purchase/sale, additional equipment and telephone terminals. (iii) Carry out the design, configuration, provision, implementation, maintenance and technical support of the telecommunications comprehensive solutions and (iv) Authorize the contractor to sell the goods and services to the customers of the contracting party.	30/06/2020	$ 45,332,021

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date		Value of Agreement (COP$000)
OESIA NETWORKS SL SUCURSAL COLOMBIA	Customized management center services (CGP service) and Technical Support Contact Center (CCST service), for the companies, SMEs and wholesale segments of Colombia Telecomunicaciones S.A. E.S.P.	31/10/2020	$	45,025,179
EZENTIS COLOMBIA S.A.S.	Customized management center services (CGP service) and Technical Support Contact Center (CCST service), for the companies, SMEs and wholesale segments of Colombia Telecomunicaciones S.A. E.S.P.	31/10/2020	$	44,520,257
ERICSSON DE COLOMBIA S A	Provision of engineering services related to mobile network expansion projects that include the design, deployment and optimization of the cellular network radio frequency and radio-microwave links	30/04/2018	$	42,412,830
SERVICIOS Y COMUNICACIONES S.A. S&C S.A.	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$	42,332,464
PROSEGUR VIGILANCIA Y SEGURIDAD PRIVADA LTDA	Provision of physical security services for technical, administrative and experience centers, which corresponds to the following departments of Colombia: Antioquia, Arauca, Atlántico, Bolívar, Boyacá, Caldas, Casanare, Cesar, Choco, Córdoba, Guajira, Magdalena, Norte de Santander, Risaralda, San Andrés, Santander, Sucre – Zone 1.	30/06/2020	$	41,678,227
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Periodically supply in the place and in the quantity indicated by the contracting party, (i) equipment (HW), licensing (SW) and activation, implementation and optimization services for its respective deployment within the systems of: radio access network (NODOSB, RNC'S) and network management (OSS platform) and (ii) necessary services to perform the activation of the geographic location functionality required within the regulatory project "location of emergency line 123", in the contracting party network.	31/12/2018	$	40,403,570
COMARCH SOFTWARE SPAIN SLU	(i) Licensing of perpetual exclusive use of the software and, (ii) supply of software support, maintenance and update services necessary for the implementation of inventory, discovery and reconciliation tools of the TOP project.	31/12/2019	$	40,027,823
IBM DE COLOMBIA & CIA S.C.A.	Receive from IBM the licensing benefit plus subscription, support and maintenance of IBM software for certain programs, as well as the performance of certain associated services.	31/12/2018	$	39,332,041
TECHNICOLOR DELIVERY TECHNOLOGIES S	Supply of high definition decoding equipment.	30/12/2018	$	38,482,745
ALCATEL LUCENT DE COLOMBIA S.A.	Supply the necessary goods and services to carry out the development, design, installation, implementation, configuration, testing, commissioning, integration with the SIGRES platform, training, technical support, allowing the extension of the ADSL 2+ ports.	30/06/2018	$	37,136,509
BRAME COMUNICACIÓN DIGITAL SUCURSAL COLOMBIA	Continued provision from Contractor Company in favor of Colombia Telecomunicaciones S.A E.S.P., of “Customer Loop” service.	28/02/2021	$	36,397,720

