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Financial statements

Colombia Telecomunicaciones S. A. E.S.P. BIC
Separate Financial Statements

As of December 31, 2023 and 2022 with statutory auditor’s report
(figures expressed in thousands of Colombian pesos, unless otherwise indicated)

Statutory Auditor's Report on the Separate Financial Statements

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

Opinion

I have audited the accompanying separate financial statements of Colombia Telecomunicaciones S.A. E.S.P. BIC, which comprise the separate statement of financial position as of December 31, 2023 and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies.

In my opinion, the accompanying separate financial statements, faithfully taken from the books, present fairly, in all material respects, the financial position of Colombia Telecomunicaciones S.A. E.S.P. BIC, as at December 31, 2023 and its results of operations and cash flows for the year then ended, in accordance with the Accepted Accounting and Financial Reporting Standards in Colombia.

Basis for opinion

I conducted my audit in accordance with the Accepted Financial Reporting Auditing Standards in Colombia. My responsibilities under such standards are described below in the Responsibilities of the Statutory Auditor section in connection with the audit of the separate financial statements in this report.

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

I consider the audit evidence I obtained to be sufficient and appropriate to provide a basis for my audit opinion.

Key audit issues

The key audit issues are those matters that, in my professional judgment, have been of the greatest significance in my audit of the financial statements for the year. These matters have been addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, and I do not express a separate opinion on those matters.

PwC Contadores y Auditores S.A.S., Calle 100 No. 11A-35, Bogotá, Colombia Tel: (60-1) 7431111, www.pwc.com/co

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

Key audit issue	**How the key issue has been addressed in the audit**
Revenue Recognition – Services Pending Billing The Company's sales and service revenues come primarily from the provision of the Company's various telecommunications services including traffic, periodic network usage fees, mobile and digital services, internet, content and other products and services. Revenue from products and services that can be sold separately or jointly in commercial packages is allocated to each performance obligation based on the ratio of the separate selling prices of each individual component to the total commercial price of the package, and is recognized as the obligation is satisfied. For those revenues whose billing cycle does not coincide with the accounting closing, management is required to use accounting estimates to determine the amount to be recognized for services that are pending billing at the end of the year. During the year, updates were presented on the assumptions and inputs used in these accounting estimates. I identified this area as a key issue in the audit of financial statements, due to the complexity of the process used by management to estimate the recognized revenues pending invoicing due to the multiple data sources, types of revenues and the number of systems that support the information. This in turn involves a high degree of effort in the design and implementation of my audit procedures.	I have performed audit procedures with the participation of information systems specialists on the revenue recognition process, including: • Understanding of the internal control environment, evaluation and testing of the relevant controls in the process of estimating the outstanding revenues. • Evaluation of the reasonableness of the criteria used by management in the estimation of the recognized revenues pending invoicing and the accuracy of the data that support the estimate. • Detailed evidence on significant transactions and invoicing made after the end of the year to verify their agreement with accounting estimates. Based on the procedures carried out, I consider that the estimates made by management are reasonable with respect to the recognition of income from the provision of services pending invoice at the end of the year.

To the Shareholders of
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Key audit issue	How the key issue has been addressed in the audit
Evaluation of the deterioration of the Goodwill As described in note 16 to the separate financial statements, the Goodwill recognized as of December 31, 2023 for $1.4 trillion, arising as a result of the various business acquisitions made over time, is a relevant asset of the Company. The determination of recoverable value is made by calculating the value in use of the cash generating unit associated with the Goodwill, based on the strategic plans approved by management. Projections of the Company's cash flows require a high degree of judgment in estimating key assumptions, such as the long-term OIBDA margin, the long-term investment ratio, the discount rate and the perpetual growth rate, which are changing from year to year and would be significantly affected by future trends in the economy. This is a key issue in my audit because of the significant judgments made by the Company in estimating the key assumptions underpinning the recoverable values of the cash-generating unit, which in turn have required a high degree of auditor judgment and effort in evaluating those assumptions.	I have performed audit procedures with the participation of valuation experts, on the process carried out by management to determine the recoverable value of the cash-generating unit to which the Goodwill is associated, including: • Understanding of the internal control environment, evaluation and testing of the relevant controls in the Goodwill impairment review process. • Evaluation of the key assumptions, model and inputs that served as the basis for the calculation of the value in use of the cash-generating unit. • Verification of the reasonableness of the sensitivity analysis defined by management. • Review of disclosures included in the financial statements in connection with the Goodwill impairment test conducted by the Company's management. Based on the procedures performed, I believe that management's impairment assessment is reasonable, the estimate of key assumptions is within a reasonable range, and its conclusions on the valuation of Goodwill are consistent with the information contained in the separate financial statements.

To the Shareholders of
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Other information

Management is responsible for other information. The other information includes the Letter from the CEO Chairman, the report entitled “Organization: Telefónica Movistar Colombia”, and the report entitled “Report on Compliance with Good Corporate Governance Practices” that we obtained prior to the date of this audit report, but they are not included in the financial statements, nor in my reports as Statutory Auditor, nor in the management report on which he pronounced me later in the “Report on other legal and regulatory requirements” in accordance with the requirements defined in Article 38 of Law 222 of 1995. My opinion on the financial statements does not cover the other information and I do not express any form of conclusion that provides a degree of assurance about it. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, to consider whether there is a material inconsistency between the other information and the financial statements or with the knowledge I have gained in the audit or whether it appears that there is a material misstatement in the other information for some other reason. If, based on the work I have done, I conclude that there is a material inaccuracy in this other information, I am obliged to report it. I have nothing to report on that.

Responsibilities of the Entity’s management and managers for the separate financial statements

Management is responsible for the proper preparation and fair presentation of the accompanying separate financial statements, in accordance with the Accepted Accounting and Financial Reporting Standards in Colombia, and for such internal control as management deems necessary so that the preparation of these separate financial statements is free from material misstatement due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as appropriate issues relating to the going concern principle and using the going concern accounting principle, except if management intends to liquidate the Entity or cease operations, or that there is no other more realistic alternative than to do so.

The Entity’s management officers are responsible for overseeing the Entity’s financial reporting process.

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To the Shareholders of
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Responsibilities of the Statutory Auditor in relation to the audit of separate financial statements

My goal is to obtain reasonable assurance as to whether the separate financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an auditor's report containing my opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with Colombia's Accepted Financial Reporting Auditing Standards will always detect a material error where it exists. Errors may be due to fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions that users make based on the separate financial statements.

As part of an audit in accordance with Colombia's Accepted Financial Reporting Auditing Standards, I apply my professional judgment and maintain an attitude of professional skepticism throughout the audit. Also:

- I identify and assess risks of material misstatement in separate financial statements, due to fraud or error; I design and implement audit procedures to respond to such risks, and I obtain sufficient and adequate audit evidence to provide a basis for my opinion. The risk of failure to detect a material error due to fraud is higher than in the case of a material error due to error, as fraud may involve collusion, falsification, deliberate omissions, intentional misrepresentations or circumvention of internal control.

- I gain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- I evaluate the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and related disclosures made by management.

- I conclude on the adequacy of management's use of the going concern accounting principle and, based on the audit evidence obtained, I conclude on whether or not there is material uncertainty related to facts or conditions that may raise significant doubts about the ability of the Entity to continue as a going concern. If I conclude that there is material uncertainty, I am required to draw attention in my auditor's report to the relevant information disclosed in the separate financial statements or, if such disclosures are not adequate, to express a modified opinion. My conclusions are based on audit evidence obtained to date from my audit report. However, future events or conditions may cause the Entity to cease to be a going concern.

- I evaluate the overall presentation, structure and content of the separate financial statements, including the information disclosed, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate to the Entity's management, among other things, the scope and timing of the planned audit and the significant findings of the audit, as well as any significant deficiencies in internal control that I identify in the course of the audit.

I have also provided the Entity's management with a statement of my compliance with the applicable ethics requirements in relation to independence and have communicated to them all relationships and other matters that can reasonably be expected to affect my independence and, if any, the appropriate safeguards.

Among the matters that have been the subject of communication with those responsible for the management of the Entity, I determined those that have been of greatest significance in the audit of the financial statements of the current period and that are, consequently, the key issues of the audit. I have described these matters in my audit report unless the law or regulation prohibits the disclosure of a matter publicly or, in extremely rare circumstances, determines that a matter should not be disclosed in my report because it can reasonably be expected that the adverse consequences of doing so would outweigh the public interest benefits of the matter.

Report on other legal and regulatory requirements

The administration is also responsible for compliance with regulatory aspects in Colombia related to accounting document management, the preparation of management reports, the timely and adequate payment of contributions to the Comprehensive Social Security System and the implementation of the Comprehensive System for the Prevention and Control of the Risk of Money Laundering and the Financing of Terrorism. My responsibility as a Statutory Auditor in these matters is to carry out review procedures to issue a conclusion on their proper compliance.

In accordance with the above, I conclude that:

a) The Company's accounts for the year ended December 31, 2023 have been kept in accordance with legal standards and accounting technique, and the transactions recorded are in accordance with the articles of association and the decisions of the Shareholders' Meeting and the Board of Directors.

b) Correspondence, account receipts, and minute and share record books are kept and maintained appropriately.

c) There is a concordance between the accompanying separate financial statements and the management report prepared by the directors. The administrators recorded in this management report that they did not hinder the free circulation of invoices issued by vendors or suppliers.

d) The information contained in the self-assessment declarations of contributions to the Comprehensive Social Security System, in particular that relating to affiliates and their contribution base income, has been taken from the accounting records and supports. As of December 31, 2023, the Company is not in arrears for contributions to the Comprehensive Social Security System.

To the Shareholders of
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e) The Company has implemented the Comprehensive System for the Prevention and Control of the Risk of Money Laundering and Terrorist Financing in accordance with the provisions of Part III of Title I of Chapter VII of the Basic Legal Circular issued by the Financial Superintendence.

In compliance with the responsibilities of the Statutory Auditor contained in Numerals 1 and 3 of Article 209 of the Commercial Code, related to the evaluation of whether the acts of the directors of Colombia Telecomunicaciones S.A. E.S.P. BIC are in accordance with the bylaws and the orders and instructions of the Assembly, whether internal control, conservation and custody measures of the assets of the Company or third parties that are in its possession exist and are adequate, and on the effectiveness of the controls of the financial reporting process, I issued a separate report dated February 22, 2024.

Julián Andrés Montaño Gaviria
Statutory Auditor
Professional Card No. 121760-T
Appointed by PwC Contadores y Auditores S. A. S.
February 22, 2024

Certification of the Legal Representative and Accountant of the Company

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

February 22, 2024

We, the undersigned Legal Representative and Public Accountant of Colombia Telecomunicaciones S.A. E.S.P. BIC (hereinafter “the Company”) certify that for the issuance of the Statement of Financial Position as of December 31, 2023 and the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, In accordance with the regulations, they are made available to shareholders and third parties, the statements contained therein have been verified in advance and the figures have been faithfully taken from the books. These explicit and implicit statements are as follows:

1. All assets and liabilities, included in the Company’s financial statements as of December 31, 2023, exist and all transactions included in such financial statements have been conducted during the year ended on that date.

2. All economic events carried out by the Company, during the year ended December 31, 2023, have been recognized in the financial statements.

3. Assets represent the potential to produce future economic benefits (rights) and liabilities represent the obligation to transfer the economic resource (obligations), obtained or in charge of the Company as of December 31, 2023.

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

5. All economic events affecting the Company have been properly classified, described and disclosed in the financial statements.

Fabián Andrés Hernández Ramírez
Legal Representative

Nancy Navarro Bueno
Public Accountant
Professional Card No. 61799-T

	Notes	As of December 31, 2023	2022
Assets			
Current assets:			
Cash and cash equivalents	5	360.627.174	479.659.985
Financial assets	6	284.742	114.473.812
Receivables and other receivables, net	7	1.129.873.694	1.238.521.256
Prepaid expenses	8	510.790.498	342.682.588
Contractual assets	9	11.072.674	11.509.945
Inventories	10	180.428.613	487.531.477
Taxes and public administrations	11	372.009.010	388.069.831
Total current assets		2.565.086.405	3.062.448.894
Non-current assets:			
Financial assets	6	58.598.897	505.232.823
Receivables and other receivables, net	7	900.598.544	992.739.484
Prepaid expenses	8	732.490.258	545.571.382
Contractual assets	9	2.182.814	5.957.797
Investments in companies	12	69.949.746	68.577.774
Assets by rights of use	13	1.133.076.312	960.427.178
Property, Plant & Equipment	14	3.954.376.869	4.207.660.804
Investment Properties		8.045.056	8.045.056
Intangible	15	1.011.978.400	1.317.670.502
Goodwill	16	1.355.833.946	1.355.833.946
Taxes and public administrations	11	476.444.494	403.634.509
Deferred taxes, net	11	1.169.326.314	1.391.257.589
Total non-current assets		10.872.901.650	11.762.608.844
Total assets		13.437.988.055	14.825.057.738
Liabilities			
Current liabilities:			
Financial liabilities	17	1.211.919.790	485.709.481
Suppliers and accounts payable	18	2.364.166.586	2.529.106.967
Contractual liabilities	9	170.669.840	145.259.250
Taxes and public administrations	11	95.243.678	104.942.107
Deferred liabilities		2.590.540	2.590.540
Pension provisions and liabilities	19	165.981.811	166.141.837
Total current liabilities		4.010.572.245	3.433.750.182
Non-current liabilities:			
Financial liabilities	17	4.955.609.349	5.880.352.360
Suppliers and accounts payable	18	13.988.866	72.930.673
Contractual liabilities	9	187.424.759	419.849.081
Deferred liabilities		5.635.377	6.336.436
Pension provisions and liabilities	19	277.161.068	257.449.880
Total non-current liabilities		5.439.819.419	6.636.918.430
Total liabilities		9.450.391.664	10.070.668.612
Total equity	20	3.987.596.391	4.754.389.126
Total liabilities and equity		13.437.988.055	14.825.057.738

Notes 1 to 31 are an integral part of these Financial Statements.

Fabián Andrés Hernández Ramírez
Legal Representative
(See attached certification)

Nancy Navarro Bueno
Public Accountant
Professional Card No. 61799-T
(See attached certification)

Julián Andrés Montaño Gaviria
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Professional Card No. 121760-T
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(See report of February 22, 2024)

	Notes	Year ended December 31, 2023	2022
Operating income			
Revenue from customer contracts	21	6.682.037.286	6.729.324.106
Other operating income	22	436.401.080	1.130.198.998
		7.118.438.366	7.859.523.104
Operating costs and expenses	23	(5.560.708.228)	(5.418.282.639)
Operating profit before depreciation and Amortizations		1.557.730.138	2.441.240.465
Depreciation and amortization	24	(1.393.278.306)	(1.388.421.371)
Operating result		164.451.832	1.052.819.094
Financial expense, net	25	(557.922.045)	(481.056.699)
Net Equity Method	12	(41.511.464)	(63.768.109)
Profit before tax		(434.981.677)	507.994.286
Income tax and complementary taxes	11	(245.826.306)	(577.911.699)
Net income for the year		(680.807.983)	(69.917.413)
Basic net income per share for the year	20	(199,65)	(20,50)
Another comprehensive result			
Items that are reclassified to the income statement:			
"Valuation of hedging derivatives, net of taxes"	11	(81.980.958)	(98.259.922)
Participation in other comprehensive income in associate	11 y 12	1.064.341	-
Deferred tax on other comprehensive income in associates	11	(372.519)	-
		(81.289.136)	(98.259.922)
Items that are not reclassified to the income statement:			
Actuarial results for post-employment benefits	11	(4.695.616)	(6.857.489)
	11 y 20	(85.984.752)	(105.117.411)
Comprehensive net income for the year		(766.792.735)	(175.034.824)

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	Subscribed and paid-in capital	Premium on share placement	Reserves	Surplus due to revaluation, derivatives coverage and result	Cumulative results	Total equity
Balances as of December 31, 2021	3.410.076	9.822.380.645	71.030.665	444.842.091	(5.310.650.567)	5.031.012.909
Net Income of the period	-	-	-	-	(69.917.413)	(69.917.413)
Establishment of reserve (Note 20)	-	-	101.588.959	-	(101.588.959)	-
Transfer to dividends to pay (Note 20)	-	-	(101.588.959)	-	-	(101.588.959)
Transfers (Note 20)	-	-	-	(34.901.576)	34.901.576	-
Another result (Note 20)	-	-	-	(105.117.411)	-	(105.117.411)
Balances as of 31 December December 2022	3.410.076	9.822.380.645	71.030.665	304.823.104	(5.447.255.363)	4.754.389.126
Net Income of the period	-	-	-	-	(680.807.983)	(680.807.983)
Transfers (Note 20)	-	-	-	(54.801.493)	54.801.493	-
Another comprehensive result of the period (Note 20)	-	-	-	(85.984.752)	-	(85.984.752)
Balances as of December 31, 2023	3.410.076	9.822.380.645	71.030.665	164.036.859	(6.073.261.853)	3.987.596.391

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	Notes	Year ended December 31, 2023	2022
Net cash flows provided by operating activities			
Cash received from customers		7.840.095.549	7.337.373.451
Cash paid to vendors and other accounts payable		(5.798.616.196)	(5.957.982.379)
Net interest paid and other financial expenses		(415.508.586)	(357.297.464)
Income tax self-withholdings		(301.933.838)	(304.041.744)
Taxes paid		(281.993.503)	(282.136.982)
Interest paid on finance leases	17	(121.030.762)	(87.574.198)
Net cash provided by operating activities		921.012.664	348.340.684
Net cash flow (used in) provided by investing activities			
Collections for the sale of movable and immovable property		106.934.326	364.016.582
Collections from the sale of fiber optic assets		23.626.157	643.982.294
Payments for investments in plant and equipment and intangibles		(814.946.809)	(429.233.021)
Net cash (used in) provided by investing activities		(684.386.326)	578.765.855
Net cash flows used in financing activities			
New financial debt		500.040.959	-
Payment of financial debt		(468.350.451)	(526.326.240)
Financial lease payment	17	(312.697.940)	(284.008.843)
Spectrum License Payment	17	(55.513.680)	(111.027.359)
Exchange rate hedging payments		(19.138.037)	-
Dividend payment to shareholders		-	(95.769.390)
Exchange rate hedging charges		-	23.035.653
Net cash used in financing activities		(355.659.149)	(994.096.179)
Net decrease in cash and cash equivalents		(119.032.811)	(66.989.640)
Cash and cash equivalents as of January 1		479.659.985	546.649.625
Cash and cash equivalents as of December 31	5	360.627.174	479.659.985
Cash and cash equivalents as of January 1		479.659.985	546.649.625
Cash on hand and in banks		402.647.105	437.529.560
Temporary investments		77.012.880	109.120.065
Cash and cash equivalents as of December 31		360.627.174	479.659.985
Cash on hand and in banks		237.379.112	402.647.105
Temporary investments		123.248.062	77.012.880

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1. GENERAL INFORMATION

a) Economic Entity

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

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

Likewise, the Company may carry out the following activities: (i) provision of telecommunications and computer services that serve as support for the performance of activities of electronic commerce, and communication of data messages in general, as well as specialized courier and courier services; (ii) Representation of national or foreign firms involved in the telecommunications industry, either as a supplier of equipment and/or services; (iii) Production, distribution, sale and marketing of products and elements related to telecommunications, electricity, electronics, information technology and the like; (iv) Provision of technical advisory services, maintenance of equipment and networks and consulting in the fields of electricity, electronics, IT, telecommunications and related fields; (v) Provision of delegated management services for a company's technology and application functions; (vi) Manufacture, design, install, put into operation and market all kinds of electrical and electronic equipment and systems; (vii) Provide services technical, technological, consulting, auditing and any other business advisory management to companies in Colombia and/or abroad; (viii) Establishing, exploiting, using, installing, expanding, renewing or modifying telecommunications networks and services and their different elements, for national or international private or public use; (ix) Importation, marketing, installation and leasing of equipment for surveillance and private security.

The Company may carry out the commercial activities that have been defined in its bylaws.

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

On May 27, 2020, by means of Public Deed No. 769 granted at Notary Sixteen (16) of the

Círculo de Bogotá D.C., the statutory reform of the merger was solemnized, by virtue of which Colombia Telecomunicaciones S. A. E.S.P. BIC it absorbed Metrotel and Telebucaramanga. The aforementioned public deed was registered in the Mercantile Registry of the Chamber of Commerce of Bogotá D.C., on May 28, 2020.

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

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

The company Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom" was incorporated under Colombian law on October 22, 2013 as a simplified joint-stock company (S.A.S.). The main corporate purpose consists of the provision of ICT services, the installation, construction, design, maintenance, replacement and repair of telecommunications networks, as well as the commercialization of goods, products and services provided by information and communication technology service operators. The term of the company is indefinite, the address registered as the domicile and main office is Calle 74 No. 57 – 35, piso 2 (Barranquilla, Colombia).

b) Statutory Reform (i) Adoption of the legal status of a Benefit and Collective Interest Company (BIC) and (ii) inclusion of activities that the Company undertakes to develop in its capacity as a BIC company and activities for the supply of security telecommunications solutions.

At an ordinary meeting held on March 16, 2020, the General Shareholders' Meeting of [p. 223] Colombia Telecomunicaciones S.A. E.S.P. approved (i) the adoption of Colombia Telecomunicaciones S.A. E.S.P. of the legal status of Collective Benefit and Interest Company (BIC) and (ii) modify articles one and four of the Bylaws to add in the corporate name the expression "Collective Benefit and Interest" or the acronym "BIC" and include in the corporate purpose the activities associated with the adoption of the legal status of Collective Benefit and Interest Company (BIC) and the importation, marketing, installation and leasing of equipment for private surveillance and security.

On February 25, 2021, the General Assembly of Holders of Ordinary Bonds 2019 Issuance from the Company approved the amendment of article four of the Bylaws, under the terms of the approval made by the General Assembly of Shareholders of the Company.

On March 8, 2021, through Public Deed No. 0749 of the Notary Office Eleven of the Circle of Bogotá, the statutory reform consisting of in the amendment of articles one and four of the Bylaws was notarized, relating to the "Name and Nature" and "Corporate Purpose", respectively. As of said date, the company name is "COLOMBIA TELECOMUNICACIONES S.A. E.S.P. BIC" and its corporate purpose included the activities associated with the adoption of the legal status of Collective Benefit and Interest Company (BIC) and the importation, marketing, installation and leasing of equipment for surveillance and private security.

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

On January 11, 2022, after obtaining the necessary regulatory authorizations and the fulfillment of certain conditions agreed upon on July 16, 2021, the operations approved by the Board of Directors of Colombia Telecomunicaciones S. A. E.S.P. BIC were completed. Consequently, Colombia Telecomunicaciones S. A. E.S.P. BIC completed the sale of the fiber optics assets (hereinafter FTTH) to Onnet Fibra Colombia S.A.S. ("Onnet"), for an amount equivalent to USD 328.9 million ($1,307,473.1) million.
The negotiation included the agreement of an Earn-Out, which was agreed between the parties supported by the analysis of the Master Business Plan. On March 23, 2022, the modification of the transaction entered into with KKR was signed, in such a way that Colombia Telecomunicaciones S.A. E.S.P. BIC may: (i) receive a higher income as an increase in the variable sale price of fiber optic assets by a value of USD 50.00 million in cash in three payments over time, subject to compliance with the conditions of the Master Business Plan throughout the years 2022, 2023 and 2024 and (ii) USD 33.33 million by capitalization in Alamo

Holdco, S.L., for a total of USD 83.33 million. The Company's stake in Alamo Holdco, S.L., equivalent to 40% of the share capital, will not be altered by the modification made.

At the end of September 2023, the Company carried out the conciliation with Onnet Fibra Colombia S.A.S. to validate compliance with the conditions agreed for the first year, verifying compliance with the Earn-Out with respect to the three established goals, exceeding two of the three established goals, obtaining the payment of USD 16,000,000 equivalent to $ 62,515.4 million. In addition to the above, USD 10,666,667 equivalent to $ 41,819.1 were capitalized as a higher value in the investment of Álamo Holdco, S.L. (Note 12). Regarding the third condition, it was verified that the goal was met and the payment to the Company will proceed.

On October 30, 2023, Colombia Telecomunicaciones S. A. E.S.P. BIC signed an amendment to the agreements signed with Alamo SpainCo, S.L.U. and Onnet Fibra Colombia S.A.S., that allows it to exercise the option to release the exclusivity agreed in the wholesale agreement before the end of its contractual term. To exercise this right, the Company must reach a certain number of connected real estate units.

2. OPERATIONS

2.1. Going concern

The Company, in the development of the activities of its corporate purpose, analyzes not only the measurement of assets and liabilities, accounting estimates and appropriate disclosures, but also the Company's ability to continue as a going concern.

Management continues to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next 12 months and that the operating Company's accounting basis remains adequate. The Company has resources comprising cash and cash equivalents of $ 360,627,174, other highly liquid assets and undrawn credit facilities available as of the date of issuance of these separate financial statements.

The Company's Management, together with the support of the Shareholders, jointly analyzes the necessary measures to strengthen the Company's liquidity and financial indicators and ensure the ability to continue operating as a going concern. These measures have already been put into execution, through the implementation of the Strategic Plan for the years 2024 to 2026. In addition, to respond to a severe negative scenario, it maintains the ability to take mitigation actions to reduce costs, optimize the Company's cash flow and preserve liquidity.

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

2.2. Impacts of the International Conflict

Russia-Ukraine

The Company has implemented internal control measures through a protocol so that any transaction with third parties whose location is in Russia or third parties from other countries that were affected by the sanctions imposed by the European Union, the United Kingdom, the United States and other countries, are authorized by the intervention area, internal audit and the compliance area. At the end of 2023 there is no relationship with third parties affected by the sanctions, so no risks have been generated in the financial information.

Israel-Palestine

The conflict generates greater global uncertainty, could affect the trade and oil supply of the Middle East region, as well as the economy of nearby regions. Given this situation, an increase in oil prices could have a global impact on inflation, which is likely to affect investor and consumer confidence and influence the prospects for economic growth. The above added to the possible additional risks such as an escalation of the conflict and disruptions to the supply chain would increase pressure on the industry's costs. At the end of 2023, no risks have been generated in financial information.

2.3. Main Regulatory Aspects

The main regulatory aspects as of December 31, 2023 are as follows:

a) Spectrum Licensing

- In accordance with the procedures of the Ministry of Information and Communications Technologies (hereinafter MinTic), the Company requested for the licenses about to expire the renewal of the 30 MHz in the AWS band in June 2023, as well as the 25 MHz in the 850 and the

15 MHz of spectrum in the 1900 MHz band in September 2023. The national regulation allows that while the final conditions of these renewals are closed, the spectrum is used normally.

- MinTic Resolutions 3947 of October, 4138 and 4185 of November 2023 established the requirements, conditions and procedure for the objective selection process through the auction mechanism, to grant permits for the use of the radio spectrum at the national level, in the 700 MHz, 1900 MHz, extended AWS, 2500 MHz and 3500 MHz bands. The available spectrum was 10 MHz of 700 MHz and 1900 MHz, 30 MHz in the 250 0MHz band and extended AWS, and 320 MHz in the 3500 MHz band.

- In the conditions of the auction, the MinTic accepted a recommendation from the competition authority not to allow the operator Claro, as the dominant operator, to choose its location within the 3.5 GHz band, so the Ministry defined it after the other participants chose their location.

- The MinTIC advanced the auction on December 20, 2023 and the Company participated and acquired, in a Temporary Union with Colombia Móvil S.A. ESP (hereinafter TIGO), an 80 MHz block in the 3.5 GHz band for the reserve value of $ 318 billion pesos, which includes the amount to be recognized for obligations to make. The acquired block has obligations to cover primary and secondary roads, as well as to connect educational institutions by fiber optics, which must be executed within a maximum period of 18 months, extendable to 24 months in some cases. The maximum value that the MinTic will recognize for the execution of these obligations is $ 69 billion pesos. The other 3 blocks were assigned to the operators Claro, WOM and Telecall, a new operator, also with obligations to be fulfilled.

b) Memorandum of Understanding and authorization from the Superintendence of Industry and Commerce (SIC) to operate a single mobile access network

- The Company announced the signing, together with Tigo, of a memorandum of understanding to develop a shared mobile access network in Colombia. The companies evaluated the creation of a new mobile access infrastructure company to make the management of current networks more efficient and to serve as a vehicle for the deployment of new mobile technologies such as 5G.

- The consolidated network aims to improve the quality of mobile services in more than 700 municipalities and for about 35 million users. The companies will continue to operate separately functionally and legally, they will continue to compete in the provision of the service and will maintain their independence and business, strategic and commercial autonomy.

