

Colombia Telecomunicaciones S.A. E.S.P. BIC and its Subsidiary ¹ As of December 31, 2021, and for the year ended December 31, 2021

(Amounts in billions of pesos unless otherwise indicated)

Colombia Telecomunicaciones S.A. E.S.P. BIC informs that on March 30, 2022, it transmitted to the Financial Superintendency of Colombia the **Condensed Consolidated and Separate Interim Financial Statements** as of December 31, 2021, and for the year ended December 31, 2021.

I. Relevant Matters as of December 31, 2021

1. Impacts of the Economic and Health Emergency Caused by Covid-19.

The Company continues with the development of the activities of its corporate purpose within the framework of the provisions issued by the National Government and local authorities, acting in a responsible and preventive manner and adopting measures to ensure continuity in the operation, the provision of services, and adequate attention to customers, suppliers, employees, contractors and stakeholders in a timely manner, to carry out the measures issued by the health authorities of the National Government and those implemented by the Organization. At the end of December 2021, **the Company** has had limited impacts on its operations and, therefore, on its financial statements in relation to COVID-19.

2. Relevant Matters as of December 31, 2021

Colombia Telecomunicaciones S.A. E.S.P. BIC carried out a series of significant transactions during the year, which is disclosed in Note 1 of the financial statements reported at the end of 2021.

At the end of the year, **the Company** presents a good performance in its financial and operational goals, exceeding the growth before the pandemic, consolidating a growth of the mobile connectivity service, and generating a transformation in revenue generation. To meet the challenges and seek operational excellence, it has adapted its structure and processes within the framework of Telefónica Hispam's new regional operating model. Seeking to capture the value of the regional scale and make the operation more efficient, as well as to guarantee the customer experience and advance in the adoption of the agile methodology, in which we transform the way of doing things and impact the dimensions of strategy, structure, processes, people, and technology of **the Company**.

Another major change that **the Company** underwent in 2021 is being the first operator in Colombia to adopt the legal status of a Benefit and Collective Interest Company (BIC) as a company with an innovative business model that develops labor, environmental, good governance, and community practices.

II. Operating Results

At the end of 2021, **the Company** continues to present positive commercial growth in the main products amid greater commercial dynamics during the year due to the entry of a direct competitor in the market.

The Company presented an exceptional performance leveraged on the growth of mobile (+15.2%) and FTTH (+52%) customers, digital services in the wireline business and mobile terminals. **Operating revenues from customer contracts** grew +10.8% year-on-year. **Operating income before depreciation and amortization [OIBDA]** grew +4.7% at the consolidated level despite a 13% year-on-year increase in operating costs and expenses.

¹ Subsidiary as of December 31, 2021: Empresa Operaciones Tecnológicas y Comerciales S.A.S. - "Optecom".

The Company's total number of customers at the end of December 31, 2021, reached 21.9 million, as follows: **mobile customers totaled** 18.7 M (+15.2% year-on-year) after reporting positive net adds (+869k in 4Q; +2,479k year-on-year in 2021). In contrast, net adds in 4Q amounted to 119k accesses and 622k year-on-year, due to the growth in gross adds (+25.4% vs. 4Q 20) thanks to the Unlimited mobile data offer that changed the market. In the **wireline business**, it is worth highlighting the repositioning of fiber offerings with speed increases. Likewise, fiber deployment accelerated, reaching 499k FTTH customers in 2021 with a year-on-year growth of 51.6%. In Pay TV, IPTV accesses amounted to 323k (58% of total Pay TV), partially offsetting the decline in DTH (-32%) in 2021.

III. Condensed Consolidated Interim Financial Results

1. Condensed Consolidated Interim Condensed Consolidated Statements of Comprehensive Income

Total operating revenues in 2021 amounted to \$5,915 billion, an increase of 10.4% compared to 2020. **Revenues from customers** amounted to \$5,800 billion, a year-on-year increase of 10.8% (\$5,236 billion in 2020), mainly due to the good performance of postpaid, digital services, and the fiber and co-investment services strategy. **Revenues from handset** sales increased by 55.2% due to higher commercial activity resulting from the launch of differential offers and are in line with the economic recovery compared to 2020's.

Other operating revenues operating revenues of \$114 billion showed a decrease of 8.0%, mainly due to a lower execution of projects carried out with direct **company** personnel compared to 2020.