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
EMERGIA CUSTOMER CARE COLOMBIA S.A.S.	Provide contact center services in all operations described in the annexes of (i) loyalty, retention and income protection (ii) digital channel and (iii) in bound attention.	28/02/2018	$ 36,262,671
TELESAT CANADA	Satellite capacity rental	31/12/2018	$ 35,789,610
INTERNEXA S.A.	Right to provide information transmission capacity.	31/03/2026	$ 35,016,890
ANOVO COLOMBIA SAS	Provide repair/upgrade services of TV (HD and DTH), Modems and Smart Card.	30/04/2019	$ 34,533,597
INTEC BILLING INCORPORATED	Support and maintenance services, and/or goods that could be requested in the respective purchase order. Purchase of intermediate licenses.	31/12/2018	$ 33,604,415
ED ASIA PTE LTD	Supply of HD decoders.	30/12/2018	$ 33,471,087
EXTRAS S.A	Provide temporary collaboration services in the development of the contracting party's activities or user, through the supply of workers on mission, contracted directly by the contracting party, in accordance with the law 50 of 1990 and other applicable regulations	28/02/2018	$ 33,218,378
IBM DE COLOMBIA & CIA S.C.A.	BPO services – Project Sonia	28/02/2026	$ 33,144,283
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Supply the necessary goods and services for the expansion of ports and equipment over the Huawei Metro Ethernet network, required to increase broadband and corporate services contemplated in the 2013 investment framework project	31/05/2018	$ 32,728,128
INFOMEDIA SERVICE S.A.	Provide managed services LAN of the SENA's connectivity project 2015-2018	30/06/2018	$ 31,550,128
CABLES DE ENERGIA Y DE TELECOMUNICACIONES S.A. CENTELSA	Supply of copper cable to supply new Altas and maintenance services in the fixed network of Colombia Telecomunicaciones S.A. E.S.P.	29/03/2018	$ 31,519,328

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
ATENTO COLOMBIA S.A.	Providing multi-channel care center services, (i) receive from and generate calls to technicians and/or clients of Colombia Telecomunicaciones S.A. E.P.S to meet requirements and procedures related to the technical process for the installation, post-sales and maintenance of the services offered by Colombia Telecomunicaciones	28/02/2018	$ 30,986,130
ACTIVIDADES DE INSTALACIONES Y SERVICIOS COBRA, S.A.	The contractor agrees with the contracting party to supply, (i) the design, installation, testing and commissioning services, and (ii) the assets described in the economic annex, required for the implementation of energy, cooling and switch management systems of Toberín and Buitrera. For the results provided herein, the contractor shall make available the energy, cooling and management systems in correct operation to the contracting party.	31/12/2018	$ 30,099,982
SIAE MICROELETTRONICA LTDA	Supply the goods (hardware and software) with the installation, testing and commissioning services of microwave links.	30/03/2018	$ 28,677,516
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Supply the goods and services required for the installation, testing and commissioning of the FTTH GPON network.	28/02/2019	$ 26,533,607
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Supply of goods and services necessary for the unified database of Huawei (USDB) expansion that is currently in production in the contractor's network.	31/03/2018	$ 26,394,768
UNIFY LTDA	(i) Implement the design of integral telecommunication solutions (ii) Provision of peripheral telephone centrals at purchase/sale, additional equipment and telephone terminals. (iii) Carry out the design, configuration, provision, implementation, maintenance and technical support of the telecommunications comprehensive solutions.	31/12/2020	$ 25,502,453
FUNDACION CPQD - CENTRO DE INV	Provide technical support and corrective maintenance services to the SAGRE system, including autodesk licenses, evolutionary development services and support to the SAGRE system, and SAGRE installation service.	31/03/2018	$ 24,585,389
HONOR SERVICIOS DE SEGURIDAD LTDA	Provision of security services for individuals and management and control of the vehicle fleet assigned by Colombia Telecomunicaciones S.A E.S.P.	30/06/2020	$ 23,879,028
MICROSOFT CORPORATION	Purchase of Microsoft licenses	31/03/2018	$ 23,557,453
ITS INFOCOMUNICACION SAS	Provide managed unified communications and collaboration services	30/06/2018	$ 23,239,782