- The Superintendence of Industry and Commerce (hereinafter SIC) authorized the operation under resolution 61548 of October 6, 2023, for companies to share their infrastructure and the rights to use the spectrum. The entity recognizes that there will be no impact on the retail and wholesale telecommunications markets, since the Company and Tigo will continue to participate independently, as they will not share the network cores (Core) or the transmission paths (backbone and backhaul). The decision highlights that the new network company presented a transfer plan and return of portions of spectrum so as not to exceed the current limits. The Temporary Union will use 140 MHz (40 in low bands and 100 in medium bands). Today, Tigo has 120 MHz of spectrum compared to 85 for the Company. After consolidation, the two firms will release 65 MHz: in the AWS band, Tigo 30 MHz and the Company 10 MHz. In the 850 band, The Company will return 25 MHz. The Authority established conditions for the Company and Tigo for the operation, in force for 5 years, as follows:

i. Not unilaterally, unjustifiably or untimely modify current or future agreements to the detriment of Mobile Virtual Network Operators (MVNOs), having to submit a semi-annual report.

ii. Not to modify unilaterally, unjustifiably or untimely to the detriment of third-party Suppliers, current or future agreements of National Automatic Roaming, nor to increase the price of the RAN in an unjustified manner, having to submit a semi-annual report, and an eventual one when entering into a new contract or adjusting business conditions.

iii. Implement a Governance Manual, and other provisions on the Shareholders' Assembly, the Board of Directors, the Legal Representative, Information Management Protocols, and Coverage and Quality.

c) Laws passed

- Within the framework of the National Development Plan Law 2022-2026, it establishes the allocation of the spectrum to maximize social welfare and its sharing, increases the maximum allowed for obligations to do, orders the MinTic and the Communications Regulatory Commission (hereinafter CRC) to define a single procedure for deployment infrastructure in territories, favorable conditions to serve remote areas and/ or vulnerable populations and regulation of the regulated rates update index for the sharing of poles and pipelines in the sector.

- Law 2300 (Don't call me or "stop scrubbing") was sanctioned, with the rules for contacting customers of entities supervised by the Financial Superintendence, of natural and legal entities that carry out collection procedures, and for the relationship between customers and producers of goods or services in the sending of advertising messages via SMS, messaging through web applications, emails and commercial or advertising telephone calls. Contacts are only allowed Monday through Friday from 7 a.m. to 7 p.m. and Saturdays from 8 a.m. to 3 p.m., not on Sundays or holidays. If the customer wants a different schedule, they must state it expressly. Once direct contact has been established, the customer will not be able to be contacted through different channels in the same week or on more than once on the same day. The Law ordered the CRC to adjust the Registry of Excluded Numbers RNE.

- Law 2326 (Pink Alert) was sanctioned, which seeks to speed up the search for missing women , by sending a text message to devices connected to the internet, official media (radio and television), civil society and public entities as a massive cry of maximum urgency.

d) Main Bills related to the ICT sector under consideration by Congress

- Bill 10 of 2023; Senate of the Republic: Creates the National Digital Security Agency.

- Bill 16 of 2023; Senate of the Republic: Provisions to prevent the effects of planned obsolescence of electronic devices for mass consumption.

- Bill 23 of 2023; House of Representatives: Creates the National Agency for Digital Security and Space Affairs.

- Bill 59 of 2023; Senate of the Republic: Public Policy Guidelines for the Development, Use and Implementation of Artificial Intelligence.

- Bill 89 of 2023; Senate of the Republic: Provisions to develop healthy and safe digital environments for children and adolescents.

- Bill 91 of 2023; Senate of the Republic: Establishes the duty of information for the responsible use of artificial intelligence.

- Bill 116 of 2023; House of Representatives: Public policy guidelines to expand the coverage of rural public goods and services.

- Bill 125 of 2023; House of Representatives: Extends the Transition Regime Clean Slate 2.0.

- Bill 130 of 2023; Senate of the Republic: Creates the harmonization of the artificial intelligence with people's right to work.

- Bill 137 of 2023; House of Representatives: Provisions for the recovery of technology for children are issued.

- Bill 176 of 2023; Senate of the Republic: Creates the registration and identification of end users of sim and e-sim cards or technology that replaces them.

- Bill 200 of 2023; House of Representatives: Defines and regulates artificial intelligence, and sets limits on its development, use, and implementation.

e) Main initiatives of MinTic

The MinTic has published a draft decree on sharing. The text includes the conditions for holders of permits to use international mobile telecommunications (IMT) spectrum to share it with third parties, seeking to expand the coverage of mobile services to close the digital divide in rural and remote areas, with prior authorization from MinTic. Authorization may be requested in two modalities: i) between permit holders and ii) between holders and natural or legal persons who are not assignees of permits, who must use frequencies simultaneously. Firms from any sector, providers of telecommunications and Internet access networks and services, and organized communities may participate connectivity. The bill also includes incentives for those who share access to the use of the spectrum, subject to compliance with the established conditions.

f) Regulatory topics on the agenda of the Communications Regulatory Commission

- Resolution 7120 of 2023 of the Communications Regulatory Commission (hereinafter CRC) establishes the conditions for access, use and remuneration of passive infrastructure for the deployment of infrastructure.

- Resolution CRC 7151 of 2023 incorporates the changes on mobile number portability by eliminating late payment as a cause for rejection.

- Resolution CRC 7156 included the wholesale carrier market by municipality and included a list of 170 municipalities with competition problems in the residential fixed internet market. In addition, it modified the report of information on the transport service between the country's municipalities for more information.

- Resolution CRC 7265 that modifies the IAT Tariff Update Index. the update of the regulated values will be made based on the annual variations of the IAT, which in turn has been adjusted to respond to the Cost Index of the Construction of Civil Works (telecommunications networks), the Consumer Price Index of the Services division, added to the Minimum Monthly Wage Index in force and the 12-month moving average of the Representative Market Rate plus the average nominal tariff that were already in the formula.

- The Regulator requested for May 25, 2023 information on costs associated with the subscription television service, within the analysis of audiovisual markets and for June 30, 2023 of the same year the quantities of poles and ducts to establish the update indicator of the regulated ceilings for the sharing of passive infrastructure, established by the National Development Plan.

- The CRC published for comments the draft "Review of the Tools for Continuous Quality Improvement in 4G", with adjustments to i) a new definition for degradation in performance of mobile services, ii) the periodicity of dissemination campaigns and the publication on the companies' websites, of quality measurements with Crowdsourcing; (iii) the target values for download and upload speed; (iv) compliance with the thresholds of 4G mobile data quality indicators.

- The Commission has published a draft, after reviewing the retail markets for mobile services. By identifying that OTT calls and SMS applications do not put competitive pressure on mobile voice service, that fixed internet does not exert competitive pressure on mobile internet, and furthermore that "Mobile Outgoing Voice" has decreased and will continue to decrease in the short and medium term, it proposes to eliminate this market from the list of those susceptible to ex ante regulation.

- The CRC has published its proposal for the Register of Excluded Numbers. In addition to the mandatory topics of the Law, it indicates that the registry will be administered by the Commission and gives a deadline for compliance to April 10, 2024.

g) Initiatives of the National Spectrum Agency (ANE)

The National Spectrum Agency (hereinafter ANE) postponed compliance with Resolution 797 until October 31, 2023. This decision gives more time for coordination between mobile operators and the Penitentiary Institute (INPEC).

This institute must invest to modernize its signal jamming equipment in prisons. Resolution 797 was issued in 2019, and regulated the operation of inhibition systems or blocking installed by INPEC inside penitentiary and prison establishments and the attenuation or reduction of radio signals from mobile stations near these establishments.

The ANE published its 2024 Action Plan for comments. The document brings the actions that will be undertaken under the new model of surveillance and control and the documents that will be discussed by the sector, of which the following stand out:

i. Prepare a proposal for the update of the Spectrum ceilings.

ii. Design the new Spectrum policy.

iii. Modify the valuation parameters to calculate the compensation for fixed point-to-point microwave links.

vi. Prepare the proposal on regulatory sandboxes associated with the use of the spectrum.

v. Define the spectrum use conditions to implement very low power VLP and standard power SP systems under the free use mode in the 6 GHz band.

vi. Align spectrum management with policies for the development of Artificial Intelligence.

vii. Define the conditions of use of spectrum bands for private networks.

The National Spectrum Agency - ANE has updated the Spectrum Management Master Plan 2022-2026, which identifies new activities aimed at artificial intelligence, data analytics and the mitigation of clandestinity. The document has 34 initiatives in eight thematic axes: 1) Wireless broadband services; 2) IoT Connections Landscape; 3) Mechanisms for management and flexible use of the spectrum; (4) Future plans for sound broadcasting; (5) Management of other radiocommunication services; 6) Surveillance and Control; 7) Complementary needs; 8) Cross-cutting needs. It also considers the role of spectrum in the face of climate change and sustainable development.

h) Initiatives of the Mayor's Office of Bogotá

The authority issued the Decree that regulates the requirements and procedure for authorizing and installing antennas and stations in the city. The regulation, which is applicable locally, serves as a reference for many administrations in other municipalities. It included charging for the use of public space; it requires compliance with the height standards of the buildings defined for each urban treatment. It stipulated that the minimum distance between radio stations in private property on urban land will be 50 meters, compared to the 2 meters mentioned in the proposal. It is estimated that the impact of the measure is minor since under the new network deployment model, the Company leases technical sites to specialized companies.

i) Interconnection

The tariff scheme for access charges between telecommunications operators is found in Resolutions 5050 of 2016 modified by Resolutions 5107 and 5108 of 2017, which regulated the price of National Automatic Roaming (hereinafter RAN) for voice, data and SMS; and the volume of discounts and the methodology of the base price to charge mobile virtual network operators, respectively. CRC Resolution 7007 of December 2022 established a new adjustment in the price conditions of interconnection in mobile networks and the prices of National Automatic Roaming, and adjusted the pricing rules to be charged to Mobile Virtual Network Operators (hereinafter MVNO). Of this measure, we highlight that it adopts the Bill and Keep (B&K) scheme as of May 2025. It is estimated that the decision will favor users as it reduces and in some cases eliminates wholesale interconnection costs, since the final prices were reduced more slowly than what was proposed in the initial proposal.

3. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES AND PRACTICES

3.1. Applied Professional Accounting Standards

3.1.1. Bases of Presentation

The Company prepares its financial statements in accordance with Accounting and Financial Reporting Standards, accepted in Colombia (NCIF), established in Law 1314 of 2009, officially translated and authorized by the International Accounting Standards Board (IASB), until 2018, not including IFRS 17 (Insurance Contracts).

Regulated in Colombia by Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, 2270 of 2019, 1432 of 2020, 938 of 2021 and 1611 of 2022 amending the technical annex to the Financial Reporting Standards of the Decree Sole Regulatory Standards of Accounting, Financial Reporting and Assurance of Information and other provisions are issued. These standards may differ in some respects from those set by other control bodies of the State.

These separate financial statements have been prepared on the basis of the historical cost model with the exception of 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 the fair value hedging relationships that would otherwise have been accounted for at amortized cost have been adjusted to account for changes in fair values attributable to the risks hedged in the respective effective hedging relationships.

The separate financial statements are presented in Colombian pesos, which is the functional currency of the Company, and all values in pesos Colombians are rounded to the nearest unit of thousands unless otherwise indicated.
The separate financial statements were authorized by the Audit Committee on February 14, 2024 as per Minute No. 70 and approved for issuance by

the Board of Directors on February 22, 2024 as per Minute No. 161. They may be modified and must be approved by the Shareholders' Meeting.

3.1.2. Separate Financial Statements

The separate financial statements present the Company's information as an individual entity recognizing investments in subsidiaries by the equity method. By statute, the Company makes a court of accounts and prepares financial statements annually as of December 31.

3.1.3. Subsidiary Investment

The investment in the subsidiary in which the Company has control by directly owning more than 50% of the share capital, is accounted for by the equity method. Under this method, Investments are initially recorded at cost and are subsequently adjusted, with credit or charge to profit or loss as the case may be, to recognize the participation in profits or losses in the subsidiaries, after eliminating the unrealized profits between companies. The cash distribution of the profits of these companies is recorded as a lower value of the investment.

In addition, the proportional participation in the changes in other equity accounts of the subsidiaries, other than profit or loss, with credit or debit to the surplus account by equity method is also recorded as a higher or lower value of the investments indicated above.

3.1.4. Investments in Associates

The investment in the associate in which the Company has a significant influence is accounted for by the equity method. Under this method, investments are initially recorded at cost and then adjusted, with credit or charge to results, as the case may be, to recognize the participation in the profits or losses in the associate, after eliminating the unrealized profits between companies. The cash distribution of the profits of these companies is recorded as a lower value of the investment.

In addition, the proportional participation in the variations in other equity accounts of the associates, different from the results of the period, with credit or debit to the surplus account by equity participation method, is also recorded as a greater or lesser value of the investments indicated above.

In a transaction involving an associate or a joint venture, the extent of the recognition of gain or loss depends on whether the assets sold or contributed constitute a business:

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

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

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

3.1.5. Accounting estimates and judgments

The preparation of financial statements in accordance with the NCIF requires the use of certain critical accounting estimates. Based on the above, the Administration makes judgments, estimates and assumptions that could affect the values of revenues, costs and expenses, assets and liabilities reported as of the date of the financial statements, including the respective disclosures in future periods. Although they may differ from their final effect, the Administration considers that the estimates and assumptions used were appropriate in each of the circumstances.

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

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

- The assumptions used to calculate the fair value of financial instruments,

- The valuation of financial assets to determine the existence of impairment losses,
- The useful life of property, plant and equipment and intangibles,
- The variables used and the assumptions used in the evaluation and determination of the indicators of impairment of non-financial assets,
- The variables used in the evaluation and determination of losses and obsolescence of inventories,
- The discount rate used in the calculation of the lease liability and the right of use,
- The probability of occurrence and the value of the liabilities that determine the amount to be recognized as provisions related to litigation and restructuring,
- The assumptions used in the recognition of the liability for dismantling,
- The assessment of the likelihood of future earnings for the recognition of deferred tax assets,
- The estimated time to depreciate the rights of use; the assumptions used in the calculation of the growth rates of the leases recorded as rights of use, and the variables used for the valuation of the lease liability.
- Post-employment employee benefits, the present value of retirement pension obligations and other post-employment benefits depend on certain factors that are determined on an actuarial basis using a number of assumptions.

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

3.2. Accounting Policies

The main accounting policies used in the preparation of these financial statements have been as follows:

3.2.1. Foreign Currency Conversion

Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates of the transactions or valuation when the items are revalued. Balances denominated in foreign currency are expressed in Colombian pesos at the representative exchange rates of $ 3,822.05 and $ 4,810.20 for USD 1 as of December 31, 2023 and 2022, respectively. Results for exchange differences resulting from the payment of such transactions and the conversion to exchange rates at the end of each period of monetary assets and liabilities denominated in foreign currency are recognized in the Income Statement, except when they differ in equity in the Other Comprehensive Income account for transactions that qualify as cash flow hedges.

Differences in exchange related to loans are presented in the Statement of Comprehensive Income under the heading "financial income or expenses", depending on their result. Likewise, any other gain or loss generated by other items is presented in the Statement of Comprehensive Income.

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

3.2.2. Property, Plant & Equipment

Items of property, plant and equipment are valued at their acquisition cost and reduced by accumulated depreciation and impairment losses, if any, except for land and buildings that are recognized at revalued cost. The land is not subject to depreciation. The acquisition cost includes external costs plus internal costs formed by consumption of warehouse materials, direct labor employed in the installation and an allocation of necessary indirect costs to carry out the investment. The acquisition cost includes the best estimate of the costs associated with the dismantling or removal of the element.

Expansion, modernization or upgrade costs, which represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalized as a higher cost when they meet the recognition requirements, only when they are likely to generate future economic benefits to the Company and the cost of these assets can be reasonably measured. The cost of property, plant and equipment includes the transfer from the Other Comprehensive Income of any gain or loss arising from cash flow hedges used for purchases in foreign currency.

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

For significant components of property, plant and equipment that must be replaced periodically, the Company records the deregistration 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 they are fulfilled the requirements for recognition as an asset. All other routine repair and maintenance costs are recognized as an expense in the Income Statement as they are incurred.

The Company depreciates its property, plant and equipment from the time they are in working condition, distributing linearly the cost of the assets between the years of useful life, according to the following detail:

Description	Minimum useful life (Years)	Maximum service life (Years)
Constructions	10	40
Switching, Access, and Streaming	2	30
Furniture	10	10
Information processing equipment	4	5
Transport equipment	7	7

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

3.2.2.1. Decommissioning Costs

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

In the particular case that the rental contracts provide for the return of the building or land in the same conditions in which it was transferred at the beginning of the rental period, at the initial time, a provision for its dismantling is estimated and a dismantling liability is incorporated as the highest amount of the cost of the rights of use and its counterpart.

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

3.2.2.2. Real Estate Revaluation

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

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

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

3.2.2.3. Constructions in progress

Constructions in progress or assets in assembly are accounted for at cost less any impairment losses. When these assets are ready for their intended use, they are transferred to the corresponding category. At this point, depreciation begins on the same basis that applies to the transferred category.

3.2.3. Jointly controlled operations

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

The interests of a joint venture are recognized through the use of the equity method, whereas, for joint ventures, each party recognizes its respective share of assets, liabilities, income, and expenses.

The Company recognizes as a Joint Operation those contracts with third parties over which they have rights to the assets and obligations with respect to the 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 participation in the respective agreement.

The Company has entered into contractual agreements with other participants to engage in joint activities that do not result in a jointly controlled entity. These agreements sometimes involve joint ownership of assets dedicated to each company's purposes, but they do not create a jointly controlled entity, whereby participants directly derive the benefits of the activities, rather than deriving returns from a stake in a separate entity. The Company's financial statements include its interest in the assets of the joint operations together with the liabilities, revenues and expenses generated, which are measured according to the terms of each agreement, generally based on the participation of each participant.

3.2.4. Non-current assets held for sale

Non-current assets held for sale correspond to those assets that the Company has in its current condition for immediate sale, based on a highly probable sale plan. They are accounted for at the lower between net carrying amount and fair value less costs to sell and will not be subject to depreciation while classified as held for sale. Where the sale is estimated to occur beyond one year, the Company shall measure the costs of sale at their present value. Any increase in the present value of costs to sell that arise during the sale will be presented in the income statement as a financial cost.

3.2.5. Investment Properties

Investment property is real estate held for the purpose of obtaining rental income or to achieve capital appreciation in investment or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment properties are initially measured at cost and subsequently at fair value, with changes in earnings.

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

Any gain or loss on the sale of an investment property (calculated as the difference between the consideration obtained from the disposition and the carrying amount 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 the accumulated profits.

When the use of a property changes in such a way that it is reclassified as property, plant, and equipment as of the date of reclassification, its fair value becomes the cost to their accounting.

3.2.6. Intangible Assets

Intangible assets acquired separately are recognized at their acquisition cost, less by accumulated amortization and by an 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 accounted for at cost less accrued depreciation (where defined useful lives are assigned) and any accrued impairment loss, if any.

The amortization methods and periods applied are reviewed at the end of the year and, if appropriate, adjusted prospectively. The gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net income from the sale and the carrying amount of the asset, and are recognized in the Statement of Comprehensive Income when it is derecognized the respective asset. Costs associated with maintaining software are recognized as an expense when incurred.

The following is a list of the main intangibles that the Company has, indicating its measurement and recognition procedures:

3.2.6.1. Qualifying Securities

They represent the acquisition price and associated costs 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 complies with the conditions required for it, in which case they may be automatically renewed.

The amortization is carried out on a straight-line basis from the moment of the beginning of the commercial exploitation of the licenses and permits, during the period of validity of the same.

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

Type / Name	Date of Acquisition / Renovation	Expiration Date	Type of Permit
Resolution 597 of 2014 Renewal Band 850 and 1900	March 29, 2014	March 28, 2024	IMT Mobile Service Provision
Resolution 2625 Aug 2014 Band 1700/2100 – 4G	13 November 2013	13 November 2023	IMT Mobile Service Provision
Resolution 2803 of 2021 Amended by Resolution 2143 Sep. 2022 Band 1900	20 October Aug. 2021	19 October Aug 2041	IMT Mobile Service Provision

3.2.6.2. Office Equipment Software

They are accounted for by the acquisition cost and are amortized on a straight-line basis over their useful life, which is estimated according to whether it is network equipment software or office equipment software that supports the Company's different technological platforms.

3.2.6.3. Irrevocable Rights of Use (IRU)

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

The IRUs registered in the assets at the end of 2023 have the following characteristics:

No. of IRUs	Start Date	Expiration Date	Type of IRU
12	Since 2013, 2014, 2015 2015 and 2017	Until 2027, 2033, 2034 and 2035	Fiber Optic Ring

3.2.6.4. Ongoing Projects - Computer Applications

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

3.2.6.5. Estimated Useful Lives

The Company amortizes its intangibles, in accordance with the following detail:

Description	Minimum service life (years)	Maximum service life (years)
Enabling titles and renewal of spectrum	10	20
Software for network and officeequipment	3	5
Irrevocable rights (IRUs)	10	20

3.2.7. Leases

A lease is an agreement by which a landlord assigns to a tenant, in exchange for a payment or a series of payments, the right to use an asset for a certain period of time.

The Company is lessor and lessee of various properties, technical facilities, equipment and vehicles. Leases are usually made for fixed periods of 1 to 10 years, but they may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

3.2.7.1. Tenant Accounting

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

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

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

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

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

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

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

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

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

3.2.7.2. Lessor Accounting

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

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

When assets are leased on an operating lease basis, the asset is included in the statement of financial position according to the nature of the asset. Operating lease income is recognized during the term of the lease on a straight-line basis.

• Leasing Activities

The Company leases various properties, equipment and vehicles. Lease contracts are normally made for fixed periods of 1 to 10 years. Lease terms are negotiated individually and contain a wide range of different terms and conditions. Leases do not impose any covenants, but leased assets are not used as collateral for lending purposes.

Leases are recognized as right-of-use assets and liabilities as of the date on which the leased asset becomes available for use by the Company. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the gain or loss during the lease period in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. Right-of-use asset depreciates over the shorter useful life of the asset and the term of the lease on a straight-line basis.

• Variable lease payments

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

• Extension and Termination Options

Extension and termination options are included in various Company property and equipment leases. These conditions are used to maximize operational flexibility in terms of contract management.

• Lease terms

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

3.2.8. Right-of-Use Assets

IFRS 16 establishes a global and methodological framework for the recognition of right-of-use assets registered by the Company. Right-of-use assets correspond to assets that represent the right for a lessee to use an underlying asset during the time of the lease. They are valued at cost, less accumulated depreciation, and impairment losses, if any, adjusted for any new measurement of lease liabilities, made for the purpose of reflecting new measurements or modifications thereof.

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

The Company depreciates the right-of-use asset by applying the straight-line method in accordance with the minimum non-cancellable period of each contract in force, as follows:

Right-of-use-assets	Minimum term	Maximum term
Land and buildings	1	25
Technical installations	1	12
Transport equipment	1	5

3.2.9. Goodwill

Goodwill is initially measured at cost, represented by the excess of the sum of the consideration transferred and the amount recognized by the non-controlling interest, with respect to 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 gain at the date of acquisition.

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

3.2.10. Impairment on Non-Current Assets

At the end of each reporting period, Telefónica's corporate team carries out the recoverability analysis for the consolidated CGU of Colombia (Colombia Telecomunicaciones S.A. – E.S.P. BIC and its Subsidiary – Optecom) in which the presence or absence of impairment indicators on non-current assets, including goodwill, intangibles and property and equipment, is evaluated. If such indicators exist or in the case of assets whose nature requires an annual impairment analysis, the Company estimates the recoverable value of the asset, which is the greater of the fair value after deduction of disposal costs, and its value in use. This value in use is determined by discounting estimated future cash flows, applying a pre-tax discount rate that reflects the value of money in time and considering the specific risks associated with the asset.

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

For the purpose of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows and uses the strategic plan and financial projections for it. Such a strategic plan generally covers a period of three years. For longer periods, from the fifth year onwards, projections based on these plans are used by applying a zero or decreasing growth rate.

When new events or changes in existing circumstances occur that show that an impairment loss recorded in a previous period may have disappeared or have been reduced, a new estimate of the recoverable value of the corresponding asset is made. Impairment losses previously recorded are reversed only if the assumptions used in calculating recoverable value have changed since the most recent impairment loss was recognized. In this case, the carrying amount of the asset is increased to its new recoverable value, with the limit of the net carrying amount that the asset would have had if it had not recorded impairment losses in previous periods.

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

On the other hand, the discount rates used to determine recoverable value are based on available financial information and are adjusted for the corresponding country risk and business risk rate. Thus, in fiscal years 2023 and 2022, a nominal percentage rate calculated in pesos of 11.50% and 12.20%, respectively, was used.

3.2.11. Financial Instruments

3.2.11.1. Financial Assets

The Company classifies its financial assets in the following measurement categories, considering the characteristics of cash flows and the business model under which they are held: those that are measured at fair value with changes in other comprehensive income – ORI (instrument of debt), at fair value through profit or loss, 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 Company's business model is to hold the asset to obtain the contractual cash flows, and the contractual terms result in dates specified in the receive cash flows that are only principal payments and interest on the outstanding principal.

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

A financial asset (debt instrument) is measured at fair value through other comprehensive income if the following criteria are met: The objective of the Company's business model is to hold the asset to obtain the contractual cash flows and sell, and the contractual terms result on specified dates in receiving cash flows that are only principal payments and interest on the principal outstanding. 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 change in profit or loss

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

d) Equity instruments

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

e) Impairment of Financial Assets

Measuring the expected credit loss provision for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and resulting losses).

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

- Determine the criteria for a significant increase in credit risk;
- Appropriately choose models and assumptions for measuring expected credit loss;

- Establish the number and relative weights of the prospective scenarios for each product/market type and the associated expected credit loss; and

- Establish groups of similar financial assets in order to measure the expected credit loss.

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

The estimation of expected losses of financial assets is based on the Simplified, supported by an "estimated bad debt 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 constructed from the historical default rates throughout the expected life of the trade receivables and through: i) appropriate groupings of trade accounts based on shared credit risk characteristics, ii) historical representative collection harvests and iii) time horizon in accordance with the charges for each type of account. The matrix is a consequence of the results obtained in the ratio collected versus invoiced, which reflects the evolution of the collection for each of the billing deadlines. To determine the ratio, the historical average recovery of the last years of billing due dates for each range is obtained of arrears, classifying the information by biller and by customer segment.

For accounts receivable in installments to customers, such as financed sales of terminals or other types of equipment, the policy is based on historical uncollectibility rates to predict customer behavior throughout the life of the contract, i.e., at the expiration of each of the monthly installments, it allows us to estimate, approximately, the percentage of debt that will finally remain pending payment (expected loss), for its registration at the initial time.

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

3.2.11.2. Financial Liabilities

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

The Company classifies its financial liabilities into the following measurement categories, those that are measured at amortized cost and those that are 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 will be recognized in profit or loss for the period when the financial liability is derecognized in accounts and through the amortization process.

b) Financial liabilities at fair value

Financial liabilities that are managed and measured on a fair value basis, such as derivatives, are classified as financial instruments at fair value through profit or loss. Gain or loss on a financial liability measured at fair value shall be recognized in profit or loss for the period, unless: It is part of a hedging relationship, or it is a financial liability designated as at fair value through exchange in profit or loss and the Company 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 Company establishes whether the financial instrument meets the definition of equity, where the issuer does not have the present obligation to deliver cash or other financial assets. In addition, an equity instrument is any contract that reveals a residual interest in an entity's assets after deducting all of its liabilities, the instrument does not take precedence over other rights to the entity's assets at the time of liquidation, distribution to the holders of an instrument of equity shall be recognized by the entity directly against the equity.

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

The Company based on the absence of a contractual obligation to deliver cash or other financial asset and the fact that counterparties are unable to compel the Company to pay the coupons or cancel the securities in whole or in part 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 bonds issued by the Company correspond to to perpetual equity instruments, recognizing them at their nominal amount as part of the net equity attributable to the Company and will be modified only upon the settlement of the principal.

Transaction costs associated with the issuance of the equity instrument are recognized as a deduction from equity, in the amount net of any related tax benefits. Coupon payments are recognized in equity as a reduction in the accumulated results, when the obligation to pay them is applicable; the payment of coupons does not impact the Income Statement, nor will it adjust (i.e., will not be deducted from) the Company's result for the calculation of earnings per share.