Operating costs and expenses amounted to \$4,176 billion in 2021, an increase of 13% (\$476 billion) compared to 2020, mainly driven by the cost of sales of mobile terminals and B2B project costs associated with higher revenues, fiber deployment, exchange rate and interconnection due to higher traffic.

OIBDA - an indicator that measures performance and operating income before depreciation and amortization totaled \$1,739 billion at the end of 2021, up 4.7% versus 2020 when it totaled \$1,660 billion. **OIBDA growth** during 2021 is driven by the performance in digital service revenues, the increase in mobile handset sales, as well as the capture of important efficiencies in non-commercial costs, and a significant improvement in the provision for bad debts due to the good performance in the collection, portfolio management and recovery of the provisioned portfolio, all when compared to 2020.

Depreciation and amortization expense for the year 2021 amounted to \$1,402 billion, an increase of 2.0% (\$28 billion) compared to 2020, slightly higher due to the amortization of the rights of use resulting from the financial lease agreements. **Financial income net** amounted to \$429 billion, increasing \$164 billion year-over-year. For the year 2021 and eliminating the effect in 2020 of the extraordinary interest income from hedges resulting from the early redemption of derivative instruments, the **financial result, net** increased about 6%, the main effect of which was the increase in interest rates and to a lesser extent the devaluation of the peso against the dollar. Finally, this impact was offset by better interest rates negotiated by the financial institutions and the replacement of debt under the sustainability model.

Net income for the year 2021 was \$97 billion and included an **income tax benefit** of \$189 billion (**net income** of \$8 billion in 2020).

2. Consolidated Statement of Financial Position

The **consolidated total assets** of Colombia Telecomunicaciones S.A. E.S.P. BIC and its subsidiary at the end of December 2021 amount to \$13,412 billion. **Current assets** total \$2,814 billion and **non-current assets** total \$10,598 billion. The main changes in assets compared to the closing as of December 31, 2020, are summarized below:

Current assets present a net increase of 21.5% (\$497 billion) mainly due to increased commercial activity during 2021, with direct influence on debtors, in the item of costs of obtaining and fulfilling contracts with customers, and an increase in the inventory stock to meet commercial offers. Additionally, and as a result of the subscription of the purchase and sale agreement that the **company** entered into on the fiber optic assets with a company controlled by Kohlberg Kravis Roberts [KKR], such assets were transferred from property, plant, and equipment to short-term assets held for sale. The item taxes and public administrations increase due to the recognition of corporate income tax self-withholdings for the year 2021. On the other hand, the decrease in cash and cash equivalents is generated by its use in the prepayment of financial obligations.

Non-current assets decreased by 2.2% (\$236 billion) mainly due to the net effect between depreciation and amortization, and Capex acquired during 2021, and the transfer to current assets of the value of the fiber optic assets indicated in the previous paragraph. On the other hand, it increases due to the recognition of the VAT tax discount on the purchase of real productive fixed assets during the year 2021 and due to the compliance expenses with customers and the obtaining of contracts generated by the increased commercial activity.

Total consolidated liabilities amounted to \$8,398 billion at the close of December 31, 2021 and show a net decrease of 2.2% (\$187 billion) when compared to the close of 2020. The main variations compared to the closing as of December 31, 2020, are summarized below:

Current liabilities amounted to \$2,637 billion, with a net increase of 22.7%, mainly due to liabilities associated with the acquisition of Capex for network deployment, the expansion of 4G technology, and the acquisition of mobile terminal equipment for projects with corporate customers and the installation of equipment for fixed services in customers' homes during the year 2021. Additionally, the constitution of tax liabilities in the process of offsetting the balance in favor of income with income withholdings and VAT sales tax and, on the other hand, for the prepayment of obligations, among others, the syndicated loan (Club Deal).

Non-current liabilities amounted to \$5,761 billion, a net decrease of 10.5% (\$675 billion), mainly due to the prepayment of the syndicated loan (Club Deal) for USD 250 million.

The **consolidated net equity** at the end of December 31, 2021, amounted to \$5,015 billion, with a net increase of 9.8% (\$448 billion) generated by the increase in the valuation of hedging instruments, which are mainly impacted by the variation of the local and external interest rate curve in the valuation of swaps and the **net result** of the year 2021.

IV. Subsequent Events

Information related to subsequent events is disclosed in the notes to the financial statements.

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This document may contain summarized financial information, non-GAAP, or unaudited information. The information contained herein should be read in conjunction with the Financial Statements and Notes to the published financial statements. Financial indicators are included in such financial statements.

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