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
ML COLOMBIA S.A.	Periodically supply in the place and quantity that the contracting party indicates, support and formalization services of the sales of products and services.	28/02/2018	$ 22,957,793
CABLES DE ENERGIA Y DE TELECOMUNICACIONES S.A. CENTELSA	Supply of copper wire to support operation and maintenance activities of the external network and provision of the service of Colombia Telecomunicaciones S.A. E.S.P.	30/04/2018	$ 22,782,273
HUAWEI TECHNOLOGIES COLOMBIA S.A.S	Supply and put into operation the technological solution that allows the deployment of the Tugo Project. To that effect, the contractor shall provide (i) NGN intelligent network equipment and service delivery platform-SDP equipment and (ii) installation, configuration, testing and services and production integration with the mobile network and the BSS commercial systems.	30/03/2018	$ 22,645,553
IBM DE COLOMBIA & CIA S.C.A.	Provision of goods necessary for the expansion of the installed capacity in the Deep Packet Inspection (DPI) solution of the contracting party and provision of the goods installation, configuration, transfer, migration and commissioning services.	30/04/2018	$ 22,595,050
ATC SITIOS DE COLOMBIA S.A.S.	Sales of sites – Towers	31/12/2020	$ 22,500,000
TELEMARK SPAIN SL SUCURSAL COLOMBIA	Provide support and formalization services of products and services sales.	28/02/2018	$ 22,355,259
ZTE CORPORATION SUCURSAL COLOMBIA	Supply of goods and support, installation, and maintenance services required to perform the transition from homes by FTTH, includes: (i) Engineering of the GPON network solution, (ii) Power and distribution to the optical terminal box and/or distribution box; and (iii) Within the Colombian territory the ODN, which will enable customers of Colombia Telecomunicaciones S.A. E.S.P. to access high-speed broadband services, voice service over VoIP service and OTT services.	31/12/2018	$ 21,233,869
DCO SA	Adhesion Framework Agreement of data balances advance technical service.	UNDETERMINED	$ 21,165,138
MCAFEE LLC	Mcafee software licensing necessary for the provision of Security Center Service (CDS, for its abbreviation in Spanish) and antivirus	01/02/2020	$ 20,040,377
TELEMARK SPAIN SL SUCURSAL COLOMBIA	Supply support and formalization services of sales of products and services.	28/02/2018	$ 22,355,259
ZTE CORPORATION SUCURSAL COLOMBIA	Supply of goods and support, installation, and maintenance services required to perform the transition from homes by FTTH, includes: (i) Engineering of the GPON network solution, (ii) Power and distribution to the optical terminal box and/or distribution box; and (iii) Within the Colombian territory the ODN, which will enable customers of Colombia Telecomunicaciones S.A. E.S.P. to access high-speed broadband services, voice service over VoIP service and OTT services.	31/12/2018	$ 21,233,869
TELEFÓNICA S.A.	License to use the "MOVISTAR" brand and domain	31/05/2018, according to current extension in force.	UNDETERMINED

28. COMMITMENTS (continued)

Material Contracts (continued)

Contractor	Purpose of the Agreement	Termination Date	Value of Agreement (COP$000)
TIWS COLOMBIA II, S.A.S.	Supply of last kilometers service via satellite	UNDETERMINED	UNDETERMINED
COLOMBIANA DE ESCENARIOS S.A.S	Sponsorship granting the exclusive right to the fact that the Coliseum El Campin, located in Bogota D.C. is called Movistar Metropolitan Arena and/or Movistar Arena.	31/03/2018	$141,000,000
Contractor	**Purpose of the Agreement**	**Termination Date**	**Value of Agreement (COP$000)**
FEDERACIÓN COLOMBIANA DE FÚTBOL	Sponsorship as official partner of the Colombian Soccer Federation (2015 - 2018).	31/12/2018	$ 17,904,000
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	Provision of SAP global integrated services.	31/12/2019, According to current extension in force.	UNDETERMINED
MEDIA NETWORKS LATIN AMERICA S.A.C.	Provision of the data processing service and the satellite service required for the provision of the contracted service.	01/01/2019, according to current extension in force	UNDETERMINED

29. FINANCIAL INDICATORS NO GAAP

1) EBITDA (a)