3.2.11.4. Recognition and Measurement

The Company determines the classification of financial liabilities at the time of initial recognition. All financial liabilities are initially recognized at fair value plus, if applicable, of loans and accounts payable accounted for 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 profit or loss and presented in the Income Statement under "other (loss)/gains, net" in the period in which they occur.

Gains or losses on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship are recognized in profit or loss 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 distribute interest income or expense over the entire relevant period.

The Effective Interest Rate is the discount rate that exactly equals the estimated cash flows receivable or payable over the expected life of the financial instrument or, when appropriate, in a shorter period, with the carrying amount of the financial asset or financial liability, this calculation must include all commissions and costs payable or received by the parties who have made the contract.

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

3.2.11.5. Clearing of Financial Instruments

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

3.2.11.6. Determination of Fair Values

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

For financial instruments that are not traded on active markets, the fair value is determined using valuation techniques appropriate to the circumstances. Such techniques may include the use of recent market transactions between interested and duly informed parties acting in conditions of mutual independence, reference to fair values of other financial instruments that are substantially similar, analysis of discounted values of cash flows and other appropriate valuation models.

3.2.11.7. Derivative Financial Instruments and Hedging Activities

a) Initial Recognition and Subsequent Measurement

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

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

At the beginning of the hedging, the Company 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 objectives and risk management strategies that support its hedging transactions. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk to be hedged and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting exposure to changes in the fair value of the hedged item or to changes in cash flows attributable to the hedged risk.

The Company designates its coverages as follows:

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

  Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the Income Statement, 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 profit or loss. The gain or loss related to the effective portion of derivatives is recognized in the Income Statement as "financial income or expense", as is the ineffective portion that is also recognized in the Income Statement.

  If the hedge no longer meets the criteria for recognition through hedge accounting treatment, the adjustment in the carrying amount of the hedged item is amortized in profit or loss using the effective interest method, in the remaining period until maturity. If a hedged item is derecognized, the unamortized fair value is immediately recognized in the Statement of Results as income or financial costs, as applicable.

  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 Income Statement as financial income or expenses, as applicable.

- 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 anticipated transaction, or to the risk of exchange rates 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 are recognized in equity. The gain or loss relating to the ineffective portion is immediately recognized in the Income Statement as "Other gains/(loss), net".

  The amounts accumulated in the Statement of Changes in Equity are carried forward to the Income Statement in the periods in which the hedged item affects them, however, when the hedged expected transaction results in the recognition of a non-financial asset (e.g., inventories or property, plant and equipment), profits or previously recognized losses in equity are included as part of the cost of the asset. Capitalized amounts are finally recognized in cost of sales when selling the products sold in the case of inventories or in depreciation in the case of property, plant and equipment.

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

b) Coverage through options

Exchange rate options are derivative instruments used to hedge foreign exchange; the valuation of the options derivative instrument is classified as intrinsic and temporary. A change in the fair value of the intrinsic portion is recorded in equity until allocated, while changes in fair value of the temporary portion are recorded in the Income Statement. The difference between the portion allocated and the fair value of the intrinsic portion is recorded in the Income Statement.

c) Classification of Items into Current and Non-Current

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

1. Where the Company holds a derivative instrument as an economic hedge (and does not apply hedge accounting) for a period of

more than twelve months from the closing date of the reporting period, the derivative is classified as non-current (or divided into current and non-current portions) to correspond to the classification of the underlying item.

2. Embedded derivatives that are not closely related to the host contract, rank consistently with the host contract's cash flows.

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 an allocation can be made reliably.

3.2.12. Inventories

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

Goods acquired from a supplier abroad, whose contracting condition consists of receiving the good prior to nationalization, are recognized from this moment on as stocks in transit. When the nationalization is carried out, it is transferred to inventory in the warehouse.

The calculation of the recoverable value of inventories is carried out according to their age and turnover as follows:

– For mobile terminals and equipment and materials of fixed operation >360 days old, a 100% impairment provision is recognized.

The recovery of the provision for impairment on the sale of provisioned equipment is recognized as a lower value of the charge carried to profit or loss for the period.

3.2.13. Cash and Cash Equivalents

Both cash funds and freely available demand bank deposits are considered cash.

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

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

3.2.14. Prepaid Expenses

Prepaid expenses include:

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

b. The costs of fulfilling customer contracts correspond mainly to the installation services of equipment delivered to the customer for the provision of television, broadband and basic line services. These costs are amortized in the shorter period between the average life of the customer and the useful life of the installed element.

c. Expenses of obtaining contracts with customers. The Company has reviewed the period of temporary allocation of indefinite duration with the aim of updating the transfer to the customer of the goods or services to which these expenses are related. After the analysis carried out, it has been considered to use the estimation of customer renewals based on their turnover rate (average customer life), with certain limitations in the event that there are subsequent expenses that are in line with the initial ones.

d. Annual payments for the use of the radio spectrum for the provision of telecommunications services, which are amortized during the same term.

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

f. The costs of support and maintenance of computer platforms and applications, which are amortized during the term of the contract.

g. Other prepaid expenses are represented by licenses, insurance policies, operating leases, and contributions which are amortized over the life of the of the contract or period covered by the advance payment.

h. Global Share Purchase Plan for employees of the Company that provides the opportunity to acquire shares of Telefónica S.A., through direct and monthly deductions from their salary.

3.2.15. Share capital

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

3.2.16. Current and Deferred Tax

The income tax and complementary expenses for the period include current and deferred income tax. The tax is recognized in the Income Statement, except when it comes to items that are recognized directly in equity, in which case, the tax is also recognized in equity.

3.2.16.1. Current Income Taxes

Current income tax assets and liabilities are calculated on the basis of tax laws enacted or substantially enacted as of the date of the State of Financial situation. Management periodically evaluates positions taken on filed tax returns in situations where tax laws are subject to interpretation. Where appropriate, provisions are made on the amounts expected to be paid to the tax authorities.

The carrying amount of current and prior period current tax assets and liabilities represents the estimated value to be recovered from, or payed to, the tax authorities. The tax rates and tax regulations used in the calculation of these amounts are those in force at the closing date, including the income tax rate and the surcharge.

3.2.16.2. Deferred Income Taxes

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

Deferred tax assets are recognized to the extent that temporary differences are likely to be recovered in the future, the carrying amounts of the unused tax credits and unused tax losses may be used, except:

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

Deferred tax liabilities are recognized in all cases of temporary differences associated with investments in Subsidiaries, Branches, and Associates, or with Participations in joint agreements, unless the following two conditions are met together:

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

- The temporary difference is not likely to 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 where the deferred tax assets and liabilities are derived from income taxes corresponding to the same taxing authority and are borne by the same tax entity or taxpayer, or by different tax entities or taxpayers, but the Company intends to liquidate current tax assets and liabilities for their net amount, or simultaneously realize their tax assets and liabilities. The main temporary differences arise from differences between the tax and book values of property, plant and equipment, intangible assets, estimated liabilities and provisions, portfolio impairment, deferred income, valuation of hedges, as well as differences between the fair values of an entity's acquired net assets and its tax values.

Deferred tax assets and liabilities are not discounted at their present value and are classified as non-current, regardless of the date of reversion. At each closing, the carrying amount of the deferred tax assets recorded is analyzed, and the necessary adjustments are made to the extent that there are doubts about its future recoverability. Likewise, at each closing, deferred tax assets not recorded in the Statement of Financial Position are evaluated and these are subject to recognition to the extent that their recovery with future tax benefits becomes likely.

Deferred income tax is determined using tax rates that have been enacted as of the date of the Statement of Financial Position and are expected to be applicable when the active deferred income tax is due or the passive deferred income tax is paid.

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

Uncertain Tax Positions IFRIC 23

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

As of December 31, 2023 and 2022, the Company has no uncertain tax positions in the determination of income tax disclosed in the separate financial statements, considering that both ordinary and extraordinary operations have been treated in accordance with current tax regulations.

3.2.17. Employee Benefits

a. Applicable Regime

All the Company's employees are covered by Law 50 of 1990, since the Company began work after the validity of this Law. The Company complies with the labor obligations provided for in the Substantive Labor Code, the safety regime integral social and other complementary norms. Labor laws provide for the payment of deferred compensation to certain employees in the date of their retirement from the Company. The amount that each employee receives depends on the date of entry, type of hiring and salary. In accordance with the NCIF, the liability for these obligations is accounted for under the presumption of voluntary retirement, for the amount accrued as of the date of the Statement of Financial Position.

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

The Company records the liabilities related to labor dismissals, considering the authorizations of the Executive Committee and/or Board of Directors, as well as with 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 finished; b) termination benefits for each type of job or function; and c) the time at which the plan will be implemented.

b. Wages and Short-Term Benefits

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

c. Performance Bonuses

The Company recognizes liabilities and expenses for the performance bonuses that employees receive for compliance with indicators defined by the Company recognizing a provision when it is contractually obligated or when there is a past practice that has created a constructive obligation.

d. Vacation

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

e. Share-Based Payment Plans

Company executives are compensated in the form of share-based payments, by virtue of which they provide services as consideration for equity instruments (rights of option to purchase shares of Telefónica S.A., the ultimate parent company).

The cost of payment transactions based on liquidable shares with equity instruments is measured by reference to fair value as of the date on which they were granted. 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 liabilities, over the period in which the performance and/or service conditions are met.

The cumulative expense recognized for share-based payment transactions liquidable through equity instruments at each filing date and up to the vesting date (irrevocability) reflects the extent to which the vesting period (irrevocability) has expired and Telefónica S.A.'s best estimate of the number of equity instruments that will finally remain as consolidated profit. The expense or credit in the Income Statement for the period represents the movement in the accumulated expense recognized at the beginning and end of such period.

The Company recognizes the conditions of the plan in its financial statements, subject to compliance with the established requirements.

f. Post-Employment Benefits

Post-employment benefits shall be recognized as benefits other than those for termination of employment or contractual relationship that are paid after completion of the period of employment with 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 according to 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 present service cost, the past service cost and interest on liabilities will affect the result for the period. On the other hand, the actuarial gains and losses of the benefit plan will affect equity and will be presented in other comprehensive income.

3.2.18. Earnings Per Share

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

3.2.19. Dividends

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

3.2.20. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when there is a present obligation, whether legal or implied, 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.

The expense corresponding to 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 refunds. Provisions should be reviewed at each closing date, and adjusted, where appropriate, to reflect the best estimate existing at that time. In the event that the outflow of resources to settle an obligation is no longer likely, the corresponding provision will be reversed.

If the effect of the time value of money is significant, provisions are discounted using a current pre-tax market rate that reflects, where applicable, 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 financial cost in the Income Statement. A contingent liability is not recognized in the financial statements, but is reported in notes, except in the case where the possibility of an eventual outflow of resources to settle it is remote.

A contingent asset is an asset of a possible nature, arising from past events, the existence of which is to be confirmed only by the occurrence, or as the case may be, by the non-occurrence, of one or more uncertain events in the future, which are not entirely under the control of the Company. A contingent asset is not recognized in the financial statements, but is reported in notes, but only in the case where economic benefits are likely to come in.

3.2.21. Information by Segments

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

Any of the business areas or lower components such as local and long-distance telephony, television, wireless or data, among others, they have common and/or complementary characteristics to the rest of them (same nature of the businesses, shared assets such as the network, including their customers, etc.). Likewise, this similarity or complementarity between the different components has been experiencing a growing trend due to the process of packaging and convergence of products such as duos, trios and integrated offers that involve the aforementioned business areas and the assets used.

Taking into account the requirements of the NCIF in relation to the identification of segments and based on the available information, the Company's management has determined a single business segment.

3.2.22. Revenue Recognition

3.2.22.1. Contractual Assets

It is the right that the Company has as consideration in exchange for goods or services transferred to a customer, when that right is conditioned by something other than the passage of time. Costs of contracts eligible for capitalization as incremental costs when obtaining a contract are recognized as an asset. The costs of obtaining and performing contracts are capitalized upon incurring if the Company expects to recover such costs and are classified as current and non-current to the extent that benefits are expected to be received of such assets. Contracts are amortized in a systematic and consistent manner with the transfer of services to the customer once the corresponding revenues have been recognized.

3.2.22.2. Contract liabilities

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

3.2.23. Revenue from ordinary activities arising from contracts with customers

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

The Company recognizes revenue from contracts with customers based on a five-step model set forth in IFRS 15:

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

The Company fulfills a performance obligation and recognizes revenue over time, if any of the following criteria are met:

(a) The Company's performance does not create an asset with an alternative use for the Company, and the Company has an enforceable right to payment for performance completed to date.

(b) The Company's performance creates or improves an asset that the customer controls as it is created or improved.

(c) The customer at the same time receives and consumes the benefits that result from the performance of the Company as he works.

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

a. Other operating income

The Company recognizes in other operating income transactions that, not being recurring and/or related to the services it provides, arise from its operating activities or are indirectly related to them, such as the sale and lease of movable and immovable property affected by the operation, support from manufacturers, breach of contracts and government subsidies. among others.

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

b. Government Grants

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

Asset-related grants are recognized in the Statement of Financial Position as deductions from the carrying amount of the associated assets and their counterpart is recognized in the Income Statement as a reduction in depreciation expense in accordance with the useful life of the asset.

3.2.24. Cost and Expense Recognition

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

4. REGULATORY CHANGES

4.1. The Company has implemented the following amendments for the first time in its annual financial statements as of December 31, 2023:

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

The amendments issued in January 2020 clarify the criteria for classifying liabilities as current or non-current, depending on the rights that exist at the end of the reporting period. The rating is not affected by the entity's expectations or events after the date of the report. The changes also clarify what the "liquidation" of a liability refers to in terms of the standard. The Company, as of December 31, 2023, has no major impacts from this application.

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

The amendment published in May 2020 prohibits the deduction from the cost of an item of property, plant and equipment from any amount from the sale of items produced while that asset is being brought to the place and conditions necessary for it to operate in the manner intended by the Administration. Instead, an entity would recognize the amounts of those sales in the result of the period. The Company as of December 31, 2023 has no material impacts from this application.

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

The amendment published in May 2020 addressed 3 modifications to the standard in order to: update the references to the Conceptual Framework; add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Encumbrances; and confirm that contingent assets should not be recognized on the date of acquisition. The Company as of December 31, 2023 has no material impacts from this application.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Cost of Performance of a Contract

The purpose of this amendment, which was also published in May 2020, is to specify the costs that an entity includes when determining the "cost of performance" of a contract for the purpose of assessing whether a contract is onerous; clarifies that the direct costs of performing a contract include both the incremental costs of performing a contract and an allocation of other costs that relate directly to the performance of the contract. Before recognizing a separate provision by an onerous contract, for an onerous contract, the entity must recognize impairment losses on the assets used to perform the contract. The Company as of December 31, 2023 has no material impacts from this application.

Reform of the reference interest rate

After the financial crisis, reforming and replacing benchmark interest rates such as the GBP SORF and other interbank rates (IBOR) have become a priority for global regulators. There is currently uncertainty about the timing and nature of these changes. To transition existing contracts and agreements that reference SOFR, adjustments to term differences and credit differences to allow the two reference rates to be economically equivalent in the transition.

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

Decree 1611 of 2022 updated the technical frameworks of the Accounting and Financial Reporting Standards accepted in Colombia, mainly incorporating amendments to the standards that had already been compiled by Decrees 938 of 2021, 2270 of 2019 and 1432 of 2020, which considered the regulations incorporated by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2019.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments

Recognition and measurement and IFRS 7 Financial Instruments: Disclosures provide certain alternatives in relation to the reform of the reference interest rate. The alternatives relate to hedge accounting and have the effect that reforms generally should not cause hedge accounting to end. However, any coverage ineffectiveness must continue to be recorded in the income statement. Given the widespread nature of hedging involving contracts based on interbank offered rates (IBOR), the alternatives will affect companies in all industries.

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

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

The IASB amended IAS 1 to require entities to disclose their material accounting policies rather than their material accounting policies. The amendments define what is "material accounting policy information" and explain how to identify when accounting policy information is material. They also clarify that it is not necessary to disclose information about immaterial accounting policies. If it is disclosed, you should not hide important accounting information.

To support this amendment, the IASB also amended IFRS Practice Paper 2 Making Materiality Judgments to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates: Amendments to IAS 8

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

Deferred Tax Related to Assets and Liabilities from a Single Transaction: Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognize deferred taxes on transactions that, at the time of initial recognition, give rise to equal amounts of taxable and deductible time differences. They will generally apply to transactions such as lessee leases and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should apply to transactions occurring after the start of the first comparative period filed. In addition, entities should recognize deferred tax assets (to the extent likely that they can be used) and deferred tax liabilities at the beginning of the first comparative period for all deductible and taxable time differences associated with:

- right-of-use assets and leasehold liabilities, and
- liabilities for dismantling, restoration and the like, and the corresponding amounts recognized as part of the cost of the respective assets.

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

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

Amendment to IFRS 16 Leases – COVID-19 Related Considerations

The amendment includes retroactive application for COVID-19-related rent reductions, recognizing the initial cumulative effect as an adjustment to the initial balance of accumulated earnings.

Certain amendments to the accounting and financial reporting standards have been published, which are not mandatory for the financial statements as of 31 of December 2023 and have not been adopted in advance by the Company. These changes are not expected to have a material impact on the entity in these financial statements and on foreseeable future transactions.

The Company does not expect significant impacts from this modification, in any case it is evaluating the impact that they could have on the financial statements.

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

IFRS 17 Insurance Contracts

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

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

Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture: Amendments to IFRS 10 and IAS 28

The IASB has made limited-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. They confirm that accounting treatment depends on whether non-cash assets sold or contributed to an associate or a joint venture constitute a "business" (as defined in IFRS 3 Business Combinations).

Where the non-cash assets constitute a business, the investor shall recognize the entire gain or loss on the sale or contribution of assets. If the assets do not fit the definition of a business, the investor recognizes the gain or loss only to the extent of the other investor's interest in the associate or joint venture. These amendments are applied prospectively.

In December 2015, the IASB decided to postpone the date of application of this amendment until the IASB has completed its research project on the method of participation.

IAS 12 - International Tax Reform - Second Pillar Model Rules

In May 2023, the IASB made limited-scope amendments to IAS 12 that provide temporary relief from the requirement to recognize and disclose tax-deferred arising out of the tax law enacted or substantially enacted implementing the Pillar Two model rules, including the tax law implementing the described minimum complementary internal taxes described in these regulations.

The amendments also require affected companies to disclose:

- The fact that they have applied the exception to the recognition and disclosure of information on deferred tax assets and liabilities related to Pillar Two income taxes.
- Their current tax expenditure (if any) related to Pillar Two income taxes, and

- During the period between the enactment or substantial enactment of legislation and the entry into force of legislation, information known or reasonably estimated which would help users of financial statements understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or cannot reasonably be estimated, entities must disclose a statement to that effect and information about their progress in the exposure assessment.

IAS 7 and IFRS 7 Supplier Financing

These amendments require disclosures to improve the transparency of supplier financing arrangements and their effects on a company's liabilities, cash flows and liquidity risk exposure. The disclosure requirements are the IASB's response to investor concerns that financing agreements from suppliers of some companies are not visible enough, making it difficult for investors to analyze. IFRS 16 – Leases for sale and leaseback.

IFRS 16 – Leases for sale and leaseback

These amendments include requirements for sale and lease transactions in IFRS 16 to explain how an entity accounts for a subsequent sale and lease after the date of the transaction. Sale-after-lease transactions where some or all of the lease payments are variable lease payments that are not dependent on an index or rate are more likely to be affected.

IAS 1 – Non-current liabilities with agreements

These amendments clarify how the conditions that an entity must meet within the twelve months after the period over which it is reported affect the classification of a liability. The amendments also aim to improve the information that an entity provides in relationship with liabilities subject to these conditions.

IFRS S1 - General Requirements for Sustainability-Related Financial Information Disclosure

This standard includes the core framework for the disclosure of material information on sustainability-related risks and opportunities along an entity's value chain.

IFRS S2 - Climate-related disclosures

This is the first thematic standard issued that establishes requirements for entities to disclose information on climate-related risks and opportunities.

5. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is as follows:

	As of December 31,	
	2023	**2022**
Banks in national and foreign currency	237.374.598	402.642.641
Temporary Investments (1)	123.248.062	77.012.880
Cash	4.514	4.464
	360.627.174	479.659.985

The decrease as of December 31, 2023 corresponds to the net effect of the growth in customer collections and the increase in payments mainly for investments in plant, equipment and intangibles, interest and fees for financial leases.

Cash and cash equivalents include balances in foreign currency and its equivalent in thousands of pesos as of December 31, 2023 and 2022 was USD 1,556 thousand ($ 5,947,110) and USD 849 thousand ($ 4,083,860), respectively (Note 26).

As of December 31, 2023 and 2022, the restricted securities in banks amount to $ 12,019,313 and $ 12,276,033, respectively.

(1) Includes investments in collective funds whose rates for the year ended December 31, 2023 and 2022 ranged from 9.25% to 14.82% and 6.03% and 7.62% respectively. As of December 31, 2023, there were Tax Refund Titles (TIDIS) for $ 97,052 million. The returns on temporary and bank investments, recognized during the years ended December 31, 2023 and 2022, were $ 4,961,845 and $ 1,654,034, respectively (Note 25).

6. FINANCIAL ASSETS

The balance of financial assets as of December 31, 2023 is as follows:

	At fair value through profit or loss	At amortized cost	Total financial assets
Current			
Deposits & Guarantees (1)	-	284.742	284.742
	-	284.742	284.742
Non-current:			
Deposits & Guarantees (1)	-	31.713.897	31.713.897
Hedging Instruments (2)	26.825.000	-	26.825.000
Other financial assets	-	60.000	60.000
	26.825.000	60.000	58.598.897
	26.825.000	344.742	58.883.639

(1) Corresponds to deposits constituted by court order on which the Company has been carrying out the necessary processes for their resolution. The increase in the long term corresponds mainly to processes with territorial entities associated with municipal taxes.

(2) As of December 31, 2023, there was a net decrease in the valuation of hedging instruments, mainly due to the revaluation of the exchange rate of 20.5% compared to the end of the previous year (as of December 31, 2023 for $ 3,822.05 and as of December 31, 2022 for $ 4,810.2).

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

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

7. DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET

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

	As of December 31,	
	2023	2022
Current:		
Customers by sale and provision of services (1)	862.112.051	904.225.853
Portfolio of equipment sold in installments (2)	349.985.815	353.246.808
Other debtors (3)	215.865.564	226.186.394
Related parties (4) (Note 27)	196.483.793	177.177.188
Portfolio with national and international operators (5)	42.108.076	66.693.267
Commercial agents and distribution channels	20.673.278	19.182.475
Portfolio Impairment (6)	(557.354.883)	(508.190.729)
	1.129.873.694	1.238.521.256
Non-current:		
Related parties (4) (Note 27)	595.235.639	728.217.757
Portfolio of equipment sold in installments (2)	139.193.443	84.194.258
Customers by Sales & Service (1)	91.073.398	92.111.667
Portfolio with national operators (5)	48.319.174	48.319.174
Other debtors (3)	37.326.887	40.999.916
Portfolio Impairment (6)	(10.549.997)	(1.103.288)
	900.598.544	992.739.484
	2.030.472.238	2.231.260.740

As of December 31, 2023 and 2022, they include foreign currency balances with debtors and other accounts receivable for USD 9,053 ($ 34,601,019) and USD 6,986 thousand ($ 33,604,057) and with related parties for USD 70,068 thousand ($ 267,803,399) and USD 1,934 thousand ($ 9,302,927) respectively (Note 26).

(1) As of December 31, 2023, the variation in the current portion is due to the net effect of the increase in services with residential and corporate customers mainly related to the provision of services through fiber optics, digital services and connectivity; offset by the sale of a portfolio worth $ 157,200 million, which includes $ 117,380 million from mass customers. The non-current portion corresponds to the corporate client's receivable portfolio in accordance with the contractually established terms.

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

	As of December 31,	
	2023	2022
Current:		
Massive residential	376.700.856	420.276.253
Customers pending billing (a)	231.834.575	174.122.383
Business - SMEs	123.536.125	94.538.622
Companies - Corporations	114.959.620	183.102.552
Wholesale customers	12.294.678	27.766.601
Other third parties	2.786.197	4.419.442
	862.112.051	904.225.853
Portfolio impairment	(441.411.501)	(396.281.298)
	420.700.550	507.944.555

(a) The increase is mainly due to greater services in the corporate segment.

(2) It includes a portfolio for the sale of mobile terminal equipment and Wi-Fi connection amplifiers. At the end of 2023, the non-current portion increased mainly due to sales of fixed equipment.

(3) As of December 31, 2023 and 2022, it mainly includes a portfolio for the sale of real estate, trust rights for $ 35,843,986 and $ 33,451,319 respectively (Note 18) of the Biannual Plan. The increase is generated by the financial returns from fiduciary assignments and agreements with third parties. The non-current portion presents a decrease due to the short-term transfer of the portfolio due to the sale of real estate in accordance with the established terms.

(4) At the end of 2023, the current portion presents a net increase in the Earn Out generated in the fiber optic business due to the transfer from the non-current portion and a decrease in the portfolio for the provision of services for the deployment of fiber optic network for collection of $ 39,820 million. The decrease in the non-current portion is due to the transfer to the current portion in accordance with the terms of the fiber optic business (Note 1).

(5) As of December 31, 2023, the variation corresponds mainly to the decrease in regulated tariffs on mobile and fixed access charges, a decrease in traffic with operators and reconciliations for international roaming and national interconnection traffic. The long-term balance corresponds to the portfolio with an operator that is in business reorganization.

(6) As of December 31, 2023, the net growth corresponds to portfolio impairment expense of $ 87,956 million (Note 23), portfolio write-off of $ 1,114 million.

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

	Year ended December 31,	
	2023	2022
Opening Balance	(509.294.017)	(424.946.381)
Impairment of portfolio to profit or loss (Note 23)	(89.937.335)	(96.422.566)
Collection of punished portfolio	(1.113.611)	(9.591)
Purse Punishment (1)	30.440.818	10.803.785
Recovery of portfolio impairment (Note 23)	1.981.741	1.291.996
Recovery (impairment) of contractual assets	17.524	(11.260)
Ending balance	(567.904.880)	(509.294.017)

(1) The portfolio write-offs as of December 31, 2023 correspond to the consumer portfolio for $ 25,779,668 and the equipment portfolio for $ 4,661,150. The portfolio write-offs as of December 31, 2022 correspond to equipment portfolio for $ 6,111,200, consumer portfolio for $ 4,624,965 and national operators for $ 67,620.

The breakdown of the portfolio by age of customer debtors for sales and provision of services of the current portion at the end of December 2023 is presented below:

Expiration	Residential (2)	Business / SMEs	Business (2)	Wholesalers	Other third parties	Customers to be billed (1)	As of December 31, 2023
Current	10.073.115	48.042.740	51.636.684	801.446	43.252	231.834.575	342.431.812
1 - 30	7.065.519	9.999.338	11.985.478	4.018.069	155.472	-	33.223.876
31 - 60	12.861.417	2.646.335	4.684.757	1.294.350	274.675	-	21.761.534
61 - 90	9.504.464	2.040.664	4.213.262	543.290	63.103	-	16.364.783
91 - 120	7.895.395	1.364.747	1.880.307	464.739	17.867	-	11.623.055
121 - 180	6.761.831	2.027.726	2.002.586	629.922	114.507	-	11.536.572
181 - 360	37.846.695	7.162.165	2.397.223	1.166.657	559.939	-	49.132.679
> 360	284.692.420	50.252.410	36.159.323	3.376.205	1.557.382	-	376.037.740
	376.700.856	123.536.125	114.959.620	12.294.678	2.786.197	231.834.575	862.112.051

(1) The increase in outstanding customers corresponds mainly to the provision of services in the corporate segment.

(2) The decrease in the portfolio due in the residential and business segments is mainly generated by the sale of current portfolios in the 2023 period.

The breakdown of the portfolio by age of customer debtors for sales and provision of services of the current portion at the end of December 2022 is presented below:

Expiration	Residential (2)	Business / SMEs	Business (2)	Wholesalers	Other third parties	Customers to be billed (1)	As of December 31, 2023
Current	81.562.408	26.056.543	93.986.858	17.176.116	77.581	174.122.383	392.981.889
1 - 30	23.171.134	9.408.031	15.798.937	2.627.263	498.163	-	51.503.528
31 - 60	10.873.440	3.429.132	8.478.924	1.251.759	622.069	-	24.655.324
61 - 90	7.857.379	2.007.058	1.995.422	604.372	42.460	-	12.506.691
91 - 120	6.363.131	1.540.155	1.643.872	984.128	537.837	-	11.069.123
121 - 180	5.232.070	2.522.114	1.541.418	964.926	88.261	-	10.348.789
181 - 360	27.474.728	6.107.386	6.732.240	954.406	157.568	-	41.426.328
> 360	257.741.963	43.468.203	52.924.881	3.203.631	2.395.503	-	359.734.181
	420.276.253	94.538.622	183.102.552	27.766.601	4.419.442	174.122.383	904.225.853

8. EXPENSES PAID IN ADVANCE

The balance of prepaid expenses is as follows:

	As of December 31,	
	2023	**2022**
Current:		
Cost of equipment at customers' homes (1)	165.300.070	103.143.589
Costs of obtaining contracts with customers (2)	160.564.727	106.738.475
Cost of fulfilling contracts with customers (3)	113.273.137	74.097.434
Corporate projects (4)	34.951.404	25.394.219
Support & maintenance (5)	29.194.946	23.526.978
Insurance policies	7.442.052	6.657.552
Irrevocable use rights - Capacity (6)	64.162	3.124.341
	510.790.498	342.682.588
Non-current:		
Costs of obtaining contracts with customers (2)	285.207.407	211.572.593
Cost of equipment at customers' homes (1)	262.944.250	205.644.826
Cost of fulfilling contracts with customers (3)	181.288.580	122.531.685
Support & maintenance (5)	1.842.144	3.937.756
Insurance policies	685.103	1.855.575
Irrevocable use rights - Capacity (6)	522.774	28.947
	732.490.258	545.571.382
	1.243.280.756	888.253.970

(1) The amortization of the years ended December 31, 2023 and 2022 for equipment costs at customers' homes was $ 143,401,804 and $ 99,997,444, respectively (Note 23). The current and non-current portion increases due to

greater equipment delivered to customers' homes as a result of the 11% increase in commercial activity compared to 2022.

(2) The increase corresponds mainly to greater commercial activity, represented by 2.9 million new registrations of fixed and postpaid mobile customers, generating higher sales commissions. Amortization for the years ended December 31, 2023 and 2022 was $ 145,516,658 and $ 89,625,015, respectively (Note 23).

(3) Amortization for the years ended December 31, 2023 and 2022 was $ 104,762,602 and $ 79,021,047, respectively (Note 23). The current and non-current portion is increased by the installation services of equipment at customers' homes due to the greater commercial activity of the year 2023.

(4) As of December 31, 2023, the increase corresponds mainly to the network deployment project within the framework of the contract for the sale of fiber optic assets.

(5) It includes licensing, support and maintenance services for equipment for the network. As of December 31, 2023, the increase in the current portion corresponds mainly to the renewal of licenses associated with technological platforms, as well as their respective technical and functional support for corporate clients and/or business projects. The decrease in the non-current portion corresponds to short-term transfers in accordance with the validity of the service.

(6) As of December 31, 2023, the decrease in the current portion corresponds to the amortization of the costs of the transnational cable. The increase in the non-current portion corresponds to a new contract for rights of use for 2 strands of dark fiber.

9. CONTRACTUAL ASSETS AND LIABILITIES

The movement for the year ended December 31, 2023 of contractual assets and liabilities is as follows:

	As of December 31, 2022	High	Amortization	Transfers	Reversion	As of December 31, 2023
Current Contractual Assets (1)						
Contractual assets	11.528.750	7.374.818	(14.969.786)	7.175.547	-	11.109.329
Correction by deterioration	(18.805)	(219.652)	-	-	201.802	(36.655)
	11.509.945	7.155.166	(14.969.786)	7.175.547	201.802	11.072.674
Non-current contractual assets (1)						
Contractual assets	5.966.555	3.400.238	-	(7.175.547)	-	2.191.246
Correction by deterioration	(8.758)	(78.310)	-	-	78.636	(8.432)
	5.957.797	3.321.928	-	(7.175.547)	78.636	2.182.814
Total Contractual Assets	17.467.742	10.477.094	(14.969.786)	-	280.438	13.255.488
Current contractual liabilities (2)	145.259.250	581.571.605	(788.585.337)	232.424.322	-	170.669.840
Non current contractual liabilities (2)	419.849.081	-	-	(232.424.322)	-	187.424.759
	565.108.331	581.571.605	(788.585.337)	-	-	358.094.599

(1) At the end of 2023, it includes the benefits transferred to corporate customers through the offers and their respective amortization.

(2) It includes the exclusivity commitment through the 10-year contract for the supply of connectivity services through the fiber optic network with Onnet Fibra Colombia S.A.S., established in the framework agreement on the sale of the fiber optic assets on January 11, 2022 (Note 1). During the year 2023, net amortization of $204,255 million is recognized, as follows: i) other operating income of $ 235,814 million and, ii) financial expenses for $ 31,559 million.

As of December 31, 2023, the current portion includes anticipated charges with customers for $ 87,113 million, exclusivity commitment for $ 64,836 million, and charges with operators and commercial agents for $ 18,720 million, and in the non-current portion for $ 187,425 million corresponds to the exclusivity commitment.

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

	As of December 31, 2021	High	Amortization	Transfers	Reversion	As of December 31, 2022
Current contractual assets						
Contractual assets	8.441.180	12.190.293	(14.147.183)	5.044.460	-	11.528.750
Correction by deterioration	(37.673)	(20.057)	-	-	38.925	(18.805)
	8.403.507	12.170.236	(14.147.183)	5.044.460	38.925	11.509.945
Non-current contractual assets						
Contractual assets	1.093.263	9.917.752	-	(5.044.460)	-	5.966.555
Correction by deterioration	(1.150)	(8.422)	-	-	814	(8.758)
	1.092.113	9.909.330	-	(5.044.460)	814	5.957.797
Total Contractual Assets	9.495.620	22.079.566	(14.147.183)	-	39.739	17.467.742
Current contractual liabilities (3)	96.334.508	644.062.534	(603.674.430)	8.536.638	-	145.259.250
Non-current contractual liabilities (3)	1.949.300	426.436.419	-	(8.536.638)	-	419.849.081
	98.283.808	1.070.498.953	(603.674.430)	-	-	565.108.331

(3) For the concept of the exclusivity commitment with Onnet Fibra Colombia S.A.S. during the year 2022, net amortization of $ 34,861 million is recognized, as follows: i) other operating income of $ 70,237 million and, ii) financial expenses of $ 35,376 million.

As of December 31, 2022, the current portion amounts to $ 145,259 million (anticipated charges with customers for $ 84,670 million, exclusivity for $ 36,666 million, charges with operators and commercial agents for $ 23,923 million) and in the non-current portion for $ 419,849 million for the exclusivity commitment.

10. INVENTORIES

The inventory balance is as follows:

	As of December 31,	
	2023	**2022**
Mobile phones & accessories (1)	87.034.722	283.990.364
Materials & equipment (2)	73.973.367	128.957.521
Teams in transit (3)	22.178.543	50.838.093
Computer equipment (4)	4.247.118	27.282.653
	187.433.750	491.068.631
Obsolescence provision (5)	(7.005.137)	(3.537.154)
	180.428.613	487.531.477

During the years 2023 and 2022, the consumption of inventories brought to the cost of sales was recognized for $ 1,067,522,609 and $ 1,245,000,795, respectively (Note 23).

(1) The decrease as of December 31, 2023 is mainly generated by lower equipment supplies due to lower commercial activity in the period, as a result of changes in consumer behavior related to current economic conditions.

(2) It includes modems, equipment for corporate services and location equipment. The decrease is mainly associated with the consumption of equipment due to the growth in commercial activity in 2023.

(3) The decrease as of December 31, 2023 corresponds mainly to the nationalization of equipment to meet the commercial offer made during the period.

(4) Includes computer workstation equipment (PDTIs). The net decrease as of December 31, 2023 compared to the previous year is mainly associated with commercial activity during 2023 and lower purchases based on customer behavior related to current market conditions.

(5) During the year ended December 31, 2023, an impairment provision of $3,467,983 was recognized (Note 23), mainly for smartphone mobile terminals with low turnover.

The movement of the provision due to obsolescence and slow movement, net of recoveries, is summarized below:

	Year ended December 31,	
	2023	**2022**
Opening balance	(3.537.154)	(4.930.416)
(Provision) inventory recovery (Note 23)	(3.467.983)	1.393.262
Ending balance	(7.005.137)	(3.537.154)

11. TAXES AND PUBLIC ADMINISTRATIONS

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

	As of December 31, 2023	2022
Current		
Credit balance (1)	341.304.481	304.851.841
ICA advances, withholdings and self-withholdings (2)	25.825.855	23.983.627
Sales tax withholdings (3)	4.878.674	2.315.978
Tax credits (4)	-	56.918.385
	372.009.010	388.069.831
Non-current		
Tax credits (4)	476.444.494	403.634.509
	476.444.494	403.634.509

(1) The balance in favor of income increased at the end of 2023 mainly due to a change in the rate for special self-withholdings, issued by the tax administration, for the year 2023 of 2.2% and for the year 2022 of 1.6%. Regarding special self-withholdings, they additionally increased due to the behavior of income during 2023.

(2) This item corresponds to self-withholdings and withholdings as Industry and Commerce Tax - ICA, the increase as of December 31, 2023, is mainly due to the increase in income during the year 2023.

(3) The balance as of December 31, 2023 and 2022 corresponds to the VAT withholdings of financial institutions.

(4) As of December 31, 2023, no tax discount for the Industry and Commerce tax is recognized in the current portion, a value that will be taken as a deduction in income tax and complementary taxes in accordance with Law 2277 of 2022. The tax discount of the non-current portion, corresponding to VAT on the acquisition of real productive fixed assets.

The balance of the tax and general government liability is presented below:

	As of December 31, 2023	2022
Sales tax – VAT (1)	18.775.041	27.226.294
Withholdings and self-withholdings (2)	63.325.010	66.064.179
Other current taxes (3)	11.316.037	9.091.300
National consumption tax (4)	1.827.590	2.560.334
	95.243.678	104.942.107

(1) As of December 31, 2023, the decrease corresponds mainly to the recognition of higher discountable VAT for the acquisition of taxable goods and services compared to the VAT generated.

(2) This item includes the recognition of withholdings under the title of income and industry and commerce practiced in the acquisition of goods and services.

(3) It corresponds mainly to the tax on telephone and public lighting to be paid to the municipalities.

(4) As of December 31, 2023 and 2022, the value of consumption tax for the VI bimester of the respective year is recognized for voice and data services.

Provision for Income Tax and Complementary Taxes

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

	Year ended December 31,	
	2023	**2022**
Current income tax	(2.107.643)	(33.772.526)
Occasional profit tax	(502.143)	(25.574.748)
Current income tax and complementary taxes (1)	(2.609.786)	(59.347.274)
Deferred income tax:		
Taxable temporary differences (2)	54.657.265	(96.513.882)
Deductible temporary differences (3)	(214.977.308)	108.039.130
Tax credits (4)	(82.896.477)	(530.089.673)
Deferred income tax	(243.216.520)	(518.564.425)
Income tax and complementary taxes	(245.826.306)	(577.911.699)

(1) The current tax, occasional gains and complementary taxes during the 2023 period show a decrease compared to the same period 2022, mainly due to the sale of fiber optic assets made during 2022. As of December 31, 2023, the analysis of the Purified Tax Rate (TTD) is carried out, where it is determined that the Company does not meet the conditions for its recognition given that its result is negative by -70.29% according to article 240 of the Tax Statute (ET), paragraph 5.

(2) The variation as of December 31, 2023 corresponds mainly to the update of the deferred passive tax (DTL) generated by the over-compliance with the Earn-out conditions agreed as an integral part of the fiber optic sales business.

(3) As of December 31, 2023, the variation corresponds mainly to the recognition of the commitment of exclusivity of the contract for the supply of connectivity services through the fiber optic network, in addition to the correction of income tax and complementary taxes for the years 2017 and 2018 for approximately $ 141,000 million and the update of the deferred tax asset - DTA for the useful lives of depreciable and amortizable fixed assets.

(4) As of December 31, 2023, the decrease corresponds mainly to the use of tax credits offset with the tax profit at a tax rate of 35%.

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

	Year ended December 31,			
	2023		2022	
Profit before tax	100%	(434.981.677)	100%	507.994.286
Profit before tax at nominal rate	(35)%	152.243.587	(35)%	(177.798.000)
Income tax and accounting deferred	57%	(245.826.306)	(114)%	(577.911.699)
Difference Between Nominal Tax and Accounting Tax	92%	398.069.893	(79)%	400.113.699
Permanent difference tax	12%	51.973.257	(33)%	168.690.287
Tax on deductible temporary differences Unrecognized	42%	183.212.817	(22)%	109.796.396
Use (recognition) of deferred tax on differences Temporary deductibles	5%	19.473.519	(2)%	8.276.947
Tax update on tax losses due to correction of income tax year 2020	-	-	(16)%	80.251.722
Tax update on tax losses due to correction of income tax year 2017 and 2018	33%	140.846.526	-	-
Income Tax Correction Rate Update for 2022	0%	2.061.631	(1)%	7.523.599
Occasional profit tax	0%	502.143	(5)%	25.574.748
	92%	398.069.893	(79)%	400.113.699

The current tax provisions applicable to the Company stipulate that:

Income tax in 2022 was calculated at the nominal rate of 35% in accordance with Article 240 of the National Tax Statute, on the basis of net income. The nominal rate for 2023 and subsequent years is 35%.

The following is the reconciliation between accounting profit before taxes and the estimated tax profit:

	Year ended December 31,	
	2023	2022
Profit before tax	(434.981.677)	507.994.286
Items that increase accounting profit:		
Accounting depreciation and amortization (Note 24)	1.393.278.306	1.388.421.371
Net valuation effect of derivatives and exchange difference Valued accounting and tax	188.966.977	54.717.706
Impairment on the accounting portfolio, net of recovery (Note 23)	87.955.594	95.130.570
Tax on financial movement	13.269.569	12.134.993
Items that decrease accounting profit:		
Tax depreciation and amortization	(674.054.268)	(1.229.573.780)
Other non-deductible items	(337.765.203)	530.858.353
Tax profit	236.669.298	1.359.683.499
Tax Loss Compensation (1)	(236.847.076)	(1.514.541.928)
Taxable base income tax	(177.778)	(154.858.429)
Current income tax	(2.107.643)	(33.772.526)
Occasional Earnings Tax	(502.143)	(25.574.748)
Income tax and complementary taxes	(2.609.786)	(59.347.274)

(1) It corresponds to the compensation of tax profits with tax losses generated in previous years.

Occasional Earnings Tax

	Year ended December 31,	
	2023	**2022**
Income from occasional gains	20.429.548	448.287.642
Less - Costs for occasional profits	(17.081.930)	(192.540.166)
Taxable occasional winnings	3.347.618	255.747.476
Tax rate	15%	10%
Occasional earnings tax	502.143	25.574.748

Below is a summary of the main reconciliation items between accounting equity and tax liquid equity:

	Year ended December 31,	
	2023	**2022**
Countable equity	3.987.596.391	4.754.389.126
Items that increase stockholders' equity		
Difference in accounting and tax portfolio provision	400.541.551	129.273.966
Estimated liabilities and provisions	396.943.454	200.545.780
Decommissioning provision	75.154.401	58.711.497
Deferred tax liability	71.517.233	129.113.533
Government grants	-	12.114.208
Items that decrease stockholders' equity		
Deferred tax asset	(1.240.843.547)	(1.520.371.122)
Investments in companies	(58.939.348)	(65.247.344)
Other items	(75.264.599)	(19.571.560)
Coverage valuation	(2.882.500)	(571.016.773)
Liquid tax assets	3.553.823.036	3.107.941.311

Deferred Tax Assets and Liabilities

As of December 31, 2023, the deferred tax asset on temporary differences and tax losses was structured in accordance with the Company's strategic plan (2024-2026) and earnings projection (2024-2033).

The deferred tax on deductible and taxable temporary differences is valued at the tax rates that are expected to be applied in the periods in which such differences will be reversed.

The deferred tax asset not recognized for deductible temporary differences as of December 31, 2023 amounts to $ 762,453,795.

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

	Year ended December 31,	
	2023	**2022**
Deferred tax asset:		
Intangibles and property, plant and equipment	206.756.383	283.631.376
Other assets	2.836.723	3.404.068
Hedging transactions (1)	-	301.252.239
Deferred tax asset on deductible temporary differences (2)	209.593.106	588.287.683
Deferred tax asset for tax losses (3)	1.031.250.441	1.233.335.678
Total deferred tax assets	1.240.843.547	1.821.623.361
Deferred tax liability		
Taxable temporary differences (4)	71.517.233	430.365.772
Asset, net deferred tax	1.169.326.314	1.391.257.589

(1) As of December 31, 2023, hedging operations generate a deferred tax net asset of $ 66,138 million and due to the uncertainty of its recoverability this amount is not recognized in the separate financial statements, at the end of 2022 this same concept generated a deferred tax net liability of $ 9,629 million, recognized as follows: deferred liabilities of $ 310,881 million and a deferred asset of $301,252 million.

(2) As of December 31, 2023, the deferred tax asset (DTA) includes the effect generated by the update of the useful lives of depreciable and amortizable fixed assets, as well as the recognition of exclusivity agreed in the wholesale agreement of the fiber optic business.

(3) As of December 31, 2023, the decrease corresponds to the net effect of the lower use of tax losses in the 2022 income tax return, the corrections made to the 2017 and 2018 income tax returns and the compensation of the value determined in the calculation of the tax profit.

(4) As of December 31, 2023, the deferred tax liability (DTL) includes the effect generated by the tax update mainly from the following concepts: Earn-out and computer jobs (PDTI).

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

	Year ended December 31,	
	2023	**2022**
Valuation of hedging derivatives (1)	(81.980.958)	(101.994.485)
Deferred tax valuation of coverage	-	3.734.563
Participation in other comprehensive income in associate (2)	691.822	-
Result in coverage valuation, net of taxes	(81.289.136)	(98.259.922)
Actuarial calculation of post-employment benefits	(4.695.616)	(6.857.489)
	(85.984.752)	(105.117.411)

(1) There is an improvement during 2023, mainly due to the effect of the appreciation of the peso against the dollar of 20.5% with an impact on the SORF and IBR rates on interest rate hedges. Due to the uncertainty of the recoverability of the deferred tax asset, deferred tax is not recognized for this concept.

(2) Corresponds to the 40% stake in the other comprehensive income of Alamo Holdco, S.L. generated by the valuation of interest rate hedges.

Tax Losses

The Administration considers that there are no significant differences that imply the modification of the tax settled, nor the imposition of penalties that entail the recognition of contingencies in the financial statements.

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

On the occasion of the provisions of Judgment 25444 of June 30, 2022 issued by the Council of State Chamber of Administrative Litigation, the Company proceeded to recalculate the tax losses generated in income tax until 2017, where a deferred tax asset not recognized was determined for the value of $ 202,079 million.

Below is the summary of the tax losses at the end of December 31, 2023:

Tax	Year of origin	Adjusted losses	Compensation Losses (1)	Total tax losses
Income	Between 2007 and 2017.	3.226.148.285	(577.386.393)	2.648.761.892
CREE	2015	297.667.939	-	297.667.938
		3.523.816.224	(577.386.393)	2.946.429.830

(1) It includes: i) correction of the 2017 income tax return for $ 151,632 million; and, ii) compensation of profits in the income tax returns for the years 2018 and 2017 for $ 250,786 million and $ 174,968 million, respectively.

The summary of tax losses as of December 31, 2022 is presented below:

Tax	Year of origin	Adjusted losses	Compensation Losses	Total tax losses
Income	Between 2007 and 2017.	4.740.757.881	(1.514.609.596)	3.226.148.285
CREE	2015	297.667.938	-	297.667.938
		5.038.425.819	(1.514.609.596)	3.523.816.223

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

Tax	Taxable Period	Review Closing Date
Income	2020	April 2026
Income	2018	July 2025

Transfer Pricing

The Company is subject to filing a transfer pricing declaration and study, with the aim of declaring and analyzing the operations it has carried out with its economic affiliates or related parties abroad.

Independent advisors prepare the declaration and supporting documentation of transfer pricing, required by tax provisions, in order to demonstrate that transactions with foreign economic ties or related parties from abroad were made at market values. For this purpose, the Company will prepare the declaration and its supporting documentation for the taxable year 2022 within the deadlines established by the National Government.

Failure to comply with the transfer pricing regime may result in pecuniary 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 yield significant changes to the basis used for the determination of the 2023 income tax provision.

12. INVESTMENTS IN COMPANIES

The investments in the Company's companies are as follows:

Investments in companies	Significant control/ influence	Country/City	As of December 31, 2023	2022
			Investment	
Technology & Business Operations S.A.S.	Control	Colombia / Barranquilla	10.513.499	5.868.294
Alamo Holdco, S.L. (1)	Influence significant	Spain / Madrid	59.436.247	62.709.480
			69.949.746	68.577.774

(1) Colombia Telecomunicaciones S.A. E.S.P. BIC has subscribed shares equivalent to a 40% stake in Alamo Holdco, S.L. for $ 183,409.2 million, a Spanish company that owns 100% of the shares of Onnet Fibra Colombia S.A.S. Additionally, it incorporates as the highest value of the investment the costs incurred in the acquisition of this minority stake for $ 13,775.5 million, The transfer of control for $ 67,277.7 million, loss by equity method on net income of $ 112,289.9 million, is recognized as a lower value, as follows: For the years ended December 31, 2023, loss of $ 46,156.7 million and profit from equity method on other comprehensive income of $ 1,064.3 million and in 2022 loss of $ 67,197.5 million.

On September 27, 2023, the Company realized a capitalization of USD 10,666,667, equivalent to $ 41,819.1 million (Note 1), maintaining a 40% interest in the company Alamo Holdco, S.L. at the end of December 31, 2023.

Equity Method

Investments in subordinate companies in which the Company has directly, or through or with the assistance of its subordinates or their subordinates, more than 50% of the capital, are accounted for by the equity method.

As of December 31, 2023 and 2022, a loss of $ 41,511,464 was recognized in the income statement and $ 63,768,109 respectively, and in the other comprehensive income during the year 2023 benefit of $ 1,064,341 (2022 - $0). The financial information of the subordinate companies, taken as the basis for the application of the equity method, corresponds to the closing of December 31, 2023 and 2022.

The effect of the application of the equity method on the profit or loss for the year is as follows:

		Net income for the year		Method of participation	
		Year ended December 31,			
Subsidiary/Associate	Participation	2023	2022	2023	2022
Technology Operations and Comerciales S.A.S.	100%	4.645.205	3.429.441	4.645.205	3.429.441
Alamo Holdco, S.L.	40%	(115.391.672)	(167.993.876)	(46.156.669)	(67.197.550)
		(110.746.467)	(164.564.435)	(41.511.464)	(63.768.109)

Determination of the equity method on other comprehensive income for the period:

		Other comprehensive result		Method of participation	
		Year ended December 31,			
Associated	Participation	2023	2022	2023	2022
Alamo Holdco, S.L.	40%	2.660.853	-	1.064.341	-
		2.660.853	-	1.064.341	-

The main figures of the companies on which the participation method was applied in 2023 and 2022 were as follows:

	Active		Passive		Results	
Subsidiary/ Associate	As of December 31,	As of December 31,	As of December 31,	As of December 31,	Year ended December 31,	
Subsidiary	2023	2022	2023	2022	2023	2022
Technology & Business Operations S.A.S.	47.013.740	39.130.796	36.500.241	33.262.502	4.645.205	3.429.441
Alamo Holdco, SL.	2.502.255.005	2.115.372.871	2.219.973.882	1.806.532.006	(115.391.672)	(167.993.876)
	2.549.268.745	2.154.503.667	2.256.474.123	1.839.794.508	(110.746.467)	(164.564.435)

13. ASSETS BY RIGHTS OF USE

The cost of the rights of use and their corresponding accumulated depreciation is presented below:

	As of December 31, 2023			As of December 31, 2022		
Concept	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land and buildings (1)	1.284.425.977	(649.611.938)	634.814.039	1.171.972.811	(579.746.677)	592.226.134
Technical installations (1)	931.774.236	(434.614.254)	497.159.982	673.096.782	(306.899.830)	366.196.952
Transportation equipment (2)	7.287.751	(6.185.460)	1.102.291	8.285.678	(6.281.586)	2.004.092
	2.223.487.964	(1.090.411.652)	1.133.076.312	1.853.355.271	(892.928.093)	960.427.178

For the years ended December 31, 2023 and 2022, the depreciation expense recognized in the comprehensive income statements was $ 283,714,441 and $ 285,007,695, respectively (Note 24).

(1) The increase in cost as of December 31, 2023 corresponds to the subscription, renewal and increases in land and site lease fees for technical facilities, antenna supports and transmission equipment by carrier media (1,117 new contracts), thus generating higher depreciation expense for the year ended December 31, 2023 compared to the previous year.

(2) The decrease as of December 31, 2023 corresponds mainly to the completion of the depreciation of assets associated with vehicle lease agreements that ended their term.

The movements during 2023 of the items that make up the cost and depreciation of the assets for rights of use are as follows:

Concept	As of December 31, 2022	High	Casualties (a)	As of December 31, 2023
Cost:				
Land and constructions	1.171.972.811	205.054.125	(92.600.959)	1.284.425.977
Technical installations	673.096.782	265.998.519	(7.321.065)	931.774.236
Transport equipment	8.285.678	748.252	(1.746.179)	7.287.751
	1.853.355.271	471.800.896	(101.668.203)	2.223.487.964
Accumulated depreciation				
Land and constructions	(579.746.677)	(149.075.618)	79.210.357	(649.611.938)
Technical installations	(306.899.830)	(132.988.770)	5.274.346	(434.614.254)
Transport equipment	(6.281.586)	(1.650.053)	1.746.179	(6.185.460)
	(892.928.093)	(283.714.441)	86.230.882	(1.090.411.652)
	960.427.178	188.086.455	(15.437.321)	1.133.076.312

a) They correspond mainly to the termination of contracts due to the expiration of the established term.

The movements during 2022 of the items that make up the cost and depreciation of the assets for rights of use are as follows:

Concept	As of December 31, 2021	High	Low	As of December 31, 2022
Cost:				
Land and constructions	861.535.853	310.436.958	-	1.171.972.811
Technical installations	537.733.613	135.363.169	-	673.096.782
Transport equipment	11.813.538	1.241.596	(4.769.456)	8.285.678
	1.411.083.004	447.041.723	(4.769.456)	1.853.355.271
Accumulated depreciation				
Land and constructions	(413.906.837)	(165.268.667)	(571.173)	(579.746.677)
Technical installations	(189.384.557)	(116.795.029)	(720.244)	(306.899.830)
Transport equipment	(8.107.043)	(2.943.999)	4.769.456	(6.281.586)
	(611.398.437)	(285.007.695)	3.478.039	(892.928.093)
	799.684.567	162.034.028	(1.291.417)	960.427.178

14. PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31, 2023			As of December 31, 2022		
Concept	**Cost**	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net book value**
Switching, accessing, and transmission (1)	8.739.605.826	(6.699.536.171)	2.040.069.655	8.391.031.004	(6.291.104.434)	2.099.926.570
Land and buildings (2)	2.957.924.068	(1.728.254.294)	1.229.669.774	2.952.108.182	(1.694.498.954)	1.257.609.228
Assets under construction (3)	448.488.689	-	448.488.689	690.534.627	-	690.534.627
Furniture, information and transportation equipment (4)	713.789.367	(477.640.616)	236.148.751	561.765.592	(402.175.213)	159.590.379
	12.859.807.950	(8.905.431.081)	3.954.376.869	12.595.439.405	(8.387.778.601)	4.207.660.804

For the years ended December 31, 2023 and 2022, the depreciation expense recognized in profit or loss was $ 558,929,037 and $ 600,702,423 (Note 24).

(1) The net decrease corresponds mainly to depreciation in 2023, partially offset by the activation of works associated with the deployment of the 4G mobile network, fiber optic network, infrastructure and communications networks for corporate customers and infrastructure for the provision of Internet Protocol Television (IPTV) service.

(2) The cost increase as of December 31, 2023 corresponds mainly to civil works associated with the 4G mobile network and the fiber optic network. Includes provision for site dismantling as of December 31, 2023 and 2022 for $ 75,154,401 and $ 58,711,497, respectively (Note 19).

(3) The variation corresponds to the net of new acquisitions of goods and services and the settlement of final assets for the construction of assets mainly related to the deployment of 4G mobile network, fiber optics, infrastructure for corporate customer projects, infrastructure for the provision of IP television service, replacement and repowering of network equipment and pricing and billing platforms.

(4) The increase corresponds to the purchase of servers, computer and storage equipment, measurement equipment mainly associated with 4G network deployment projects (Long Term Evolution - LTE), Fiber optics - FTTH, Internet Protocol Television platform - IPTV and computer and communication equipment for project networks with corporate and business customers.