	For year ended At December 31st	
	2017	**2016**
	(COP$000)	
Annual profit (loss)	$ 302,675,953	$ (341,265,154)
Plus:		
Depreciation and amortization (b)	1,169,437,714	984,114,883
Financial expenses, net	729,107,070	833,276,966
Taxes	(665,490,315)	24,632,949
Minority interest	(2,853,438)	-
EBITDA	**1,532,876,984**	**1,500,759,644**
Minus:		
Consideration to the Parapat	-	(497,231,784)
EBITDA (adjusted) (c)	**$ 1,532,876,984**	**$ 1,003,527,860**

(a) EBITDA: corresponds to income (loss) before depreciation and amortization, interest expense, net and wealth taxes, income ta and deferred.
(b) Includes depreciations of $811,051,100 (2016 - $735,938,339) and amortizations of $358,386,613 (2016 - $248,176,544).
(c) Adjusted EBITDA: Corresponds to EBITDA reduced by the value of the consideration share to the PARAPAT paid during the same period.

2) EBITDA Margin

	For year ended At December 31st	
	2017	**2016**
EBITDA Margin	**30.6%**	**30.8%**

29. FINANCIAL INDICATORS NO GAAP (continued)

3. Leverage ratio: Debt / EBITDA

	For year ended At December 31st			
	2017		2016	
	(COP$000)			
Current financial obligations *(Note 16)*	$	359,566,935	$	401,240,284
Minus:				
Interests accounts payable *(Note 16)*		(57,980,333)		(74,417,077)
Liability derivative instruments *(Note 16)*		(63,580,471)		(69,248,316)
Current financial obligations, net (a)	**$**	**238,006,131**	**$**	**257,574,891**

	For year ended At December 31 st,			
	2017		2016	
	(COP$000)			
Long-term financial obligations *(Note 16)*	$	1,378,239,844	$	1,470,012,534
Other non-current financial obligations *(Note 16)*		3,067,140		4,464,639
Minus liability derivative instruments *(Note 16)*		(40,640,778)		(5,542,903)
Senior bond *(Note 16) (b)*		2,238,000,000	$	2,250,532,500
Perpetual equity instruments (Note *19) (c)*		1,278,425,000	$	1,278,425,000
Long-term financial obligations, net	**$**	**4,857,091,206**	**$**	**4,997,891,770**
Total financial debt	**$**	**5,095,097,337**	**$**	**5,255,466,661**
Minus:				
Valuation of derivatives of exchange rate (d)		(56,788,128)		(348,320,945)
Cash and cash equivalents *(Note 6)*		(316,372,212)		(214,661,546)
Total net debt	**$**	**4,721,936,997**	**$**	**4,692,484,170**
Adjusted EBITDA *	**$**	**1,532,876,984**	**$**	**1,003,527,860**
Debt leverage ratio / Adjusted EBITDA *(Note 16)*		**3.08 times**		**4.68 times**

*EBITDA includes 4Q of 2017 of subsidiary companies

a) The balance of short-term liabilities excludes the account of interest payable and hedging valuations.

b) Corresponds to the nominal value of the issue of senior notes, valued at the closing exchange rate of each period. It does not include the value of the transaction costs.

c) Corresponds to the nominal value of the perpetual equity instrument issuance, valued at the exchange rate of the issuance date. It does not include the value of the transaction costs. This instrument under the prospectus of the issue of the senior debt is considered as replacement debt, therefore it is included as financial debt; however, its recognition in the Financial Statements is in equity.

d) Includes only valuation of exchange rate hedges.