The movements during 2023 of the items that make up the cost and depreciation of property, plant and equipment are as follows:

	As of December 31, 2022	High	Low	Transfers	Revaluation	As of December 31, 2023
Cost:						
Land and buildings	2.952.108.182	8.434.542	(7.898.862)	36.459.327	(31.179.121)(a)	2.957.924.068
Switching, accessing, and transmission	8.391.031.004	96.803.715	(33.495.779)	285.266.886	-	8.739.605.826
Assets in construction	690.534.627	211.023.067	(134.826)	(452.934.179)	-	448.488.689
Computer, furniture and Transport equipment	561.765.592	103.100.557	(806.394)	49.729.612	-	713.789.367
	12.595.439.405	419.361.881	(42.335.861)	(81.478.354)	(31.179.121)	12.859.807.950
Accumulated depreciation						
Constructions	(1.694.498.954)	(27.715.020)	3.798.064	-	(9.838.384) (b)	(1.728.254.294)
Switching, accessing, and transmission	(6.291.104.434)	(441.951.723)	33.519.986	-	-	(6.699.536.171)
Computer, furniture and transport equipment	(402.175.213)	(76.137.397)	671.994	-	-	(477.640.616)
	(8.387.778.601)	(545.804.140)	37.990.044	-	(9.838.384)	(8.905.431.081)
	4.207.660.804	(126.442.259)	(4.345.817)	(81.478.354)	(41.017.505)	3.954.376.869

(a) Corresponds to cancellations due to the sale of properties made during the year.

(b) Includes depreciation of revalued assets of buildings for $ 13,124,897 and write-downs for $ 3,286,513.

The net effects of lower depreciation expense of technical facilities and machinery (fiber optics) for a range of 3 years and the impact for the year 2023 are presented below.

		Life		Year ended December 31,			
Concept	Typology	Previous	Current	2023	2024	2025	2026
Technical installations and machinery	Terrestrial fiber optics	25	30	3.486.097	3.550.538	3.542.614	3.535.817
				3.486.097	3.550.538	3.542.614	3.535.817

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

Concept	As of December 31, 2021	High	Low	Transfers	Revaluation	As of December 31, 2022
Cost:						
Land and constructions	3.056.131.104	9.961.015	(79.991.974)	2.888.271	(36.880.234)	2.952.108.182
Switching, accessing, and transmission	8.281.521.400	46.116.155	(19.082.100)	82.475.549	-	8.391.031.004
Assets in construction	413.267.459	407.255.912	(435.714)	(129.553.030)	-	690.534.627
Computer, furniture and transport equipment	543.131.330	4.746.637	(615.636)	14.503.261	-	561.765.592
	12.294.051.293	468.079.719	(100.125.424)	(29.685.949)	(36.880.234)	12.595.439.405
Accumulated depreciation						
Constructions	(1.698.822.942)	(28.134.925)	42.330.257	-	(9.871.344)	(1.694.498.954)
Switching, accessing, and transmission	(5.818.218.168)	(489.689.357)	16.803.091	-	-	(6.291.104.434)
Computer, furniture and transport equipment	(334.065.591)	(68.721.343)	611.721	-	-	(402.175.213)
	(7.851.106.701)	(586.545.625)	59.745.069	-	(9.871.344)	(8.387.778.601)
	4.442.944.592	(118.465.906)	(40.380.355)	(29.685.949)	(46.751.578)	4.207.660.804

The movements for the year 2023 of the land and buildings recognized under the cost method, is as follows:

Concept	Balance as of December 31, 2022	High	Low	Transfers	Balance as of December 31, 2023
Cost:					
Land and constructions	2.392.844.398	8.434.542	(7.898.862)	36.459.327	2.429.839.405
Accumulated depreciation					
Constructions	(1.634.822.934)	(27.715.020)	3.798.064	-	(1.658.739.890)
	758.021.464	(19.280.478)	(4.100.798)	36.459.327	771.099.515

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

Concept	Balance as of December 31, 2021	High	Low	Transfers	Balance as of December 31, 2022
Cost:					
Land and constructions	2.459.987.087	9.961.015	(79.991.975)	2.888.271	2.392.844.398
Accumulated depreciation					
Constructions	(1.649.018.266)	(28.134.927)	42.330.259	-	(1.634.822.934)
	810.968.821	(18.173.912)	(37.661.716)	2.888.271	758.021.464

The movements for the year 2023 of the land and buildings recognized by the revalued value, are as follows:

	As of December 31, 2022	Increases	Decreases	As of December 31, 2023
Cost:				
Land	291.121.925	-	(18.239.146)	272.882.779
Constructions	268.141.859	-	(12.939.975)	255.201.884
	559.263.784	-	(31.179.121)	528.084.663
Accumulated depreciation				
Constructions	(59.676.020)	(13.124.897)	3.286.513	(69.514.404)
	(59.676.020)	(13.124.897)	3.286.513	(69.514.404)
	499.587.764	(13.124.897)	(27.892.608)	458.570.259
Deferred income tax	(102.073.577)	(13.783.988)	-	(115.857.565)
Net revaluation of deferred tax	397.514.187	(26.908.885)	(27.892.608)	342.712.694

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

	As of December 31, 2021	Increases	Decreases	As of December 31, 2022
Cost:				
Land	309.180.481	-	(18.058.556)	291.121.925
Constructions	286.963.537	-	(18.821.678)	268.141.859
	596.144.018	-	(36.880.234)	559.263.784
Accumulated depreciation				
Constructions	(49.804.676)	(14.156.795)	4.285.451	(59.676.020)
	(49.804.676)	(14.156.795)	4.285.451	(59.676.020)
	546.339.342	(14.156.795)	(32.594.783)	499.587.764
Deferred income tax	(113.923.579)	-	11.850.002	(102.073.577)
Net revaluation of deferred tax	432.415.763	(14.156.795)	(20.744.781)	397.514.187

Fully Depreciated Property, Plant and Equipment

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

	As of December 31,	
	2023	**2022**
Constructions	243.787.256	239.712.773
Switching, access, and streaming	3.383.273.940	3.016.559.458
Computer equipment and furniture	428.058.734	134.572.311
	4.055.119.930	3.390.844.542

The increase in fully depreciated property, plant and equipment corresponds to assets that during 2023 ended their depreciation period.

15. INTANGIBLE

The cumulative cost and amortization of intangibles are presented below:

	As of December 31, 2023			As of December 31, 2022		
	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
Qualifications (1)	2.762.446.278	(2.180.501.276)	581.945.002	2.762.446.278	(1.847.612.566)	914.833.712
Software, network equipment and office automation (2)	1.512.909.330	(1.115.538.664)	397.370.666	1.267.966.605	(901.075.570)	366.891.035
Rights (3)	63.225.312	(30.562.580)	32.662.732	63.225.312	(27.279.557)	35.945.755
	4.338.580.920	(3.326.602.520)	1.011.978.400	4.093.638.195	(2.775.967.693)	1.317.670.502

For the years ended December 31, 2023 and 2022, the amortization expense recognized in profit or loss was $ 550,634,828 and $ 502,711,253 (Note 24).

(1) It includes the renewal of the use of the spectrum for the mobile operation and the economic compensation of the arbitration award for the reversion of assets. The decrease as of December 31, 2023 corresponds to the amortization of the year.

(2) The increase in cost as of December 31, 2023 is due to the acquisition of software, licenses and developments associated mainly with the 4G network, fiber optic network, infrastructure and communications networks for corporate customers, infrastructure for the provision of television service through fiber optics for datacenters.

The balance as of December 31, 2023 and 2022, includes computer applications under development for $ 62,869,448 and$ 82,380,904, respectively.

(3) It mainly includes Irrevocable Right of Use – IRU's of Fiber Optics. The decrease as of December 31, 2023 corresponds to the amortization of the year.

The movements of intangibles during 2023 are presented below:

	As of December 31, 2022	Registrations / Depreciation expense	Transfers	As of December 31, 2023
Cost:				
Enabling titles	2.762.446.278	-	-	2.762.446.278
Software, network equipment and office automation	1.267.966.605	163.464.371	81.478.354	1.512.909.330
Rights	63.225.312			63.225.312
	4.093.638.195	163.464.371	81.478.354	4.338.580.920
Accumulated depreciation:				
Enabling titles	(1.847.612.566)	(332.888.710)	-	(2.180.501.276)
Software, network equipment and office automation	(901.075.570)	(214.463.094)	-	(1.115.538.664)
Rights	(27.279.557)	(3.283.023)	-	(30.562.580)
	(2.775.967.693)	(550.634.827)	-	(3.326.602.520)
	1.317.670.502	(387.170.456)	81.478.354	1.011.978.400

The movements of intangibles during 2022 are presented below:

	As of December 31, 2021	Registrations / Depreciation expense	Transfers	As of December 31, 2022
Cost:				
Enabling titles	2.296.177.444	555.136.796	-	2.762.446.278
Software, network equipment and office automation	1.099.475.141	138.805.517	29.685.947	1.267.966.605
Rights	63.225.312	-	-	63.225.312,00
	3.458.877.897	693.942.313	29.685.947	4.093.638.195
Accumulated depreciation:				
Enabling titles	(1.615.707.161)	(320.773.367)	-	(1.847.612.566)
Software, network equipment and office automation	(722.420.708)	(178.654.862)	-	(901.075.570)
Rights	(23.996.533)	(3.283.024)	-	(27.279.557)
	(2.362.124.402)	(502.711.253)	-	(2.775.967.693)
	1.096.753.495	191.231.060	29.685.947	1.317.670.502

Fully amortized intangibles

The cost of fully amortized intangibles is presented below:

	As of December 31,	
	2023	2022
Software, network equipment and office automation	770.081.584	445.694.985
Enabling titles	268.997.211	-
Rights	7.237	7.237
	1.039.086.032	445.702.222

The increase in fully amortized intangibles is mainly generated by the completion of amortization based on useful life at the end of 2023.

16. GOODWILL

The Goodwill registered as of December 31, 2023 and 2022 amounts to $ 1,355,833,946.

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

On January 11, 2022, as a result of the sale of fiber optic assets in that year, the Company recognized a decrease in Goodwill of $ 16,467,619.

As of December 31, 2023, the impairment analysis is carried out with the following variables:

Cash Generating Units - CGU

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

Considering the structure of the entity and type of business, the existence of common assets is considered for the purpose of developing the services provided by the Company and this is so considering the convergence of the services (basic line, television, broadband, mobile, among others) with which, as there is dependence between them, they do not generate cash inflows independently and therefore it is not possible to determine the flows generated by each active.

Based on the above, the operation of the Company in its entirety is estimated to be a single CGU.

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

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

Main Assumptions Used in Value-in-Use Calculations

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

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

Discount Rate

At the end of the 2023 and 2022 financial years, a nominal percentage rate calculated in pesos of 11.50% and 12.20%, respectively, was used.

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

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

The most relevant components of the WACC are summarized below:

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

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

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

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

Sensitivity to Changes in Hypotheses

In accordance with the asset recoverability review process, based on reviews of internal and external factors, the WACC as of December 2023 has been determined. The sensitivities of the model were performed with a step of the +/-1% for the discount rate and +/-5% for net assets with a WACC rate of 11.50%. The sensitivity analyses show that the net book value of the assets and liabilities subject to impairment assessment is lower than the financial valuation and therefore no indications of impairment were identified.

17. FINANCIAL LIABILITIES

The balance of financial liabilities is presented below:

	As of December 31, 2023			As of December 31, 2022		
	Value	Rate		Value	Rate	
Current:		Base	Spread		Base	Spread
Financial in foreign currency						
Interest payable	43.093.614			54.235.005		
	43.093.614			54.235.005		
Financial institutions in national currency						
Local bonus (1)	347.367.924	Fixed 6.65%		-		
Financial obligations (2)	298.000.000	Fixed 5.745% IBR3M	1,1%-2%	-		
Interest payable	9.093.406			9.142.226		
	654.461.330			9.142.226		
Other obligations						
Financial leasing (3)	396.507.959			340.918.825		
Hedging instruments (4)	82.780.937			18.856.031		
	479.288.896			359.774.856		
Spectrum provider (5)	35.075.950			62.557.394		
	1.211.919.790			485.709.481		
Non-current:						
Financial in foreign currency						
Senior bonus (6)	1.901.519.155	Fixed 4.95%		2.394.141.649	Fixed 4.95%	
Financial institutions in national currency						
Financial obligations	1.099.681.413	Fixed 5.745% IBR3M	1.35%-2%	1.397.418.961	Fixed 5.745% IBR3M	1,1%-2%
Local bonus (1)	152.312.625	CPI	3,39%	499.435.677	Fixed 6.65% - CPI	3,39%
	1.251.994.038			1.896.854.638		
Other obligations						
Financial leasing (3)	1.230.184.049			1.111.143.152		
Hedging instruments (4)	115.924.756			40.311.161		
	1.346.108.805			1.151.454.313		
Spectrum provider (5)	455.987.351			437.901.760		
	4.955.609.349			5.880.352.360		
	6.167.529.139			6.366.061.841		

Financial liabilities include balances in foreign currency as of December 31, 2023 for USD 511,275 thousand ($ 1,954,118,614) and as of December 31, 2022 for USD 511,275 thousand ($ 2,459,335,005) (Note 26).

(1) Local bond: As of December 31, 2023 and 2022, the nominal value of the local bond is $ 500,000 million and transaction costs of $ 319 million and $ 564 million, respectively, measured at amortized cost.

The characteristics of the issue are summarized below:

Format	Currency of issue	Premiums and discounts	Total amount issued	Total amount issued	Max. redemption term	Date of issue	Expiration Date	Fee/ Payment	Use of resources
C10	Cop Million	Zero	152.410	152.410	10 years	29-may-19	29-may-29	Cpi + 3.39% Semiannual	Local debt prepayment
A5	Cop Million	Zero	347.590	347.590	5 years	29-may-19	29-may-24	6,65% Semiannual	
			500.000	500.000					

As of December 31, 2023 and 2022, the interest payable on the bond amounted to $ 3,903 million and $ 4,125 million, respectively.

(2) Transfers from the long term to the short term were made for $298,000 million in accordance with the established payment plan.

(3) The increase in financial leases is mainly associated with renewals and new contracts in 2023 and increases in rents according to the Consumer Price Index (CPI).

The following is the movement of the financial lease liability for the year ended December 31, 2023:

	As of December 31, 2022	High	Low	Payments (a)	Transfers	Other (b)	As of December 31, 2023
Current							
Financial lease	340.901.691	189.796.582	-	(433.711.568)	322.833.399	(23.312.145)	396.507.959
Financial liabilities - renting	17.134	-	-	(17.134)	-	-	-
	340.918.825	189.796.582	-	(433.728.702)	322.833.399	(23.312.145)	396.507.959
Non-current							
Financial lease	1.111.143.152	457.311.617	(15.437.321)	-	(322.833.399)	-	1.230.184.049
	1.452.061.977	647.108.199	(15.437.321)	(433.728.702)	-	(23.312.145)	1.626.692.008

(a) Corresponds to payments of capital financial leases during the year 2023 for $ 312,697,940 and interest for $ 121,030,762.

(b) Corresponds to payment by cross-checking accounts between liabilities and financial assets.

The following is the movement of the financial lease liability for the year ended December 31, 2022:

	As of December 31, 2021	High	Payments (a)	Transfers	Other (b)	As of December 31, 2022
Current						
Financial lease	113.215.172	140.840.300	(371.005.411)	480.369.105	(22.517.475)	340.901.691
Financial liabilities - renting	406.740	180.187	(577.630)	7.837	-	17.134
	113.621.912	141.020.487	(371.583.041)	480.376.942	(22.517.475)	340.918.825
Non-current						
Financial lease	1.022.600.777	568.911.480	-	(480.369.105)	-	1.111.143.152
Financial liabilities - renting	7.837	-	-	(7.837)	-	-
	1.022.608.614	568.911.480	-	(480.376.942)	-	1.111.143.152
	1.136.230.526	709.931.967	(371.583.041)	-	(22.517.475)	1.452.061.977

(a) Corresponds to payments of capital financial leases during the year 2022 for $ 284,008,843 and interest for $87,574,198.

(b) Corresponds to payment by cross-checking accounts between financial liabilities versus financial assets.

(4) The increase in financial liabilities for hedging instruments is mainly due to increases in interest rates, which mainly affect the passive position of the swaps associated with the senior bond.

(5) It corresponds to the obligation acquired with the Ministry of Information and Communications Technologies of Colombia (MinTIC), for the renewal of the spectrum of 1,900 Mhz for 20 years with a capital balance of $ 388,596 million and the recognition of financial indexation for $ 102,468 million, classified between short and long term. During 2023, payments were made for $ 55,514 million of capital.

(6) Senior Bond: As of December 31, 2023 and 2022, the face value of the outstanding senior note was USD 500 million, equivalent to $ 1,911,025 million and $ 2,405,100 million, and associated transaction costs of $ 9,506 million and $ 10,958 million, respectively, measured at amortized cost.

The characteristics of the issue are summarized below:

Format	Currency of issue	Premiums and discounts	Total amount issued	Total amount issued	Max. redemption term	Date of issue	Expiration Date	Fee/ Payment	Use of resources
R144/RegS	USD Million	Zero	500	500	10 years	17/07/2020	17/07/2030	4,95% Semiannual	Sr. Bonus Substitution USD 750

During the years ended December 31, 2023 and 2022, the interest payable on the bond amounted to $ 43,093 million and $ 54,235 million respectively.

The following are the maturities of the financial obligations as of December 31, 2023:

	Current	Non-current						
Maturities	**2024**	**2025**	**2026**	**2027**	**2028**	**Subsequent years**	**Total non-current**	**Total**
Senior bonus	-	-	-	-	-	1.901.519.155	1.901.519.155	1.901.519.155
Leasing	396.507.959	217.732.188	174.223.010	167.731.324	167.364.410	503.133.117	1.230.184.049	1.626.692.008
Financial obligations	298.000.000	1.099.681.413	-	-	-	-	1.099.681.413	1.397.681.413
Local bonus	347.367.924	-	-	-	-	152.312.625	152.312.625	499.680.549
Supplier of spectrum	35.075.950	35.075.950	35.075.950	35.075.950	35.075.950	315.683.551	455.987.351	491.063.301
Hedging instruments	82.780.937	375.404.837	63.673.992	60.414.338	59.458.349	(443.026.760)	115.924.756	198.705.693
Interests	52.187.020	-	-	-	-	-	-	52.187.020
	1.211.919.790	1.727.894.388	272.972.952	263.221.612	261.898.709	2.429.621.688	4.955.609.349	6.167.529.139

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

	Current	Non-current						
Maturities	**2022**	**2023**	**2024**	**2025**	**2026**	**Subsequent years**	**Total non-current**	**Total**
Senior Bonus	-	-	-	-	-	2.394.141.649	2.394.141.649	2.394.141.649
Leasing	340.918.825	229.727.021	141225386	103.475.150	97.259.334	539.456.261	1.111.143.152	1.452.061.977
Financial obligations	-	298.000.000	1.099.418.961	-	-	-	1.397.418.961	1.397.418.961
Local bonus	-	349.604.974	-	-	-	149.830.703	499.435.677	499.435.677
Supplier of spectrum	62.557.394	31.278.697	31.278.697	31.278.697	31.278.697	312.786.972	437.901.760	500.459.154
Hedging instruments	18.856.031	(150.850.205)	(25.537.811)	30.601.772	26.293.775	159.803.630	40.311.161	59.167.192
Interests	633.77.231	-	-	-	-	-	-	63.377.231
	485.709.481	757.760.487	1.246.385.233	165.355.619	154.831.806	3.556.019.215	5.880.352.360	6.366.061.841

18. SUPPLIERS AND ACCOUNTS PAYABLE

The balance of suppliers and accounts payable is as follows:

	As of December 31,	
	2023	**2022**
Current:		
Creditors and suppliers (1)	1.620.734.837	1.773.888.204
Related parties (2) (Note 27)	370.072.200	247.637.079
Fixed assets suppliers (3)	284.015.546	437.390.428
Government subsidies (5) (Note 7)	35.843.986	-
Labor wages payable (4)	36.346.017	34.607.628
Parafiscal contributions	7.940.483	8.204.826
Spectrum license providers (6)	7.046.126	25.434.509
Contracts with third parties (7)	2.167.391	1.944.293
	2.364.166.586	2.529.106.967
Non-current:		
Contracts with third parties (7)	10.404.429	12.196.571
Related parties (2) (Note 27)	3.584.437	4.817.768
Government subsidies (5) (Note 7)	-	33.451.319
Spectrum license providers (6)	-	22.465.015
	13.988.866	72.930.673
	2.378.155.452	2.602.037.640

As of December 31, 2023 and 2022, they include foreign currency balances with suppliers and accounts payable of USD 123,986 ($ 473,880,691) and USD 156,931 thousand ($ 754,869,496) and with related parties of USD 60,272 thousand ($ 230,362,598) and USD 30,880 thousand ($ 148,538,976) respectively (Note 26).

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

	As of December 31,	
	2023	**2022**
Terminal providers (a)	286.591.508	513.764.899
Renting and third-party activities to customers (b)	277.239.657	357.462.880
Content providers (c)	237.014.930	121.305.672
Creditors (d)	174.436.415	96.732.987
Equipment maintenance (e)	132.992.184	155.805.812
Third-party securities (f)	113.267.262	80.131.466
Operating leases (g)	91.177.765	107.558.314
Sales commissions	88.031.945	84.667.638
IT services	64.704.327	65.733.604
Interconnection and roaming (h)	60.746.046	95.026.212
Advertisement	53.709.646	56.809.540
Customer services	34.032.091	32.543.503
Other minors	6.791.061	6.345.677
	1.620.734.837	1.773.888.204

(a) At the end of 2023, there was a decrease in purchases mainly of mobile terminals, as a result of lower commercial activity, compared to the end of 2022 where there was a growth in terminals (smartphones) to serve commercial activity according to consumer behavior.

(b) Includes services for the development of projects for solutions to corporations and services for the deployment of the fiber optic network. The decrease at the end of 2023 compared to the end of 2022 is due to the lower execution of projects.

(c) Includes the services of OTT (streaming services), TV and value-added services. At the end of 2023, there was an increase in services for the use of licenses and platforms by corporate clients.

(d) Corresponds mainly to services related to insurance, technical assistance, public services, security, legal and tax advice, billing, collection and collection services. At the end of 2023, the increase corresponds mainly to macroeconomic effects on services.

(e) Includes external plant maintenance services and platform support, technical assistance and network and customer breakdowns.

(f) Includes values received for third parties defined in the mandate agreements.

(g) Mainly includes commitments made for submarine cable capacity, rental of means and last-mile rental in fixed services.

(h) Includes national interconnection traffic and roaming services, the decrease is mainly generated by the change in regulated tariffs during the year 2023 for mobile access charges.

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

(2) The increase corresponds mainly to obligations for i) use of trademark and liquidation action plans, licenses with Telefónica S.A, ii) Platforms for Internet Protocol Television - IPTV with Telefónica Innovación Digital, iii) rental of capacity in international media and rights of use with Telxius Cable Colombia S.A., and iv) FTTH connectivity services with Onnet Fibra Colombia S.A.S.

(3) Corresponds mainly to obligations for equipment purchases, licenses and platform developments associated with the deployment of the mobile network. As of December 31, 2023, the decrease compared to the end of 2022 corresponds mainly to lower Capex execution during the fourth quarter of 2023 compared to the same period in 2022.

(4) Corresponds to obligations as of December 31, 2023, for the following concepts of: i) severance payments due to $ 22,937 million; ii) vacations for $ 10,556 million; iii) interest on severance pay $ 2,729 million and, iv) other remuneration $ 124 million.

Includes Share-Based Payments

The Plan consists of the possibility for the Company's directors 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 of the share capital of Telefónica S.A. that may be delivered under the Plan as variable remuneration and in function of the fulfilment 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 promote the commitment of the Company's managers to its strategic plan.

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

Each Cycle will be conditional on compliance with the economic and financial objectives of creating value for shareholders and, where appropriate, objectives linked to sustainability, the environment or good governance, and will be determined on the basis of these.

The final number of shares to be delivered to each employee on the delivery date will be conditioned and determined by the incentive multiplier coefficient: a percentage that will be calculated according to the level of compliance with the objectives established by the Company, based on 3 objectives: TSR (Total Shareholder's Return) 50%, FCF (Free Cash Flow) 40% and CO_2 Emissions 10%.

As of December 31, 2023, the current cycles are as follows:

	No. of Shares	TFSP Unit Value - PSP	End Date
Cycle 1 -1 July 2021	363.756	€2.9032	December 31, 2023
Cycle 2 -1 January 2022	322.984	€2.6916	December 31, 2024
Cycle 3 -1 January 2023	284.500	€2.2942	December 31, 2025

Co-investment Plan cycles 22-24 and 23-25

Long-term compensation plan aimed at incentivizing and retaining key senior managers for the Company through the delivery of shares subject to the fulfillment of certain conditions and where the director contributes a percentage of his or her annual bonus.

100 GESP Plan

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

(5) It includes the commitment of the Government subsidy with the Company to carry out obligations to do. At the end of December 2023, a short-term transfer was made in accordance with the contractual conditions between the parties.

(6) It includes the balances of obligations to be made for the renewal of spectrum for the provision of cell phone service in March 2014 for 10 years. The decrease at the end of December 2023 corresponds to payments made during 2023.

(7) It includes the balances of the inter-administrative contract with the Metropolitan Area of Barranquilla until 2028 and the guarantees constituted by commercial partners.

19. PROVISIONS AND PENSION LIABILITIES

The balance of pension provisions and liabilities is as follows:

	As of December 31,	
	2023	2022
Current:		
For taxes and consideration (1)	87.878.280	98.928.516
For voluntary withdrawal (2)	25.809.581	2.062.378
Pension liabilities (3)	23.619.092	21.550.558
For employee benefits (4)	23.170.399	34.695.842
For contingencies (5) (Note 28)	5.042.371	6.701.584
For tax claims	462.088	2.202.959
	165.981.811	166.141.837
Non-current:		
Pension liabilities (3)	193.691.152	184.046.743
For dismantling (6)	75.154.401	58.711.497
For contingencies (5) (Note 28)	8.315.515	14.691.640
	277.161.068	257.449.880
	443.142.879	423.591.717

(1) It includes the provision of industry and commerce tax (ICA), consideration to the Ministry of Information and Communications Technologies MINTIC and the VAT not collected from the customer portfolio.

(2) The Company included a provision for an efficiency plan for voluntary retirement which corresponds to a formal plan, identifying functions, number of employees, disbursements to be carried out and dates of the plan.

(3) The Company recognizes post-employment benefits corresponding to retirement pensions. The post-employment benefits plan in force to date does not have any type of asset linked to it.

The classification of pension liabilities at the end of 2023 and 2022 is as follows:

	As of December 31,	
	2023	**2022**
Current portion	23.619.092	21.550.558
Non-current portion	193.691.152	184.046.743
	217.310.244	205.597.301

The following is the movement of pension liabilities as of December 31, 2023:

	Year ended December 31,	
	2023	**2022**
Balance at the beginning of the year	205.597.301	203.859.734
Interest expense	26.323.230	13.122.917
Actuarial losses on obligations (a)	4.695.616	6.857.489
Payments made by the plan	(19.603.954)	(18.571.217)
	217.012.193	205.268.923
Installments receivable	298.051	328.378
Year-end balance	217.310.244	205.597.301

(a) As of December 31, 2023 and 2022, it corresponds to the update of the actuarial calculation recognized in Other Comprehensive Income.

The Company recognizes post-employment benefits corresponding to retirement pensions, which include pension allowance, funeral assistance and health. The actuarial calculation includes 681 people, divided into retirees wholly dependent on the Company, with a pension shared with the entity Colpensiones, lifetime substitutes fully paid by the Company, shared lifetime substitutes and temporary substitutes fully paid by the Company and Colpensiones.

The actuarial calculation is measured by an independent actuary, using the projected credit unit costing 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, it takes into account the Colombian table of mortality rentiers experience 2005 – 2008 men and women approved by the Financial Superintendence of Colombia through Resolution 1555 of July 2010 and the Colombian table of mortality of invalids contemplated in Resolution 0585 of 1994 of the Financial Superintendence. Actuarial gains and losses arising from adjustments based on actuarial assumptions of post-employment profit are recognized in other comprehensive results for the year. The foregoing 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 benefits plan in force to date does not have any type of asset linked to it.

Based on the actuarial calculation for 2018, the shares receivable from other entities were considered. As of December 31, 2023, the projected value for installments receivable from other entities is $ 2,616,592.

The actuarial calculation is updated at the end of each accounting period and was quantified in accordance with the estimate of implicit inflation of 9.22%, discount rate 13.695% and real rate of 3.75%.

The following are the future cash flows through 2029 and the sensitivity analysis as of December 31, 2023:

Future Cash Flows

Year	COP $(000)
2024	23.619.092
2025	25.796.772
2026	28.175.235
2027	30.772.991
2028	33.610.261
2029	36.709.127

Sensitivity Analysis

The following sensitivity analysis presents the effect of these possible changes on the obligation, keeping all other assumptions constant, as of December 31, 2023:

	Interest rate	COP $(000)
Discount rate	13,316%	214.693.652
-50 basis points	12,816%	222.596.006
+50 basis points	13,816%	207.317.378
Inflation rate	9,220%	214.693.652
-50 basis points	8,720%	214.266.890
+50 basis points	9,720%	215.120.507

Source: Appraisal report of the mathematical reserve of retirement pensions as of December 31, 2023, prepared by Loredana Helmsdorff, actuary.

The population considered in the study is 681 people, 568 with calculation of mathematical reserve for retirement pensions and 113 pension bonds.

(4) It includes the incentive for employees for compliance and performance, which is expected to be paid in the first half of 2024. The estimate was made based on the current workforce and the estimated percentages of achievement of objectives.

(5) It includes processes related to customer requests, complaints and claims (PQRs), in addition to civil, tax and administrative processes, which are in the process of discussion with the regulator. The net decrease at the end of 2023 corresponds mainly to completed processes.

(6) It includes the costs associated with the dismantling or removal of elements of property, plant and equipment and rights of use, when contractually agreed. In this regard, there is no expected timetable for the outflow of resources since to date the Company does not estimate the availability of such sites (Note 14). The increase during 2023 corresponds mainly to the update of macroeconomic indicators (devaluation and CPI).

The following is the provisions movement as of December 31, 2023:

	As of December 31, 2022	Endowment	Application	Reversion	Financial Update	Transfers	As of December 31, 2023
Current							
For taxes and consideration	98.928.516	402.540.029	(413.590.265)	-	-	-	87.878.280
For voluntary withdrawal	2.062.378	25.809.000	(2.061.797)	-	-	-	25.809.581
For pension liabilities	21.550.558	-	-	-	-	2.068.534	23.619.092
For employee benefits	34.695.842	53.560.589	(54.198.326)	(10.887.706)	-	-	23.170.399
For third-party claims and labor (Note 28)	6.701.584	5.987.595	(7.099.113)	(547.695)	-	-	5.042.371
For tax claims	2.202.959	7.269.301	(8.959.148)	(51.024)	-	-	462.088
	166.141.837	495.166.514	(485.908.649)	(11.486.425)	-	2.068.534	165.981.811
Non-current							
For pension liabilities	184.046.743	4.993.667	(19.603.954)	-	26.323.230	(2.068.534)	193.691.152
For dismantling	58.711.497	10.643.321	-	-	5.799.583	-	75.154.401
For third-party and labor claims (Note 28)	14.691.640	9.361.547	(8.624.418)	(7.113.254)	-	-	8.315.515
	257.449.880	24.998.535	(28.228.372)	(7.113.254)	32.122.813	(2.068.534)	277.161.068
	423.591.717	520.165.049	(514.137.021)	(18.599.679)	32.122.813	-	443.142.879

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

	As of December 31, 2021	Endowment	Application	Reversion	Financial Update	Transfers	As of December 31, 2022
Current							
For taxes and consideration	100.932.242	480.892.000	(482.895.726)	-	-	-	98.928.516
For voluntary withdrawal	30.134.007,00	54.404.003,00	-47.949.458,00	-1.892.710,00	-	-	34.695.842
For pension liabilities	19.563.650	-	-	-	-	1.986.908	21.550.558
For employee benefits	2.607.434	7.113.418	(2.725.500)	(293.768)	-	-	6.701.584
For third-party and labor claims (Note 28)	1.389.556	1.596.701	(783.298)	-	-	-	2.202.959
For tax claims	2.645.120	2.232.989,00	(2.815.731)	-	-	-	2.062.378
	157.272.009	546.239.111	(537.169.713)	(2.186.478)	-	1.986.908	166.141.837
Non-current							
For pension liabilities	184.296.084	7.185.867	(18.571.218)	-	13.122.918	(1.986.908)	184.046.743
For dismantling	48.464.140	4.766.306	-	-	5.481.051	-	58.711.497
For third-party and labor claims (Note 28)	10.075.945	18.424.308	(6.963.727)	(6.844.886)	-	-	14.691.640
	242.836.169	30.376.481	(25.534.945)	(6.844.886)	18.603.969	(1.986.908)	257.449.880
	400.108.178	576.615.592	(562.704.658)	(9.031.364)	18.603.969	-	423.591.717

20. EQUITY, NET

The authorized, subscribed and paid-in capital as of December 31, 2023 and 2022 is presented below:

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

The equity participation as of December 31, 2023 and 2022 is presented below:

Shareholders	Number of shares	Participation
Telefónica Hispanoamerica S.A.	2.301.779.819	67,49937427%
The Nation-Ministry of Finance and Public Credit	1.108.269.271	32,49984282%
Radio Televisión Nacional de Colombia-RTVC	10.000	0,00029325%
Shirley Puentes Mercado	9.950	0,00029178%
Adriana Cepeda Rodríguez	2.488	0,00007296%
Patricia Cepeda Rodríguez	1.493	0,00004378%
Darío Cárdenas Navas	885	0,00002595%
Eduardo Cárdenas Caballero	826	0,00002422%
Jhon Jairo Gutiérrez Torres	498	0,00001460%
Kira Torrente Albor	349	0,00001023%
Canal Regional de Televisión Ltda.- TEVEANDINA	200	0,00000586%
Bucaramanga Metropolitan Area	2	0,00000006%
Institute of Social Interest Housing and Urban Reform of the Municipality of Bucaramanga — INVISBU	2	0,00000006%
Municipal Social Welfare Fund	2	0,00000006%
"Cooperative of Employees of Public Enterprises of Bucaramanga Ltda."	2	0,00000006%
Central de Inversiones S.A.- CISA	1	0,00000003%
	3.410.075.788	100,0000000%

The equity interest as of December 31, 2023 was unchanged compared to the end of December 2022.

Premium on Share Placement

Corresponds to the excess of the value received with respect to the nominal value of the shares in the issues that the Company has made from the time of creation to date. As of December 31, 2023 and 2022, its value is $ 9,822,380,645.

Reserves

The following is the detail of the reservations as of December 31, 2023 and 2022:

	Reserves:
Voluntary reserves (1)	38.686.537
Statutory reserves (2)	26.298.376
Legal reserve (3)	6.045.752
	71.030.665

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

a) Occasional reserve: The Shareholders' Meeting, through Minute No. 068 of March 16, 2020, constituted a reserve for $ 34,925,054 corresponding to the profits obtained during the year 2019 and through Minute No. 074 of March 16, 2022, constituted a new reserve for $101,588,959, corresponding to profits obtained during the year 2021. On July 21, 2022, the Shareholders' Meeting decreed to pay dividends, as follows: Direct payment to shareholders for

$ 95,769,390 in December 2022 and $ 5,819,569 for withholding tax for the payment of dividends to shareholders, an amount that was transferred to the National Tax and Customs Directorate, for a total of $ 101,588,959.

b) Reserve for future expansions: Reserve constituted by the Company for future expansions, not distributable. The balance of said reserve as of December 31, 2023 and 2022 amounts to $ 3,730,162.

c) Reserve for share repurchase: Reserve constituted by the Company for share repurchase, non-distributable and which balance as of December 31, 2023 and 2022 is $ 31,321.

(2) For tax provisions: The Company, in accordance with tax regulations, when in its income tax return requests depreciation fees that exceed the value of the fees recorded in the accounts, constitutes a non-distributable reserve equivalent to 70% of the highest value requested as a deduction. When the depreciation requested for tax purposes is lower than that recorded in the accounts, the Company may release from said reserve an amount equivalent to 70% of the difference between the requested value and the accounted value; The profits that are released from the reserve may be distributed as income that does not constitute income. As of December 31, 2023 and 2022 the reserves were for $26,298,376. With the issuance of Law 1819 of 2016 (Tax Reform), the rule that established this reserve was repealed, so that, as of the taxable year 2017, it will not be mandatory to constitute such reserve.

(3) Legal Reserve: The Reserve constituted by the Company as of December 31, 2023 and 2022 is $ 6,045,752.

Results per share

Basic earnings per share are calculated by dividing the net profit attributable to holders of the Company's equity instruments by the weighted average number of common shares outstanding during the year.

For the year ended December 31, 2023 and 2022, the value of the loss per share calculated based on 3,410,075,788 outstanding shares, respectively, was ($ 199.65) in pesos and ($ 20.50) in pesos at the end of each of these years.

Other Comprehensive Result

The Company recognized a net loss in Other Comprehensive Income (OCI) as of December 31, 2023 for $ 85,984,752 and in 2022 for $ 105,117,411.

The variation for the years ended December 31, 2023 and 2022 is mainly due to the valuation of derivative instruments of hedging net of taxes for $ 16,278,964, generated by the appreciation of the peso against the dollar of 20.5% during 2023, with an impact on the SOFR and IBR interest curves.

Surplus due to revaluation net of taxes

For the year ended December 31, 2023 and 2022, the Company transferred directly to accumulated income the derepositions and the value associated with the depreciation of the revalued assets and their corresponding deferred tax of $ 54,801,493 and $ 34,901,576, respectively.

21. OPERATING INCOME

Revenue from contracts with customers is presented below:

	Year ended December 31,	
	2023	**2022**
Mobile Services (1)		
Mobile data services	1.533.796.208	1.493.710.951
Voice services	613.801.987	661.388.003
Value-added services	192.502.519	176.476.463
Roaming out	42.096.361	42.649.949
	2.382.197.075	2.374.225.366
Fixed services (1)		
Capacity and technological solutions	967.078.190	978.983.458
Fixed data services	962.013.937	800.275.785
Tv revenue	343.763.235	287.549.857
Fixed voice services	163.716.862	193.277.707
	2.436.572.224	2.260.086.807
Sale of terminal equipment (2)	792.672.592	1.096.179.236
Digital services (3)	701.969.682	575.355.266
Interconnection service (4)	200.805.807	285.209.515
Sale of equipment for fixed services (5)	99.667.925	71.317.169
Other data - mobile virtual network operator	32.747.819	36.588.426
Roaming revenue	35.404.162	30.362.321
	1.863.267.987	2.095.011.933
	6.682.037.286	6.729.324.106

Revenue from customer contracts is generated by the provision of services and sale of goods continuously throughout the year.

During the year ended December 31, 2023 and 2022, they include income from operations with related parties of $ 445,859,207 and $ 421,473,399, respectively (Note 27).

(1) In mobile and fixed service revenues, the performance of 2023 presents a good performance, driven by connectivity through the fiber optic network, leveraged by the expansion of coverage and higher connection speeds.

(2) The sale of mobile terminals during 2023 shows a decrease compared to 2022, due to the lower commercial activity of the period, as a result of changes in consumer behavior, influenced by the current economic conditions of the market.

(3) The growth during 2023, compared to the previous year, is due to the growth dynamics in the demand for digital services, storage and installation through technological platforms and network connections, mainly for business and project solutions.

(4) The variation in 2023 was mainly due to the decrease in mobile interconnection rates determined by the Communications Regulatory Commission.

(5) The growth during 2023, compared to 2022, corresponds mainly to internet service connections provided over fiber through Wi-Fi amplifier equipment.

22. OTHER OPERATING INCOME

Other operating income is presented below:

	Year ended December 31,	
	2023	**2022**
Other operating income (1)	344.598.145	158.858.303
Sale of movable and immovable property (2)	48.352.905	932.070.606
Work carried out for fixed assets (3)	43.309.028	39.108.922
Investment property leasing (4)	141.002	161.167
	436.401.080	1.130.198.998

During the year ended December 31, 2023 and 2022, they include other income from operations with related parties of $ 274,964,630 and $ 1,620,128,210, respectively (Note 27).

(1) During the year 2023, the income corresponding to the amortization for exclusivity for $ 235,814 million (2022 - $ 70,237 million) is included, the growth corresponds to the acceleration of the connected real estate units, in accordance with the modification signed with respect to the exclusivity commitment; Additionally, for billing and collection services, administrative and platform management for $ 94,515 million (2022 - $84,745 million); for income from State subsidies for $ 737 million (2022 - $2,000 million), and guarantees with third parties during 2023 for $ 13,532 million.

(2) The decrease during 2023, compared to the previous year, corresponds mainly to: i) the sale of fiber optic assets to Onnet Fibra Colombia S.A.S. for a net of $ 746,894 million; ii) sale of real estate assets and rooftop towers with a net of $ 170,130 million, and offset in 2023 by the sale of fixed material by $ 33,306 million.

(3) The increase during 2023 compared to 2022 corresponds mainly to greater work carried out by the Company's direct personnel, who carry out a task related to the development and start-up of fixed assets.

(4) Corresponds to the income generated in investment properties, which are average at fair value and its balance as of December 31, 2023 and 2022 is $ 8,045 million.

Classification in comparative information

For presentation purposes, the Company classified in the separate comprehensive income statement during the year 2022 the amount of revenue from customers associated with value-added services to the other operating income line.

23. OPERATING COSTS AND EXPENSES

The operating costs and expenses are presented below:

	Year ended December 31,	
	2023	**2022**
Equipment cost (1) (Note 8 and 10)	1.210.924.413	1.344.998.239
Rental of media and other network infrastructures (2)	537.429.526	435.009.789
Renting and third-party activities to customers (3)	529.516.103	566.720.538
Labor costs (4)	481.494.035	439.204.896
Content providers (5)	390.965.848	294.962.388
Operating costs and expenses (6)	373.329.453	343.496.531
Taxes and consideration (7)	323.713.688	275.970.238
Equipment and facility maintenance	287.151.929	275.755.364
Sales and contract commissions (8)	275.269.489	254.468.696
Energy service (9)	259.844.678	225.161.676
Interconnection & roaming (10)	249.613.393	347.395.611
Computer services (11)	168.131.739	155.060.806
Advertising (12)	167.854.260	185.902.251
Cost of contract performance (13) (Note 8)	104.762.602	79.021.047
Customer services (14)	99.290.695	85.875.046
Portfolio impairment (15) (Note 7)	87.955.594	95.130.570
Other and non-recurring costs and expenses (16)	9.992.800	15.542.215
Provision (recovery) of inventories (17) (Note 10)	3.467.983	(1.393.262)
	5.560.708.228	5.418.282.639

The net change presented between the years ended December 31, 2023 and 2022 corresponds mainly to: i) increase in network infrastructure services generated by the increase in fiber optic connectivity services for the residential and corporate segments; ii) increase in television content mainly due to an increase in the use of applications and licenses for corporate projects and in the use of streaming services and premium channels; iii) increase in taxes and, iv) decrease in interconnection and roaming due to regulatory changes in interconnection service rates.

During the years ended December 31, 2023 and 2022, operating expenses with related parties are included for $ 776,423,415 and $ 624,439,146, respectively (Note 27).

(1) During the years 2023 and 2022, consumption of inventories brought to cost of sales was recognized for $ 1,067,522,609 and $ 1,245,000,795 (Note 10) and amortization for costs of equipment at customers' homes for $ 143,401,804 and $ 99,997,444 (Note 8), respectively. The variation during the year ended December 31, 2023, corresponds to the net effect of lower sales of smartphone mobile terminal equipment and increase in customer home equipment and materials for the execution of fiber optic deployment projects, compared to the same period in 2022.

(2) The increase in 2023 compared to the same year in 2022 corresponds mainly to fiber optic connectivity services for the residential and corporate segments.

(3) The decrease during the year ended December 31, 2023 compared to 2022, corresponds mainly to lower execution of projects with corporate clients, in addition to a decrease in co-investment services in network deployment.

(4) The increase during the year ended December 31, 2023 corresponds mainly to the salary increase made and increase in restructuring expenses, compared to 2022.

(5) During 2023, there is an increase mainly due to the use of applications and licenses for projects in the corporate segment and an increase in streaming services and premium channels.

(6) Mainly includes portfolio collection management expenses, surveillance and security, insurance, fees for consultancies and advisories, digital services and products, travel expenses and utilities. The increase in the year ended December 31, 2023, corresponds mainly to collection management related to the commercial portfolio and the provision of digital services, support, consulting, support and surveillance and security.

(7) The increase during the year ended December 31, 2023 corresponds mainly to the industry and commerce tax - ICA, which for the year 2023 will be a deduction in the calculation of the tax on net profits, compared to the year 2022 where 50% of the tax was treated as a tax discount. Additionally, during 2023 there is an increase in the expenditure of taxes for public lighting and for the use of the radio spectrum.

(8) For the periods ended December 31, 2023 and 2022, it includes the amortization of contract acquisition costs of $ 145,516,658 and $ 89,625,015, respectively (Note 8). The increase corresponds to greater commercial activity, mainly in data services leveraged on fiber optic deployment coverage.

(9) The increase during the year ended December 31, 2023, corresponds mainly to the volume of consumption and tariff increases in the energy sector (10.22% per kilowatt-hour kWh), compared to the previous year.

(10) During the year ended December 31, 2023, there was a decrease mainly due to the decrease in mobile interconnection rates determined by the Communications Regulatory Commission.

(11) The increase in 2023 corresponds mainly to the renewal and acquisition of licenses for information technology (IT) platforms and software applications, including technical and functional support for projects with corporate clients according to the commercial activity of 2023.

(12) It contains the expenses for the use of the Brand Fee brand and the expenses for advertising in the media, promotion, events and propaganda, it also includes the expenses for sponsorships (Colombian Football Federation and Movistar Arena). The decrease in 2023 compared to the same year in 2022 corresponds to fewer campaigns in digital media.

(13) The increase in 2023 corresponds mainly to the amortization of installation costs at customers' homes associated with the greater commercial activity carried out in previous periods.

(14) During the year ended December 31, 2023, there was an increase corresponding to the higher volume of customer service due to retention, loyalty and inquiries through the mass and technical call. In addition, there was an increase in commercial activity through the door-to-door (PAP) channel.

(15) During the year ended December 31, 2023, net expenditure was $ 87,956 million, as follows: i) Impairment of customers of $ 89,937 million (Note 7); ii) recovery of ($ 1,981) million (Note 7). The decrease during the year ended December 31, 2023 corresponds mainly to the update of the matrices by business segment and decrease in the demand for mobile terminals.

(16) The decrease during the year ended December 31, 2023 corresponds mainly to the update of the provision for judicial processes with third parties. In 2022, there is a greater impact due to litigation, mainly in processes before the Superintendence of Industry and Commerce, the Ministry of Information and Communications Technologies of Colombia and the Superior Council of the Judiciary.

(17) The increase presented in the year ended December 31, 2023 is mainly due to the increase in inventory turnover days in smartphone terminal equipment.

24. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are presented below:

	Year ended December 31,	
	2023	**2022**
Depreciation of property, plant and equipment (Note 14)	558.929.037	600.702.423
Depreciation of intangible assets (Note 15)	550.634.828	502.711.253
Depreciation of right-of-use assets (Note 13)	283.714.441	285.007.695
	1.393.278.306	1.388.421.371

25. FINANCIAL EXPENSE, NET

The financial expenses, net are presented below:

	Year ended December 31,	
	2023	**2022**
Revenue:		
Financial income from operations with associates (1)	111.581.123	56.615.959
Interest on customer arrears (2)	37.730.143	26.885.673
Returns on temporary and bank investments (Note 5)	4.961.845	1.654.034
	154.273.111	85.155.666
Expense:		
Interest on Bond and Bond Loans (3)	(337.783.454)	(261.009.081)
Lease finance expenses (4)	(144.846.326)	(88.794.653)
Interest hedging transactions, net	(76.639.515)	(72.778.679)
Vendor loan expenses - spectrum (5)	(54.689.046)	(66.201.488)
Other financial expenses (6)	(51.320.792)	(58.520.951)
Financial liability update (7)	(32.122.813)	(18.603.969)
Tax on financial transactions	(3.543.653)	(915.021)
	(700.945.599)	(566.823.842)
(Loss) Gain on exchange difference, net	(11.249.557)	611.477
	(712.195.156)	(566.212.365)
	(557.922.045)	(481.056.699)

The net increase is mainly due to: (i) increase in taxes (Banking Reference Indicator) and SOFR (Secured Overnight Financing Rate) that affects debt exposed to variable interest rates; (ii) increase in financial leases for renewals, new contracts made in 2023 and increases in rents associated with the Consumer Price Index (CPI).

(1) The variation corresponds mainly to the non-compliance with the conditions agreed in the Master Business Plan corresponding to the year 2022 of the Earn-Out for $ 52,096 million, additionally includes interest on the long-term loan with the associated company Alamo Holdco, S.L., established in the framework agreement for the sale of fiber optic assets made in 2023 for $ 50,442 million (Note 27). and additionally, financial update on the right to Earn Out for $ 9,043 million.

(2) During the year ended December 31, 2023, there was an increase compared to 2022 in the interest generated by the management of portfolio recovery with customers.

(3) Mainly includes interest on the senior note for the year ended December 31, 2023 and 2022 for $ 106,330,719 and $ 106,140,906, of the local bond for $ 45,829,749 and $ 40,219,812 and financial obligations for $ 185,622,986 and $ 114,648,363, respectively. The increase is due to increases in interest rates impacted by the volatility of the peso against the dollar during the year.

(4) During the year ended December 31, 2023, there is an increase compared to 2022 due to renewals and signing of new contracts and an increase in fees due to the impact of the CPI (Consumer Price Index).

(5) Corresponds to financial indexation on the obligation acquired in the renewal of the spectrum from 1,900 MHz to 20 years.

(6) Mainly includes the recognition of the financial component of the long-term contract of the exclusivity commitment related to fiber optics for $ 31,559 million. Additionally, it includes the cost of structuring portfolio sales by $ 6,492 million, financial commissions $ 6,217 million, the indexation of the 850 MHz license for $ 4,034 million, debt transaction costs for $ 1,960 million.

(7) As of December 31, 2023 and 2022, it includes the expense for updating the pension liability for $ 26,323,230 and $ 13,122,918 and the update of the provision for the dismantling of fixed assets for $ 5,799,583 and $ 5,481,051, respectively.

26. RISK MANAGEMENT

The most significant risks and uncertainties facing the Company that could affect the business, its financial condition, its results and/or cash flows, are described below and should be considered together with the information contained in these separate financial statements.

Currently, the Company has considered these material, specific and relevant risks in order to make an informed investment decision. However, the Company is subject to other risks which, once it has assessed their specificity and importance, based on the evaluation of their probability of occurrence and the potential magnitude of their impact, have not been included in this section.

The assessment of the potential impact of risks is quantitative and qualitative, considering, among other issues, potential economic, compliance, reputational and environmental, social and governance ("ESG") impacts.

The Company, taking into account the global risks identified by the World Economic Forum, as well as the increase in legal reporting requirements and stakeholder expectations in this area, monitors risks directly related to sustainability, as well as other risks with a potential impact on ESG, highlighting those that are most relevant in the context of the Company's operation, including adaptation to ESG expectations and reporting requirements and climate change. The risks presented in this section are grouped into four categories (according to the definitions included in the Telefónica Company's Risk Management Policy): business, operational, financial, and legal and regulatory compliance.

These categories are not presented in order of importance. However, the Company may change its view of the relative importance of the same at any time, especially if new internal or external events arise.

26.1 Business-related risks

The Company requires enabling titles and licenses for the provision of a large part of its services, as well as for the use of spectrum, which is a scarce and expensive resource.

The telecommunications sector is subject to sector-specific regulation. The fact that that the Company's activity is highly regulated affects revenues, operating profit before depreciation and amortization (EBITDA) and investments.

Many of the Company's activities (such as the provision of telephone services, pay television, the installation and operation of networks telecommunications companies, among others), require licenses or authorizations from government authorities, which typically require the Company to meet certain obligations, including levels of specified minimum quality, service and coverage conditions. Failure to comply with any of these obligations could result in consequences such as economic sanctions or others that, in the worst case, could affect business continuity. Exceptionally, in certain jurisdictions, license grants may be modified before the expiry date, or new obligations may be imposed at the time of renewal or even non-renewal of licenses.

Access to new spectrum licenses.

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

The Company's objective is to have the spectrum capacity necessary to maintain services and expand them, specifically through participation in spectrum auctions that are expected to take place in the coming years, which will require potential cash outflows for obtain additional spectrum or to meet coverage requirements associated with some of these licenses.

Existing licences: processes for renewing and modifying the conditions of operation of the services.

The renewal or non-renewal of existing licenses, authorizations or concessions in the Company, or any challenge or modification of their terms, could materially affect the business, financial condition, results of operations and/or cash flows. The Group initiated three spectrum renewal processes for the 850 MHz, 1900 MHz and AWS bands.

The Company operates in a highly regulated market, so changes in regulation or new provisions could adversely affect its business.

The Company is exposed to changes in the regulation of retail services such as wholesale. The possible changes in the regulation of the prices of retail services could generate limitations in the commercialization of services, producing revenue losses or limitations in the Company's ability to differentiate itself and compete in the market. In this regard, on April 4, 2023, the Communications Regulatory Commission (CRC) published the draft regulation "Registry of Excluded Numbers and fraud in Mobile Number Portability" proposing to modify the Mobile Number Portability process to facilitate the right of users to port to another operator while keeping their line and to mitigate risks of fraudulent conduct occurring during the requests for carrying.

One of the proposals within the new measures is to eliminate the obligation of users to be up to date with their obligations to their operator to be able to port, a measure that could increase the expense of portfolio provision and hinder its recovery. On the other hand, new regulatory requirements on net neutrality could limit the possibilities for operators to manage Internet traffic and offer services with differentiated quality, or the possibilities to develop commercial offers and business models alternative to the current ones. Related to the above, in December 2021 the Constitutional Court agreed to study a lawsuit that questions that internet service providers sell users data packages in which certain types of applications such as social networks are offered free of charge, the result of this demand could generate changes in the current conditions of the offers to zero rating.

The Company relies on a network of suppliers.

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

As of December 31, 2023, the Company had 11 mobile terminal providers (none of which located in China). On the other hand, there were 33 infrastructure providers. The amount awarded for mobile terminals corresponds to 27% of the total awards made in the fourth quarter of 2023 and for infrastructure providers it corresponds to 21%. The mobile terminal provider that has the largest share of what was awarded for this category is 20%. For infrastructure providers, the one with the largest share has a 42% within what was awarded for these suppliers. These suppliers may, among other things, extend lead times, raise prices, and limit supply due to out-of-stock, business requirements, or other reasons.

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

The semiconductor industry in particular faces several challenges as a result mainly from supply problems at a global level, which in turn are affecting multiple sectors (including technology), due to delays in deliveries and price increases, which could affect the Company or other relevant agents to its business, including its customers, suppliers and partners.

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

Markets Subject to Continuous Technological Evolution

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

As a result, it could be costly for the Company 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 negatively impact the business, its financial situation, and the economic results or cash generation of the Company.

The Company, as the main player in the communications market, must continue to update its networks associated with the mobile and fixed lines service in a satisfactory manner and in a timely manner to maintain and increase its customer base in each of its markets to promote its financial performance, as well as to comply with the requirements demanded by the applicable regulation. Among other things, the Company may need to upgrade the operation of its networks to increase the customization of its services, the virtualization of equipment, the increase of data processing and storage capacities, and increase coverage in some of its markets. In the same way and no less important, it is necessary to expand and maintain the level of customer service, the management of networks and administrative systems.

One of the technologies that telecommunications operators are currently betting on, including the Company, are the new FTTx-type networks, which allow broadband access to be offered over fiber optics with high speeds.

However, the deployment of such networks, in which the copper in the access loop is totally or partially replaced by fiber optics, involves high investments. There is a growing demand for the services that the new networks offer to the end customer; however, the high level of investment requires continuous analysis of the return on investment, and there is no certainty about the profitability of these investments.

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

Any failure of the Company to develop or implement computer systems that adequately respond to the Company's changing operating requirements could have a negative impact on the Company's business, financial condition, operating results and/or cash generation.

26.2 Operational risks

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

Cybersecurity risks are among the most relevant risks for the Company due to the importance of information technology due to its ability to carry out successful operations. Despite the advances in the modernization of the network, and in replacing the old systems pending technological renewal, the Company operates in an environment of growing cyber threats and all its products and services, such as, among others, mobile Internet or pay television services, intrinsically depend on information technology systems and platforms that are susceptible to a cyberattack. Successful cyberattacks can prevent the effective marketing of products and services to customers, so it is necessary to continue advancing in the identification of technical vulnerabilities and security weaknesses in operational processes, as well as in the ability to detect and react to incidents. This includes the need to strengthen security controls in the supply chain (e.g., placing a greater focus on security measures taken by partners and other third parties), as well as ensuring the security of cloud services.