4. Covenant: Debt / EBITDA

	For year ended At December 31st,			
		2017		2016
		(COP$000)		
Current financial obligations *(Note 16)*	$	359,566,935	$	401,240,284
Minus:				
Interests accounts payable *(Note 16)*		(57,980,333)		(74,417,077)
Liability derivative instruments *(Note 16)*		(63,580,471)		(69,248,316)
Current financial obligations, net (a)	**$**	**238,006,131**	**$**	**257,574,891**

	For year ended At December 31 st,			
		2017		2016
		(COP$000)		
Long-term financial obligations *(Note 16)*	$	1,378,239,844	$	1,470,012,534
Other non-current financial obligations *(Note 16)*		3,067,140		4,464,639
Minus liability derivative instruments *(Note 16)*		(40,640,778)		(5,542,903)
Senior bond *(Note 16) (b)*		2,238,000,000	$	2,250,532,500
Perpetual equity instruments (Note *19) (c)*		1,278,425,000	$	1,278,425,000
Long-term financial obligations, net	**$**	**4,857,091,206**	**$**	**4,997,891,770**
Total financial debt	**$**	**5,095,097,337**	**$**	**5,255,466,661**
Minus:				
Valuation of derivatives of exchange rate (d)		(56,788,128)		(348,320,945)
Cash and Cash Equivalents *(Note 6)*		(316,372,212)		(214,661,546)
Total net debt	**$**	**4,721,936,997**	**$**	**4,692,484,170**
Proforma EBITDA*	**$**	**1,581,939,380**	**$**	**1,003,527,860**
Covenants Debt / Adjusted EBITDA *(Note 16)*		**2.98 times**		**4.68 times**

* Includes Proforma EBITDA 12 months of 2017 from subsidiary companies.

(a) The balance of short-term liabilities excludes the account of interest payable and hedging valuations.

(b) Corresponds to the nominal value of the issue of senior bond, valued at the closing exchange rate of each period. It does not include the value of the transaction costs.

(c) Corresponds to the nominal value of the perpetual equity instrument issuance, valued at the exchange rate of the issuance date. It does not include the value of the transaction costs. This instrument under the prospectus of the issue of the senior debt is considered as replacement debt, therefore it is included as financial debt; however, its recognition in the Financial Statements is in equity.

(d) Includes only valuation of exchange rate hedges.

30. SUBSEQUENT EVENTS TO THE DATE OF THE FINAL POSITION STATEMENT

Between January 1st, 2018, and the issuing date of these Financial Statements, there is not awareness of financial events or of other nature which significantly affect the balances or interpretations thereof.

31. FINANCIAL STATEMENTS APPROVAL

The Board of Directors and the Legal Representative approved the Company's Financial Statements and the accompanying notes, in accordance with Act No. 119, dated February 22, 2018, to be submitted to the Shareholders' General Assembly for their approval, which can approve or modify them.

ISSUER

Colombia Telecomunicaciones S.A. E.S.P.
Transversal 60 No. 114 A-55 Edificio Corporativo
Bogotá, Colombia

TRUSTEE, REGISTRAR, PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
240 Greenwich Street-7E
New York, New York 10286
USA

SINGAPORE LISTING AGENT
CNP Law LLP

600 North Bridge Road #13-01,
Parkview Square (Parkview 2),
Singapore 188778

LEGAL ADVISORS

To the Issuer as to United States Law
White & Case LLP
1221 Avenue of the Americas
New York, New York 10020
USA

To the Issuer as to Colombian Law
Brigard & Urrutia Abogados S.A.S.
Calle 70A No. 4-41
Bogotá, Colombia

To the Initial Purchasers as to United States Law
Clifford Chance US LLP
31 W 52nd Street
New York, New York 10019
USA

To the Initial Purchasers as to Colombian Law
Dentons Cárdenas & Cárdenas Abogados S.A.S.
Carrera 7 No. 71-52 Torre B, Piso 9
Bogotá, Colombia

INDEPENDENT ACCOUNTANTS

PwC Contadores y Auditores Ltda. (current auditor)
Carrera 7 No. 156-80, Floor 17
Bogotá, Colombia

PricewaterhouseCoopers Ltda. (predecessor auditor)
Calle 100 No. 11A-35
Bogotá, Colombia

Telefónica