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

Risks Associated with Network Outages or Unforeseen Systems

Network interruptions are situations inherent to the operation of any element that constitutes it, which affect the service causing dissatisfaction of users due to the impossibility of communication, as well as a no less risk of requirements from the control entities that could result in sanctions of high impact for the Company. The only possibility of minimizing or achieving a controlled level of risks on unforeseen network interruptions is focused on being able to guarantee a preventive maintenance model periodically and efficiently and corrective on network equipment, as well as investment in elements that have completed their useful life and that guarantee the redundancy that allows the service to be supported in the event of eventual failures.

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

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

Unforeseen service interruptions can occur due to system failures, natural disasters caused by natural phenomena or weather failures, power failures, hardware or software failures, theft of network elements or a cyberattack. All of these can affect quality or cause disruption to the provision of services.

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

26.3 Financial risks

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

The company is exposed to local legislation, the political and economic environment of the country and the world, so its financial situation and operating results can be affected by factors such as significant variations in the exchange rate, the perception of country risk or the tightening of geopolitical tensions. The Colombian economy is highly exposed to capital flows from other economies due to its dependence on raw materials and the high proportion of foreign currency debt to the country's total debt.

As a result, its macroeconomic and financial stability can be affected by changes in commodity prices and global financial conditions.

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

The operation, expansion and improvement of the Company's networks, the development and distribution of services and products, the execution of the general strategic plan, the development and implementation of new technologies, the renewal of licensing and expansion may require substantial funding. The Company is a relevant and frequent issuer of debt in the markets of capital. As of December 31, 2023 and 2022, the financial debt amounted to $ 6,167,529 million and $ 6,366,062 million respectively (Note 17).

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

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

In addition, given the interrelationship between economic growth and financial stability, the materialization of any of the economic, political and exchange rate risk factors discussed above could adversely affect the Company's ability and cost to obtain financing and/or liquidity. This in turn could therefore have a significant adverse effect on the business, financial condition, operating results and/or cash flows. Finally, any downgrade in credit ratings could lead to an increase in its borrowing costs and could also limit its ability to access credit markets.

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

Interest rate risk arises mainly from changes in interest rates that affect: (i) the financial costs of variable-rate debt (or with a short-term maturity, and foreseeable renewal); and (ii) the value of long-term liabilities with fixed interest rates.

Risk Management Policy

The Company may be exposed to various financial market risks as a result of: (i) the normal course of its business and ii) the financial debt contracted to finance their businesses. The main risks are exchange rate, interest rate, liquidity and credit. No significant impacts were identified in the financial risk assessment process.

Interest Rate Risk

It arises mainly from variations in interest rates that affect: i) the financial costs of variable-rate debt and/or negotiations of short-term debt 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 imbalances between the needs of funds and the sources of these. As a mitigation strategy, the Company has highly liquid assets and unused credit facilities available, in addition to the alternative of rollover on financial obligations.

Credit Risk

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

As of December 31, 2023, the Company had the following portfolio of exchange rate and interest rate financial derivatives expressed in its currency of origin, in the following instruments:

Figures in millions	NDF		SOFR	IRS IBR	IRS IPC	CCIRS (margin)	CCIRS
Underlying	**USD**	**EUR**	**USD**	**COP**	**CPI**	**USD**	**USD**
Senior bonus	-	-	500	1.498.700	-	500	1.000
Debt in USD/COP	-	-	-	600.000	152.410	-	-
Business accounts	116	35	-	-	-	-	-
Future cash flows	115	-	-	-	-	-	-
	231	35	500	2.098.700	152.410	500	1.000

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

As of December 31, 2022, the Company had the following portfolio of exchange rate and interest rate financial derivatives expressed in its currency of origin:

Figures in millions	NDF		SOFR	IRS IBR	IRS IPC	CCIRS (margin)	CCIRS
Underlying	**USD**	**EUR**	**USD**	**COP**	**CPI**	**USD**	**USD**
Senior bonus	-	-	500	1.498.700	-	500	1.000
Debt in USD$/COP	-	-	-	600.000	152.410	-	-
Business accounts	98	31	-	-	-	-	-
Future cash flows	12	-	-	-	-	-	-
	110	31	500	2.098.700	152.410	500	1.000

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

Exchange Rate Risk

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

As of December 31, 2023 and 2022, the Company's debt in U.S. dollars, including the senior note due 2030, is USD 500 million, equivalent to $ 1,911,025 million and $ 2,405,100, respectively, and interest payable of USD 11 million, equivalent to $ 43,094 million, equivalent to $ 54,235 million, respectively.

In addition, considering the ordinary cash flow of the business, hedging of commercial accounts was carried out, corresponding to the OPEX (Operating Expenses) and CAPEX (Capital Expenditure) invoices in foreign currency that were recorded in the separate statement of financial position. Finally, hedging of highly probable future cash flows was contracted through NDF (Non-Delivery Forwards) with terms of up to one year to cover a portion of the OPEX and CAPEX in foreign currency of the budget during the following year. The following is the summary of the balances of assets and liabilities held in dollars and expressed in thousands of Colombian pesos, respectively at the end of each period:

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

Figures in thousands of dollars:

	As of December 31, 2023	2022
Assets		
Cash and cash equivalents (Note 5)	1.556	849
Accounts receivable and other receivables (Note 7)	9.053	6.986
Related parties (Note 27)	70.068	1.934
Total assets	80.677	9.769
Liabilities		
Financial obligations (Note 17)	511.275	511.275
Suppliers and accounts payable (Note 18)	123.986	156.931
Related parties (Note 27)	60.272	30.880
Total liabilities	695.533	699.086
Passive, net position	(614.856)	(689.317)

Figures in thousands of pesos:

	As of December 31, 2023	2022
Assets		
Cash and cash equivalents (Note 5)	5.947.110	4.083.860
Accounts receivable and other receivables (Note 7)	34.601.019	33.604.057
Related parties (Note 27)	267.803.399	9.302.927
Total assets	308.351.528	46.990.844
Liabilities		
Financial obligations (Note 17)	1.954.118.614	2.459.335.005
Suppliers and accounts payable (Note 18)	473.880.691	754.869.496
Related parties (Note 27)	230.362.598	148.538.976
Total liabilities	2.658.361.903	3.362.743.477
Passive, net position	(2.350.010.375)	(3.315.752.633)

Interest Rate Risk

After hedging, variable rate exposure is 23% of total financial debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of the Bank of the Republic in the medium term.
As of December 31, 2023, fixed-rate and variable-rate debt was as follows:

Figures in millions of pesos:

	Financial Obligations		
Fixed-rate obligations	Value (1)	Participation	Index
Debt in COP	1.400.000	37%	Fixed rate
Senior bonus	1.528.820	40%	Fixed rate
	2.928.820	77%	
Variable-rate bonds			
Senior bonus	382.205	10%	Floating
Debt in COP	498.000	13%	IBR3M
	880.205	23%	
	3.809.025	100%	

(1) Interest rate exposure after hedging.

Debt sensitivity to interest rate changes

For debt, a positive and negative movement of the interest rate of 100 bps was sensitized.

The sensitivity calculation was made only on debt exposed to variable interest rates, which represents 23% of the total.

The sensitivity result was as follows:

Impact on results	
+100 bps	(8.924.301)
-100 bps	8.924.301

As of December 31, 2022, fixed-rate and variable-rate debt was as follows:

After hedging, exposure to variable rates is 22.75% of total debt, within the framework of a risk management policy in line with the expansionary monetary policy stance of the Bank of the Republic in the medium term.

Figures in millions of pesos

	Financial Obligations		
Fixed-rate obligations	Value (1)	Participation	Index
Debt in COP	1.400.000	32,53%	Fixed rate
Senior bonus	1.924.080	44,71%	Fixed rate
	3.324.080	77,24%	
Variable-rate bonds			
Senior bonus	481.020	11,18%	Floating
Debt in COP	498.000	11,57%	IBR3M
	979.020	22,75%	
	4.303.100	100%	

Derivative Financial Instruments and Risk Management Policy

The breakdown of the Company's derivatives as of December 31, 2023, as well as their fair value as of that date and the expected timing of maturities by notional value and depending on the type of hedging is as follows:

		Notional Value (2) - Expirations (Figures in millions of pesos)			
Derivatives	Fair Value (1)	2024	2025	Further	Total
Coverage of interest rate:					
Cash flow	(295.164)	-	-	3.822.050	3.822.050
	(295.164)	-	-	3.822.050	3.822.050
Coverage of exchange rate:					
Cash flow	(12.453)	438.840	-	-	438.840
Fair value	(46.676)	594.110	-	-	594.110
	(59.129)	1.032.950	-	-	1.032.950
Coverages of type of interest and exchange rate					
Cash flow	182.413	-	4.009.725	2.063.435	6.073.160
	182.413	-	4.009.725	2.063.435	6.073.160
	(171.880)	1.032.950	4.009.725	5.885.485	10.928.160

(1) Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) are presented.

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

The breakdown of the Company's derivatives as of December 31, 2022, as well as their fair value at that date and the expected schedule of maturities by notional value and depending on the type of hedging is as follows:

		Notional Value (2) - Expirations (Figures in millions of pesos)		
Derivatives	**Fair Value (1)**	**2023**	**Further**	**Total**
Coverage of interest rate:				
Cash flow	(334.123)	-	4.810.200	4.810.200
	(334.123)	-	4.810.200	4.810.200
Coverage of exchange rate:				
Cash flow	5.757	58.499	-	58.499
Fair value	19.720	631.586	-	631.586
	25.477	690.085	-	690.085
Interest rate and exchange rate hedging				
Cash flow	771.506	-	7.061.310	7.061.310
	771.506	-	7.061.310	7.061.310
	462.860	690.085	11.871.510	12.561.595

(1) Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) are presented.

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

Country Risk

In 2023, the economy had a process of adjustment of the imbalances accumulated in previous years. Economic growth experienced a marked slowdown in 2023 due to the contraction in domestic demand. In the first eleven months of the year, the economy grew 1% compared to the same period of the previous year, moderating compared to the 7.3% growth recorded in 2022. The weakening of economic activity was framed by a sharp fall in domestic demand, explained by a contraction in investment and the lower boost from household consumption. Investment was at levels well below those recorded in the pre-pandemic period, with possible implications for the country's potential growth. All this in a context of high inflation and high interest rates.

The inflation rate closed the year in single digits, marking 9.28%, correcting downwards by ninth consecutive month. This represented a decrease of 3.8 p.p. compared to the end of the previous year. The disinflationary process was guided by the correction of food inflation and, to a lesser extent, goods, despite the pressures coming from the services and regulated sectors. Exchange rate appreciation, the fall in international input costs and improved climate conditions explained this performance.

In a context of high inflation, the Bank of the Republic tightened its monetary policy stance, taking its reference rate to 13.25% in April 2023 (+125 bps vs December 2022), a level not observed in more than two decades. As of December 31, 2023, its reference rate was cut by 25 bps, bringing it to 13%.

The exchange rate closed the year at $ 3,822.05, appreciating 20.5% compared to the end of 2022. In the year, it was quoted on average at $ 4,292, 1.7% higher than in 2022. During the year, the Colombian peso registered an appreciation trend, mainly guided by improvements in risk premium metrics for Colombia. The lower perception of risk for the country was explained by the attenuation of political uncertainty and the correction of the country's macroeconomic imbalances. In the political sphere, the breakup of the government coalition in Congress (April 2023) and the results of the regional elections in October 2023 generated expectations of more moderate policies, given the need for the executive to reach consensus for its implementation, with limited impacts on the markets. Similarly, social reforms (health, pension and labor) made slow progress in Congress, and their process will continue in 2024. In addition to the above, the country's fiscal and external imbalance decreased, attenuating the country's external vulnerability. The fiscal deficit corrected to 4.2% of GDP in 2023 (2022: 5.3%), while the current account deficit corrected to 2.7%, with a cut-off to September 2023 (2022: 6.2%). Public debt fell to 52.8% of GDP (-5.1 p.p. compared to 2022).

26.4 Legal and compliance risks

Judicial proceedings.

The Company operates in highly regulated sectors and is a party and may be a party in the future to litigation, regulatory proceedings, tax settlements, and others arising in the ordinary course of its business the outcome of which is unpredictable. Management evaluates these situations based on their likely, possible and remote nature of their materialization and the amounts involved, in order to decide on the amounts recognized and/ or disclosed in separate financial statements. An adverse outcome or out-of-court settlement of these or other litigation or disputes, present or future, could represent an impact on the Company's financial condition, results or cash generation.

Further details of litigation, fines and penalties can be found in Note 28 of the separate financial statements as of December 31, 2023.

An adverse outcome or out-of-court settlement of these or other litigation or disputes, present or future, could represent an impact on the Company's financial condition, results or cash generation.

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

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

Among other conducts, these regulations prohibit offering any object of value to public or private officials, in order to obtain or maintain business or ensure any undue business advantage. Likewise, it is prohibited to maintain books and records that do not adequately and accurately reflect transactions.

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

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

In particular, this risk acquires special relevance in the relationship between the Company and officials and/ or public entities in the institutional and regulatory (i.e., an activity regulated in different orders), operational (in the deployment of its network, it is subject to obtaining multiple activity permits) and commercial (it provides services directly and indirectly to the Public Administrations) spheres.

In addition to presenting a high exposure to the risk of corruption, the Company is subject to the authority of different regulators and to compliance with various regulations, national or extraterritorial, sometimes with shared competences, so that it is very difficult to quantify the possible impacts of any non-compliance, taking into account that such quantification must take into account not only the economic amount of sanctions, but also the potential negative impact of the same on the business, on the reputation and/or brand, and even, if necessary, on the ability to contract with the Public Administrations.

On the other hand, the Company is committed to carrying out its activity in compliance with the international sanctions regimes that may be applicable at all times and, consequently, to respect the restrictions and/or prohibitions that are imposed by governments, regulators, and/or other international organizations against governments/

countries, individuals, entities and/or sectors of activity on the occasion of the development of activities that represent a danger to international security, peace or human rights, among others.

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

Although the Company has internal regulations and procedures in place to ensure compliance with the anti-corruption laws and sanctions regulations mentioned above, it cannot guarantee that these will eliminate sources of risk, or that the Company's employees, directors, directors, partners, agents and service providers will not act in violation of the Company's regulations and procedures (or, likewise, in violation of the anti-corruption laws and sanctions). For this reason, the Company is currently cooperating with government authorities (where appropriate, conducting the corresponding internal investigations) regarding requests for information potentially related, directly or indirectly, to possible breaches of anti-corruption laws. The Company believes that any potential sanction within the framework of these specific requests would not materially affect the Company's financial situation, considering its size.

Notwithstanding the foregoing, non-compliance with anti-corruption laws and sanctions could lead not only to economic sanctions but also to the termination of public contracts, the revocation of authorizations and licenses, and the generation of a material negative effect on the Company's reputation or business, as well as on its financial condition, operating results and/or cash flows.

27. RELATED PARTIES

The Ministry of Finance and Public Credit owns a 32.5% stake in Colombia Telecomunicaciones S.A. E.S.P. BIC. The Ministry is an agency attached to the Colombian Government. The Company provides mobile and fixed telephone services to the Colombian Government under normal market conditions and prices.

During the years 2023 and 2022, the Company made payments to the Colombian Government for contributions to the Ministry of Communications and Information Technologies (MinTic) for $ 97,918,136 and $ 97,458,146 and to the Communications Regulatory Commission (CRC) for $ 7,485,687 and $ 6,963,321, respectively, on the income obtained from the provision of network and telecommunications services.

27.1 Accounts Receivable

The balances of accounts receivable between the Company and its shareholders, subsidiaries, economic related companies and associated companies are as follows:

Current

a) Shareholders

	As of December 31,	
	2023	**2022**
From abroad		
Telefónica Hispanoamérica, S.A. (1)	13.975.400	16.282.486
	13.975.400	16.282.486

(1) The decrease as of December 31, 2023 is due to lower recovery of support and regional advisory services of personnel and impact of the appreciation of the exchange rate compared to the end of 2022.

b) Subsidiaries

	As of December 31,	
	2023	2022
National		
Operaciones Tecnológicas y Comerciales S.A.S (1)	50.800	494.962
	50.800	494.962

(1) The decrease is due to lower provision of mobile services and recovery of goods delivered for installations and deployment.

c) Economic Relationships

	As of December 31,	
	2023	**2022**
National		
Telefónica Global Solutions Colombia, S.A.S. (formerly TIWS Colombia II) (1)	10.017.879	6.848.683
Telxius Cable Colombia S.A. (formerly TIWS Colombia)	1.514.809	578.032
Telefónica Cybersecurity & Cloud Tech Colombia SAS	249.777	153.685
Wayra Colombia S.A.S.	87.465	40.006
	11.869.930	7.620.406

	As of December 31,	
	2023	**2022**
From abroad		
Telefónica Global Solutions S.L. (formerly TIWS II) (2)	2.002.538	7.513.974
Telefónica Móviles Chile S.A.	515.260	322.050
Telefónica Móviles Argentina S.A.	505.246	297.818
Otecel S.A.	462.047	702.603
Telefónica Global Roaming Gmbh	436.854	875.785
Telefónica del Perú S.A.	357.332	292.358
Telefonica Brazil S.A.	347.002	321.563
Telefónica S.A.	346.693	24.751
Telefónica Móviles Spain S.A.U.	261.813	1.052.367
Pegaso Pcs. S.A. de C.V.	229.395	144.199
Telefónica Venezolana C.A.	160.405	195.007
Terra Networks Mexico S.A. de CV	143.540	79.943
Telefónica Móviles Uruguay S.A.	23.268	21.097
Telefónica Germany GMBH & CO OHG	2.264	147.445
	5.793.657	11.990.960
Total national and foreign links	17.663.587	19.611.366

(1) The increase as of December 31, 2023 is due to higher interconnection services, dedicated channel leasing and hosting.

(2) The decrease in 2023 is due to the closure of reconciliations for international long-distance services.

d) Associated Companies

	As of December 31,	
	2023	**2022**
National		
Onnet Fibra Colombia S.A.S. (1)	163.786.122	140.559.521
Telefónica Factoring Colombia S.A. (2)	331.202	-
	164.117.324	140.559.521
From abroad		
O2 T. UK Limited	671.686	228.853
Telefónica Factoring Spain S.A.	4.996	-
	676.682	228.853
Total domestic and foreign associates	164.794.006	140.788.374
Total related parts (Note 7)	196.483.793	177.177.188
Non-Current:		
Associated Companies		
Alamo Holco S.L. (3)	473.931.256	423.489.359
Onnet Fibra Colombia S.A.S.(1)	121.304.383	304.728.398
Total non-current associates	595.235.639	728.217.757
Total related parts (Note 7)	791.719.432	905.394.945

(1) The net increase in the current portion corresponds mainly to: i) long-term to short-term carry-over of USD33 million in accordance with the payment plan of the second tranche of the Earn Out and decrease due to the fulfillment and settlement of the first tranche of USD 13.3 million of the Earn Out established in the framework agreement of the fiber optics business. Additionally, decrease due to the impact of the appreciation of the peso against the dollar of 20.5% year-on-year, ii) decrease due to fiber optics deployment due to collections at the end of the year.

The non-current portion decreases due to the short-term transfer of USD 33 million corresponding to the second tranche of the Earn Out and the impact of the appreciation of the peso against the dollar of 20.5% year-on-year.

(2) Corresponds to intermediation fees in the factoring operation.

(3) Corresponds to the loan granted in the transaction carried out in the fiber optic business, the increase corresponds to the financial update generated during the year 2023.

The foreign currency balances of domestic receivables with related parties as of December 31, 2023 and 2022 are USD 70,068 thousand ($ 267,803,399) and USD 1,934 thousand ($ 9,302,927) respectively (Note 26).

27.2 Accounts Payable

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

Current

a) Shareholders

	As of December 31,	
	2023	**2022**
From abroad		
Telefónica Hispanoamérica, S.A.	9.007.064	9.622.788
	9.007.064	9.622.788

b) Subsidiaries

	As of December 31,	
	2023	**2022**
National		
Operaciones Tecnológicas y Comerciales S.A.S (1)	25.537.901	20.627.252
	25.537.901	20.627.252

(1) It corresponds to the obligations of constructions for FTTH network deployment and support to sales forces.

c) Economic related parties

	As of December 31,	
	2023	**2022**
National		
Telefónica Cybersecurity & Cloud Tech Colombia S.A.S. (1)	38.604.002	38.857.323
Telxius Cable Colombia S.A. (formerly TIWS Colombia) (2)	31.189.968	19.025.875
Telefónica Global Solutions Colombia, S.A.S. (formerly TIWS Colombia II)	19.328.806	17.477.719
	89.122.776	75.360.917

(1) Corresponds to digital security services, monitoring and licensing mainly for corporate projects.

(2) Corresponds to obligations for renting capacity in international media and rights of use.

	As of December 31,	
	2023	**2022**
From abroad		
Telefónica S.A. (1)	51.999.362	19.647.698
Telefónica Global Solutions S.L. (formerly TIWS II)	35.024.826	31.182.254
Telefónica Investigación y Desarrollo, S.A. -TIDSA (Formerly Telefónica Digital Spain S.L) (2)	25.489.541	17.466.888
Telefónica Global Technology S.A.U	14.568.269	15.032.224
Telefónica Global Solutions USA, INC. (formerly Telefónica USA)	9.505.017	5.731.688
Telefónica Chile Servicios Corporativos Limitada (3)	6.297.835	-
Telefónica IoT & Big Data Tech, S.A.	5.600.288	3.066.449
Telefónica Compras Electrónica, S.L.	5.579.072	4.173.282
Telefónica del Perú S.A.	5.053.644	1.071.005
Telefónica Móviles Spain S.A.U.	2.235.010	2.029.992
Terra Networks Mexico S.A. de CV	2.017.558	1.388.772

	As of December 31,	
	2023	**2022**
Telefónica Servicios Audiovisuales S.A.U.	1.063.099	924.163
Pegaso Pcs. S.A. de C.V.	839.615	966.155
Telefónica Global Roaming Gmbh	708.825	399.247
Telefónica Móviles Argentina S.A.	535.787	230.849
Otecel S.A.	415.465	523.189
Telefonica Brazil S.A	257.717	355.764
Telefónica Móviles Chile S.A.	123.602	183.853
Telefónica Venezolana C.A.	92.526	270.335
Acens Technologies S.L.	62.993	-
Telefónica Germany GMBH & CO OHG	50.939	69.894
Telefónica Móviles Uruguay S.A.	45.772	35.072
Telefónica Ingeniería de Seguridad S.A.	-	118.488
	167.566.762	104.867.261
	256.689.538	180.228.178

(1) Corresponds to obligations for the use of the Brand Fee brand and for the settlement of share plans with employees.

(2) Corresponds to obligations for Digital Fee regarding IPTV licenses and platforms, at the end of 2023 a unification is presented with the operator Telefónica Digital Spain S.L.

(3) Includes the provision of support services and regional support of direct personnel.

Associated Companies

	As of December 31,	
	2023	**2022**
National		
Onnet Fibra Colombia S.A.S. (1)	78.638.936	37.025.755
From abroad		
Telefónica UK Ltd	198.761	133.106
	78.837.697	37.158.861
Total with related parties (Note 18)	370.072.200	247.637.079

Non-current

	As of December 31,	
	2023	**2022**
Share-based payments		
Telefónica S.A.	3.584.437	4.817.768
Total related parties (Note 18)	3.584.437	4.817.768

The foreign currency balances of accounts payable in relation to related parties as of December 31, 2023 are USD 60,272 thousand ($ 230,362,598) and as of December 31, 2022 they are USD 30,880 thousand ($148,538,976), (Note 26).

(1) Corresponding to connectivity services in the fiber optic network, the increase is generated by more real estate units connected at the end of December 2023.

27.3 Related Party Revenues, Costs, and Expenses

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

a) Shareholders

	Revenue		Costs and expenses	
	Year ended December 31,			
	2023	**2022**	**2023**	**2022**
From abroad				
Telefónica Hispanoamérica, S.A.	18.171.233	18.492.995	11.315.183	8.379.832
	18.171.233	18.492.995	11.315.183	8.379.832

b) Subsidiaries

	Revenue		Costs and expenses	
	Year ended December 31,			
	2023	**2022**	**2023**	**2022**
National				
Operaciones Tecnológicas y Comerciales S.A.S (1)	729.534	977.360	147.243.530	121.196.424
	729.534	977.360	147.243.530	121.196.424

1) Year-on-year increase mainly corresponds to greater FTTH network deployment services and higher value in labor for installations to fixed customers.

c) Economic related parties

	Revenue		Costs and expenses	
	Year ended December 31,			
	2023	**2022**	**2023**	**2022**
National				
Telefónica Global Solutions Colombia, S.A.S. (formerly TIWS Colombia II)	19.975.878	18.890.622	20.186.378	24.699.337
Telxius Cable Colombia S.A. (formerly TIWS Colombia) (1)	1.846.101	4.894.770	47.344.167	46.563.710
Telefónica Cybersecurity & Cloud Tech Colombia SAS (2)	1.093.993	433.708	62.794.896	39.449.702
Wayra Colombia S.A.S.	441.236	479.532	-	-
	23.357.208	24.698.632	130.325.441	110.712.749

1) During 2023, revenues were generated mainly by dedicated channel services, hosting and interconnection, the decrease corresponds to the sale of real estate during 2022. The year-on-year variation in costs corresponds mainly to the increase in prices due to inflation.

2) During 2023, the growth in revenue compared to 2022 is mainly due to higher professional services and office leasing services. The cost is increasing mainly due to cybersecurity services, renting licenses and corporate project activities.

	Revenue		Costs and expenses	
	Year ended December 31,			
	2023	**2022**	**2023**	**2022**
From abroad				
Telefónica Global Solutions S.L. (formerly TIWS II) (1)	14.862.090	18.905.235	46.599.079	58.536.612
Telefónica Global Roaming Gmbh (2)	3.844.791	11.665.936	1.029.983	1.203.843
Telefónica Móviles Chile S.A.	1.081.921	1.119.523	229.630	211.425
Telefonica Brazil S.A.	971.230	558.595	411.333	443.815
Telefónica del Peru S.A. (3)	927.384	777.052	9.266.472	487.289
Telefónica Móviles España S.A.U. (4)	846.097	1.668.707	2.380.435	2.407.339
Otecel S.A.	669.232	582.082	460.014	244.942
Telefónica Móviles Argentina S.A.	300.782	251.282	390.464	319.027
Terra Networks Mexico S.A. de CV	194.367	220.066	3.880.708	3.305.808
Pegaso Pcs. S.A. de C.V.	123.677	166.828	1.237.099	1.676.384
Telefónica Ingeniería de Seguridad S.A.	118.488	-	-	19.492
Telefónica Móviles Uruguay S.A.	55.221	43.635	63.156	71.203
Telefónica Germany GMBH & CO OHG	11.246	11.643	227.171	305.050
Acens Technologies S.L.	8.473	-	-	-
Telefónica Factoring S.A.	4.199	-	-	-
Telefónica Venezolana C.A.	996	155	179.455	245.411
Media Networks Latin America S.A.C.	-	2.202.201	1.696.149	-
Telefónica Digital Spain S.L.	-	52.558	-	20.135.220
Telefónica Educación Digital, S.L.U.	-	29.731	-	-
Telefónica Investigación y Desarrollo, S.A. -TIDSA (Formerly Telefónica Digital Spain S.L)	-	-	28.613.975	-
Telefónica S.A.	-	11.231	55.804.534	64.542.064
Telefonica Cybersecurity & Cloud Tech S.L.	-	-	-	98.949
Telefónica IoT & Big Data Tech, S.A.	-	-	8.774.182	8.638.154
Telefónica Compras Electrónica, S.L.	-	-	9.089.502	8.719.962
Telefónica Global Solutions USA, INC. (formerly Telefónica USA)	-	-	10.899.650	8.389.614
Telefónica Chile Servicios Corporativos Limitada (5)	-	-	6.631.997	-
Telefónica Global Technology S.A.U (6)	-	-	16.998.444	23.522.527
Telxius Cable America S.A. (7)	-	-	1.917.141	5.746.472
Telxius Cable Spain S.L.U.	-	-	959.813	1.974.239
Telefónica Servicios Audiovisuales S.A.U.	-	-	1.760.677	1.433.686
Telefónica de Argentina S.A.	-	1.964.289	-	-
	24.020.194	40.230.749	209.501.063	212.678.527
	47.377.402	64.929.381	339.826.504	323.391.276

(1) There is a decrease in income from international long-distance traffic compared to 2022, ii) in 2023 there is a decrease in international long-distance services by $ 7 billion, Cisco licenses by $ 2,350 million and firewall - antivirus license services by $ 2,700 million.

(2) In 2023, there is a decrease in international long-distance services, licenses for Cisco equipment, firewall and antivirus license services.

(3) The increase is due to the provision of Wi-Fi repeater equipment and HGU modem for fixed customers.

(4) There is a decrease in income due to less roaming service provision and the impact of the appreciation of the peso against the dollar during 2023.

(5) Includes charging for the provision of support services and regional support for direct personnel.

(6) Corresponds mainly to computer services, mainly Global SAP and the Salesforce tool. The variation is presented by impacts of the appreciation of the peso against the dollar during the year 2023.

(7) The decrease is due to the termination of amortization of IRU contracts.

d) Associated Companies

	Revenue		Costs and expenses	
	Year ended December 31,			
	2023	2022	2023	2022
Operational:				
National				
Onnet Fibra Colombia S.A.S. (1)	652.004.052	1.956.351.351	277.716.800	171.435.128
Telefónica Factoring Colombia S.A.	470.026	431.066	-	-
	652.474.078	1.956.782.417	277.716.800	171.435.128
From abroad				
Telefónica UK Ltd	2.071.590	419.456	321.398	36.486
	2.071.590	419.456	321.398	36.486
	720.823.837	2.041.601.609	776.423.415	624.439.146

1) The decrease compared to 2023 is due to the services associated with the exclusivity generated in the sale of fiber optics assets at the end of 2022. In costs, the increase is presented by connectivity services to the FTTH network for connection with new customers.

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

Revenue:

	Year ended December 31,	
	2023	2022
Fixed services (1)	416.935.715	383.672.468
Fixed interconnection	12.207.633	13.790.096
Roaming revenue (2)	10.709.543	16.904.062
Digital services	4.756.065	5.682.544
Mobile services (3)	1.159.374	1.311.433
Sale of terminal equipment	90.877	112.796
Total Operations with Related Parties	445.859.207	421.473.399
Other operating income (4)	274.964.630	1.620.128.210
Total operating income	720.823.837	2.041.601.609
Financial income - Associated companies (5)	111.581.123	56.615.959
Total revenue with related parties	832.404.960	2.098.217.568

1) Increase in FTTH connectivity services and links due to an increase in customers with the operator Onnet Fibra Colombia.

2) Lower traffic compared to the year mainly with the operator Telefónica Global Roaming GmbH.

3) There is a decrease in data services, mainly with the operator Operaciones Tecnológicas y Comerciales S.A.S.

4) At the end of 2022, the transaction corresponding to the fiber optics business with Onnet Fibra Colombia was registered for the sale of assets, for the year 2023 the recognition of exclusivity and guarantee of the fiber optics deployment contract in the business with the operator Onnet Fibra Colombia for $ 249 billion is presented, compensating with a decrease in support services, regional support and advice and fees for professional services.

5) Financial income corresponds mainly to the loan granted to Alamo Holdco, S.L. related to the sale of fiber optics assets during 2023 and 2022 for $ 50,442 million and $ 56,616 million, respectively (Note 25), and financial update on the Earn Out right. The increase corresponds mainly to the non-compliance with the conditions agreed in the Master Business Plan of the Earn-Out for $ 52,096.

Operating Costs and Expenses:

	Year ended December 31,	
	2023	**2022**
Rental of media and other network infrastructures (1)	354.858.643	254.068.654
Renting and Third-Party Activities to Clients (2)	174.231.955	132.589.548
Other operating costs and expenses (3)	57.964.209	40.778.113
Advertising	56.392.145	62.078.273
Other non-recurring costs and expenses	45.370.458	45.254.642
Interconnection & roaming (4)	39.777.059	45.879.001
Equipment and facility maintenance	17.951.889	19.163.971
Terminal cost (5)	15.188.725	9.874.499
Content providers	14.400.823	11.183.800
Labor costs	287.509	3.568.645
Total Operations with Related Parties	776.423.415	624.439.146
Financial costs (6)	31.559.055	35.376.142
Total costs and expenses with related parties	807.982.470	659.815.288

(1) Increase in FTTH connectivity services and links due to increase in customers.

(2) Increase mainly with the operators TECH Colombia due to cybersecurity services, licenses and higher value in labor for installations to fixed customers.

(3) Increase mainly to obligations for Digital Fee regarding licenses and platforms for IPTV and training services in Big Data with the operator Telefónica Innovación Digital S.L.

(4) The decrease is mainly due to lower charges for interconnection services, roaming mainly with the operators Telefónica Global Solutions S.L. and Telefónica Global Solutions Colombia, S.A.S.

(5) The increase is mainly with the operator Telefónica del Perú S.A. for supplies of Wi-Fi repeater equipment and HGU Modem.

(6) It corresponds to the financial component of the exclusivity contract related to the sale of the assets of the fiber optics business.

Information on compensation of key management personnel

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

	Year ended December 31,	
	2023	**2022**
Wages, salaries, and other benefits	17.111.496	16.060.335
Executive remuneration plan (shares and bonus)	4.943.628	4.440.458
Institutional plans	2.936.739	2.967.855
Other benefits	497.006	461.082
Voluntary retirement bonus	214.572	-
	25.703.441	23.929.730

28. CONTINGENCIES

The Company is subject to claims for regulatory, employment, tax settlements and other proceedings arising within the ordinary course of business. The Company evaluates these situations based on their likely, possible and remote nature, that they will materialize and the amounts involved, in order to decide on the amounts recognized and/or disclosed in separate financial statements. This analysis, which may require considerable trials, includes reviewing legal proceedings instituted against and claims not yet initiated, all supported by reports and evaluation by the Company's legal advisors. A provision is recognized when the Company has a present obligation as a result of a past event, it is likely that an outflow of resources will be generated to settle the obligation and a reliable estimate of the amount of such obligation can be made.

As of December 31, 2023, 1,970 processes are underway, of which 108 correspond to probable contingencies, 878 qualified as possible and 984 qualified as remote.

1. Probable Processes

The following is the detail of the processes classified as highly probable (Note 19).

	As of December 31,			
	2023		2022	
	Quantity	**Value**	**Quantity**	**Value**
Currents:				
Administrative investigations of users (1)	38	5.042.371	54	6.701.584
	38	5.042.371	54	6.701.584
Non-current:				
Administrative, regulatory and competency investigations (2)	9	2.558.260	15	7.731.708
Judicial proceedings (3)	29	3.614.498	54	4.890.737
Labor processes (4)	32	2.142.757	27	2.069.195
	70	8.315.515	96	14.691.640
	108	13.357.886	150	21.393.224

1. Includes processes related to customer requests, complaints and grievances (PQRs), which are in the process of being discussed with the regulator.

2. Mainly includes requests for administrative and regulatory processes through the Superintendence of Industry and Commerce and the Ministry of Information and Communications Technologies of Colombia.

3. Mainly includes petitions for civil and administrative proceedings.

4. Includes judicial proceedings that originate in a direct or indirect employment relationship with the Company, which are carried out before the labor jurisdiction.

2. Possible Contingencies

The Company is a party to qualified litigation with low probability which is currently being processed before judicial, administrative and arbitration bodies.

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

a. Judicial Proceedings

Proceedings aimed at obtaining a decision from the jurisdictional authority called upon to resolve the disputed issue. They include proceedings in civil, contentious-administrative, criminal, constitutional, among others. There are 461 open processes classified as possible for a value of $ 37,227,003.

b. Labor Processes

Labor lawsuits through which the payment of labor rights derived from the relations that the plaintiffs have or have had directly with the Company or with a third party is sought, in the latter case, seeking the solidarity of Colombia Telecomunicaciones S. A. E.S.P. BIC. There are 347 open processes qualified as possible for a value of $ 44,239,477.

c. Administrative Investigations

Proceedings initiated by administrative authorities through the formulation of charges, ex officio or by 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:

i. Fiscal: Processes under discussion for taxes with different municipalities of the country, which correspond to claims, such as: Industry and commerce tax (ICA), public lighting tax, among others. There are 20 administrative and judicial processes with possible qualifications, valued at $ 4,594,981.

ii. Petitions, Complaints and Claims: Administrative proceedings initiated by the Superintendence of Industry and Commerce – SIC, for positive administrative silences, habeas data, or for non-compliance with resolutions. There are 35 possible processes reported for $ 2,831,158.

iii. Regulatory: Administrative proceedings initiated by surveillance and control authorities for alleged failures to comply with telecommunications regulatory standards. There are 15 possible processes per $ 3,780,377.

29. COMMITMENTS

Infrastructure Sharing with Colombia Móvil S.A.

Resolution 449 of 2013, including its modifications and additions, as well as the resolutions on the assignment of frequencies to each of the telecommunications service operators in Colombia, established that in the interest of an efficient use of the infrastructure, the assignees of the radio spectrum must share elements of active and/or passive infrastructure, including that related to the communications network's own equipment (Core Network and Access Network). towers, poles, pipes and any other that is required, own or from third party, provided that a spectrum assignment is not configured.

In line with the provisions of such resolutions, Colombia Telecomunicaciones S. A. ESP BIC and Colombia Móvil S.A. E.S.P., on December 2, 2013, signed an Alliance to jointly execute the deployment of the Telecommunications Network, under 4G LTE technology. On October 18, 2022, Addendum No. 5 was signed to the Alliance to extend its validity until December 2, 2028. This alliance allows Colombia Telecomunicaciones S.A. E.S.P. BIC, and Colombia Móvil S.A., to share the 4G access network as a support for the provision of their telecommunications services, under conditions of freedom and competition without this meaning sharing or ceding the spectrum.

Significant Contracts

The following are the contracts signed with suppliers in force as of December 31, 2023 and which are considered significant:

	Contractor	Object of the contract	Completion Date	Contract Value (COP$000)
1	BRIDGECOM S.A.S.	Hire rad support services	30/04/2024	737.375.059
2	ATP FIBER COLOMBIA S.A.S.	The purpose of this contract is to establish the terms and conditions that will be applicable between the parties in relation to the provision of connectivity services through a network by ATP Fiber to Colombia Telecomunicaciones	21/05/2030	724.909.748
3	COBRA INSTALACIONES Y SERVICIOS SUCURSAL S.A.	A service known as "client loop", consisting of the integrated installation and maintenance of equipment, infrastructure and networks of telecommunications at the facilities of Colombia Telecomunicaciones S.A. E.S.P.	31/05/2025	664.229.411
4	COMFICA SOLUCIONES INTEGRALES SL	Client Loop Services consisting of installation and maintenance in a timely manner of integrated equipment, infrastructure and telecommunications networks in the facilities of Colombia Telecomunicaciones in the area called Bogotá 1 (Bogotá Norte - Bogotá Sur Comfica), (hereinafter referred to as "The Services")	30/06/2025	581.494.376
5	PHOENIX TOWER INTERNATIONAL COLOMBIA	Lease of space in towers	29/05/2029	552.196.100
6	HEWLETT PACKARD COLOMBIA LTDA.	Infrastructure Supply MIA Servers, Low Global contract	31/03/2024	540.803.482
7	OPERACIÓN Y GESTIÓN INTEGRAL S.A.S.	Services called the customer loop consisting of (i) the installation and maintenance in an integrated manner of equipment, infrastructure and telecommunications networks in the facilities of Colombia Telecomunicaciones	31/05/2025	396.052.560
8	CISCO SYSTEMS INC	Cisco Colombia equipment agreement for customers Cisco goods and services	30/04/2024	380.514.283
9	ENERGÍA INTEGRAL ANDINA S.A.	Provision of carrier services by Energía Integral Andina S.A. to the subscriber, through its network of the submarine fiber optics cable system Called San Andrés Islands- Tolú, Colombia	30/06/2030	379.658.066
10	SECURITY ATLAS LTDA.	Provide private security services for the goods, infrastructure and facilities used by the contracting party.	30/06/2026	373.131.009
11	TECHNOLOGICAL AND COMMERCIAL OPERATIONS OPTECOM S.A.S.	The purpose of this contract is the continuous performance by the contractor company of the service called the client loop, consisting of (i) the installation and maintenance in an integrated manner of equipment, infrastructure and telecommunications networks in the facilities of Colombia Telecomunicaciones	31/05/2025	333.722.071
12	PHOENIX TOWER INTERNATIONAL COLOMBIA LTDA.	Selling infrastructure sites	21/09/2024	333.358.575
13	INMEL INGENIERÍA S.A.S.	Customer loop service consisting of the integrated installation and maintenance of telecommunications infrastructure and network equipment in the facilities of Colombia Telecomunicaciones	31/05/2025	316.782.188
14	INTELSAT GLOBAL SALES & MARKETING LTDA.	Satellite capacity service	30/06/2024	280.227.500

15	MITRASTAR TECHNOLOGY CORPORATIONS	Supply of VDSL modems - IAD - light, IAD-plus, ONT HGU, and baseport under DAP FOB terms	31/12/2024	277.878.713
16	EMCOMUNITEL S.A.S.	Customer loop service consisting of integrated installation and maintenance of equipment telecommunications infrastructure and networks in the Colombia Telecommunications facilities	31/05/2025	264.423.369
17	ARRIS SOLUTIONS INC.	This letter of adhesion constitutes the sole and total agreement between the parties, the supply of HD-DTH STB and IPTV decoders in FOB mode.	31/03/2024	263.457.560
18	ENERGIA INTEGRAL ANDINA S.A.	The purpose of this framework agreement is to regulate the terms and conditions of the legal transaction (i) the supply by EIASA of transport capacities in San Andres submarine cable- (II) subscription of the lease agreement	31/03/2032	245.195.974
19	LITEYCA DE COLOMBIA S.A.S.	Service called loop consisting of the integrated installation and maintenance of telecommunications infrastructure equipment and networks	31/05/2025	236.307.851
20	ASKEY COMPUTER CORP.	Supply of VDSL modems, IADs, VDSL Plus in DAP and FOB modalities	31/12/2024	228.324.841
21	TECHNOLOGY AND BUSINESS OPERATIONS OPTECOM S.A.S.	Services of design, supervision and project oversight services for the deployment of the FTTH network deployment | Services for RED projects	31/12/2024	195.689.032
22	HUMAX DIGITAL GMBH	Supply of HD IPTV wifi set-top boxes in FOB and DAP modality	31/03/2024	185.576.458
23	CARIBEMAR DE LA COSTA SAS ESP	Supply of electricity through an unregulated market for facilities in Colombia Telecomunicaciones	31/12/2024	172.481.329
24	PROSEGUR VIGILANCIA Y SEGURIDAD PRIVADA LTDA.	The contractor undertakes to the contracting party to supply, with the periodicity, in the place and in the quantity indicated by the contractor, the physical security services for technical and administrative headquarters and centers of expertise, 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.	30/06/2026	155.437.040
25	TD SYNNEX COLOMBIA LTDA.	The contractor undertakes to supply, with the periodicity, in the place and in the quantity indicated by the contractor, the following goods: UTM firewall, web content filter, antimalware system and proxy, in addition to granting the license for the use of software for the goods that apply to the Check Point and Blue Coat brands (hereinafter "The Goods") and to supply the services (hereinafter "The Services")	30/04/2025	147.736.854
26	HAVAS + S.A.S.	Media agency fee 2021	31/03/2024	142.065.281
27	INFINERA COLOMBIA S.A.S.	The contractor undertakes with the contractor to supply, with the periodicity in the place and in the quantity indicated by the contractor, the supply of technology equipment (hereinafter "BS") and integration, operation and maintenance services of the DWDM technology equipment comprising: Demands/Capacities of 100/10/1EG/FC/SDH	31/12/2024	140.085.027

28	HP COLOMBIA S.A.S.	The contractor undertakes to supply, with the frequency in the place and in the quantity indicated by the contractor, the supply of computer equipment with its associated software, printers, accessories and POS (point of sales solutions) in favor of the client of computer workstations (PDTI) and the client of purchase and sale of computers of the contractor (hereinafter "of goods and services")	31/03/2025	137.834.787
29	GROW DATA S.A.S.	To provide specialized services in IT architecture, BCP, MPSI and IPv4 to IPv6 migration (hereinafter "Services"), and to grant perpetual use licensing for the closed-source management tool, in perpetuity and acquired in favor of and on behalf of SENA for commercial and/or business use	29/02/2024	132.785.632
30	FIBERHOME TELECOMMUNICATION TECHNOLOGIES CO LTDA. BRANCH COLOMBIA	To supply fiber optic cable with the periodicity, in the place and in the quantity indicated by the contractorj	31/12/2024	128.058.541

30. FINANCIAL INDICATORS - NOT DEFINED IN THE ACCOUNTING AND FINANCIAL INFORMATION ACCEPTED IN COLOMBIA

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

1) EBITDA

	Year ended December 31,	
	2023	**2022**
Net income for the year	(680.807.983)	(69.917.413)
More:		
Depreciation and amortization (Note 24)	1.393.278.306	1.388.421.371
Financial expense, net (Note 25)	557.922.045	481.056.699
Equity method (Note 12)	41.511.464	63.768.109
Income tax and complementary taxes (Note 11)	245.826.306	577.911.699
EBITDA	1.557.730.138	2.441.240.465

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

2) Financial Indicators

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

2.1. Indebtedness Ratios

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

	As of December 31,	
	2023	2022
(a) Total level of indebtedness (1)	70,326%	67,930%
b) Level of short-term indebtedness (2)	42,438%	34,097%

(1) The level of indebtedness shows an increase during 2023 mainly due to the subscription, renewal of financial lease contracts for sites for technical facilities.

(2) The level of indebtedness shows an increase during 2023 mainly due to the acquisition of loans with local banks for working capital.

2.2. Solvency Index:

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

	As of December 31,	
	2023	2022
Solvency Ratio (1)	1.422 V	1.472 V

(1) The solvency ratio measures the ability of a company to meet the payment of its debts. As of December 31, 2023, there is a variation mainly due to the subscription, renewal of financial lease contracts for sites for technical facilities and acquisition of short-term loans for working capital.

2.3 Profitability Indices:

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

	As of December 31,	
	2023	2022
(a) Operating margin (1)	2,310%	13,395%
(b) EBITDA margin (2)	21,883%	31,061%

(1) The variation at the end of 2023, once the 2022 ratio has been adjusted to 4.3%, excluding the impact of the sale of fiber optics assets, corresponds mainly to commercial costs for the acquisition of new customers in commercial offers, which must be analyzed in the macroeconomic context and the competitive environment of the sector, among other factors. However, it maintains a positive margin, obtaining a good performance of revenues and measures of efficiency and control.

(2) At the end of 2023 and compared to the same period of 2022, once the 2022 ratio has been adjusted to 23.8%, excluding the impact of the sale of fiber optics assets, there is a slight decrease mainly due to the increase in commercial costs in obtaining new customers.

2.4. Liquidity Ratios

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

	As of December 31,	
	2023	**2022**
a) Net working capital (COP)	(1.445.485.840)	(371.301.288)
b) Current ratio	0.64 times	0,892
c) Acid test	0.595 times	0.78 times

These indicators are static measures of the resources available at any given time to meet short-term obligations. In this sense, the analysis of short-term liquidity and solvency must consider the projections of cash flows made by the Company, which guarantee a going concern.
This indicator is influenced by the Company's strategies such as the investment execution cycle, non-recurring business, changes in business strategy such as the deployment of fiber optics where important resources are executed to capture customers and changes in the macroeconomic environment.

2.5. Organizational Capacity

	As of December 31,	
	2023	**2022**
a) Return on equity - ROE (1)	(17,073)%	(1,471)%
b) Return on assets - ROA (2)	1,224%	7,102%
c) Profitability, net (3)	(9,564)%	(0,890)%

(1) The variation at the end of 2023 and compared to the same period of 2022 once the 2022 ratio (17.180%) has been adjusted, excluding the impact of the sale of fiber optic assets, there is no significant variation mainly due to the good performance of revenues and the efficiency and control measures in expenses.

(2) The variation at the end of 2023 and compared to the same period of 2022, once the 2022 ratio has been adjusted, 2.064%, excluding the impact of the sale of fiber optic assets. It corresponds mainly to commercial costs for the acquisition of new customers in the commercial offer of fiber optics and contents, obtaining a good performance of revenues and the optimization of non-commercial expenses.

(3) The variation at the end of 2023 and compared to the same period of 2022 once the 2022 ratio (11.484%) has been adjusted, excluding the impact of the sale of fiber optic assets. It shows improvement mainly due to the good performance of revenues and the optimization and control of non-commercial expenses.

2.6. Interest coverage

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

	As of December 31,	
	2023	**2022**
Interest Coverage (1)	(17,073)%	(1,471)%

(1) The variation at the end of 2023 and compared to the same period of 2022 once the 2022 ratio has been adjusted to 0.93 times, excluding the impact of the sale of fiber optic assets. The decrease in this indicator at the end of the period ending in 2023 is mainly due to the increase in interest rates, the new obligation for the acquisition of spectrum in the 1900 Mhz band and the impact on the operating result due to the increase in commercial costs in obtaining new customers.

Operational Information

3.1. Access

	2023				2022		
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30
	(000 units)						
End Customer Access	25.084	25.041	24.672	24.082	23.970	23.354	23.004
Basic Line (1)	1.381	1.405	1.415	1.419	1.421	1.414	1.414
Data	1.443	1.443	1.402	1.360	1.318	1.272	1.232
Television	828	809	778	740	704	659	620
Mobile Services	21.432	21.384	21.077	20.563	20.527	20.009	19.738
Prepay	16.001	15.870	15.528	15.088	15.088	14.609	14.534
Postpaid	5.431	5.514	5.548	5.475	5.439	5.400	5.204

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

3.2. Average revenue per user (ARPU)

	2023				2022		
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30
	(000 Units)						
Basic, Broadband & TV (1)	34.016	35.729	33.710	33.852	33.394	32.268	32.528
Total Mobile (2)	10.097	9.928	10.209	10.459	10.657	10.546	10.965
Prepay	2.365	2.298	2.284	2.389	2.689	2.519	2.553
Postpaid	32.959	31.940	32.209	32.864	32.530	32.437	34.324

(1) Includes fixed monthly rates and excludes data and rental revenue.

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

31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The following are the events that occurred between January 1, 2024 and the date of issuance of the consolidated financial statements, which have no effect on the figures closed as of December 31, 2023.

During the month of January 2024, the Company has signed credit agreements with three (3) local financial institutions for a total disbursement of $ 665,000 million, resources that will be used according to the needs in the development of economic activity.

On February 19, 2024, an extraordinary General Shareholders' Meeting of Colombia Telecomunicaciones S.A. ESP BIC was held, where the execution of a binding agreement between Colombia Móvil S.A. ESP and Colombia Telecomunicaciones S.A. E.S.P. BIC was authorized, in order to form a single mobile access network, as well as to share the permits for the use of radio spectrum granted to each of the Parties. The binding agreement is expected to be signed by the parties at the end of the first quarter of 2024.

The above decision was adopted by the General Meeting of Shareholders of Colombia Telecomunicaciones S.A. ESP BIC in accordance with the conditions established in Chapter IV, Title I of the Bylaws and with the favorable vote of 3,410,059,293 subscribed and outstanding shares of the Company, equivalent to 99.999% of the subscribed and paid-in capital.

Report of the Statutory Auditor on the compliance by the directors with the provisions of the bylaws and the orders and instructions of the Shareholders' Meeting, on the existence of adequate internal control, conservation and custody measures for the assets of the company or of third parties held by the Company and on the effectiveness of the controls of the financial reporting process

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

Description of the Main Issue

In the performance of my duties as Statutory Auditor of Colombia Telecomunicaciones S.A. E.S.P. BIC, and in accordance with the provisions of numerals 1 and 3 of article 209 of the Commercial Code and Annex 1 of Chapter I of Title V of Part III of the Basic Legal Circular issued by the Financial Superintendence of Colombia, I am required to inform the Assembly if during the year ended December 31, 2023 the Company had and were adequate the measures of internal control, conservation and custody of its assets or of third parties in its possession and on the adequate compliance by the Company's directors with certain regulatory aspects established in different legal and statutory regulations.

The criteria considered for the evaluation of the matters mentioned in the previous paragraph include: a) the bylaws of the Company, the minutes of the Assembly and the legal and regulatory provisions under the competence of my functions as Statutory Auditor; and b) the components of the internal control system that the management and those responsible for governance of the Entity consider necessary for the adequate and timely preparation of its financial information.

Responsibility of the Administration

The Entity's Administration is responsible for establishing and maintaining an adequate internal control system that allows safeguarding its assets or those of third parties in its possession and adequately complying with the bylaws and the decisions of the Assembly.

In order to comply with these responsibilities, Management must exercise judgments to evaluate the expected benefits and associated costs of control procedures that seek to provide Management with reasonable, but not absolute, assurance of the safeguarding of assets against loss from unauthorized use or disposal, that the Entity's operations are properly executed and recorded, and to allow that the preparation of the financial statements are free from material misstatement due to fraud or error and in accordance with the Accepted Accounting and Financial Reporting Standards in Colombia.

PwC Contadores y Auditores S.A.S., Calle 100 No. 11A-35, Bogotá, Colombia Tel: (60-1) 7431111, www.pwc.com/co

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

Responsibility of the Statutory Auditor

My responsibility as Statutory Auditor is to carry out assurance work to express a conclusion, based on the procedures executed and the evidence obtained, on whether the acts of the directors of the Entity are in accordance with the bylaws and the orders or instructions of the Assembly, on whether there are, and whether they are adequate, internal control measures established by the management of the Entity to safeguard its assets or those of third parties in its possession, and on the effectiveness of the controls of the financial reporting process.

I carried out my duties in accordance with the information assurance standards accepted in Colombia. These standards require that it comply with the ethical and independence requirements established in Decree 2420 of 2015, which are based on the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and that it plan and carry out the procedures it deems necessary in order to obtain assurance about the compliance by the Directors of the Entity with the bylaws and orders or instructions of the Assembly, and on whether the internal control, conservation and custody measures of the assets of the Entity or third parties that are in the possession of the Entity as of December 31, 2023 and for the year ended on that date are in place and adequate, in all material aspects of evaluation, and in accordance with the description of the criteria in the main proceedings.

The Accounting Firm to which I belong and of which I am appointed as the Entity's Statutory Auditor, applies the International Quality Control Standard No. 1 and, consequently, maintains a comprehensive quality control system that includes documented policies and procedures on compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Assurance procedures performed

The aforementioned audit provisions require the Entity to plan and execute assurance procedures to obtain reasonable assurance that the internal controls implemented by the Entity are designed and operate effectively. The assurance procedures selected depend on the judgment of the Statutory Auditor, including the assessment of the risk of material misstatement in the financial statements due to fraud or error and that adequate efficiency and effectiveness of the Entity's operations is not achieved. The procedures executed included selective testing of the design and effective operation of the controls that I deemed necessary in the circumstances to provide reasonable assurance that the control objectives determined by the Entity's management are adequate.

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

The assurance procedures carried out were as follows:

- Review of the Entity's bylaws, minutes of the Shareholders' Meeting, and other supervisory bodies, in order to verify the proper compliance by the Entity's directors with said bylaws and the decisions taken by the Shareholders' Meeting.

- Inquiries with management about changes or proposed amendments to the Entity's bylaws during the period covered and validation of their implementation.

- Understanding and evaluation of the internal control components of the Entity's financial reporting, such as: control environment, risk assessment, information and communication, monitoring of controls and control activities.

- Understanding of how the Entity has responded to emerging risks in information systems.

- Understanding and evaluation of the design of the relevant control activities in the financial information reporting process and their validation to establish that they were implemented by the Entity and operate effectively.

I consider that the audit evidence I obtained is sufficient and appropriate to provide a basis for the conclusion I express below.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements due to fraud or error. Also, it is possible that the results of my procedures may be different or change in condition during the period evaluated, because my report is based on selective tests carried out during the period. In addition, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls will become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Conclusion

Based on the evidence obtained from the work carried out and described above, and subject to the inherent limitations raised, I conclude that, during the year ended December 31, 2023, the acts of the directors of the Entity are in accordance with the bylaws and the orders or instructions of the Assembly, internal control measures, and measures for the conservation and custody of the assets of the Entity or of third parties that are in its possession exist and are adequate, and the controls on the reporting of financial information operated effectively.

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

This report is issued to the Shareholders of Colombia Telecomunicaciones S.A. E.S.P. BIC, to comply with the requirements established in numerals 1 and 3 of article 209 of the Commercial Code, and must not be used for any other purpose.

Julián Andrés Montaño Gaviria
Statutory Auditor
Professional Card No. 121760-T
Appointed by PwC Contadores y Auditores S. A. S. February 22, 2024